FORM 10-K

Annual report pursuant to section 13 and 15(d)

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FILER

HEXCEL CORP /DE/

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-K

/X/ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 1993
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 1-8472

HEXCEL CORPORATION
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

Delaware	94-1109521
(STATE OF INCORPORATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

5794 W. Las Positas Boulevard
Pleasanton, California 94588-8781
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES AND ZIP CODE)

Registrant's telephone number, including area code: (510) 847-9500

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
COMMON STOCK	NEW YORK STOCK EXCHANGE
COMMON STOCK	PACIFIC STOCK EXCHANGE

Securities registered pursuant to Section 12(g) of the Act:
7% CONVERTIBLE SUBORDINATED DEBENTURES DUE 2011

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 X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value as of April 8, 1994 of voting stock held by nonaffiliates of the registrant: $27,411,851.

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan of reorganization confirmed by a U.S. Bankruptcy Court.
Yes X No (Note: To date, no plan confirmed, no securities distributed)

The number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

<TABLE>
<CAPTION>

Class	Outstanding at April 8, 1994
<S>	<C>
COMMON STOCK	7,309,827

</TABLE>

DOCUMENTS INCORPORATED BY REFERENCE:
PROXY STATEMENT FOR THE ANNUAL MEETING OF SHAREHOLDERS (TO THE EXTENT SPECIFIED HEREIN) - PART III.

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PART I

ITEM 1. BUSINESS.

GENERAL DEVELOPMENT OF BUSINESS

Hexcel Corporation (herein referred to as the "Parent Company" or the "Parent"), founded in 1946, was initially incorporated in California in 1948, and reincorporated in Delaware in 1983. Hexcel Corporation and subsidiaries

(herein referred to as "Hexcel" or the "Company") is an international developer and manufacturer of honeycomb, advanced composites, reinforcement fabrics and resins. Hexcel materials are used in commercial aerospace, space and defense, general industrial and other markets.

RESTRUCTURING AND BANKRUPTCY REORGANIZATION

In December 1992, the Company initiated a worldwide restructuring program designed to improve facility utilization and determine the proper workforce requirements to support future business levels. The Company recorded a $23.5 million charge for this program in the fourth quarter of 1992. The restructuring was necessary due to anticipated protracted weakness in the aerospace industry and the need to make aggressive cost reductions to operate profitably at lower sales levels. Restructuring actions began in 1993 and included commencement of the closure of the Graham, Texas plant, personnel reductions at all remaining manufacturing facilities, and a worldwide reorganization of sales, marketing and administration.

During the third quarter of 1993, Hexcel conducted a further evaluation of the adequacy of the restructuring program and existing reserves in light of declining business conditions in the Company's primary markets, including commercial aerospace. As a result of this evaluation and the continuing decline in aerospace sales, the Company significantly expanded the original restructuring program and recorded an additional restructuring charge of $50.0 million in the third quarter of 1993. The expanded restructuring is a response to deeper than anticipated declines in the aerospace market, and includes additional staff reductions, further consolidation of facilities and write-downs of impaired assets. The Company recorded another $2.6 million charge in the fourth quarter in connection with the expanded restructuring program.

In order to fund the restructuring program and improve its capital structure, the Company needed substantial additional financing and a restructuring of its U.S. and European debt. Negotiations with existing senior U.S. lenders to obtain this financing and restructure the Company's domestic obligations were undertaken early in 1993 and continued throughout most of the year. Alternative sources of debt and equity financing were also pursued. The Company did secure the commitment of credit facilities for its Belgian subsidiary through March 16, 1994. However, the Company was unable to obtain a consensus among the senior U.S. lenders on a debt restructuring plan for its U.S. operations.

With the Parent Company operating at critically low levels of cash, without any remaining credit availability, having extended payments to trade vendors, and needing additional financing to meet operating requirements and fund the restructuring program, Hexcel Corporation filed a voluntary petition for relief under the provisions of Chapter 11 of the federal bankruptcy laws on December 6, 1993. The Chapter 11 filing allows the Parent Company to prepare and present to the U.S. Bankruptcy Court (or "Bankruptcy Court") a plan to reorganize its operations and financial obligations while under bankruptcy protection.

Bankruptcy proceedings are limited solely to Hexcel Corporation (a Delaware corporation, the "Parent Company" or "Parent"), which directly owns and operates substantially all of the Company's U.S. assets and operations. The Company's joint ventures and European subsidiaries are not included in the

bankruptcy proceedings and, as such, are not subject to the provisions of the federal bankruptcy laws or the supervision of the Bankruptcy Court. However, the Parent Company is generally unable to provide direct financial support outside of the normal course of business to joint ventures and subsidiaries without Bankruptcy Court approval. Hexcel Corporation has obtained a debtor-in-possession revolving line of credit of up to $35.0 million to finance operations and restructuring activities during bankruptcy reorganization. This credit facility is expected to provide the Parent Company with adequate financing while it remains under bankruptcy protection.

Further discussion of the restructuring program and bankruptcy reorganization is included in this Form 10-K in "Management Discussion and Analysis," which begins on page 28, and in Notes 2, 3 and 6 to the Consolidated Financial Statements, which begin on page 43.

HEXCEL S.A.

The downturn in the worldwide aerospace business and difficult economic conditions in Europe have resulted in poor financial performance by Hexcel S.A., the Company's wholly-owned Belgian subsidiary. This subsidiary has experienced a 40% sales decline and significant operating losses over the past two years. Sales are not expected to improve in 1994, and interest costs and restructuring actions continue to consume cash. Hexcel S.A. is also investigating alleged product claims which could require additional cash outlays.

Hexcel S.A. is currently in negotiations with its existing lenders regarding the commitment of credit facilities which expired beginning on March

16, 1994. Four of the five existing lenders have agreed to a stand still until April 30, 1994, subject to the Parent Company making satisfactory progress toward obtaining authorization from the Bankruptcy Court to invest additional funds and recapitalize Hexcel S.A. Discussions with the fifth lender are continuing. There is no assurance that the Bankruptcy Court will authorize the investment of additional funds or the recapitalization of Hexcel S.A., or that the existing lenders will continue to extend their short-term credit agreements for any specified length of time. As a result, Hexcel S.A.'s ability to continue as a going concern is subject to its obtaining the needed financing, as well as resolving alleged product claims and successfully implementing required restructuring initiatives.

Hexcel S.A. is an integral component of the Company's worldwide competitiveness, particularly in commercial aerospace. If Hexcel S.A. is unable to continue as a going concern, management believes that this would have a material adverse effect on the Company's U.S. and international operations.

INDUSTRY SEGMENT

Hexcel operates within a single industry segment, structural materials. The Company sells these materials in the United States and international markets. The net sales, income (loss) before income taxes, identifiable assets, capital expenditures, and depreciation and amortization for each geographic area for the past three years are shown in Note 17 to the Consolidated Financial Statements included in this Form 10-K.

BUSINESS

HONEYCOMB

Hexcel has been the world leader in developing and manufacturing honeycomb for over 45 years. Honeycomb is a unique, lightweight, cellular structure composed generally of hexagonal cells nested together, similar in appearance to a cross-sectional slice of a beehive. The hexagonal shape of the cells gives honeycomb a high strength-to-weight ratio when used in "sandwich" form, and a uniform resistance to

crushing under pressure. These characteristics are combined with the physical properties of the material from which the honeycomb is made to meet various engineering requirements.

The Company produces honeycomb from a number of metallic and non-metallic materials. Most metallic honeycomb is made of aluminum and is available in a selection of alloys, cell sizes and thicknesses. Non-metallic honeycomb materials include fiberglass; graphite; thermoplastic; Nomex-R-, a non-flammable aramid fiber paper; Kevlar-R-, an aramid fiber; and several other specialty materials.

Hexcel sells honeycomb in standard blocks and sheets of honeycomb core. The Company adds value to standard honeycomb core by contouring and machining it into complex shapes to meet customer specifications. In addition, honeycomb is fabricated into bonded panels and final bonded assemblies. In bonded sandwich panel construction, sheets of aluminum, stainless steel, resin-impregnated reinforcement fiber "skins" or other laminates are bonded with adhesives to each side of a honeycomb core. Bonded panels are many times stronger and stiffer than solid or laminated structures of equivalent weight. Use of an autoclave allows Hexcel to manufacture parts requiring the high temperature and pressure necessary to produce complex bonded assemblies.

The largest markets for Hexcel honeycomb are the commercial and military aerospace markets. Advanced processing is used in the production of aircraft components such as wing flaps, ailerons and helicopter rotor blades. Specific applications include control surfaces (movable parts such as rudders, flaps, spoilers and speed brakes that control the direction or speed of an airplane); engine nacelles, cowlings, pylons and nozzles; fairings (flap track and wing-to-body); interiors (walls, floors, partitions and luggage bins); landing gear doors and access doors; wings, wing tips, wing leading edge and trailing edge panels; horizontal stabilizers; radomes; electromagnetic shielding and absorption; and satellite components.

Non-aerospace general industrial honeycomb applications include high-speed trains and mass transit vehicles (doors, walls, ceilings, floors and external structures); energy absorption products; athletic shoe components; clean room facilities (walls and ceilings); automotive components (air flow controllers in fuel injection systems, protective head and knee restraints); portable military shelters and military support equipment; naval vessel compartments (bulkheads, water closets, doors, floor panels, partitions and bunks) and business machine cabinets.

The Company operates seven honeycomb manufacturing and advanced processing facilities worldwide, including the Graham, Texas facility which is scheduled to be closed by the end of 1994.

ADVANCED COMPOSITES

Advanced composites combine high performance reinforcement fibers with resins to form a composite material with exceptional structural properties not found in the fibers or resins alone. Hexcel impregnates reinforcement fabrics, and fibers aligned into unidirectional tapes, with resins. The Company then partially cures the material under heat and pressure to produce a "prepreg."

In addition to standard S-2-R- and E- type fiberglass, Hexcel produces advanced composite materials from a variety of commercially available fibers. Graphite fiber exhibits high strength and stiffness relative to weight and is sold principally for aerospace and recreational uses. Kevlar is exceptionally resistant to impact and is used extensively in new generation aircraft and in various armor and protection applications. Quartz and ceramic fibers are resistant to extremely high temperatures and are used in various aerospace and general industrial applications. Electrically and thermally conductive Thorstrand-R- is used mainly by the aerospace industry. Resin systems include epoxy, polyester, bismaleimide, phenolic, cyanates and polyimide.

Advanced composites are sold to several markets including transportation (commercial and private aircraft, mass transit, freight and passenger vehicles); space and defense (military aircraft, naval vessels, space vehicles, defense systems and military support equipment); recreation (athletic shoes, fishing rods, bicycles, tennis rackets, baseball bats, golf clubs, surfboards, snow skis and racing cars); general industrial (utility surge arrestors, antennae and insulative rods for electrical repairs); and medical (orthotics and prosthetics).

Net sales of honeycomb and advanced composites, sold separately and together as bonded structures, were $217.7 million in 1993, $253.9 million in 1992, and $263.2 million in 1991. The decline in 1993 was due mainly to a significant drop in commercial and military aerospace business.

REINFORCEMENT FABRICS

Hexcel produces woven fabrics without resin impregnation from the same fibers the Company uses to make advanced composites. These fibers include S-2 and E- type fiberglass, high strength carbon fibers, impact resistant Kevlar, electrically conductive Thorstrand, temperature resistant ceramic and quartz fibers, and a variety of other specialty fibers.

The Company sells reinforcement fabrics for use in numerous applications. These include aerospace, marine (commercial and pleasure boats), printed circuit boards, metal and fume filtration systems, ballistics protection, decorative window coverings, automotive, insulation, recreation, civil engineering (architectural wraps), and other general and industrial applications.

The Company entered into a strategic alliance with Owens-Corning Fiberglas Corporation in July 1993. The joint venture combined the weaving and stitchbonding technology of Hexcel Knytex with the worldwide reinforcement glass fiber manufacturing, marketing and distribution capabilities of Owens-Corning. The Knytex joint venture is a global market leader in the design and manufacture of stitchbonded, multi-layer reinforcement fabrics. The stitchbonded materials may be multiple layers of fabrics or fibers with varying orientations.

The Company entered into a joint venture with Fyfe Associates Corporation in October 1992. Hexcel-Fyfe will sell and apply high-strength architectural wrap for the seismic retrofitting and strengthening of bridges and other structures.

Net sales of reinforcement fabrics were $93.0 million in 1993, $99.2 million in 1992 and $92.4 million in 1991. As a result of the joint venture with Owens-Corning that started July 1, 1993, the Company's 1993 sales only reflect Hexcel Knytex sales for six months of $7.0 million.

RESINS

Resins consist of formulated epoxy and polyurethane products used in aerospace, electronics, automotive, medical devices and other general industrial applications. Applications for resin products include machinable tooling boards, fastcast resins, laminating resins for wet lay-up of boats, encapsulating materials for electronic circuits, adhesives and surface coatings. The Company has commenced discussions with interested parties for the sale of the Resins business, although no agreement has yet been reached.

Net sales of resins were $27.9 million in 1993, $33.2 million in 1992 and $31.0 million in 1991.

PRODUCTS AND PROCESSES, RESEARCH AND DEVELOPMENT

Hexcel spent $8.7 million in 1993, $10.5 million in 1992 and $10.6 million in 1991 for research and development of products and markets. This represented 2.6% of net sales in 1993, and 2.7% of sales in each of 1992 and 1991. These expenditures were expensed as incurred. Hexcel materials rely primarily upon technology derived from the field of polymer chemistry.

RAW MATERIALS

The Company purchases all raw materials used in production. Aluminum and several other key raw materials are available from relatively few sources. If these materials were no longer available, which Hexcel does not anticipate, such an occurrence could have a material adverse effect on operations.

ENVIRONMENTAL MATTERS

Environmental control regulations have not had a significant adverse effect on overall operations. A discussion of environmental matters is included in "Item 3. Legal Proceedings" beginning on page 10 of this Form 10-K.

MARKETS AND CUSTOMERS

Hexcel materials are sold for a broad range of uses. The table on page 37 of this Form 10-K entitled "Market Summary" displays the percentage distribution of net sales by market since 1989.

The Boeing Company and Boeing subcontractors accounted for approximately 19% of 1993 sales. The loss of this business, which the Company does not anticipate, could have a material adverse effect on sales and earnings. Sales to U.S. government programs, including some of the sales to The Boeing Company and Boeing subcontractors noted above, were 16% of sales in 1993.

