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UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

REGION IX

IN THE MATTER OF:	)	DOCKET NO. 2001-15
	)	
SAN GABRIEL VALLEY SUPERFUND SITE	)	AMENDED AGREEMENT AND COVENANT NOT TO SUE NORTHROP GRUMMAN SYSTEMS CORPORATION
	)	
UNDER THE AUTHORITY OF THE COMPREHENSIVE ENVIRONMENTAL RESPONSE, COMPENSATION AND LIABILITY ACT OF 1980, 42 U.S.C. §9601, et seq., as amended.	)	

I. INTRODUCTION

This Amended Agreement and Covenant Not to Sue ("Agreement") is made and entered into by and between the United States on behalf of the Environmental Protection Agency ("EPA") and Northrop Grumman Systems Corporation ("Settling Respondent" or "Northrop Grumman"), a wholly owned subsidiary of Northrop Grumman Corporation (collectively the "Parties").

This Agreement amends and supersedes a prior Agreement and Covenant Not to Sue ("the Prior Agreement") that EPA and Northrop Grumman entered into in early August 2001. The Prior Agreement was noticed in the Federal Register (Vol. 66, Pg. 42227, August 10, 2001) and made subject to a 30-day public comment period from August 10, 2001 through September 10, 2001, after which EPA modified the Agreement.

This Agreement is entered into pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA"), 42 U.S.C. §9601, et seq. and

the authority of the Attorney General of the United States to compromise and settle claims of the United States.

Settling Respondent is a Delaware corporation with principal offices at 1840 Century Park East, Los Angeles, CA 90067. Settling Respondent represents that, on April 19, 2001, Settling Respondent entered into an agreement with Aerojet-General Corporation ("Aerojet"), a wholly owned subsidiary of GenCorp Inc. ("GenCorp"), which, subject to certain terms and conditions, including but not limited to the execution of this Agreement, provides for the purchase by Settling Respondent of the assets, properties, rights and interests of Aerojet relating to the Electronics and Information Systems Group, including the facilities located in Azusa, California (the "Asset Purchase"). Settling Respondent represents that Aerojet's Azusa Electronics and Information Systems Group (the "Azusa EISG"), located on the real property at 1100 West Hollyvale Street, Azusa, California ("Azusa Property"), is engaged in the design, development, testing and manufacture of state-of-the-art (i) space-based electro-optical, infrared, microwave and millimeter wave sensors and related ground-based signals and data fusion and processing, and (ii) smart weapons. Aerojet has conducted its manufacturing and research/development operations at the Azusa Site since 1943. The Azusa Property consists of certain real property and improvements more particularly described in Exhibit "1" hereto.

As part of the Asset Purchase, Settling Respondent plans to operate the Azusa EISG, thereby continuing and enhancing the productive use of the Azusa Property and the jobs, opportunities and benefits associated therewith. The Azusa Property is within the area encompassed by the Baldwin Park Operable Unit ("BPOU") of the San Gabriel Valley Superfund Sites, Areas 1 through 4, ("Superfund Site"), as more fully defined below. Settling Respondent

does not wish to incur or subject itself to any environmental liabilities that may be associated with Existing Contamination, as that term is defined herein, and/or the threat thereof existing on or proximate to the Azusa Property as of the date of the Asset Purchase.

The Parties agree to undertake all actions required by the terms and conditions of this Agreement. The purpose of this Agreement is to settle and resolve, subject to those reservations and limitations contained in Sections VII, VIII, IX and X, the potential liability of the Settling Respondent for the Existing Contamination at the Superfund Site, and/or at the Azusa Property, as those terms are defined herein, which would otherwise result from Settling Respondent becoming the owner/operator of the Azusa Property. The purpose of this Agreement is not in any way to cap or limit the liability of Aerojet in connection with the BPOU or to cap or limit any liability GenCorp may have in connection with the BPOU. This Agreement does not in any manner grant a covenant not to sue or release from liability to either Aerojet or GenCorp.

The Parties agree that the Settling Respondent's entry into this Agreement, and the actions undertaken by the Settling Respondent in accordance with this Agreement, do not constitute an admission of any liability by the Settling Respondent.

The resolution of this potential liability, in exchange for provision by the Settling Respondent, GenCorp, and Aerojet to EPA of a substantial benefit, is in the public interest. As described with more particularity in Section III herein, by reason of the Asset Purchase and this Agreement, a substantial benefit will be conferred to the EPA and to the public in that:

(a) Settling Respondent will pay to EPA the sum of $325,000, for deposit into a BPOU Special Account to be retained and used to conduct or finance response actions at or in connection with the BPOU, or transferred by EPA to the EPA

Hazardous Substance Superfund;

(b) GenCorp, the corporate parent of Aerojet, will provide a corporate guaranty in the sum of $25 million, as financial assurance for Aerojet's liability under CERCLA to perform or pay for response actions and reimburse the United States for response costs incurred in connection with the BPOU ;

(c) Aerojet will deposit $40 million in cash into a third-party escrow account, at or before the Closing of the Asset Purchase, as financial assurance for Aerojet's liability under CERCLA to perform or pay for construction of the remedy at the BPOU.

(d) Aerojet will pay to EPA the sum of $1 million, at or before the Closing of the Asset Purchase, for deposit into a BPOU Special Account, in partial payment of EPA's past response costs incurred in connection with the BPOU, to be retained and used to conduct or finance response actions at or in connection with the BPOU, or transferred by EPA to the EPA Hazardous Substance Superfund;

(e) By a separate agreement between EPA and Aerojet, Aerojet will pay to EPA, on or before December 17, 2001, the sum of $8 million, for deposit into a BPOU Special Account, in further partial payment of EPA's past response costs incurred in connection with the BPOU, to be retained and used to conduct or finance response actions at or in connection with the BPOU, or transferred by EPA to the EPA Hazardous Substance Superfund; and

(f) Settling Respondent has contracted with Aerojet to use Settling Respondent's existing and new government contracts at the Azusa Property as a mechanism to

allow Aerojet to recover certain environmental remediation costs from the United States Department of Defense, facilitating remediation efforts at the Superfund Site.

II. DEFINITIONS

Unless otherwise expressly provided herein, terms used in this Agreement which are defined in CERCLA or in regulations promulgated under CERCLA shall have the meaning assigned to them in CERCLA or in such regulations, including any amendments thereto.