Hexcel commercial aerospace and space and defense sales are substantially dependent upon the level of activity within each industry as well as the acceptance by each industry of the Company's aerospace materials and services. Considerations of aircraft performance have led to the increased use of honeycomb and advanced composite materials in aircraft manufacture, particularly in newer models and development programs. However, the Company must continuously demonstrate the cost benefits of its products for aerospace applications.

Commercial aerospace activity fluctuates in relation to two principal factors. First, the number of revenue passenger miles flown by the airlines affects the size of the airline fleets and generally follows the level of overall economic activity. The second factor, which is less sensitive to the general economy, is the replacement and retrofit rates for existing aircraft. These rates, resulting mainly from obsolescence, are determined in part by Federal Aviation Administration regulations as well as public concern regarding aircraft age, safety and noise. Also, these rates may by affected by the desire of airlines for higher payloads and more fuel efficient aircraft, which in turn is influenced by the price of fuel.

Commercial aircraft build rates, based on the number of aircraft delivered, declined by more than 20% from 1992 to 1993. Major aircraft builders have announced significant personnel reductions which began

in 1993 and are expected to continue through 1994 into 1995. Based on current projections of aircraft build rates, the commercial aerospace market will likely continue to decline at least until 1995.

The Company believes activity within the military aerospace industry fluctuates in relation to world tensions and the attitudes of the current Administration and Congress toward defense spending. Since 1987, the aircraft procurement budget of the U.S. Department of Defense has declined by more than 40%. Political changes in Eastern Europe, the former Soviet Union, and the Middle East, combined with strong U.S. political sentiment toward reduced defense spending indicate that military procurement will continue to decline through 1994 and beyond.

Company sales to space and defense markets, particularly military aerospace, continue to decline. In 1993, space and defense sales decreased to $55.8 million from $59.4 million in 1992 and $67.3 million in 1991. Hexcel

believes the space and defense markets for its products will continue to shrink and is currently evaluating the Company's future involvement in these markets. Further discussion of the military aerospace business is included in this Form 10-K under "Management Discussion and Analysis."

The B-2 program, which began in the mid - 1980s, has accounted for a significant portion of the Company's recent space and defense sales. Program delays and scheduling changes began in 1989, and orders stabilized in 1992 and 1993 far below the level anticipated when the program began. Production volumes under the program are expected to decline in 1994, and the outlook beyond 1994 is extremely uncertain. Originally, the Company expected to generate approximately $500 million in revenues over the life of the B-2 program. As a result of substantially lower orders, revenues are now expected to total approximately $100 million, most of which has already been earned.

B-2 program reductions have resulted in substantial underutilized capacity at the Chandler, Arizona plant. For 1993, the Company negotiated to bill the current unabsorbed fixed costs to the prime contractor contingent upon government acceptance of this billing practice. In 1992 and 1991, the Company deferred unabsorbed fixed costs of $2.0 million and $2.4 million, respectively. Hexcel filed a claim for equitable relief associated with this program in connection with the underutilized capacity at the Chandler and other plants. Management believes, based upon advice of counsel, that the Company will realize at least the cumulative amount deferred.

Hexcel contracts to supply materials for military and some commercial projects contain provisions for termination at the convenience of the U.S. government or the buyer. The Company is subject to U.S. government cost accounting standards, which are applicable to companies with more than $25 million (increased from $10 million in November 1993) of government contract or subcontract awards each year.

The Company, as a defense subcontractor, is subject to U.S. government audits and reviews of negotiations, performance, cost classifications, accounting and general practices relating to government contracts. The Defense Contract Audit Agency reviews cost accounting and business practices of government contractors and subcontractors including Hexcel. The Company has been engaged in discussions of a number of cost accounting issues which could result in claims by the government. Some of these issues have already been resolved and management believes, based on available information and the Company's assertion of a right of offset among individual issues, that it is unlikely the remaining items in the aggregate will have a material adverse effect on the earnings or financial position of the Company. Further discussion of government contract matters is included in "Item 3. Legal Proceedings" of this Form 10-K.

The Company has a facility security clearance from the United States Department of Defense. A portion of the Company's sales and other revenues in 1993 was derived from work requiring this clearance.

Continuation of this clearance requires that the Company remains free from foreign ownership, control or influence (or "FOCI"). Management does not believe there is presently any substantial risk of FOCI that will cause the facility security clearance to be revoked.

MARKETING

A staff of salaried market managers, product managers and salespeople market Hexcel products directly to customers. The Company also uses independent distributors and/or manufacturer representatives for certain products and markets, including reinforcement fabrics and resins.

BACKLOG

The backlog of orders for aerospace materials to be filled within 12 months was $61.6 million at December 31, 1993, $100.5 million at December 31, 1992 and $118.8 million at December 31, 1991. A major portion of the backlog is cancelable without penalty. Aerospace backlog continued to decline for a number of reasons, primarily the shrinking commercial and military aerospace market. In addition, the aerospace industry is gradually moving toward "just-in-time" inventory delivery and shorter lead time requirements to reduce investment in inventory and the effect of order cancellations.

Orders for aerospace materials generally lag behind the award of orders for new aircraft by a considerable period. Thus, the level of new aircraft procurement normally will not have an impact on aerospace orders received by Hexcel for about one to three years, depending on the nature of the product, manufacturer and delivery schedules.

Backlog for non-aerospace materials amounted to $29.1 million at December 31, 1993 compared with $16.8 million at December 31, 1992 and $20.2 million at December 31, 1991. Most of the Company's backlog is expected to be filled within six months. Markets for the Company's products outside aerospace are generally highly competitive requiring stock for immediate sale or shorter lead times for delivery. The backlog for non-aerospace markets increased as the Company developed new applications for existing products and the economy in the U.S. began to recover in the second half of 1993.

INTERNATIONAL OPERATIONS

In addition to exporting from the United States, Hexcel serves international markets through four European operating subsidiaries located in Belgium, France and the United Kingdom. Each of these subsidiaries maintains manufacturing and marketing facilities. Hexcel also maintains sales offices in Australia, Brazil, Germany, Italy, Japan and Spain. Hexcel is a 50% partner in a joint venture formed in 1990 with Dainippon Ink and Chemicals (or "DIC") for the production and sale of Nomex honeycomb, advanced composites and decorative laminates for the Japanese market. All Hexcel materials, with the exception of classified U.S. military materials, are marketed throughout the world.

The table on page 37 of this Form 10-K entitled "Market Summary" displays the amount of international net sales and the percentage of international sales to total net sales since 1989. Note 17 to the Consolidated Financial Statements included in this Form 10-K shows various financial data for international operations since 1991.

JOINT VENTURES

The Company has entered into three joint ventures since 1990, including the one with DIC discussed above. These joint ventures are discussed in "Management Discussion and Analysis" in this Form 10-K.

DISCONTINUED OPERATIONS

In November 1990, the Company announced plans to sell the fine chemicals business with operations in Zeeland, Michigan and Teesside, England. On March 31, 1992, the Company sold the Zeeland, Michigan fine chemicals business. On January 31, 1994, the Company sold its Teesside, England business. See Note 14 to the Consolidated Financial Statements included in this Form 10-K for further discussion.

The fine chemicals business is accounted for as discontinued operations. Financial data, employees and properties related to the business have been segregated, and the information in this report reflects continuing operations only.

COMPETITION

In the production and sale of its materials, the Company competes with numerous U.S. and international companies on a worldwide basis, many of which are considerably larger than Hexcel in size and financial resources. For example, the Company competes with one major international manufacturer of honeycomb, advanced composites, reinforcement fabrics and resins, as well as several other major companies on specific products. The Company also competes with many smaller U.S. and international manufacturers.

The broad markets for Hexcel products are highly competitive. The Company has focused on both specific markets and specialty products within markets to gain market share. Hexcel materials compete with substitute structural materials, including building materials such as structural foam, metal, wood and other engineered material. Depending upon the material and markets, relevant competitive factors include price, delivery, service, quality and product performance.

Although the markets for Hexcel honeycomb materials are highly competitive, management knows of no other manufacturer that has produced and sold as much non-paper honeycomb as Hexcel during the last five years. While industry statistics are not available, management believes on the basis of market research that Hexcel currently produces and sells the largest share of metallic and non-metallic honeycomb used in the world. Hexcel continues to maintain this competitive edge through the development of new honeycomb materials for the markets it serves.

PATENTS AND KNOW-HOW

Management believes the ability to develop and manufacture materials is dependent upon the know-how and special skills within the Company. In addition, the Company has obtained and presently owns a number of patents, patent applications, and patent and technology licenses. It is Hexcel policy to enforce the proprietary rights of the Company. To that end, the Company has several patent infringement lawsuits pending. In 1992, the Company received a favorable judgment for patent infringement and misappropriation of trade secrets which resulted in a gain of $3.0 million. Management believes the

patents and know-how rights currently owned are adequate for the conduct of business. In the opinion of management, however, no individual patent or license is of material importance.

EMPLOYEES

At February 28, 1994, Hexcel employed 2,340 full-time employees compared with 3,050 at December 31, 1992. Of these employees, 1,830 were in manufacturing and the remainder were administrative, sales, engineering, marketing, research and clerical personnel. 77 employees at one domestic plant have union affiliations. Management believes that labor relations in the Company are generally satisfactory.

ITEM 2. PROPERTIES.

Hexcel owns manufacturing plants and sales offices located throughout the United States and in several other countries as noted below. The corporate offices and principal corporate support activities for the Company are located in leased facilities in Pleasanton, California. The central research and development laboratories for the Company are located in Dublin, California.

The following table lists the manufacturing plants by geographic location, approximate square footage and principal products.

MANUFACTURING PLANTS

<TABLE>
<CAPTION>

Plant Location	Approximate Square Footage	Principal Products
<S>	<C>	<C>
United States:		
Casa Grande, Arizona	210,000	Non-metallic honeycomb, advanced honeycomb processing, advanced composites
Chandler, Arizona	158,000	Non-metallic honeycomb, advanced honeycomb processing, advanced composites
Chatsworth, California	42,000	Resins, tooling systems
Livermore, California	150,000	Advanced composites
Lancaster, Ohio	42,000	Advanced composites
Pottsville, Pennsylvania	100,000	Advanced honeycomb processing
Graham, Texas	250,000	Metallic honeycomb
Seguin, Texas	170,000	Woven reinforcement fabrics
Burlington, Washington	50,000	Advanced honeycomb processing
International:		
Welkenraedt, Belgium	205,000	Metallic and non-metallic honeycomb, advanced composites
Swindon, England	20,000	Non-metallic honeycomb processing
Les Avenieres, France	373,000	Woven reinforcement fabrics, advanced composites
St. Ouen l'Aumone, France	100,000	Resins, tooling systems

</TABLE>

The Company leases the land on which the Burlington, Washington plant is located; the 20,000 square foot Swindon, England plant; and 18,000 square feet of the Les Avenieres, France plant.

In April 1993, the Company announced the closing of the Graham, Texas facility and the consolidation of the Graham operations into other plants. Even after the Graham closure, management believes the

Company has more facilities and production capacity than required by either current or projected sales levels. See "Management Discussion and Analysis"

in this Form 10-K for further discussion.

The above table does not include the 145,000 square foot plant at Teesside, England, which was sold on January 31, 1994. This plant was used for the production of fine chemicals.

Certain of the properties secure loans made to the Company. In addition, substantially all U.S. equipment and fixtures, along with other business property, secure the debtor-in-possession financing (see Note 6 to the Consolidated Financial Statements included in this Form 10-K).

ITEM 3. LEGAL PROCEEDINGS.

On December 6, 1993, the Parent Company filed for protection under the provisions of Chapter 11 of the federal bankruptcy laws. For further discussion, see Items 1, "Business," and 7, "Management Discussion and Analysis of Financial Condition and Results of Operations," and Note 2 to the Consolidated Financial Statements included in this Form 10-K.

Hexcel Corporation is involved in other court proceedings and claims incidental to Company business. As a result of the Chapter 11 filing, lawsuits in which Hexcel Corporation is named as a defendant are stayed as to the Company.

In December 1988, employees of Lockheed Corporation working with epoxy resins and composites on classified programs filed suit against Lockheed and its suppliers (including Hexcel Corporation) claiming various injuries as a result of exposure to these products. Plaintiffs have filed for punitive damages which are uninsured. The first trial of the cases of 15 plaintiffs resulted in a mistrial and a retrial commenced in February 1994. However, Hexcel Corporation will not participate due to the bankruptcy stay.

During December 1992, four shareholders commenced three actions against Hexcel Corporation and certain of its officers in the U.S. District Court for the Northern District of California. These three cases, MARTIN WEBER AND LEO BRANDSTATTER V. ROBERT L. WITT, DAVID M. WONG AND HEXCEL CORPORATION; GRETCHEN DOUGLAS V. ROBERT L. WITT ET AL; and ANN TAXIER V. ROBERT L. WITT, DAVID G. SCHMIDT AND HEXCEL CORPORATION, allege that the defendants violated sections 10(b) and 20(a) of the Securities and Exchange Act of 1934 and related Rule 10b-5 by allegedly issuing false public disclosures regarding the business of the Company. These three suits purport to be class actions; two are on behalf of purchasers of Hexcel common stock between October 19 and December 11, 1992, and the third is on behalf of those who acquired stock between February 4 and December 11, 1992. The actions seek unspecified damages, rescission, unspecified injunctive relief and reimbursement of costs and attorneys fees. On February 5, 1993, the Court consolidated the three lawsuits into one action, IN RE HEXCEL CORPORATION SECURITIES LITIGATION. While management believes there are meritorious defenses to the claims, a tentative settlement was reached among all parties prior to the Chapter 11 filing which would avoid costly and unproductive litigation. This matter, including the tentative settlement, has been stayed by bankruptcy proceedings.

In July 1992, Hexcel Corporation was joined in a lawsuit initiated in October 1990 in Alameda County Superior Court concerning a dispute over a real estate transaction between F&P Properties and Donald and Suzanne Smith (F&P PROPERTIES V. SMITH, ET AL). This action concerns, in part, responsibility for clean-up and investigation costs associated with an abandoned waste disposal site located near Company manufacturing facilities in Livermore, California. The Parent Company sold this property to the Smiths in 1979, and the Smiths, in turn, sold it to F&P Properties in 1985. A global settlement has been negotiated

but was not signed by the Parent Company prior to the Chapter 11 filing. This matter, including the negotiated settlement, has been stayed by bankruptcy proceedings.

Hexcel Corporation has been named as a potentially responsible party with respect to several disposal sites that it does not own or possess and are included on the Environmental Protection Agency's Superfund National Priority List ("NPL"). Also, pursuant to the New Jersey Environmental Responsibility and Clean-Up Act, Hexcel Corporation signed an administrative consent order to pay for clean-up of a manufacturing facility it formerly operated in Lodi, New Jersey. Hexcel Corporation is the account party on a $4.0 million letter of credit issued in relation to that facility in favor of the State of New Jersey, and believes that the ultimate allowed claim against it for such clean-up and for reimbursement with respect to the amount that may be paid under such letter of credit, should not exceed $4.0 million, however the ultimate cost of remediation at the Lodi site will depend on developing circumstances.

The Livermore, California plant has been delisted from the NPL, however Hexcel must comply with a state clean-up order which will cause it to incur environmental costs.

Contingent and unliquidated claims may be asserted against Hexcel Corporation for unexpended clean-up costs that may hereafter be expended by third parties. Such claims may be direct claims asserting joint and several liability against Hexcel Corporation for the entire future clean-up cost associated with certain Superfund and other sites that may hereafter be expended by others. Contingent claims for reimbursement or contribution may also be asserted against Hexcel Corporation by other potentially responsible parties for future clean-up costs for Superfund and other sites that may hereafter be expended by others.

Hexcel cannot estimate, with any degree of confidence, the costs associated with these sites due to uncertainties relating to: (1) the nature and extent of the remediation necessary at these sites; (2) the allocation of liability among responsible parties associated with these sites; (3) the opportunities for cost recovery from other parties and insurance companies; and (4) whether the bankruptcy proceedings will act to limit the Company's liability associated with these sites.

Further, Hexcel Corporation is unable to determine at this time the amount of these potential claims, including environmental claims, because an order entered in Hexcel Corporation's Chapter 11 case permits proofs of claim to be filed on or before April 28, 1994. Nor is Hexcel Corporation able to determine at this time the amount of claims that will be allowed for costs already expended by others including costs for clean-up work, although it believes that its liability is not material in amount.

Under the federal bankruptcy laws, contingent or unliquidated clean-up claims may be estimated in Hexcel Corporation's Chapter 11 case for the purpose of confirming a plan of reorganization. The amount of liability of Hexcel Corporation with respect to a particular claim of that character, as estimated by the Bankruptcy Court, may, by virtue of the federal bankruptcy laws, be the maximum amount of the allowed claim of such a claimant even if such contingent or unliquidated claim later becomes fixed and liquidated. Contingent claims for reimbursement or contribution that may be filed against Hexcel Corporation may be disallowed under the federal bankruptcy laws if it is determined by the Bankruptcy Court that the claimant and Hexcel Corporation are both liable on the claim of a creditor.

The last day for the filing of claims in Hexcel Corporation's Chapter 11 case is April 28, 1994, although it is possible that the Bankruptcy Court could permit the late filing of a proof of claim by a creditor that establishes excusable neglect for not filing a timely proof of claim. The maximum liability on all contingent and unliquidated claims, and the outcome of proceedings under the federal bankruptcy laws or estimation and disallowance of contingent or unliquidated claims, cannot be predicted at this time.

In 1993, the Company became aware of an aluminum honeycomb sandwich panel delamination problem with panels produced by its wholly-owned Belgian subsidiary, Hexcel S.A., and installed in rail cars in France and Spain. Certain customers have alleged that Hexcel S.A. is responsible for the problem but the subsidiary has not been named in any lawsuits at this time. Hexcel S.A. is investigating these claims and the availability of any insurance coverage.

Cost accounting issues and a voluntary disclosure regarding charging practices could result in future claims under U.S. government contracts. A discussion of U.S. government contracts is included in "Markets and Customers" on page 5 of this Form 10-K. The Company is cooperating with the U.S. government in all investigations of which the Company has knowledge; however, management is unable to predict whether legal proceedings will result.

Management believes, based on available information, that it is unlikely any of these items will have a material adverse effect on the earnings or financial position of the Company.

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

None.

ITEM 4A. EXECUTIVE OFFICERS OF THE REGISTRANT.

Listed below are the executive officers of the Company as of April 11, 1994, the positions held by them and a brief description of their business experience. There are no family relationships among any of the Company's executive officers:

NAME	AGE	OFFICER SINCE	POSITIONS WITH COMPANY AND BUSINESS EXPERIENCE
John J. Lee	57	1993	Chairman of the Board of Directors and Chief Executive Officer since January 1994; Chairman and Co-Chief Executive Officer from July to December 1993; Director since May 1993. Mr. Lee has been the Chairman of the Executive Committee of XTRA Corporation, a transportation equipment leasing company, since 1990, and the Chairman of the Board, President and Chief Executive Officer of Lee Development Corporation, a merchant banking company, since 1987. Mr. Lee has also been a Trustee of Yale University since 1993. From July 1989 through April 1993, Mr. Lee served as Chairman of the Board and Chief Executive Officer of Seminole Corporation, a manufacturer and distributor of fertilizer. From April 1988 through April 1993, Mr. Lee served as a Director of Tosco Corporation, a national refiner and marketer of petroleum products. Mr. Lee also served as President and Chief Operating Officer of Tosco from 1990 through April 1993.

NAME	AGE	OFFICER SINCE	POSITIONS WITH COMPANY AND BUSINESS EXPERIENCE
Donald J. O'Mara	56	1991	Director since January 1994; President and Chief Operating Officer since March 1993; Vice President - Honeycomb and Advanced Products from 1991 to 1993. From 1987 to 1991, Mr. O'Mara served as managing director of Sprague-Brooks Associates. He was Vice President and Chief Operating Officer of Gates Learjet Corporation from 1984 to 1987.
Robert D. Krumme	56	1993	Director and Vice Chairman since January 1994; Vice President, General Counsel and Secretary from September 1993 to January 1994. Mr. Krumme has been President of The Corporate Management Group since 1989 and, prior to joining the Company in 1993, was a senior corporate executive officer and general counsel of three public companies. Mr. Krumme served as General Counsel of The Gillette Company from 1990 - 1991, as Vice President and General Counsel of Ingersoll-Rand Company from 1986 - 1988 and, prior to 1986, as Senior Vice President and General Counsel and in other executive positions of Cluett, Peabody & Co, Inc. for more than 15 years.
Rodney P. Jenks, Jr.	43	1994	Vice President, General Counsel and Secretary of the Company since March 1994. Prior to joining the Company in 1994, Mr. Jenks was a partner in the law firm of Wendel, Rosen, Black, Dean & Levitan, from 1985.
Thomas J. Lahey	53	1989	Vice President - Worldwide Sales since April 1993; Vice President - Advanced Composites from 1992 to 1993; General Manager of Advanced Composites from 1991 to 1992; General Manager of Advanced Products from 1989 to 1991.

Prior to joining the company in 1989, Mr. Lahey held the position of Executive Assistant to the President of Kaman Aerospace Corporation in 1987 and 1988, and was a Vice President of Grumman Corporation from 1985 to 1987.

NAME	AGE	OFFICER SINCE	POSITIONS WITH COMPANY AND BUSINESS EXPERIENCE
William P. Meehan	58	1993	Vice President - Finance and Chief Financial Officer of the Company since September 1993, and Treasurer of the Company since April, 1994. Prior to joining the Company in 1993, Mr. Meehan served as President and Chief Executive Officer of Thousands Trails and NACO, a membership campground and resort business, from 1990 through 1992. From 1986 through 1989, Mr. Meehan served as Vice President-Finance and Chief Financial Officer of Hadco Corporation.
Robert A. Penezic	56	1979	Vice President - Administrative Operations since 1986; Vice President of Human Resources from 1979 to 1986. Mr. Penezic joined the Company in 1979.
Robert A. Petrisko	39	1993	Vice President - Technology since September 1993. Mr. Petrisko joined the Company in 1989, after serving as a Research Specialist with Dow Corning Corporation from 1985 to 1989.
Gary L. Sandercock	52	1989	Vice President - Manufacturing since April 1993; Vice President - Reinforcement Fabrics from 1989 to 1993; General Manager of the Trevarno Division from 1985 to 1989; other manufacturing and general management positions from 1967 to 1985. Mr. Sandercock joined the Company in 1967.
William K. Woodrow	46	1993	Vice President - Marketing and Business Development since March 1993. Prior to joining the Company in 1993, Mr. Woodrow served as Director of Corporate Marketing of Raychem Corporation from 1990 to 1992, and was Division Manager of Chemelex-Industrial Division from 1988 to 1990.
Wayne C. Pensky	38	1993	Controller since July 1993. Prior to joining the Company in 1993, Mr. Pensky served as Service Line Director at Arthur Andersen & Co., where he was employed from 1979.

PART II

ITEM 5. MARKET FOR COMMON STOCK OF REGISTRANT AND RELATED STOCKHOLDER MATTERS.

Hexcel common stock is traded on the New York and Pacific Stock Exchanges. The range of high and low sales prices of Hexcel common stock on the New York Stock Exchange Composite Tape is contained in Note 18 to the Consolidated Financial Statements included in this Form 10-K and is incorporated herein by reference.

The Company paid a quarterly dividend of 11 cents per share in 1992 and 1991. Payments of future cash dividends were suspended effective with the first quarter of 1993. The debtor-in-possession credit line prohibits any payment of

dividends. On December 6, 1993, there were 2,294 holders of record of Hexcel common stock.

ITEM 6. SELECTED FINANCIAL DATA.

The information required by Item 6 is contained on page 27 of this Form 10-K under "Selected Financial Data" and is incorporated herein by reference.

ITEM 7. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The information required by Item 7 is contained on pages 28 to 36 of this Form 10-K under "Management Discussion and Analysis" and is incorporated herein by reference.

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The information required by Item 8 is contained on pages 43 to 72 of this Form 10-K under "Consolidated Financial Statements and Supplementary Data" and is incorporated herein by reference. The reports of independent public accountants for the years ended December 31, 1993, 1992 and 1991 are contained on pages 40 to 42 of this Form 10-K under "Independent Auditors' Reports" and "Report of Independent Public Accountants" and are incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

Not Applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

1. Directors

Listed below are the directors of the Company as of April 11, 1994, the positions with the Company held by them and a brief description of each director's prior business experience. There are no family relationships among any of the Company's directors:

NAME	AGE	DIRECTOR SINCE	POSITIONS WITH COMPANY AND BUSINESS EXPERIENCE
Thomas R. Brown	56	1981	Director; Chairman of the Insurance and Environmental Committee; member of the Audit Committee. Mr. Brown is Chairman of the Board and Co-Chief Executive Officer of California Casualty Management Co., Vice President and director of California Casualty & Life Insurance Co., and Chairman of the Board of the other corporations of the California Casualty Group. Mr. Brown is also a director of University National Bank & Trust Co. and CorVel Corporation. The California Casualty Group specializes in group sponsored personal lines, property/casualty insurance and workers' compensation.
Gary L. Depolo	57	1990	Director; Chairman of the Executive Compensation and Organization Committee; member of the Audit Committee. Mr. Depolo is a retired Executive Vice President of Transamerica Corporation and served on the Board of Directors of several of Transamerica's subsidiary companies. Mr. Depolo is also a director of Alta Bates Corporation and California Health Systems. Transamerica

			Corporation is a financial services organization which engages primarily in lending, leasing, real estate services and insurance.
John L. Doyle	62	1974	Director; Former Co-Chief Executive Officer and Vice Chairman (July 1993 to December 1993); Chairman of the Advanced Programs and Technology Committee; member of the Nominating Committee. Mr. Doyle is a retired Executive Vice President of Hewlett-Packard Co. Mr. Doyle is also a director of Analog Devices, Inc. and Tab Products. Hewlett-Packard Co. manufactures electronic computation equipment and measuring instruments.

NAME	AGE	DIRECTOR SINCE	POSITIONS WITH COMPANY AND BUSINESS EXPERIENCE
Cyrus H. Holley	57	1991	Director; member of the Advanced Programs and Technology Committee; member of the Executive Compensation and Organization Committee. Mr. Holley is a retired Executive Vice President and Chief Operating Officer of Engelhard Corporation. Mr. Holley is also a director of Atlantic Energy, Inc. and UGI Corporation. Engelhard Corporation is a provider of specialty chemical products, engineered materials and precious metal management services. Mr. Holley currently operates Management Consulting Services which provides strategic planning services to the business and education communities. He also serves as a director of the National Association of Partners in Education.
Robert D. Krumme	56	1994	Director and Vice Chairman since January 1994; Vice President, General Counsel and Secretary from September 1993 to January 1994. Mr. Krumme has been President of The Corporate Management Group since 1989 and, prior to joining the Company in 1993, was a senior corporate executive officer and general counsel of three public companies. Mr. Krumme served as General Counsel of The Gillette Company from 1990 - 1991, as Vice President and General Counsel of Ingersoll-Rand Company from 1986 - 1988 and, prior to 1986, as Senior Vice President and General Counsel and in other executive positions of Cluett, Peabody & Co, Inc. for more than 15 years.

NAME	AGE	DIRECTOR SINCE	POSITIONS WITH COMPANY AND BUSINESS EXPERIENCE
John J. Lee	57	1993	Chairman of the Board of Directors and Chief Executive Officer since January 1994; Chairman and Co-Chief Executive Officer from July to December 1993; Director since May 1993. Mr. Lee has been the Chairman of the Executive Committee of XTRA Corporation, a transportation equipment leasing

			company, since 1990, and the Chairman of the Board, President and Chief Executive Officer of Lee Development Corporation, a merchant banking company, since 1987. Mr. Lee has also been a Trustee of Yale University since 1993. From July 1989 through April 1993, Mr. Lee served as Chairman of the Board and Chief Executive Officer of Seminole Corporation, a manufacturer and distributor of fertilizer. From April 1988 through April 1993, Mr. Lee served as a Director of Tosco Corporation, a national refiner and marketer of petroleum products. Mr. Lee also served as President and Chief Operating Officer of Tosco from 1990 through April 1993.
Charles A. Lynch	66	1994	Director; Chairman of the Restructuring Committee. Chairman of Greyhound Lines, Inc., since 1991, and since 1989, Chairman of Market Value Partners Company, a firm that invests in and manages developing and underperforming companies. Mr. Lynch also serves on the board of directors of Pacific Mutual Life Insurance, Nordstrom, Inc., Syntex Corporation, Mid-Peninsula Bank and Fresh Choice, Inc. From 1988 through 1989 Mr. Lynch served as President and Chief Executive Officer of Levolor Corporation. From 1986 through 1988 Mr. Lynch served as Chairman and Chief Executive Officer of DHL Airways, Inc. From 1978 through 1986 Mr. Lynch served as Chairman and Chief Executive Officer of Saga Corporation.
Donald J. O'Mara	56	1994	Director since January 1994; President and Chief Operating Officer since March 1993; Vice President - Honeycomb and Advanced Products from 1991 to 1993. From 1987 to 1991, Mr. O'Mara served as managing director of Sprague-Brooks Associates. He was Vice President and Chief Operating Officer of Gates Learjet Corporation from 1984 to 1987.