1. "ASBCA Settlement" means the Armed Services Board of Contract Appeals Settlement Agreement entered into between the United States, on behalf of the United States Department of Defense, and Aerojet on November 29 1992, and modified on October 27, 1998, under which the United States agreed to reimburse Aerojet for certain environmental remediation costs through contracts entered into between the United States and Aerojet.
2. "Asset Purchase Agreement" shall mean the agreement entered into between Settling Respondent and Aerojet, which, subject to certain terms and conditions, including but not limited to the execution of this Agreement, provides for the purchase by Settling Respondent of the assets, properties, rights and interests of Aerojet relating to the EISG, including the facilities located in Azusa, California.
3. "Azusa Property" shall mean that real property, which address is 1100 West Hollyvale Street, Azusa, California, encompassing approximately seventy acres, and which is described more particularly in Exhibit "1" of this Agreement.
4. "BPOU" shall mean the Baldwin Park Operable Unit, located at, in and near the

Cities of Azusa, Irwindale, Baldwin Park and West Covina, Los Angeles County, California, and depicted generally on the map attached as Exhibit "2."

5. "Closing" as that term relates to the Asset Purchase Agreement shall mean the time when the purchased assets are transferred by Aerojet to the Settling Respondent and the purchase price is paid to Aerojet by the Settling Respondent.

6. "EPA" shall mean the United States Environmental Protection Agency and any successor departments or agencies of the United States.

7. "Environmental Agreement" shall mean Exhibit F to the Asset Purchase Agreement dated April 19, 2001, between Aerojet Corporation and Northrop Grumman Systems Corporation.

8. "Existing Contamination" shall mean:

   (a) any hazardous substances, pollutants or contaminants, present or existing on or under the Azusa Property as of the effective date of this Agreement;

   (b) any hazardous substances, pollutants or contaminants that migrated from the Azusa Property prior to the effective date of this Agreement; and

   (c) any hazardous substances, pollutants or contaminants at the Superfund Site as of the effective date of this Agreement that migrate onto or under or from the Azusa Property after the effective date of this Agreement.

9. "Parties" shall mean the United States on behalf of EPA, and the Settling Respondent.

10. "Settling Respondent" shall mean Northrop Grumman Systems Corporation. .

11. "Superfund Site" shall mean the San Gabriel Valley Superfund Sites, Areas 1

through 4, of which the BPOU is a part.

12. "United States" shall mean the United States of America, its departments, agencies and instrumentalities.

III. STATEMENT OF FACTS

13. The environmental condition of the soils and groundwater underlying the Azusa Property has been the subject of significant investigation by Aerojet, including by and through its environmental consultants, Harding Lawson Associates, and also by Optical Radiation Corporation, by and through its environmental consultants, England & Associates. Many, if not all, of these investigations were conducted for and the information produced was shared with EPA and/or the California Regional Water Quality Control Board.

14. Settling Respondent makes the following representations, as set forth below:

    (a) The Azusa EISG is engaged in the design, development, testing and manufacture of state-of-the-art (i) space-based electro-optical, infrared, microwave and millimeter wave sensors and related ground-based signals and data fusion and processing, and (ii) smart weapons.

    (b) The Azusa EISG is located on the Azusa Property.

    (c) Pursuant to the Asset Purchase, Settling Respondent intends to purchase assets comprising Aerojet's real property interests in the Azusa Property, the capital improvements thereon, the assets and equipment thereon, as well as the business and contracts currently associated with the Azusa Property.

(d) It is Settling Respondent's intention to continue to operate the Azusa EISG at the Azusa Property.

(e) The Azusa Property is located within the BPOU in an area which is primarily industrial and commercial in nature and is established and developed.

(f) Settling Respondent does not now nor has it ever owned or operated a facility within the BPOU and it is not, and has never been named a potentially responsible party in connection with the BPOU.

(g) The Azusa EISG presently employs approximately 1100 individuals at the Azusa Property.

(h) The following factors demonstrate that Settling Respondent's acquisition of the Azusa Property will provide a substantial benefit to EPA and the public by better enabling Aerojet to meet its ongoing Azusa Property and BPOU remediation obligations.

1) Pursuant to the ASBCA Settlement, the United States agreed to reimburse Aerojet for Site Restoration Costs.[1] Specifically, the allowable Site Restoration Costs are included in Aerojet's government contracts, and the Site Restoration Costs are included

[1]Site Restoration Costs, as defined in the ASBCA Settlement, include: (1) costs of Remedial Action in Sacramento and Azusa; (2) costs of compliance with the Partial Consent Decree for the Sacramento Site; (3) costs of defending the prescribed civil lawsuits; (4) costs of defending and responding to demands, claims and actions brought by local, state and federal regulatory agencies; and (5) costs of defending and responding to demands, claims and actions brought by private parties. *See* ASBCA Agreement, Section 2.11.

in establishing Aerojet's negotiated indirect rates.

2) The ASBCA Settlement provides that if any other entity assumes Aerojet's operations in Azusa (e.g., as in this Asset Purchase by Northrop Grumman), the government contracts assumed or entered into by that entity may serve as the basis for the recovery of Aerojet's Site Restoration Costs pursuant to the ASBCA Settlement.

3) Northrop Grumman has agreed, pursuant to the Asset Purchase Agreement and the Environmental Agreement, to assume ownership and control of the Azusa EISG and to continue use of EISG government contracts as a basis to allow Aerojet to continue to recover Site Restoration Costs at the Azusa Property.

4) Northrop Grumman has current annual sales of approximately $15 billion and has and expects to have a steady flow of government contracts.

(i) Within 3 to 4 years from the effective date of this Agreement, Settling Respondent expects to increase the use of the Azusa EISG from its current approximate 60% capacity (1100-1200 employees) to 90-100% capacity, approximately 2000 employees.

(j) Settling Respondent's presence at the Azusa Property will continue and enhance the continued safe environmental practices and overall environmental health and safety at the Azusa Property. Key components of the Azusa EISG's

existing and prospective environmental and health and safety practices and programs include the following:

1) Key Aerojet health and safety personnel as well as outside environmental consultants will be kept in place to ensure continuity and compliance.

2) Settling Respondent's operations at the Azusa Property will involve the design, engineering and assembling of infrared systems which will not involve the use of perchlorate or NDMA, and will involve little, if any, hazardous substances. The Azusa EISG will operate as a light industry. It is anticipated that no propulsion work will occur on site.

15. Settling Respondent represents, and for the purposes of this Agreement EPA relies on the representations, that Settling Respondent's involvement with the Azusa Property and the BPOU has been limited to general business due diligence, including touring the Azusa Property, meeting at the Azusa Property with Aerojet representatives and discussing the environmental condition of the Azusa Property and the BPOU with Aerojet personnel and environmental consultants.