NAME	AGE	DIRECTOR SINCE	POSITIONS WITH COMPANY AND BUSINESS EXPERIENCE
Lewis Rubin	56	1993	Director; Chairman of the Audit Committee; member of the Nominating Committee. Mr. Rubin has been President and Chief Executive Officer of XTRA Corporation, a transportation equipment leasing company, since 1990. From February 1988 to March 1990, Mr. Rubin served as President of Lewis Rubin Associates, a consulting firm advising the transportation equipment industry. Prior to February 1988, Mr. Rubin served as Chairman, President and Chief Executive Officer of Gelco CTI Container Services, a subsidiary of Gelco Corporation, a diversified international management services corporation, and as Executive Vice President of Gelco Corporation. Mr. Rubin is also a Director of Oneita Industries, Inc.
George S. Springer	60	1993	Director; member of the Advanced Programs and Technology Committee; member of the Nominating Committee.

Dr. Springer is Professor and Chairman of the Department of Aeronautics and Astronautics and, by courtesy, Professor of Mechanical Engineering and Professor of Civil Engineering at Stanford University. Dr. Springer joined Stanford's faculty in 1983.

(a) EXECUTIVE OFFICERS

Information concerning the executive officers of the registrant is contained in "Item 4A. Executive Officers of the Registrant" beginning on page 12 of this Form 10K and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION.

The information required in Item 11 will be contained in the definitive Proxy Statement of the Company. Such information is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The information required in Item 12 will be contained in the definitive Proxy Statement of the Company. Such information is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

On March 11, 1994, Mr. Rodney P. Jenks, Jr. became Vice President, General Counsel and Secretary of the Company. Prior to becoming an officer of the Company, Mr. Jenks was a partner in the law firm of Wendel, Rosen, Black, Dean & Levitan which, during 1993 and to date in 1994, provided legal services to

the Company for which it was invoiced $92,011. Upon becoming an officer of the Company, Mr. Jenks resigned as a partner and currently serves as counsel to the law firm. Although the law firm continues to provide limited legal services to the Company (none of which are performed by Mr. Jenks), it is anticipated that these services will be less extensive during 1994 than during 1993. There are no currently proposed related transactions or any other related transactions during the prior fiscal year that require disclosure in this Form 10-K report.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

a. FINANCIAL STATEMENTS

The consolidated financial statements of the Company, notes thereto, financial statement schedules, independent auditors' report, and report of independent public accountants are listed on page 38 of this Form 10-K and are incorporated herein by reference.

b. REPORTS ON FORM 8-K

Current Report on Form 8-K dated December 9, 1993 related to the Registrant filing a voluntary petition for relief under the provisions of Chapter 11 of the federal bankruptcy laws in the United States Bankruptcy Court for the Northern District of California, Oakland Division on December 6, 1993.

c. EXHIBITS

EXHIBIT NO.	DESCRIPTION
3. 1.	Restated Certificate of Incorporation of Hexcel Corporation(6)
2.	Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock(6)
3.	Certificate of Increase of Authorized Number of Shares of Series A Junior Participating Preferred Stock(7)
4.	Amended and Restated Bylaws of Hexcel Corporation dated as of August 30, 1993

4. 1. Certificate of Incorporation of Hexcel Corporation, Articles 5 through 10 (See Exhibit 3-1)

2. Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock (Exhibit 3-2)

3. Certificate of Increase of Authorized Number of Shares of Series A Junior Participating Preferred Stock (See Exhibit 3-3)

4. Amended and Restated Bylaws of Hexcel Corporation, Sections 3 through 11, 13 through 16, and 46 (See Exhibit 3-4)

EXHIBIT NO.	DESCRIPTION

5. Amendment to Bylaws of Hexcel Corporation (See Exhibit 3-4)

6. Rights Agreement dated as of August 14, 1986, between Hexcel Corporation and Manufacturers Hanover Trust Company, as Successor Rights Agent(6)

7. Amendment No. 1 dated October 18, 1988 to Rights Agreement between Hexcel Corporation and the Bank of California, N.A.

8. Amendment No. 2 dated November 19, 1990 between Hexcel Corporation and Manufacturers Hanover Company, as successor Rights Agent(4)

9. Amendment No. 3 dated December 18, 1990 between Hexcel Corporation and Manufacturers Hanover Company, as successor Rights Agent(5)

10. Exemplar of Indenture between Hexcel Corporation and The Bank of California, N.A., Trustee, dated October 1, 1988

11. Loan Agreement and Indentures-Industrial Development Bonds. These instruments are not filed herewith; the registrant agrees to furnish a copy of such instruments to the Commission upon request

10. Material Contracts:

1. A. Note Agreement, as amended, dated December 9, 1977, $8,000,000 8-3/4% Notes

B. Amendments dated April 25, 1978, April 30, 1980, January 6, 1981, April 12, 1981, May 13, 1981, August 21, 1981, March 15, 1982 and September 1, 1982, December 31, 1983, July 24, 1986 and August 25, 1986, to Note Agreement dated December 9, 1977, $8,000,000 8-3/4% Notes

2. Consent Agreement dated March 31, 1993, relating to Amended and Restated Credit Agreement dated March 31, 1993, among Hexcel Corporation and the Banks named therein and Wells Fargo Bank, N.A., as Agent(7)

3. Amended and Restated Credit Agreement dated March 31, 1993, among Hexcel Corporation and the Banks named therein and Wells Fargo Bank, N.A., as Agent(7)

4. Letter of Credit and Reimbursement Agreement dated March 1, 1988, between Hexcel Corporation and Banque Nationale de Paris(7)

5. Letter of Credit and Reimbursement Agreement dated December 1, 1989, between Hexcel Corporation and Banque Nationale de Paris(3)

A. Amendment No. 1 to Letter of Credit and Reimbursement Agreement dated October 12, 1988, between Hexcel Corporation and Banque Nationale de Paris

EXHIBIT NO.	DESCRIPTION

B. Amendment No. 2 to Letter of Credit and Reimbursement Agreement dated July 1, 1992, between Hexcel Corporation and Banque Nationale de Paris

C. Amendment No. 3 to Letter of Credit and Reimbursement Agreement

dated April 15, 1993, between Hexcel Corporation and Banque Nationale de Paris

6. Note Agreement dated as of October 1, 1988, between Hexcel Corporation and Principal Mutual Life Insurance Company, $30,000,000 10.12% Senior Notes Due October 1, 1998

7. Letter of Credit Reimbursement Agreement dated as of November 1, 1991, among Hexcel Corporation and Barclays Bank PLC

8. Letter of Credit Reimbursement Agreement dated as of April 28, 1992, among Hexcel Corporation and Barclays Bank PLC as amended March 31, 1993

9. Debtor in Possession Credit Agreement dated as of December 8, 1993, and amended January 3, 1994 and March 25, 1994, and amended April 11, 1994 by and between Hexcel Corporation and The CIT Group/Business Credit, Inc.

10. Executive Compensation Plans and Arrangements

A. Stock Option Plans

(1) 1988 Management Stock Program(1)

(2) Amendments to 1988 Management Stock Program(1)

(3) 1988 Restricted Stock Agreement - Sample Agreement(1)

(4) 1988 Directors' Discounted Stock Option Agreement - Sample Agreement(1)

(5) 1988 Discounted Stock Option Agreement - Sample Agreement(1)

(6) 1988 Employees Nonqualified Stock Option Agreement - Sample Agreement(2)

(7) 1988 Officers' Nonqualified Stock Option Agreement - Sample Agreement(1)

B. Exemplar of Executive Deferred Compensation Agreement

C. Exemplars of Incentive Plans(6)

D. Exemplars of Contingency Employment Agreement

E. Directors' Retirement Plan(7)

EXHIBIT NO.	DESCRIPTION

F. Employment Agreement dated September 28, 1993 between Hexcel Corporation and John J. Lee

G. Employment Agreement dated September 28, 1993 between Hexcel Corporation and John L. Doyle

11. Statement Regarding Computation of Per Share Earnings

18. Preferability letter regarding change in accounting for inventories - Deloitte & Touche

21. Subsidiaries of Registrant

23. Consents of Experts and Counsel

1. Independent Auditors' Consent - Deloitte & Touche

2. Consent of Independent Public Accountants - Arthur Andersen & Co.

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(1) Incorporated by reference to the Registration Statement of registrant on Post-Effective Amendment No. 1 to Form S-8 filed on May 11, 1988, No. 33-17025, pursuant to the Securities Act of 1933

(2) Incorporated by reference to the Registration Statement of registrant on Form S-8 filed on May 2, 1989, No. 33-28445, pursuant to the Securities Act of 1933

(3) Incorporated by reference to the Annual Report of registrant on Form 10-K for the year ended December 31, 1989, filed pursuant to Section 13 of the Securities Exchange Act of 1934.

(4) Incorporated by reference to the Current Report of registrant on Form 8-K dated November 19, 1990, filed pursuant to Section 13 of the Securities Exchange Act of 1934.

(5) Incorporated by reference to the Current Report of registrant on Form 8-K dated December 18, 1990, filed pursuant to Section 13 of the Securities Exchange Act of 1934.

(6) Incorporated by reference to the Annual Report of registrant on Form 10-K for the year ended December 31, 1991, filed pursuant to Section 13 of the Securities Exchange Act of 1934.

(7) Incorporated by reference to the Annual Report of registrant on Form 10-K for the year ended December 31, 1992, filed pursuant to Section 13 of the Securities Exchange Act of 1934.

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934, THE REGISTRANT HAS DULY CAUSED THIS REPORT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED, IN THE CITY OF PLEASANTON, STATE OF CALIFORNIA.

HEXCEL CORPORATION

APRIL 11, 1994 By: /s/ JOHN J. LEE

John J. Lee, Chief Executive Officer

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES EXCHANGE ACT OF 1934, THIS REPORT HAS BEEN SIGNED BELOW BY THE FOLLOWING PERSONS ON BEHALF OF THE REGISTRANT AND IN THE CAPACITIES AND ON THE DATES INDICATED.

SIGNATURE	TITLE	DATE
JOHN J. LEE (John J. Lee)	Chairman of the Board of Directors and Chief Executive Officer (PRINCIPAL EXECUTIVE OFFICER)	April 11, 1994
WILLIAM P. MEEHAN (William P. Meehan)	Vice President and Chief Financial Officer (PRINCIPAL FINANCIAL OFFICER)	April 11, 1994
WAYNE C. PENSKY (Wayne C. Pensky)	Controller (CONTROLLER AND PRINCIPAL ACCOUNTING OFFICER)	April 11, 1994
THOMAS R. BROWN (Thomas R. Brown)	Director	April 11, 1994
GARY L. DEPOLO (Gary L. Depolo)	Director	April 11, 1994
JOHN L. DOYLE (John L. Doyle)	Director	April 11, 1994
CYRUS H. HOLLEY (Cyrus H. Holley)	Director	April 11, 1994
ROBERT D. KRUMME (Robert D. Krumme)	Director	April 11, 1994
CHARLES A. LYNCH (Charles A. Lynch)	Director	April 11, 1994

SIGNATURE	TITLE	DATE
DONALD J. O'MARA (Donald J. O'Mara)	Director	April 11, 1994
LEWIS RUBIN (Lewis Rubin)	Director	April 11, 1994
GEORGE S. SPRINGER (George S. Springer)	Director	April 11, 1994

Exhibit 23.1

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference of our report dated April 11, 1994 (which report contains explanatory paragraphs regarding the uncertainties of Hexcel Corporation's bankruptcy proceedings, substantial doubt about Hexcel Corporation's ability to continue as a going concern, uncertainties regarding the future operations of Hexcel Corporation's wholly-owned Belgian subsidiary, Hexcel S.A., a change in accounting for postretirement benefits other than pensions, a change in accounting for income taxes and a change in accounting for domestic honeycomb and fabric inventories) appearing in this Annual Report on Form 10-K for the year ended December 31, 1993, in the following Registration Statements of Hexcel Corporation:

- - No. 33-9763 on Form S-3 for the Dividend Reinvestment Plan,

- - No. 33-49478 on Form S-8 for the 1988 Management Stock Program.

DELOITTE & TOUCHE

Oakland, California
April 11, 1994

Exhibit 23.2

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the inclusion of our report dated February 4, 1992, in this Annual Report on Form 10-K for the year ended December 31, 1993 of Hexcel Corporation and the incorporation by reference of our report in the Registration Statement on Form S-3 for the Dividend Reinvestment Plan, filed on October 28, 1986, No. 33-9763 and in the Registration Statement on Form S-8 for the 1988 Management Stock Program, filed on July 10, 1992, No. 33-49478.

ARTHUR ANDERSEN & CO.

San Francisco, California
April 11, 1994

SELECTED FINANCIAL DATA

The following table summarizes selected financial data for continuing operations(a) as of, and for, the five years ended December 31.