IV. CONSIDERATION: PAYMENTS AND GUARANTY

16. In exchange for the United States' Covenant Not to Sue in Section VIII herein, EPA will receive the following forms of consideration:

(a) EPA will receive within 30 days of the effective date of this Agreement the sum of $325,000 from Settling Respondent. As described further below,

this amount will be deposited into a BPOU Special Account.

(b) GenCorp, the corporate parent of Aerojet, will provide a corporate guaranty in the sum of $25,000,000 as financial assurance for Aerojet's liability under CERCLA to perform response actions and reimburse the United States for response costs incurred in connection with the BPOU, on the terms and conditions set forth in the guaranty. The guaranty will be executed at the Closing of the Asset Purchase. The form of the guaranty is attached hereto as Exhibit 3.

(c) Aerojet will deposit $40 million in cash into a third-party escrow account, at or before the Closing of the Asset Purchase, as financial assurance for Aerojet's liability under CERCLA to perform or pay for construction of the remedy at the BPOU.

(d) Aerojet will pay to EPA at or before the date of the Closing of the Asset Purchase the sum of $1,000,000, in partial payment of past response costs owed to EPA by Aerojet under CERCLA in connection with the BPOU. As described further below, this sum will be deposited into a BPOU Special Account.

(e) By a separate agreement between EPA and Aerojet, Aerojet will pay by wire transfer to EPA, on or before December 17, 2001, the sum of $8 million, for deposit into a BPOU Special Account, in further partial payment of EPA's past response costs incurred in connection with the BPOU, to be retained and used to conduct or finance response actions at or

in connection with the BPOU, or transferred by EPA to the EPA Hazardous Substance Superfund.

(f) The payments required under subparagraphs (a) and (d) of this paragraph shall be in the form of a certified check or checks made payable to "EPA Hazardous Substance Superfund," referencing EPA Region IX, EPA Docket Number 2001-15, and Site/Spill ID# 09M5, and the name and address of the payor. The certified checks, along with a transmittal letter, shall be sent to:

EPA Region IX
Attn: Superfund Accounting
P.O. Box 360863M
Pittsburgh PA 15251

Notice of payment (including a copy of the checks and transmittal letter) shall be sent to those persons listed in Section XV (Notices and Submissions) and to:

Donald Loi
Financial Management Specialist (PMD-6)
U.S. EPA Region IX
75 Hawthorne Street, San Francisco, CA 94105

Section Chief
Environmental Enforcement Section
U.S. Department of Justice
P.O. Box 7611
Washington, D.C. 20044-7611
Attn: Robert R. Klotz
DOJ Ref. 90-11-2-354/4

17. The $325,000 cash amount paid by Settling Respondent and the $1,000,000 cash amount paid by Aerojet pursuant to this Agreement shall be deposited into a BPOU

Special Account and shall be retained and used to conduct or finance response actions at or in connection with the BPOU, or transferred by EPA to the EPA Hazardous Substance Superfund. EPA will use the funds in the BPOU Special Account in a manner consistent with EPA's Office of Site Remediation Enforcement memorandum titled "Placement of Proceeds from CERCLA Settlements in Special Accounts," dated January 27, 2000.

18. The amount under Paragraph 16(a) due and owing from Settling Respondent pursuant to the terms of this Agreement but not paid in accordance with the terms of this Agreement shall accrue interest at the rate established pursuant to Section 107(a) of CERCLA, 42 U.S.C. §9607(a), compounded on an annual basis.

V. ACCESS/NOTICE TO SUCCESSORS-IN-INTEREST

19. Commencing upon the date that it acquires title to the Azusa Property, Settling Respondent agrees to provide to EPA its authorized officers, employees, representatives and all other persons performing response actions under EPA oversight, an irrevocable right of access at all reasonable times to the Azusa Property and to any other property over which Settling Respondent has or obtains control to which access is required for the implementation of response actions at the BPOU ("other Settling Respondent BPOU Properties") for the purposes of performing and overseeing response actions at the BPOU under federal law. EPA agrees to provide reasonable notice to the Settling Respondent of the timing of response actions to be undertaken at the Azusa Property and/or to other Settling Respondent BPOU Properties. Notwithstanding any provision of this Agreement,

EPA retains all of its access authorities and rights, including enforcement authorities related thereto, under CERCLA, the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act, 42 U.S.C. §6901, ("RCRA") et seq., and any other applicable statute or regulation, including any amendment thereto.

20. With respect to the Azusa Property and other Settling Respondent BPOU Properties, within 15 days after the effective date of this Agreement or the date of acquisition of any such properties, whichever date is later, the Settling Respondent shall submit to EPA for review and approval a notice to be filed with the Recorder's Office or Registry of Deeds or other appropriate office, Los Angeles County, State of California, which shall provide notice to all successors-in-title that the Azusa Property is part of the BPOU, and that EPA has selected an interim remedy for the BPOU. Settling Respondent shall record the notice(s) within 10 days of EPA's approval of the notice(s). The Settling Respondent shall provide EPA with a certified copy of the recorded notice(s) within 10 days of recording such notice(s).

21. The Settling Respondent shall ensure that assignees, successors-in-interest, lessees and sublessees of the Azusa Property and other Settling Respondent BPOU Properties shall provide the same access and cooperation. The Settling Respondent shall ensure that a copy of this Agreement is provided to any current lessee or sublessee of the Azusa Property and/or of other Settling Respondent BPOU Properties as of the effective date of this Agreement and shall ensure that any

subsequent leases, subleases, assignments, transfers or interests in the Azusa Property or of other Settling Respondent Properties are consistent with this Section, and Section XI (Parties Bound/Transfer of Covenant), of this Agreement.

VI. DUE CARE/COOPERATION

22. The Settling Respondent shall exercise due care at the Superfund Site with respect to the Existing Contamination and shall comply with all applicable local, State and Federal laws and regulations. The Settling Respondent recognizes that the implementation of response actions at the BPOU may interfere with the Settling Respondent's use of the Azusa Property, and may require closure of its operations or a part thereof. The Settling Respondent agrees to cooperate fully with EPA in the implementation of response actions at the BPOU and further agrees not to interfere with such response actions. EPA agrees, consistent with its responsibilities under applicable law, to use reasonable efforts to minimize any interference with the Settling Respondent's operations by such entry and response. In the event the Settling Respondent becomes aware of any action or occurrence which causes or threatens a release of hazardous substances, pollutants or contaminants at or from the Azusa Property that constitutes an emergency situation or may present an immediate threat to public health or welfare or the environment, Settling Respondent shall immediately take all appropriate action to prevent, abate or minimize such release or threat of release, and shall, in addition to complying with any applicable notification requirements under Section 103 of CERCLA, 42 U.S.C. §9603, or any other law, immediately notify EPA of such release or

threatened release.

VII. CERTIFICATION

23. By entering into this Agreement , the Settling Respondent certifies that to the best of its knowledge and belief it has fully and accurately disclosed to EPA all information known to Settling Respondent and all information in the possession or control of its officers, directors, employees, contractors and agents which relates in any way to any Existing Contamination or any past or potential future release of hazardous substances, pollutants or contaminants at or from the Superfund Site and to its qualification for this Agreement. The Settling Respondent also certifies that to the best of its knowledge and belief as of the effective date of this Agreement it has not caused or contributed to a release or threat of release of hazardous substances, pollutants or contaminants at the Superfund Site. If the United States determines that information provided by Settling Respondent is not materially accurate and complete, the Agreement, within the sole discretion of the United States, shall be null and void and the United States reserves all rights it may have.

VIII. UNITED STATES' COVENANT NOT TO SUE

24. Subject to the Reservation of Rights in Section IX of this Agreement, upon the payment of the amounts and the signing of the guaranty specified in Paragraphs 16(a), (b), (c), and (d) and 18 of this Agreement (See Section IV, Consideration: Payments and Guaranty), the United States covenants not to sue or take any other civil or administrative action against Settling Respondent for any and all civil liability for injunctive relief or reimbursement of response costs pursuant to

Sections 106 or 107(a) of CERCLA, 42 U.S.C. §§9606 or 9607(a), with respect to the Existing Contamination.

IX. RESERVATION OF RIGHTS

25. The covenant not to sue set forth in Section VIII above does not pertain to any matters other than those expressly specified in Section VIII (United States' Covenant Not to Sue). The United States reserves and the Agreement is without prejudice to all rights against Settling Respondent with respect to all other matters, including but not limited to, the following:

(a) claims based on a failure by Settling Respondent to meet a requirement of this Agreement, including but not limited to Section IV (Consideration: Payments and Guaranty), Section V (Access/Notice to Successors-in-Interest), Section VI (Due Care/Cooperation), Section XIV (Payment of Costs);

(b) any liability resulting from past or future releases of hazardous substances, pollutants or contaminants, at or from the Superfund Site caused or contributed to by Settling Respondent, its successors, assignees, lessees or sublessees;

(c) any liability resulting from exacerbation by Settling Respondent, its successors, assignees, lessees or sublessees, of Existing Contamination;

(d) any liability resulting from the release or threat of release of hazardous substances, pollutants or contaminants at the Superfund Site after the effective date of this Agreement, not within the definition of Existing

Contamination;

(e) criminal liability;

(f) liability for damages for injury to, destruction of, or loss of natural resources, and for the costs of any natural resource assessment incurred by federal agencies other than EPA; and

(g) liability for violations of local, State or Federal law or regulations.

(h) liability for institutional controls (including but not limited to land use covenants), as to Settling Respondent, that EPA determines are necessary for achieving protection of human health, welfare or the environment, after consultation with the State of California.

26. With respect to any claim or cause of action asserted by the United States, the Settling Respondent shall bear the burden of proving that the claim or cause of action, or any part thereof, is attributable solely to Existing Contamination.

27. Nothing in this Agreement is intended as a release or covenant not to sue for any claim or cause of action, administrative or judicial, civil or criminal, past or future, in law or in equity, which the United States may have against any person, firm, corporation or other entity not a party to this Agreement.

28. Nothing in this Agreement is intended to limit the right of EPA to undertake future response actions at the Superfund Site or to seek to compel parties other than the Settling Respondent to perform or pay for response actions at the Superfund Site. Nothing in this Agreement shall in any way restrict or limit the nature or scope of response actions which may be taken or be required by EPA in exercising its

authority under Federal law. Settling Respondent acknowledges that it is purchasing property where response actions may be required.

X. SETTLING RESPONDENT'S COVENANT NOT TO SUE

29. In consideration of the United States' Covenant Not to Sue in Section VIII of this Agreement, except as expressly provided herein, the Settling Respondent hereby covenants not to sue and not to assert any claims or causes of action against the United States, its authorized officers, employees or representatives with respect to the Superfund Site or this Agreement, including but not limited to, any direct or indirect claims for reimbursement from the Hazardous Substance Superfund established pursuant to the Internal Revenue Code, 26 U.S.C. §9507, through CERCLA Sections 106(b)(2), 111, 112, 113, or any other provision of law, any claim against the United States, including any department, agency or instrumentality of the United States under CERCLA Sections 107 or 113 related to the Superfund Site, or any claims arising out of response activities at the Superfund Site, including claims based on EPA's oversight of such activities or approval of plans for such activities. Notwithstanding this covenant not to sue, Settling Respondent hereby reserves any and all of its rights to assert any claim, cause of action or defense, whether in law or equity, that it may have against the United States arising from or in relation to the ASBCA Settlement and/or the Environmental Agreement.

30. The Settling Respondent reserves, and this Agreement is without prejudice to, actions against the United States based on negligent actions taken directly by the

United States, not including oversight or approval of the Settling Respondent's plans or activities, that are brought pursuant to any statute other than CERCLA or RCRA and for which the waiver of sovereign immunity is found in a statute other than CERCLA or RCRA. Nothing herein shall be deemed to constitute preauthorization of a claim within the meaning of Section 111 of CERCLA, 42 U.S.C. §9611, or 40 C.F.R. §300.700(d).

XI. PARTIES BOUND/TRANSFER OF COVENANT

31. This Agreement shall apply to and be binding upon the United States, and shall apply to and be binding upon the Settling Respondent, its officers, directors and employees. The United States' Covenant Not to Sue in Section VIII and Contribution Protection in Section XVIII shall apply to Settling Respondent's officers, directors or employees, to the extent that the alleged liability of the officer, director or employee is based on its status and in its capacity as an officer, director or employee of Settling Respondent, and not to the extent that the alleged liability arose independently of the alleged liability of the Settling Respondent. Each signatory of a Party to this Agreement represents that he or she is fully authorized to enter into the terms and conditions of this Agreement and to legally bind such Party.

32. Notwithstanding any other provisions of this Agreement, all of the rights, benefits and obligations conferred upon Settling Respondent under this Agreement may be assigned or transferred to any person with the prior written consent of EPA in its sole discretion. Prior to any desired assignment or transfer, Settling Respondent

shall be given the opportunity to meet and confer with EPA for the purpose of discussing the terms and conditions of the proposed assignment and/or transfer.