<TABLE>
<CAPTION>

(IN THOUSANDS, EXCEPT PER SHARE DATA AND RATIOS)

	1993	1992	1991	1990	1989
<S>	<C>	<C>	<C>	<C>	<C>
Net sales	$ 338,568	$ 386,289	$ 386,584	$ 382,743	$ 373,540
Gross margin	56,452	76,954	81,220	78,078	77,546
Restructuring expenses	52,600	23,500	--	--	--
Depreciation and amortization	15,840	15,734	15,421	13,305	16,342
Interest	9,135	8,695	11,433	10,712	8,501
Benefit (provision) for income taxes	(6,201)	6,349	174	(1,580)	(1,073)
Income (loss) from continuing operations	(86,456)	(17,706)	4,771	2,856	2,104
Working capital(b)	$ 54,658	$ 69,337	$ 105,744	$ 105,701	$ 102,348
Total assets(b)	268,361	310,850	343,306	341,938	318,777
Long-term liabilities(c)	169,948	125,630	140,317	131,543	112,531
Shareholders' equity	20,753	106,149	144,323	143,178	134,943
Capital expenditures	6,542	17,093	14,728	23,800	22,507
Amounts per share:					
Income (loss) from continuing operations(d)	$ (11.79)	$ (2.43)	$ 0.67	$ 0.41	$ 0.30
Cash dividends paid	--	0.44	0.44	0.44	0.44
Shareholders' equity	2.84	14.55	20.16	20.29	19.35
Weighted average shares and equivalent shares	7,330	7,272	7,146	7,010	6,958
Shares outstanding at year-end	7,310	7,296	7,158	7,057	6,975
Ratios:					
Gross margin	16.7%	19.9%	21.0%	20.4%	20.8%
Long-term liabilities to total capital	89.1%	54.2%	49.3%	47.9%	45.5%
Return on average assets	(29.9)%	(5.4)%	1.4%	0.9%	0.7%
Return on beginning equity	(81.4)%	(12.3)%	3.3%	2.1%	1.6%
Interest coverage(e)	N/A	N/A	1.4	1.4	1.4

<FN>

(a) THE DATA EXCLUDE DISCONTINUED OPERATIONS, THE EXTRAORDINARY ITEM AND THE CUMULATIVE EFFECTS OF ACCOUNTING CHANGES. SEE THE CONSOLIDATED FINANCIAL STATEMENTS AND NOTES FOR FINANCIAL INFORMATION RELATED TO THESE ITEMS.
(b) THE DATA EXCLUDE NET ASSETS OF DISCONTINUED OPERATIONS.
(c) LONG-TERM LIABILITIES AS OF DECEMBER 31, 1993 INCLUDE LIABILITIES SUBJECT TO DISPOSITION IN BANKRUPTCY REORGANIZATION.
(d) PRIMARY AND FULLY DILUTED NET INCOME (LOSS) PER SHARE FOR ALL FIVE YEARS WERE THE SAME BECAUSE THE FULLY DILUTED COMPUTATION WAS ANTIDILUTIVE.
(e) INTEREST COVERAGE RATIO IS COMPUTED BY DIVIDING INTEREST INTO INCOME (LOSS) BEFORE BENEFIT (PROVISION) FOR INCOME TAXES PLUS INTEREST.

</TABLE>

MANAGEMENT DISCUSSION AND ANALYSIS

RESTRUCTURING AND BANKRUPTCY REORGANIZATION

The Company initiated a worldwide restructuring program in December 1992 and, accordingly, recorded a restructuring charge of $23.5 million. The restructuring was necessary due to several factors including a precipitous drop in aerospace build rates during the fourth quarter of 1992, anticipation of protracted weakness in the aerospace industry and the need to make aggressive cost reductions to operate profitably at lower sales levels. The initial restructuring program included reductions in excess manufacturing capacity and personnel, and a worldwide reorganization of sales, marketing and administration. In addition to the realignment and reduction of personnel in

the U.S. and Europe, this program provided for the closure of the Graham, Texas honeycomb plant, which was announced in April 1993. The Company began moving manufacturing processes shortly thereafter, and expects the Graham facility to be closed completely during the second half of 1994.

During the third quarter of 1993, Hexcel conducted a further evaluation of the adequacy of the restructuring program and existing reserves in light of declining business conditions in the Company's primary markets, including commercial aerospace. As a result of this evaluation and the continuing decline in aerospace sales, the Company significantly expanded the original restructuring program and recorded an additional restructuring charge of $50.0 million in the third quarter of 1993. The expanded restructuring is a response to deeper than anticipated declines in the aerospace market, and includes additional staff reductions, further consolidation of facilities in the U.S. and Europe, and write-downs of impaired assets. During the fourth quarter of 1993, an additional charge of $2.6 million was recorded in connection with the expanded restructuring program.

Even after the Graham closure is complete, the Company has more production capacity than required for either current or projected sales levels, and needs to close additional facilities. The 1993 restructuring charges include the estimated costs of such closures, and the Company is currently evaluating which facilities to close. This process is complicated by the uncertain outlook for several product lines as well as aerospace industry requirements to "qualify" specific equipment and locations for the manufacture of certain products. These qualification procedures increase the complexity, cost and time of moving equipment while continuing to serve existing customers.

Of the total of $76.1 million in 1993 and 1992 restructuring charges, approximately $40 million relates to noncash asset write-downs. These write-downs reflect expected losses on the disposition of facilities as well as the impairment of assets caused by the changed business environment. Based on current restructuring plans, estimated cash outlays for remaining restructuring activities as of December 31, 1993 are approximately $18 million. See Note 3 to the Consolidated Financial Statements for additional discussion.

In order to fund the restructuring program and improve its capital structure, the Company needed substantial additional financing and a restructuring of its U.S. and European debt. Negotiations with existing senior U.S. lenders to obtain this financing and restructure the Company's domestic obligations were undertaken early in 1993 and continued throughout most of the year. Alternative sources of debt and equity financing were also pursued. The Company did secure commitments of credit facilities for its Belgian subsidiary through March 16, 1994, but was unable to obtain a consensus among the senior U.S. lenders on a debt restructuring plan for U.S. operations.

The failure of these negotiations left the Company with insufficient cash availability to meet operating requirements and continue the restructuring program, as discussed further under "Financial Condition and Liquidity" below. As a result, on December 6, 1993, Hexcel Corporation filed a voluntary petition for relief under the provisions of Chapter 11 of the federal bankruptcy laws. The bankruptcy proceedings are limited to the U.S. parent company, Hexcel Corporation, which directly owns and operates substantially all U.S. assets and operations. The bankruptcy proceedings limit Hexcel Corporation's ability to provide direct financial support outside of the normal course of business to its joint ventures and international subsidiaries without the approval of the U.S. Bankruptcy Court. Furthermore, certain actions, including actions outside of the normal course of business, must be approved by the Bankruptcy Court. For a further discussion of the effect of bankruptcy on the Company and its rights and obligations under Chapter 11, see Note 2 to the Consolidated Financial Statements included in this Form 10-K.

The Company incurred $0.6 million in costs associated with bankruptcy proceedings in December of 1993. Legal and professional fees to be incurred as a result of bankruptcy proceedings are expected to be significant.

RESULTS OF OPERATIONS

The 1993 loss from continuing operations was $86.5 million or $11.79 per share. This compares with a loss from continuing operations of $17.7 million in 1992 and income from continuing operations of $4.8 million in 1991. The net loss for 1993, including discontinued operations and the cumulative effects of accounting changes, was $86.0 million or $11.73 per share. The net loss was $29.3 million in 1992 and net income was $4.3 million in 1991.

The 1993 loss from continuing operations includes additional restructuring charges of $52.6 million for a major expansion of the restructuring program begun in December 1992. The loss also includes other expenses of $12.8 million for the write-down of certain assets and increases in reserves for warranties

and environmental matters on property previously owned. The impairment of assets was due primarily to the bankruptcy proceedings, continued changes in business conditions and depressed real estate prices on property held for sale. In addition, the Company recorded a $10.9 million reserve in 1993 to reflect the adverse impact of the bankruptcy proceeding of Hexcel Corporation and ongoing operating losses on the potential realization of deferred income tax benefits. The 1992 results include a $23.5 million restructuring charge and other income of $3.0 million from the settlement of a patent infringement case, as well as a $1.4 million gain from the settlement of interest rate swap agreements.

During the fourth quarter of 1993, the Company changed to the first-in, first-out ("FIFO") method of accounting for substantially all inventories. The FIFO method provides a more meaningful presentation of the Company's financial position by reflecting inventories at more recent costs, which provides more relevant information about the Company's business condition. The effect of this change on domestic honeycomb and fabric inventories, which were previously valued using the last-in, first-out method, has been applied to prior years by retroactively restating the consolidated financial statements as required by generally accepted accounting principles. In 1993, the Company recorded a one-time, cumulative benefit of $4.5 million from the adoption of a new accounting standard for income taxes. In 1992, the Company recorded a one-time charge of $8.1 million to reflect the adoption of a new accounting standard for postretirement benefits. 1992 results also include an extraordinary gain of $1.0 million on the redemption of $7.3 million of convertible subordinated debentures at a discount. Losses from discontinued operations, which have now been sold, totaled $4.0 million, $4.5 million and $0.5 million in 1993, 1992 and 1991, respectively.

The downturn in the worldwide commercial aerospace business, which accelerated in the fourth quarter of 1992, continued throughout 1993. This downturn, which is not expected to reverse in 1994, has been a major factor in the declining sales and substantial operating losses experienced by the Company since the end of 1992. The ongoing decline in military procurement, including military aerospace orders, has also contributed to the deterioration in the Company's operating results. Furthermore, while non-aerospace markets in the U.S. stabilized during 1993, general economic conditions in Europe did not improve. Many of the markets the Company serves within Europe remain depressed, although some markets such as electrical products strengthened during the year.

Headcount reductions from December 31, 1992 to February 28, 1994, have totaled 710 people, to 2,340 employees at February 28, 1994.

SALES

Sales from continuing operations were $338.6 million in 1993, compared with $386.3 million in 1992 and $386.6 million in 1991. The 12% decline from 1992 to 1993 is primarily attributable to the downturn in the worldwide commercial aerospace market, which accelerated during the fourth quarter of 1992. Sales in the fourth quarter of 1993 of $80.3 million were down 9% from the fourth quarter of 1992, and were 17% less than fourth quarter sales two years ago. Customers within the aerospace market have responded to lower build rates for commercial aircraft by canceling orders, delaying shipments and reducing inventories to match future operating levels. The military aerospace market has also been in decline, reflecting Administration and Congressional pressure to reduce military spending. The Company continued to pursue other markets for its products during the year.

Sales in the U.S. were $193.6 million in 1993, down 10% from $216.2 million in 1992. The decline in U.S. sales was attributable to the decline in the commercial and military aerospace markets. Sales to the U.S. recreation market increased, but fabrics sales were lower due to the transfer of the Company's Knytex operations to a corporate joint venture with Owens-Corning on June 30, 1993. Knytex sales of $7.0 million during the first half of the year are included in the consolidated sales total, while second half sales are not.

International sales were $144.9 million for 1993 compared with $170.1 million in 1992. Decreased aerospace sales were only partially offset by improved sales to the recreation and electrical markets. In addition, sales to the European architectural market were weak as the construction industry, especially in Germany, remained in a deep recession. Part of the international sales decline is due to currency exchange rates. The Belgian and French francs declined approximately 7% against the dollar from 1992 to 1993; accordingly, sales from the Company's primary international subsidiaries were reduced when translated into U.S. dollars.

Sales in 1992 were essentially unchanged from 1991. U.S. sales increased by $5.7 million which neutralized a corresponding international sales decrease. The U.S. sales increase was due mainly to graphite honeycomb shipments in early 1992. The international sales decline was attributable to depressed aerospace

sales in Europe.

COMMERCIAL AEROSPACE SALES

Worldwide sales of $132.6 million in 1993 were down 20% from sales of $166.4 million in 1992. The commercial aerospace market began to deteriorate in 1992 and the slow-down continued throughout 1993.

Reacting to order cancellations from many airlines, major aircraft manufacturers announced a series of build rate reductions worldwide. Additionally, most of these manufacturers announced significant personnel reductions and initiated ongoing efforts to reduce inventories and shorten production lead times. These actions indicate that this is not a temporary decline in the commercial aerospace market.

Declining build rates and associated inventory reductions have resulted in the cancellation and delay of orders for several of the Company's aerospace products. While sales of individual products, such as graphite honeycomb and certain composites products, have increased in response to the production of new wide-bodied aircraft, the majority of products sold to the commercial aerospace market declined. The shrinking commercial aerospace market has intensified competition among suppliers for remaining business. This has resulted in price pressure and margin declines on competitive products which the Company provides to this market.

SPACE AND DEFENSE SALES

Worldwide sales in 1993 decreased to $55.8 million from $59.4 million in 1992. This decline continues a trend which began in 1988 when sales to the space and defense market exceeded $100.0 million. The Company expects this trend to continue and is currently evaluating its future involvement in these markets. The disposition of the current Administration and Congress is toward a general reduction in military spending, and several of the military aerospace programs in which the Company has participated in the past, including the B-2 program, are being reduced or eliminated. For further discussion of the Company's space and defense business, see "Markets and Customers" in this Form 10-K.

GENERAL INDUSTRIAL AND OTHER SALES

Worldwide sales were $150.1 million in 1993 compared with $160.5 million in 1992. For the first time in recent Company history, sales to general industrial markets exceeded sales to the commercial aerospace market. Products provided to non-aerospace customers included honeycomb, advanced composites, reinforcement fabrics and resins. Sales of new products introduced within the last three years continued to grow, as did sales to Reebok for use in athletic shoes. The sale of honeycomb panels for trains built for the Channel Tunnel peaked in 1993 following project delays in 1992. Demand for graphite composite tape used in golf club shafts rose as manufacturers pursued improved performance, and fabric sales to the electrical market increased as demand for circuit boards grew. Sales of material for ballistic purposes, such as bulletproof vests, increased as a result of the receipt of three large contracts.

The formation of the corporate joint venture with Owens-Corning reduced sales of stitchbonded fabrics in the U.S. as sales during the second half of the year went to the joint venture. Decorative fabric sales declined, primarily in Europe, because of the slump in the construction industry. Hexcel's penetration of the U.S. decorative market is still in the embryonic stage. Resin product sales declined nearly 16% to $27.9 million in 1993. Approximately two-thirds of resin product sales are in Europe, and most of the sales decline was due to currency exchange rates. U.S. resin sales also declined due to general aerospace and other industry trends. The Company has commenced discussions with interested parties for the sale of the Resins business, although no agreement has yet been reached.

The Company continues to focus on the development of products for the general industrial, recreation, transportation, and other non-aerospace markets. Increased sales to these markets are needed to lessen the Company's dependence on commercial aerospace and space and defense markets.