33. The Settling Respondent agrees to pay the reasonable costs incurred by EPA to review any subsequent requests for consent to assign or transfer the benefits conferred by this Agreement.

34. In the event of an assignment or transfer of the Azusa Property or an assignment or transfer of an interest in the Azusa Property, the assignor or transferor shall continue to be bound by all the terms and conditions, and subject to all the benefits, of this Agreement except as EPA and the assignor or transferor agree otherwise and modify this Agreement, in writing, accordingly. Moreover, prior to or simultaneous with any assignment or transfer of the Azusa Property, the assignee or transferee must consent in writing to be bound by the terms of this Agreement including but not limited to the certification requirement in Section VII of this Agreement in order for the Covenant Not to Sue in Section VIII to be available to that party. The Covenant Not to Sue in Section VIII shall not be effective with respect to any assignees or transferees who fail to provide such written consent to EPA.

XII. DISCLAIMER

35. This Agreement in no way constitutes a finding by EPA as to the risks to human health and the environment which may be posed by contamination at the Azusa Property or the Superfund Site nor constitutes any representation by EPA that the Azusa Property or the Superfund Site is fit for any particular purpose.

XIII. DOCUMENT RETENTION

36. Settling Respondent agrees to retain and, subject to any and all rights and protections which may be asserted by or afforded to Settling Respondent based on attorney-client, work product, business propriety, trademark, classified, and/or confidentiality protections and/or privileges, to make available to EPA all business and operating records, contracts, Superfund Site studies, investigations and documents relating to releases of hazardous substances, pollutants or contaminants at the Azusa Property, for at least ten years, following the effective date of this Agreement unless otherwise agreed to in writing by the Parties. At the end of ten years, the Settling Respondent shall notify EPA of the location of such documents and shall provide EPA with an opportunity to copy any documents at the expense of EPA.

XIV. PAYMENT OF COSTS

37. If the Settling Respondent fails to comply with the terms of the Agreement, including, but not limited to, the provisions of Section IV (Payment), of this Agreement, it shall be liable for all litigation and other enforcement costs incurred by the United States to enforce this Agreement or otherwise obtain compliance.

XV. NOTICES AND SUBMISSIONS

38. All notices to Settling Respondent shall be sent to:

Office of the General Counsel
Northrop Grumman Systems Corporation
1840 Century Park East
Los Angeles, CA 90067
Attention: Richard Grieves
Facsimile: (310) 332-5664

With copies to:

Gary A. Meyer, Esq.
Parker, Milliken, Clark, O'Hara & Samuelian
333 South Hope Street, 27th Floor
Los Angeles, CA 90071
Facsimile: (213) 683-6621

All notices to the United States should be sent to:

Lewis Maldonado, ORC-3
Assistant Regional Counsel
U.S. EPA
75 Hawthorne Street
San Francisco, CA 94105

with a copy to:

Wayne Praskins, SFD-7-1
Superfund Project Manager
U.S. EPA
75 Hawthorne Street
San Francisco, CA 94105

XVI. EFFECTIVE DATE

39. The effective date of this Agreement shall be the date upon which EPA issues written notice to the Settling Respondent that EPA has fully executed the Agreement after review of and response to any public comments received.

XVII. TERMINATION

40. If any Party believes that any or all of the obligations under Section V (Access/Notice to Successors-in-Interest) are no longer necessary to ensure compliance with the requirements of the Agreement, that Party may request in writing that the other Party agree to terminate the provision(s) establishing such obligations; provided, however, that the provision(s) in question shall continue in

force unless and until the party requesting such termination receives written agreement from the other party to terminate such provision(s).

XVIII. CONTRIBUTION PROTECTION

41. With regard to claims for contribution against Settling Respondent, the Parties hereto agree that the Settling Respondent is entitled to protection from contribution actions or claims as provided by CERCLA Section 113(f)(2), 42 U.S.C. §9613(f)(2), for matters addressed in this Agreement. The matters addressed in this Agreement are all response actions taken or to be taken and response costs incurred or to be incurred by the United States or any other person for the Superfund Site with respect to the Existing Contamination.

42. The Settling Respondent agrees that with respect to any suit or claim for contribution brought by it for matters related to this Agreement it will notify the United States in writing no later than 60 days prior to the initiation of such suit or claim.

43. The Settling Respondent also agrees that with respect to any suit or claim for contribution brought against it for matters related to this Agreement it will notify in writing the United States within 10 days of service of the complaint on it.

XIX. EXHIBITS

44. Exhibit "1" shall include the description of the Azusa Property, which is the subject of this Agreement.

45. Exhibit "2" shall include the map depicting the BPOU.

46. Exhibit "3" is the form of the guaranty in the sum of $25,000,000, more fully

described in Paragraph 16(b) of this Agreement, that GenCorp will execute on the date of the Closing of the Asset Purchase.

IT IS SO AGREED:
UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

BY:

_____

Keith Takata, Director — Date
Superfund Division
EPA Region IX

IT IS SO AGREED:
UNITED STATES DEPARTMENT OF JUSTICE

BY:

_____

John C. Cruden — Date
Acting Assistant Attorney General
Environment and Natural Resources Division
U.S. Department of Justice

IT IS SO AGREED:

BY:

9/21/01

Albert F. Myers — Date
Corporate Vice-President and Treasurer
Northrop Grumman Systems Corporation

described in Paragraph 16(b) of this Agreement, that GenCorp will execute on the date of the Closing of the Asset Purchase.

IT IS SO AGREED:
UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

BY: 9/25/01

For Keith Takata, Director — Date
Superfund Division
EPA Region IX

IT IS SO AGREED:
UNITED STATES DEPARTMENT OF JUSTICE

BY:

John C. Cruden — Date
Acting Assistant Attorney General
Environment and Natural Resources Division
U.S. Department of Justice

IT IS SO AGREED:

BY:

Albert F. Myers — Date
Corporate Vice-President and Treasurer
Northrop Grumman Systems Corporation

45. Exhibit "2" shall include the map depicting the BPOU.

46. Exhibit "3" is the form of the guaranty in the sum of $25,000,000, more fully described in Paragraph 16(b) of this Agreement, that GenCorp will execute on the date of the Closing of the Asset Purchase.

IT IS SO AGREED:
UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

BY:

_____

Keith Takata, Director — Date
Superfund Division
EPA Region IX

IT IS SO AGREED:
UNITED STATES DEPARTMENT OF JUSTICE

BY:

John C Cruden/KRA 9.24.01

John C. Cruden — Date
Acting Assistant Attorney General
Environment and Natural Resources Division
U.S. Department of Justice

IT IS SO AGREED:

BY:

_____

Albert F. Myers — Date
Corporate Vice-President and Treasurer
Northrop Grumman Systems Corporation

EXHIBIT 1
(Page 1 of 2)

Description of Aerojet Property

Property located in Azusa, California, more particularly described as:

Parcel A:

Parcels 2 and 3 of Parcel Map No. 10328, in the City of Azusa, County of Los Angeles, State of California, as per map filed in Book 95 Pages 83 and 84 of Parcel Maps, in the Office of the County Recorder.

Parcel B:

Parcel 8, 9 and 10 of Parcel Map No. 7580, in the City of Azusa, County of Los Angeles, State of California, as per Map filed in Book 81 Pages 65 through 68 of Parcel Maps, in the Office of the County Recorder.

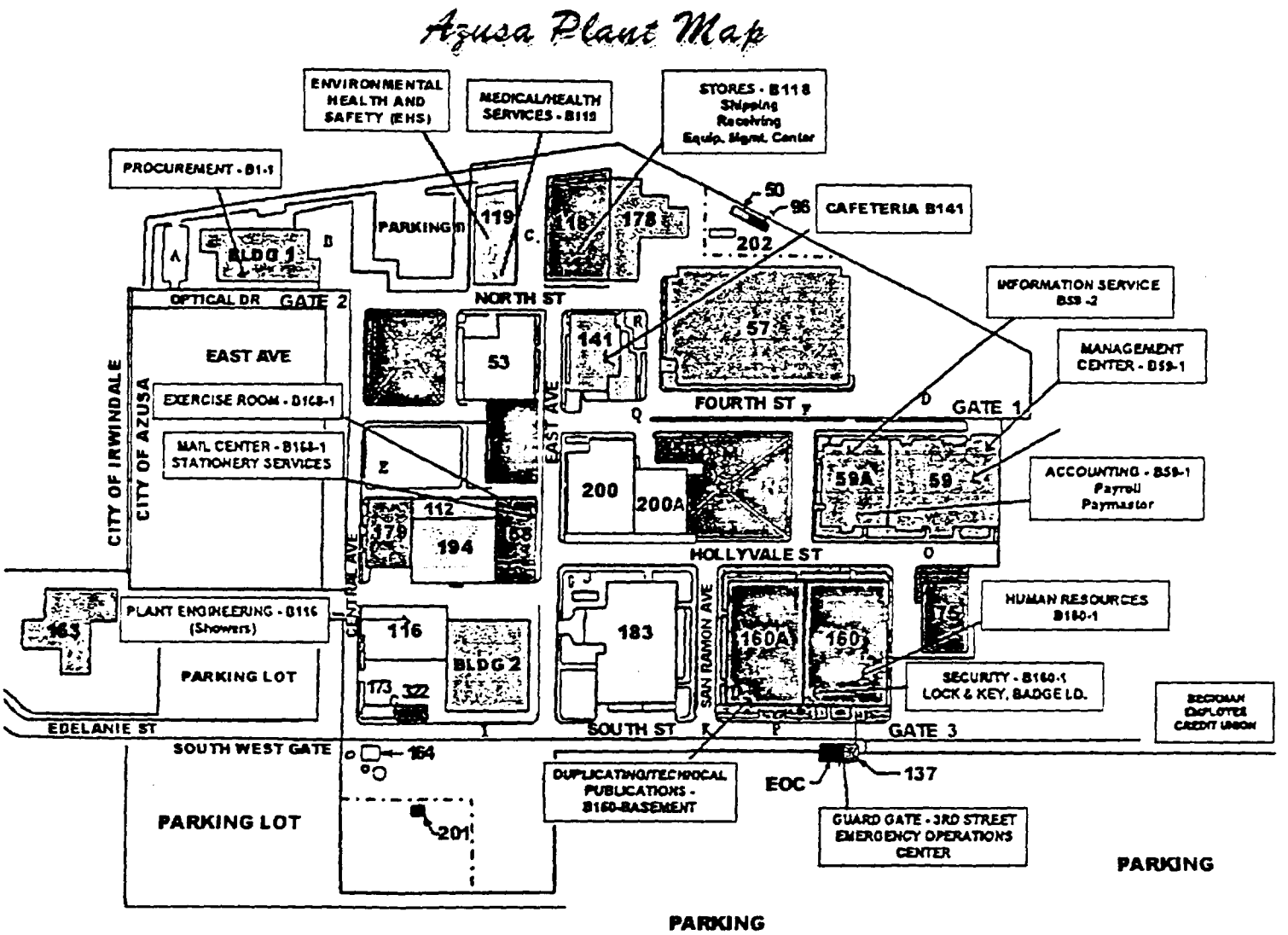
Property located in Irwindale, California, more particularly described as:

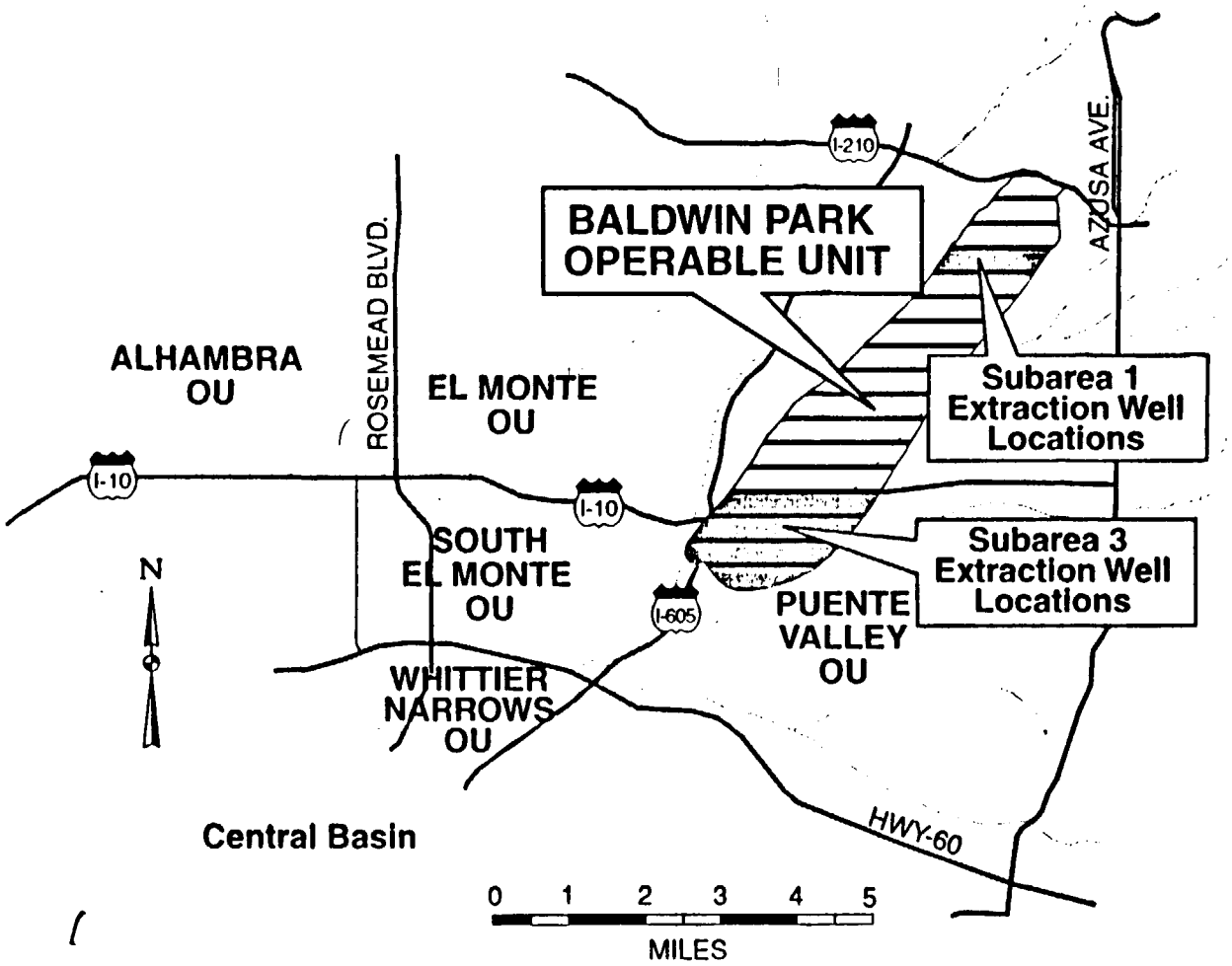
Parcel C: Those portions of Parcels 2 and 6 of Parcel Map No. 7580, in the City of Irwindale, County of Los Angeles, State of California, as per Map filed in Book 81, Pages 65 through 68, of Parcel Maps, in the Office of County Recorder of said county, lying northeasterly and northerly of the northerly line of that certain strip of land 50.00 feet in width described in the Deed to The Irwindale Community Redevelopment Agency, a body public, corporate and politic, in Deed recorded December 15, 1977, as Instrument No. 77-1380387.

Except that portion of Parcel 6 lying northerly of a line described as follows:

Beginning at the southwest corner of Parcel 5 of said Parcel Map No. 7580, thence along the prolongation of the southerly line of said Parcel 5, south 89 degrees 27 minutes 41 seconds west 24.01 feet to the easterly line of Parcel Map No. 10682, filed in Book 96, Pages 37 and 38, of Parcel Maps, in said Recorder's Office.

EXHIBIT 1
(Page 2 of 2)





Location map of the Baldwin Park Operable Unit

EXHIBIT 2

Exhibit 3

GUARANTY

This Guaranty, effective _____, 2001 is made by GenCorp Inc., an Ohio corporation, ("Guarantor") in favor of the United States Environmental Protection Agency ("EPA"), and is a guaranty of performance by Aerojet-General Corporation, an Ohio corporation, ("Aerojet") of Aerojet's obligations to perform work under the Interim Record of Decision ("ROD") dated March 31, 1994, as modified by the Explanation of Significant Differences of May 1999 or any subsequent modifications to the Interim ROD, including, without limitation, work required by any consent decree embodying such obligations and work required by the unilateral Administrative Order for Remedial Design and Remedial Action issued by the EPA, U.S. EPA Docket No. 2000-13 ("UAO"), concerning the Baldwin Park Operable Unit of the San Gabriel Valley Superfund Sites (the "Guaranteed Obligations").

Guarantor agrees as follows:

1. Guarantor guarantees to the EPA that, if and to the extent that Aerojet fails to satisfy any of the Guaranteed Obligations and fails to remedy such failure within thirty (30) days after receiving written notice from the EPA of such failure, then Guarantor shall, within thirty (30) days after demand by the EPA, make available all funds necessary to meet such obligations as they shall become due from time to time. Notwithstanding any other provision of this Guaranty, this Guaranty does not obligate Guarantor to fund more than a maximum aggregate amount of Twenty-Five Million Dollars ($25 million) of the Guaranteed Obligations. The maximum aggregate amount for which Guarantor may be liable under this Guaranty, less the aggregate amount of any payments previously made by the Guarantor under this Guaranty, is referred to as the "Guaranteed Amount."

2. The $25 million Guaranty shall be offset, during the first three years in which the Guaranty is in effect, by the amount of any financial assurances (such as letters of credit, surety bonds, trust agreements or similar financial instruments) which Aerojet shall be required to provide with respect to the performance of its obligations under the UAO. Such financial assurances include, but are not limited to, any financial assurances which Aerojet shall be required to provide in support of its obligations under any agreement among participating water entities and potentially responsible parties for implementation of a project to perform the Guaranteed Obligations.

3. This Guaranty is effective upon the closing of the purchase and sale transaction between Aerojet and Northrop Grumman Systems Corporation pertaining to the real property, capital improvements and business assets comprising Aerojet's Azusa, California, Electronics and Information Systems Group.

4. This Guaranty shall remain in effect so long as the Guaranteed Amount is greater than zero and any of the Guaranteed Obligations remain to be performed, unless

terminated by agreement of the EPA and Guarantor, or pursuant to court order or other process agreed upon by the EPA and Guarantor.

5. Guarantor agrees to notify the EPA Regional Administrator for Region IX, by certified mail, of a voluntary or involuntary case under Title 11, U.S. Code, naming Guarantor as debtor, within 10 days after its commencement.

6. In any action brought on behalf of EPA to enforce this Guaranty, Guarantor waives all objections to the propriety of venue in the United States District Courts for the Central District of California, the Northern District of California, and the Eastern District of California.