GROSS MARGIN

Gross margin for 1993 declined to 16.7% from 19.9% in 1992 and 21.0% in 1991. The gross margin decline resulted primarily from lower sales volumes and continued pricing pressures due to industry overcapacity in aerospace markets. The 12% sales decline in 1993 created additional excess capacity for the Company. Although the closure of the Company's Graham, Texas plant began in

April 1993, the impact of reduced manufacturing overhead costs did not begin to materialize until the fourth quarter. The Graham closure will not be completed until the second half of 1994. For a period of time, the Company was required to maintain overlapping overhead while manufacturing processes were being transferred to other plants. In addition, many of the new products developed for non-aerospace markets have not commanded premium prices due to strong competition. At the same time, shrinking aerospace markets have generated increased competition for remaining business which has created pricing pressures on competitive products.

MARKETING, GENERAL AND ADMINISTRATIVE (M,G&A) EXPENSES

M,G&A expenses decreased $10.3 million from 1992 to 1993, a decline of 14%. M,G&A expenses were 18.2% of sales in 1993, 18.6% in 1992 and 16.9% in 1991. The decrease in 1993 was a result of significant headcount reductions made during the year in an effort to mitigate the effects of declining sales. These headcount reductions were achieved through a reorganization of sales and administrative functions to reduce redundancies and inefficiencies. In addition, the Company restricted spending due to its tight cash position, particularly in the second half of the year.

M,G&A expenses increased by $6.6 million from 1991 to 1992 because of several significant expenses, including bad debt write-offs and legal and environmental reserves.

M,G&A expenses include research and development expenses which were $8.7 million in 1993 or 2.6% of sales, approximately the same level as in 1992 and 1991. Successful research and development activities are critical to the Company's future, and the need to invest in effective research and development must be balanced against the need to reduce expenditures.

INTEREST

1993 interest expenses were $9.1 million, 5% higher than in 1992. Excluding a $1.4 million gain in 1992 from the settlement of interest rate swap agreements, interest expenses actually declined by 9% from 1992 to 1993. This decline is attributable to lower average interest rates on variable rate debt, as well as the full-year benefit from the repurchase of $7.3 million of convertible subordinated debentures during the second quarter of 1992. In addition, borrowings under the U.S. revolving credit agreement were limited to $12.0 million throughout the year. Interest reductions were partially offset by additional borrowings by Hexcel S.A., the Company's Belgian subsidiary, to finance losses and restructuring activities.

1992 interest expenses of $8.7 million were 24% lower than in 1991. In addition to the $1.4 million gain noted above, 1992 expenses benefited from declining interest rates and the reduction of $19.3 million in debt from the cash proceeds from the sale of the U.S. fine chemicals business in 1991.

Capitalized interest was $0.2 million in 1993, $0.3 million in 1992, and $1.1 million in 1991. The decline in interest capitalization reflects the reduction in long-term capital projects undertaken by the Company.

INCOME TAXES

Effective January 1, 1993, the Company adopted Statement of Financial Accounting Standards No. 109 ("SFAS 109"), "Accounting for Income Taxes." The cumulative effect of adopting this standard was the recognition of a deferred income tax benefit of $4.5 million, which was recorded in the first quarter of 1993. During 1993, substantial uncertainty developed as to the realization of the deferred income tax benefits recognized in connection with SFAS 109. As a result, the Company recorded a $10.9 million adjustment to the valuation allowance to reduce the recorded value of these benefits to zero as of December 31, 1993. The adjusted valuation allowance reflects the Company's assessment that the bankruptcy proceedings of Hexcel Corporation and ongoing operating losses have impaired the realization of deferred income tax benefits. See Note 13 to the Consolidated Financial Statements for additional discussion.

The 1993 tax provision was computed in accordance with SFAS 109. The recognition of a $6.2 million provision on an $80.3 million loss from continuing operations before taxes reflects the valuation allowance noted above. The 1992 and 1991 tax benefits of $6.3 million and $0.2 million, respectively, were computed in accordance with Accounting Principles Board Opinion No. 11 ("APB 11"), which was superseded by SFAS 109. The effective rate of these tax benefits were 26% and 4%, respectively, and reflect the impact of 1992 operating losses and international tax incentives and credits, to the extent allowable by APB 11.

HEXCEL S.A. (BELGIUM)

The restructuring program initiated by the Company in 1992 and expanded in 1993 includes certain actions at Hexcel S.A., a wholly-owned Belgian subsidiary. Due to depressed European business conditions, particularly in the aerospace industry, Hexcel S.A. has been operating at a loss. Furthermore, interest costs are consuming cash as are the restructuring activities necessary to return the subsidiary to profitability. Hexcel S.A. is also investigating alleged product claims which could require additional cash outlays.

Hexcel S.A. is currently in negotiations with its existing lenders regarding the commitment of credit facilities which expired beginning on March 16, 1994. Four of the five existing lenders have agreed to a stand still until April 30, 1994, subject to the Parent Company making satisfactory progress toward obtaining authorization from the Bankruptcy Court to invest additional funds and recapitalize Hexcel S.A. Discussions with the fifth lender are continuing. There is no assurance that the Bankruptcy Court will authorize the investment of additional funds or the recapitalization of Hexcel S.A., or that the existing lenders will continue to extend their short-term credit agreements for any specified length of time. As a result, Hexcel S.A.'s ability to continue as a going concern is subject to its obtaining needed financing, as well as resolving alleged product claims and successfully implementing required restructuring initiatives.

Hexcel S.A. is an integral component of the Company's worldwide competitiveness, particularly in commercial aerospace. If Hexcel S.A. is unable to continue as a going concern, management believes that this would have a material adverse effect on the Company's U.S. and international operations.

JOINT VENTURES AND DIVESTITURES

The Company entered into a joint venture with Owens-Corning in June 1993. The venture is a strategic alliance which combines the stitchbonding capability of Hexcel with the reinforcement glass manufacturing, marketing and distribution expertise of Owens-Corning to produce and market stitchbonded fabrics worldwide. The venture began operations in July 1993 after the Company sold 50% of the Knytex business to Owens-Corning and contributed the remaining 50% to the venture. The Company received proceeds of $4.5 million and recorded a gain of approximately $1.5 million related to the sale. The Company owns 50% of the Knytex venture, which had revenues during the six months ended December 31, 1993 of $6.8 million.

The Company entered into a joint venture with Fyfe Associates in October 1992. Hexcel-Fyfe will sell and apply high strength architectural wrap for the seismic retrofitting and strengthening of bridges and other structures. The major January 17, 1994 earthquake in Los Angeles demonstrated the capability of the product, as certain test sites near the epicenter survived with no damage. The Company owns 40% of the venture, and Fyfe Associates owns the remainder. Revenues of the venture were not significant in 1993 or 1992.

In 1990, the Company entered into a joint venture with Dainippon Ink and Chemicals for the production and sale of Nomex honeycomb, advanced composites and decorative laminates for the Japanese market. Construction of a manufacturing facility in Komatsu, Japan began in 1992. The facility began production of material for qualification in 1993 with the qualification process expected to run through 1994. The Company owns 50% of this venture.

In March 1992, the Company sold the fine chemicals business located in Zeeland, Michigan. In January 1994, the Company sold the fine chemicals business located in Teesside, England, which completes the divestiture of discontinued operations. See Note 14 to the Consolidated Financial Statements for additional discussion.

FINANCIAL CONDITION AND LIQUIDITY

EVENTS LEADING TO BANKRUPTCY REORGANIZATION

As a result of the $30.6 million loss from continuing operations before income taxes in the fourth quarter of 1992, which included a $23.5 million restructuring charge, the Company was not in compliance with certain financial covenants of its U.S. revolving bank credit and other U.S. financing agreements. In March 1993, the Company entered into a new revolving credit agreement which reduced the amount available for borrowing from $35.0 million to the amount then borrowed of $12.0 million; shortened the maturity of the facility by two years to March 15, 1994; required the Company to provide by July 31, 1993 collateral consisting of substantially all U.S. assets; and revised certain financial covenants. Due to operating losses incurred during the first half of 1993, and the inability to proceed with a planned acquisition, the Company was not in

compliance as of June 30, 1993 with the revised financial covenants which had included the benefits of this acquisition. Waivers for noncompliance of a financial covenant and the covenant to provide collateral were obtained from the U.S. lenders through September 15, 1993.

Operating losses continued during the third quarter of 1993 and, as a result of no additional borrowing capacity under existing U.S. credit agreements, the Company was required to extend U.S. trade payables from $9.5 million at December 31, 1992 to $23.9 million as of August 31, 1993. Ongoing negotiations with the existing senior U.S. lenders failed to produce an agreement, and the September 15, 1993 waiver

deadline expired with the Company in noncompliance. No additional waivers were granted although negotiations continued. The Company was able to finance its activities during September and October primarily as a result of receiving approximately $9.6 million from the accelerated collection of amounts due under long-term contracts and the settlement of a terminated contract.

Restructuring costs and operating losses continued in the fourth quarter and the Company was required to reduce its accounts payable as a result of more restrictive credit terms imposed by many suppliers. The resulting consumption of cash was partially offset by efforts to control spending, reduce accounts receivable and inventory levels, limit restructuring actions to those items already in progress and limit capital expenditures to minimum levels. The Company's trade vendors were becoming increasingly concerned over the protracted extension of their payments and reports of the Company's financial distress, as well as the lack of an agreement with the senior U.S. lenders to restructure outstanding debt and obtain additional financing.

By mid-November, the Parent Company was operating at critically low levels of cash without any remaining credit availability, having extended payments to trade vendors. As discussed on page 28, negotiations with existing senior U.S. lenders and other potential investors ultimately failed, and the Parent Company filed a voluntary petition for relief under the provisions of Chapter 11 of the federal bankruptcy laws on December 6, 1993.

Federal bankruptcy laws prohibit Hexcel Corporation from paying almost all prepetition liabilities without the approval of the Bankruptcy Court. The effect of this prohibition was to increase the amount of available cash between December 6 and the end of the year, as Hexcel Corporation continued to generate cash proceeds from product sales without satisfying prepetition debts. This was partially offset by many vendors requiring cash in advance for purchases. As of December 31, 1993, the Company had cash and equivalents of approximately $12.9 million, including $7.9 million in the U.S.

Prior to the Chapter 11 filing, Hexcel Corporation arranged for a debtor-in-possession revolving credit line from The CIT Group / Business Credit, Inc. On January 28, 1994, the Bankruptcy Court granted final approval for the use of this credit facility. The amount available for borrowing is based on the outstanding balance of eligible U.S. receivables and inventories, up to a maximum of $35.0 million. This credit line is secured by substantially all of the Company's U.S. assets, enjoys superpriority over virtually all other claims, and is subject to a number of financial covenants and restrictions. As of December 31, 1993, the Company had not borrowed against this credit line. The Company believes it will begin to borrow against this facility during the second quarter of 1994.

The Company expects that the debtor-in-possession revolving line of credit will be sufficient to finance the Parent Company's operations and restructuring activities while it remains under bankruptcy protection. This credit facility expires in two years or upon confirmation of a plan of reorganization, at which time all outstanding borrowings become immediately due and payable. Consequently, the Company must secure long-term postconfirmation financing in connection with the reorganization of Hexcel Corporation.

HEXCEL S.A..

As noted under "Hexcel S.A. (Belgium)" above, the Company's Belgian subsidiary is currently in negotiations with existing lenders regarding the commitment of credit facilities which expired beginning on March 16, 1994. If Hexcel S.A. is unable to obtain needed financing, it may be unable to continue as a going concern for a reasonable period of time.

CURRENT FINANCIAL CONDITION AND LIQUIDITY

Total credit lines, excluding U.S. credit lines subject to bankruptcy reorganization, were approximately $63.8 million at December 31, 1993. $35.0

million of this total was the debtor-in-possession revolving line of credit, and the remaining $28.8 million was comprised of various credit lines extended to the Company's European subsidiaries, including Hexcel S.A., of which $7.2 million was available for borrowing by those subsidiaries for their activities. The debtor-in-possession credit line cannot be used to provide direct financial support outside of the normal course of business to joint ventures or European subsidiaries without the prior consent of the Bankruptcy Court.

Operating activities including capital expenditures and restructuring charges, but before working capital changes, consumed $23.5 million of cash in 1993, $11.0 million in 1992, and $1.7 million in 1991. The consumption of cash in 1993 and 1992 was offset by working capital improvements of $28.1 million in 1993 and $25.0 million in 1992. Much of the net increase in cash in 1993 occurred shortly after the bankruptcy filing, as prepetition obligations were stayed by the Bankruptcy Court, while December 1993 accounts receivable collections were strong. The working capital improvements in 1993 were due to lower accounts receivable and inventory levels from declining sales and improved working capital controls, as well as the deferral of payments on U.S. accounts payable during the year. The Company also obtained cash from additional borrowings on European credit lines and from the proceeds from the sale of 50% of the Knytex operation to Owens-Corning. In 1992, the Company used the proceeds from the sale of the U.S. fine chemicals business of $19.3 million to pay down debt.

Working capital from continuing operations decreased to $54.7 million at the end of 1993 from $69.3 million at the end of 1992 and $105.7 million at the end of 1991. The 1993 reduction is primarily attributable to continuing sales declines, working capital controls and asset write-downs, partially offset by the increase in cash and the reclassification of short-term prepetition obligations to non-current liabilities subject to disposition in bankruptcy reorganization. The 1992 working capital reduction was largely due to the sudden sales decline in the fourth quarter and the implementation of working capital controls throughout the year. Most of the reduction occurred in accounts receivable and inventory.

Capital expenditures were $6.5 million in 1993 compared with $17.1 million in 1992 and $14.7 million in 1991. The substantial decline in capital spending during 1993 reflects the ongoing effort to conserve cash which began early in the year. The Company has limited capital spending to outlays required by regulatory requirements and the replacement and upgrade of essential existing equipment. Until Hexcel Corporation emerges from bankruptcy proceedings and adequate long-term financing is in place, the Company does not expect capital expenditures to significantly increase above 1993 spending levels.

Cash requirements to complete the current restructuring program are expected to total approximately $18 million. Funding for these costs will come from the debtor-in-possession revolving line of credit while in bankruptcy proceedings, and funding after bankruptcy proceedings will be provided as part of the reorganization plan.

MARKET SUMMARY

The following tables summarize net sales by market and by international operations for continuing operations(a) for the five years ended December 31.