7. This Guaranty shall bind and inure to the benefit of the EPA and Guarantor and to their respective successors.

8. This Guaranty may be modified only by the written agreement of the EPA and Guarantor.

GENCORP INC.
By: _____
Its: _____
Date: _____

Acknowledged and accepted
as of the date hereof
UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

By: _____

Its: _____

Date: _____

AGREEMENT REGARDING PARTIAL PAYMENT OF PAST COSTS

WHEREAS, the U.S. Environmental Protection Agency ("EPA") asserts that Aerojet-General Corporation ("Aerojet") is a potentially responsible party with respect to contamination at the Baldwin Park Operable Unit of the San Gabriel Valley Superfund Sites ("the BPOU");

WHEREAS, EPA asserts that it has incurred response costs under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA"), 42 U.S.C. §9601, et seq., in excess of $26,500,000, through December 31, 2000;

WHEREAS, Aerojet has entered into an agreement with Northrop Grumman Systems Corporation ("Northrop Grumman"), which, subject to certain terms and conditions, provides for the purchase by Northrop Grumman of the assets, properties, rights and interests of Aerojet relating to the Electronics and Information Systems Group, including the facilities located at 1100 West Hollyvale Avenue, in Azusa, California (the "Asset Purchase");

WHEREAS, as a condition of the Asset Purchase, Northrop Grumman and the United States on behalf of EPA are entering into an Amended Agreement and Covenant Not to Sue ("the Prospective Purchaser Agreement" or "the PPA"), under which Northop Grumman will receive a covenant not to sue from the United States under CERCLA, subject to certain terms and conditions, as set forth in more detail in the PPA;

WHEREAS, as part of the consideration for the PPA, (1) Aerojet will pay to EPA the sum of $1,000,000 in partial payment of EPA's past response costs under CERCLA at or before

the closing of the Asset Purchase, and (2) Aerojet will pay, pursuant to this Agreement Regarding Partial Payment of Past Costs ("the Past Costs Agreement") on or before December 17, 2001, the additional sum of $8,000,000 in further partial payment of EPA's past response costs under CERCLA; and

WHEREAS, the above sums that EPA will receive in partial payment of past response costs will be deposited into a BPOU Special Account, to be retained and used to conduct or finance response actions at or in connection with the BPOU, or transferred by EPA to the EPA Hazardous Substances Superfund.

NOW, THEREFORE, THE UNITED STATES, ON BEHALF OF EPA, AND AEROJET HEREBY AGREE AS FOLLOWS:

1. Aerojet will pay to EPA, on or before December 17, 2001, the sum of $8,000,000, for deposit into a BPOU Special Account, in partial payment of EPA's past response costs incurred in connection with the BPOU, to be retained and used to conduct or finance response actions at or in connection with the BPOU, or transferred by EPA to the EPA Hazardous Substance Superfund. Payment shall be made by Electronic Funds Transfer to EPA, referencing EPA Region and Site/Spill ID #09M5. Payment shall be made in accordance with instructions provided to Aerojet by EPA following the signing of this Past Costs Agreement. Any payment received by EPA after 4:00 p.m. (Eastern Time) will be credited on the next business day. Aerojet also shall send notice of the payment to:

Donald Loi
Financial Management Specialist (PMD-6)
U.S. EPA Region IX
75 Hawthorne Street
San Francisco, CA 94105

Lewis Maldonado, ORC-3
Assistant Regional Counsel
U.S. EPA
75 Hawthorne Street
San Francisco, CA 94105

Section Chief
Environmental Enforcement Section
U.S. Department of Justice
P.O. Box 7611
Washington, D.C. 20044-7611
Attn: Robert R. Klotz
DOJ Ref. 90-11-2-354/4

2. If Aerojet fails to make the payment under Paragraph 1 by December 17, 2001, then Aerojet shall pay interest on the unpaid amount, commencing on the date that payment is due and accruing through the date of payment. The interest shall accrue at the rate specified on investments of the Hazardous Substance Superfund established by 26 U.S.C. § 9507, compounded annually on October 1 of each year, in accordance with 42 U.S.C. § 9707(a).

3. In addition to the interest required by Paragraph 2, if Aerojet fails to remit the payment required by Paragraph 1 when due, then Aerojet shall also pay stipulated penalties to EPA of $5,000 per day for each day that the payment is late. Stipulated penalties are due and payable to EPA within 30 days of the demand for payment of the penalties by EPA. All payments to EPA under this Paragraph shall be identified as "stipulated penalties" and shall be made by certified or cashier's check made payable to "EPA Hazardous Substance Superfund." The check, or a letter accompanying the check shall reference EPA Region IX, the Site name, the Site/Spill ID #09M5, and the name and address of the payor, and shall be sent to EPA Region IX, Attn: Superfund Accounting, P.O. Box 360863M, Pittsburgh, PA 15251. At the time of payment of any stipulated penalties to EPA, Aerojet shall send copies of the check and any accompanying

transmittal letter to the addresses identified in Paragraph 1.

4. Aerojet's $8,000,000 payment under Paragraph 1, as well as Aerojet's payment of $1,000,000 at the time of the closing of the Asset Purchase Agreement, but not any associated payment of interest or stipulated penalties, shall be credited against Aerojet's potential liability for EPA's past response costs under CERCLA at the BPOU.

5. This Past Costs Agreement is not a settlement or compromise. Neither Aerojet nor its parent corporation, GenCorp Inc. is receiving any covenant not to sue or release from the United States in exchange for the $1,000,000 to be paid at the closing of the Asset Purchase Agreement or the $8,000,000 to be paid under Paragraph 1of this Past Costs Agreement. The United States reserves and this Past Costs Agreement is without prejudice to all rights that the United States may have against Aerojet and any other party under any law or statute, whether civil or criminal.

6. Nothing under this Past Costs Agreement constitutes an admission of any liability by Aerojet or any other party under CERCLA or any other law or statute.

IT IS SO AGREED:
UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

BY:

9/25/01

For Keith Takata, Director
Superfund Division
EPA Region IX

Date

IT IS SO AGREED:
UNITED STATES DEPARTMENT OF JUSTICE

BY:

_____

John C. Cruden — Date
Acting Assistant Attorney General
Environment and Natural Resources Division
U.S. Department of Justice

IT IS SO AGREED:
AEROJET-GENERAL CORPORATION

BY:

RC Anderson — 9-21-01

Robert C. Anderson — Date
Secretary
Aerojet-General Corporation

IT IS SO AGREED:
UNITED STATES DEPARTMENT OF JUSTICE

BY:

9-24-01

John C. Cruden — Date
Acting Assistant Attorney General
Environment and Natural Resources Division
U.S. Department of Justice

IT IS SO AGREED:
AEROJET-GENERAL CORPORATION

BY:

Robert C. Anderson — Date
Secretary
Aerojet-General Corporation