Net Sales by Market

<TABLE>
<CAPTION>

	1993	1992	1991	1990	1989
<S>	<C>	<C>	<C>	<C>	<C>
Commercial aerospace	39%	43%	44%	44%	41%
General industrial and other	45%	42%	39%	38%	35%
Space and defense	16%	15%	17%	18%	24%
	100%	100%	100%	100%	100%
International Operations					
International net sales(b)	$ 144,927	$ 170,118	$ 176,094	$ 174,636	$ 151,839
Percentage of net sales	43%	44%	46%	46%	41%

<FN>

(a) THE DATA EXCLUDE DISCONTINUED OPERATIONS. SEE THE CONSOLIDATED FINANCIAL STATEMENTS AND NOTES FOR FINANCIAL INFORMATION ON DISCONTINUED OPERATIONS.
(b) NET SALES OF INTERNATIONAL SUBSIDIARIES AND U.S. EXPORTS, IN THOUSANDS.

</TABLE>

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Financial statement schedules other than those listed above have been omitted because they are not applicable, not required, or the required information is included in the consolidated financial statements or notes thereto.

MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

Hexcel management has prepared and is responsible for the consolidated financial statements and the related financial data contained in this report. These financial statements were prepared in accordance with generally accepted accounting principles. Management uses its best judgment to ensure that such statements reflect fairly the consolidated financial position, results of operations and cash flows of the Company.

The Company maintains accounting and other control systems which management believes provide reasonable assurance that financial records are reliable for purposes of preparing financial statements and that assets are safeguarded and accounted for properly. Underlying this concept of reasonable assurance is the premise that the cost of control should not exceed benefits derived from control.

The Audit Committee of the Board of Directors reviews and monitors the financial reports and accounting practices of the Company. These reports and practices are reviewed regularly by management and by the independent auditors, Deloitte & Touche, in connection with the audit of the Company's financial statements. The Audit Committee, composed solely of outside directors, meets periodically, separately and jointly, with management and the independent auditors.

JOHN J. LEE
- ------------------------------
(John J. Lee)
CHIEF EXECUTIVE OFFICER

WILLIAM P. MEEHAN

- --------------------------------

(William P. Meehan)
CHIEF FINANCIAL OFFICER

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and
Shareholders of Hexcel Corporation:

We have audited the accompanying consolidated balance sheets of Hexcel Corporation (Debtor-in-Possession) and subsidiaries (collectively the "Company") as of December 31, 1993 and 1992, and the related consolidated statements of operations, shareholders' equity and cash flows for the years then ended. Our audits also included the financial statement schedules for the years ended December 31, 1993 and 1992 listed in the index on page 38. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such 1993 and 1992 consolidated financial statements present fairly, in all material respects, the financial position of Hexcel Corporation and subsidiaries at December 31, 1993 and 1992, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles. Also, in our opinion, such 1993 and 1992 financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects the information shown therein.

We also audited the adjustments described in Note 4 that were applied to restate the 1991 financial statements to give retroactive effect to the change in the method of accounting for domestic honeycomb and fabric inventories to the first-in, first-out method from the last-in, first-out method. In our opinion, such adjustments are appropriate and have been properly applied.

As discussed in Notes 1 and 2, Hexcel Corporation has filed for reorganization under Chapter 11 of the Federal Bankruptcy Code. The accompanying consolidated financial statements do not purport to reflect or provide for the consequences of the bankruptcy proceedings. In particular, such consolidated financial statements do not purport to show (a) as to assets, their realizable value on a liquidation basis or their availability to satisfy liabilities; (b) as to prepetition liabilities, the amounts that may be allowed for claims or contingencies, or the status and priority thereof; (c) as to shareholder accounts, the effect of any changes that may be made in the capitalization of the Company; or (d) as to operations, the effect of any changes that may be made in its business. The outcome of these matters is not presently determinable. Accordingly, the consolidated financial statements do not include adjustments that might result from the ultimate outcome of these uncertainties.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Notes 1,2,3 and 6, the Company's recurring losses from operations and future need for new financing raise substantial doubt about its ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to (a) return to profitability based on a successful implementation of its plan for restructuring operations and (b) obtain new financing when needed to repay anticipated borrowings against the U.S. debtor-in-possession line of

credit, which are necessary to pay for restructuring activities. Any borrowings against the U.S. debtor-in-possession line of credit are due upon the earlier of December 1995 or confirmation by the U.S. Bankruptcy Court of a plan of reorganization. Management's plans concerning these matters are also discussed in Note 1. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

As discussed in Note 16 to the consolidated financial statements, Hexcel S.A. (a Belgium company), a wholly-owned subsidiary of Hexcel Corporation, is experiencing substantial operating and financial difficulties. Additionally, Hexcel Corporation is unable to provide direct financial support outside of the normal course of business to this subsidiary without U.S. Bankruptcy Court approval, which raises substantial doubt about Hexcel S.A.'s ability to continue as a going concern. The ultimate outcome of these uncertainties is not presently determinable. Accordingly, the consolidated financial statements do not include adjustments that might result from the ultimate outcome of these uncertainties.

As discussed in Note 1 to the consolidated financial statements, the Company (1) in 1992 changed its method of accounting for postretirement benefits other than pensions to conform with Statement of Financial Accounting Standards No. 106, (2) in 1993 changed its method of accounting for domestic honeycomb and fabric inventories from the last-in, first-out method to the first-in, first-out method, and (3) changed its method of accounting for income taxes effective January 1, 1993 to conform with Statement of Financial Accounting Standards No. 109. The 1992 and 1991 consolidated financial statements have been retroactively restated for the change in accounting for domestic honeycomb and fabric inventories.

DELOITTE & TOUCHE
Oakland, California
April 11, 1994

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders and Board of Directors of Hexcel Corporation:

We have audited the consolidated statement of operations, shareholders' equity, and cash flows of Hexcel Corporation and subsidiaries for the year ended December 31, 1991 prior to the restatement (and, therefore, are not presented herein) for the change in accounting for certain inventories from the last-in, first-out ("LIFO") to the first-in, first-out ("FIFO") method as described in Note 4 to the restated consolidated financial statements. These consolidated financial statements and the schedules referred to below are the responsibility of Hexcel's management. Our responsibility is to express an opinion on these consolidated financial statements and schedules based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the results of operations and cash flows of Hexcel Corporation and subsidiaries for the year ended December 31, 1991 in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the index on page 38 are presented for purposes of complying with the Securities and Exchange Commission's rules and are not part of the basic financial statements. The schedules for the year ended December 31, 1991 have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN & CO.

San Francisco, California
February 4, 1992

<TABLE>
<CAPTION>

HEXCEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

Years Ended December 31, (In thousands, except per share data)	1993	1992	1991
<S>	<C>	<C>	<C>
Net sales	$ 338,568	$ 386,289	$ 386,584
Cost of sales	(282,116)	(309,335)	(305,364)
Gross margin	56,452	76,954	81,220
Other operating costs and expenses:			
Marketing, general and administrative expenses	(61,551)	(71,806)	(65,190)
Restructuring expenses	(52,600)	(23,500)	--
Other income (expenses)	(12,780)	2,992	--
Operating income (loss)	(70,479)	(15,360)	16,030
Interest expenses	(9,135)	(8,695)	(11,433)
Bankruptcy reorganization expenses	(641)	--	--
Income (loss) from continuing operations before income taxes	(80,255)	(24,055)	4,597
Benefit (provision) for income taxes	(6,201)	6,349	174
Income (loss) from continuing operations	(86,456)	(17,706)	4,771
Discontinued operations:			
Losses during phase-out period, net of benefit for income taxes of $383 in 1993, $1,139 in 1992 and $546 in 1991	(4,039)	(4,472)	(508)
Income (loss) before extraordinary item and cumulative effects of accounting changes	(90,495)	(22,178)	4,263
Extraordinary item:			
Gain on redemption of convertible subordinated debentures, net of provision for income taxes of $492 in 1992	--	956	--
Income (loss) before cumulative effects of accounting changes	(90,495)	(21,222)	4,263
Cumulative effects of accounting changes:			
Postretirement benefits other than pensions, net of benefit for income taxes of $4,148 in 1992	--	(8,052)	--
Income taxes	4,500	--	--
Net income (loss)	$ (85,995)	$ (29,274)	$ 4,263
Net income (loss) per share and equivalent share:			
Primary and fully diluted:			
Continuing operations	$ (11.79)	$ (2.43)	$ 0.67
Discontinued operations	(0.55)	(0.62)	(0.07)
Extraordinary item	--	0.13	--
Cumulative effects of accounting changes	0.61	(1.11)	--
Net income (loss)	$ (11.73)	$ (4.03)	$ 0.60
Weighted average shares and equivalent shares	7,330	7,272	7,146

</TABLE>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

HEXCEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

BALANCES AT DECEMBER 31, (IN THOUSANDS, EXCEPT PER SHARE DATA)	1993	1992

<S>	<C>	<C>
ASSETS		
Current assets:		
Cash and equivalents	$ 12,877	$ 2,449
Accounts receivable	67,595	78,803
Inventories	47,284	61,074
Prepaid expenses	4,562	9,623
Net assets of discontinued operations	--	3,541
Total current assets	132,318	155,490
Property, plant and equipment:		
Land	4,660	6,223
Buildings	62,020	67,806
Equipment	167,802	179,912
	234,482	253,941
Less accumulated depreciation	119,814	115,670
Net property, plant and equipment	114,668	138,271
Investments and other assets	21,375	20,630
Total assets	$ 268,361	$ 314,391
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Notes payable and current maturities of long-term liabilities	$ 24,632	$ 21,925
Accounts payable	12,816	20,587
Accrued liabilities	40,212	40,100
Total current liabilities	77,660	82,612
Long-term notes payable and capital lease obligations	5,168	95,569
Deferred liabilities	44,848	30,061
Liabilities subject to disposition in bankruptcy reorganization	119,932	--
Shareholders' equity:		
Common stock, $0.01 par value, authorized 20,000 shares, shares issued and outstanding of 7,310 in 1993 and 7,296 in 1992	73	73
Additional paid-in capital	62,562	62,292
Retained earnings (accumulated deficit)	(42,744)	43,251
Minimum pension obligation adjustment	(646)	--
Cumulative currency translation adjustment	1,508	533
Total shareholders' equity	20,753	106,149
Total liabilities and shareholders' equity	$ 268,361	$ 314,391

</TABLE>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

HEXCEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

<TABLE>
<CAPTION>

YEARS ENDED DECEMBER 31, 1993, 1992 AND 1991 (IN THOUSANDS)	COMMON STOCK OUTSTANDING SHARES	COMMON STOCK AMOUNT	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS (ACCUMULATED DEFICIT)	MINIMUM PENSION OBLIGATION ADJUSTMENT	CUMULATIVE CURRENCY TRANSLATION ADJUSTMENT
<S>	<C>	<C>	<C>	<C>	<C>	<C>
BALANCE, JANUARY 1, 1991	7,057	$ 71	$ 59,968	$ 74,519	--	$ 8,620
Net income	--	--	--	4,263	--	--
Common stock issued for employee and shareholder stock plans	101	1	964	--	--	--
Cash dividends on common stock	--	--	--	(3,102)	--	--
Currency translation adjustment	--	--	--	--	--	(981)
BALANCE, DECEMBER 31, 1991	7,158	72	60,932	75,680	--	7,639
Net loss	--	--	--	(29,274)	--	--
Common stock issued for employee and shareholder stock plans	138	1	1,360	--	--	--

Cash dividends on common stock	--	--	--	(3,155)	--	--
Currency translation adjustment	--	--	--	--	--	(7,106)
BALANCE, DECEMBER 31, 1992	7,296	73	62,292	43,251	--	533
Net loss	--	--	--	(85,995)	--	--
Common stock issued for employee and shareholder stock plans	14	--	270	--	--	--
Minimum pension obligation adjustment	--	--	--	--	$ (646)	
Currency translation adjustment	--	--	--	--	--	975
Balance, December 31, 1993	7,310	$ 73	$ 62,562	$ (42,744)	$ (646)	$ 1,508

</TABLE>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

<TABLE>
<CAPTION>

HEXCEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, (In thousands)	1993	1992	1991
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Cash flows from continuing operations:			
Income (loss) from continuing operations	$(86,456)	$(17,706)	$4,771
Reconciliation to net cash provided by continuing operations:			
Depreciation and amortization	15,840	15,734	15,421
Provision for deferred taxes	5,127	(6,265)	2,234
Restructuring and other expenses	65,380	23,500	--
Gain from settlement of interest rate swap	--	(1,361)	--
Changes in assets and liabilities:			
Decrease in accounts receivable	7,865	19,191	56
(Increase) decrease in inventories	5,014	15,772	(83)
(Increase) decrease in prepaid expenses	(1,990)	2,045	1,105
(Increase) decrease in other long-term assets	40	(2,076)	(5,147)
Increase (decrease) in accounts payable and accrued liabilities	16,892	(12,009)	(1,983)
Decrease in other long-term liabilities	(1,468)	(5,043)	(4,247)
Decrease in restructuring accrual	(15,438)	(665)	--
Increase in accrued bankruptcy reorganization expenses	366	--	--
Net cash provided by continuing operations	11,172	31,117	12,127
Net cash used by discontinued operations	(498)	(2,986)	(5,505)
Net cash provided by operating activities	10,674	28,131	6,622
Cash flows from investing activities:			
Capital expenditures	(6,542)	(17,093)	(14,728)
Proceeds from equipment sold	764	752	220
Investments in joint ventures	(1,750)	(500)	(450)
Proceeds from sale of business	4,500	--	--
Proceeds from disposal of discontinued operations	500	19,262	--
Proceeds from settlement of interest rate swap agreements	--	1,818	--
Other	--	--	156
Net cash provided (used) by investing activities	(2,528)	4,239	(14,802)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	--	21,904	54,346
Payments of long-term debt, including current maturities	(4,375)	(43,801)	(43,327)
Repurchase of convertible subordinated debentures	--	(5,487)	--
Proceeds (payments) of short-term debt, net	7,229	(3,135)	(2,996)
Principal payments of capital lease obligations	(494)	(510)	(598)
Proceeds from issuance of common stock for employee and shareholder stock plans	270	1,361	965
Cash dividends paid	--	(3,155)	(3,102)
Net cash provided (used) by financing activities	2,630	(32,823)	5,288
Effect of exchange rate changes on cash and equivalents	(348)	982	130
Net increase (decrease) in cash and equivalents	10,428	529	(2,762)
Cash and equivalents at beginning of year	2,449	1,920	4,682

Cash and equivalents at end of year	$ 12,877	$ 2,449	$ 1,920

</TABLE>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The consolidated financial statements include the accounts of Hexcel Corporation and subsidiaries (the "Company"), after elimination of intercompany transactions and accounts. On December 6, 1993, Hexcel Corporation (a Delaware corporation, the "Parent Company" or "Parent") filed a voluntary petition for relief under the provisions of Chapter 11 of the federal bankruptcy laws (see Note 2). Consequently, the consolidated financial statements have been prepared in accordance with Statement of Position 90-7, "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code," issued by the American Institute of Certified Public Accountants in November 1990.

The consolidated financial statements do not purport to reflect or provide for the potential consequences of the bankruptcy proceedings of Hexcel Corporation. In particular, the consolidated financial statements do not purport to show (a) as to assets, their realizable value on a liquidation basis or their availability to satisfy liabilities; (b) as to prepetition liabilities, the amounts that may be allowed for claims or contingencies or the status and priority thereof; (c) as to shareholder accounts, the effect of any changes that may be made to the capitalization of Hexcel Corporation; or (d) as to operations, the effect of any changes that may be made in its business. The outcome of these matters is not presently determinable. Accordingly, the consolidated financial statements do not include adjustments that might result from the ultimate outcome of these uncertainties.

The consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As shown in the consolidated financial statements, during the years ended December 31, 1993 and 1992, the Company incurred losses from continuing operations of $86,456 and $17,706, respectively. These losses include accrued expenses of $52,600 and $23,500, respectively, for a major restructuring of the Company's operations, which has not yet been completed (see Note 3). In addition, Hexcel Corporation filed a voluntary petition for relief under the provisions of Chapter 11 of the federal bankruptcy laws on December 6, 1993, and has been operating as a debtor-in-possession since that date. While the Company believes it has adequate financing to operate in bankruptcy for a reasonable period of time (see Note 6), its ability to successfully continue operations is dependent upon, among other things, confirmation of a plan of reorganization that will enable Hexcel Corporation to emerge from bankruptcy proceedings, obtaining adequate postconfirmation financing to fund restructuring and working capital requirements, successfully implementing the restructuring program, and generating sufficient cash from operations and financing sources to meet obligations. Management believes that the Company should be able to restructure its existing debt and obtain adequate postconfirmation financing in connection with the confirmation of a plan of reorganization, but there is no assurance that such restructuring or financing will occur. These factors among others may indicate that the Company will be unable to continue as a going concern for a reasonable period of time.

The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

CASH AND EQUIVALENTS

The Company invests excess cash in investments with original maturities of less than three months. The investments consist of Eurodollar time deposits and are stated at cost, which approximates market

value. The Company considers such investments to be cash equivalents for purposes of the statements of cash flows.

ACCOUNTS RECEIVABLE

Accounts receivable were net of reserves for doubtful accounts of $1,490 at December 31, 1993 and 1992.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost. Repairs and maintenance are charged to expense as incurred; replacements and betterments are capitalized. Interest expense associated with major long-term construction projects is capitalized. Capitalized interest was $227 in 1993, $298 in 1992 and $1,083 in 1991.

The Company depreciates property, plant and equipment over estimated useful lives. Accelerated and straight-line methods are used for financial statement purposes. The estimated useful lives range from 10 to 40 years for buildings and improvements and 3 to 20 years for machinery and equipment.

RESEARCH AND DEVELOPMENT COSTS

Research and development costs of $8,745 in 1993, $10,457 in 1992 and $10,614 in 1991 were expensed as incurred, and are included in marketing, general and administrative ("M,G&A") expenses in the consolidated statements of operations.

CURRENCY TRANSLATION

The assets and liabilities of European subsidiaries are translated into U.S. dollars at year-end exchange rates, and revenues and expenses are translated at average exchange rates during the year. Cumulative currency translation adjustments are included in shareholders' equity. Realized gains and losses are reflected in net income.

EARNINGS PER SHARE

Net income (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares and dilutive common share equivalents (stock options) outstanding during each year. The computation on the fully diluted basis, which considers the exercise of stock options and the conversion of the convertible subordinated debentures, was antidilutive in 1993, 1992 and 1991.

ACCOUNTING CHANGES

During the fourth quarter of 1993, the Company changed to the first-in, first-out ("FIFO") method of accounting for substantially all inventories (see Note 4). The effect of this change on domestic honeycomb and fabric inventories, which were previously valued using the last-in, first-out ("LIFO") method, has been applied to prior years by retroactively restating the consolidated financial statements as required by generally accepted accounting principles.

Effective January 1, 1993, the Company adopted Statement of Financial Accounting Standards No. 109 ("SFAS 109"), "Accounting for Income Taxes" (see Note 13). The cumulative effect of this accounting change has been reflected in the consolidated statement of operations for the year ended December 31, 1993.

Effective January 1, 1992, the Company adopted Statement of Financial Accounting Standards No. 106 ("SFAS 106"), "Employers' Accounting for Postretirement Benefits Other than Pensions" (see Note 12). The cumulative effect of this accounting change has been reflected in the consolidated statement of

operations for the year ended December 31, 1992.

RECLASSIFICATIONS

Certain prior year amounts in the consolidated financial statements and notes have been reclassified to conform to the 1993 presentation.

NOTE 2 - BANKRUPTCY REORGANIZATION

On December 6, 1993, Hexcel Corporation filed a voluntary petition for relief under the provisions of Chapter 11 of the federal bankruptcy laws in the United States Bankruptcy Court for the Northern District of California (the "Bankruptcy Court"). Since that date, Hexcel Corporation has continued business operations as debtor-in-possession under the supervision of the Bankruptcy Court. Substantially all of the U.S. assets and operations of the Company are directly owned and operated by the Parent, and are subject to bankruptcy protection. The joint ventures and European subsidiaries of Hexcel Corporation are not included in the bankruptcy proceedings and, as such, are not subject to

the provisions of the federal bankruptcy laws or the supervision of the Bankruptcy Court. However, the Parent Company is generally unable to provide direct financial support outside of the normal course of business to its joint ventures and subsidiaries without Bankruptcy Court approval.

All transactions outside of the Parent Company's ordinary course of business are subject to the approval of the Bankruptcy Court. A committee of unsecured creditors and a committee of equity security holders have been appointed and these committees will participate in the bankruptcy process, including the confirmation of a plan of reorganization.

Federal bankruptcy laws prohibit Hexcel Corporation from paying almost all prepetition liabilities without the approval of the Bankruptcy Court. The Parent Company has received approval to pay or otherwise honor certain prepetition obligations, including employee wages and benefits. Accordingly, these obligations have been included in the appropriate liability captions of the consolidated balance sheet as of December 31, 1993. Most other prepetition liabilities, including trade accounts and notes payable, have been reflected as "liabilities subject to disposition in bankruptcy reorganization" on the basis of the expected amount of allowed claims. Additional prepetition claims may arise from the rejection of executory contracts, including leases, and from the determination by the Bankruptcy Court (or agreed to by parties in interest) of allowed claims for contingencies and other disputed amounts.

Under Chapter 11, the Parent Company is prohibited from paying interest on most prepetition debt. However, the Parent Company continues to record interest expense on all interest-bearing obligations, and the resulting liability is included in liabilities subject to disposition in bankruptcy reorganization. Professional fees and other costs directly related to bankruptcy proceedings are expensed as incurred, and reflected in the consolidated statement of operations for the year ended December 31, 1993 as "bankruptcy reorganization expenses." Interest income earned by the Parent Company subsequent to the Chapter 11 filing is reported as a reduction of bankruptcy reorganization expenses.

Liabilities incurred in the normal course of business after the petition date are not subject to bankruptcy protection or disposition and have been reflected accordingly in the consolidated financial statements. These postpetition liabilities are generally paid in accordance with contract terms, and the Parent Company has obtained debtor-in-possession financing to facilitate such payments (see Note 6).

Substantially all of the Parent Company's liabilities as of the petition date are subject to settlement under a plan of reorganization to be voted upon by creditors and equity security holders and confirmed by the Bankruptcy Court. In the event a plan of reorganization is approved by the Bankruptcy Court, continuation of the business after reorganization is dependent upon the success of future operations and the ability to meet obligations as they become due. As a result of the reorganization proceedings, the Parent Company may have to sell or otherwise dispose of assets and liquidate or settle liabilities for amounts other than those reflected in the consolidated financial statements. Further, a plan of reorganization could materially change the amounts currently recorded in the consolidated financial statements. The consolidated financial statements do not give effect to all adjustments to the carrying value of assets, or amounts and classification of liabilities, that might be necessary as a consequence of these bankruptcy proceedings.

The following condensed financial statements for Hexcel Corporation, the debtor-in-possession, as of December 31, 1993 and 1992 and for the years ended December 31, 1993, 1992 and 1991, have been prepared using the equity method to account for investments in subsidiaries:

<TABLE>
<CAPTION>

CONDENSED BALANCE SHEETS

	1993	1992
<S>	<C>	<C>
Current assets	$ 70,449	$ 88,856
Property, plant and equipment, net	80,389	94,595
Investments in and advances to subsidiaries	35,466	48,196
Investments and other assets	20,920	18,923
Total assets	$ 207,224	$ 250,570
Current liabilities	$ 22,938	$ 33,118
Long-term notes payable and deferred liabilities	41,101	111,303
Liabilities subject to disposition in bankruptcy reorganization	122,432	

Shareholders' equity	20,753	106,149
Total liabilities and shareholders' equity	$ 207,224	$ 250,570

</TABLE>

Investments in and advances to subsidiaries includes intercompany investments, loans, and trade balances. As of December 31, 1993, $1,828 of the total represents investments in and advances to Hexcel S.A., the Company's wholly-owned Belgian subsidiary (see Note 16).

Liabilities subject to disposition in bankruptcy reorganization includes $2,500 payable to a European subsidiary.

<TABLE>
<CAPTION>

CONDENSED STATEMENTS OF OPERATIONS

	1993	1992	1991
<S>	<C>	<C>	
Net sales	$ 215,871	$ 248,790	$ 245,445
Cost of sales and MG&A expenses	(226,679)	(245,590)	(241,754)
Restructuring charges and other expenses	(49,124)	(14,978)	--
Operating income (loss)	(59,932)	(11,778)	3,691
Equity in earnings (losses) of subsidiaries	(14,057)	(8,341)	5,310
Interest and bankruptcy reorganization expenses	(4,745)	(2,849)	(5,545)
Benefit (provision) for income taxes	(7,722)	5,262	1,315
Income (loss) from continuing operations	(86,456)	(17,706)	4,771
Discontinued operations	(4,039)	(4,472)	(508)
Extraordinary item	--	956	--
Cumulative effects of accounting changes	4,500	(8,052)	--
Net income (loss)	$ (85,995)	$ (29,274)	$ 4,263

</TABLE>

Net sales include sales to subsidiaries for the years ended December 31, 1993, 1992 and 1991 of $10,061, $12,359 and $19,601, respectively.

Equity in earnings (losses) of subsidiaries include restructuring charges and other expenses of $16,256 and $5,530 in 1993 and 1992, respectively.

<TABLE>
<CAPTION>

CONDENSED STATEMENTS OF CASH FLOWS

	1993	1992	1991
<S>	<C>	<C>	<C>
Income (loss) from continuing operations	$ (86,456)	$ (17,706)	$ 4,771
Depreciation and amortization	10,118	10,774	10,529
Restructuring and other expenses	49,124	19,805	--
Equity in (earnings) losses of subsidiaries	14,057	8,341	(5,310)
Changes in assets and liabilities	14,025	12,587	527
Other	8,799	(10,384)	(2,964)
Net cash provided by continuing operations	9,667	23,417	7,553
Net cash used by discontinued operations	(498)	(2,986)	(5,505)
Net cash provided by operating activities	9,169	20,431	2,048
Capital expenditures	(4,694)	(11,051)	(9,966)
Proceeds from disposal of discontinued operations	500	19,262	--
Other	3,484	1,508	(135)
Net cash provided (used) by investing activities	(710)	9,719	(10,101)
Issuance of long-term debt	--	21,000	54,346
Payments of long-term debt	(1,457)	(46,980)	(43,327)
Other	884	(4,170)	(5,302)

Net cash provided (used) by financing activities	(573)	(30,150)	5,717
Net increase (decrease) in cash and equivalents	7,886	--	(2,336)
Cash and equivalents at beginning of year	--	--	2,336
Cash and equivalents at end of year	$ 7,886	$ --	$ --

</TABLE>

NOTE 3 - RESTRUCTURING AND OTHER EXPENSES

RESTRUCTURING

In December 1992, the Company initiated a worldwide restructuring program designed to improve facility utilization and determine the proper workforce requirements to support projected reduced levels of business in 1993 and beyond. The Company recorded a charge for this program of $23,500 in the fourth quarter of 1992.

In April 1993, the Company announced the closing of the Graham, Texas facility and the consolidation of Graham operations into other plants. The estimated costs of this closure were included in the 1992 restructuring charge. The Graham closure is expected to be completed in the second half of 1994.

In September 1993, the Company announced plans to significantly expand the restructuring program in response to the expected further decline in the Company's principal markets, commercial and military aerospace. Accordingly, the Company recorded a charge of $50,000 in the third quarter of 1993. This expansion includes deeper cuts in overhead and further consolidation of facilities in the United States and Europe. During the fourth quarter of 1993, an additional charge of $2.6 million was recorded in connection with the expanded restructuring program. The 1993 and 1992 restructuring charges included

approximately $40,000 of non-cash write-downs related to facility closures and the impairment of certain assets due to declining sales and the changed business environment.

Even after the Graham closure is complete, the Company has more production capacity than required for either current or projected sales levels, and needs to close additional facilities. The 1993 restructuring charges include the estimated costs of such closures, and the Company is currently evaluating which facilities to close. This process is complicated by the uncertain outlook for several product lines as well as aerospace industry requirements to "qualify" specific equipment and locations for the manufacture of certain products. These qualification procedures increase the complexity, cost and time of moving equipment while continuing to serve existing customers.

The total of $76,100 in restructuring charges taken in 1992 and 1993 and the remaining balance of accrued restructuring charges at December 31, 1993 consist of:

<TABLE>
<CAPTION>

	Total Restructuring Expenses	Accrued Restructuring Liabilities at 12/31/93
<S>	<C>	<C>
Estimated costs to close and relocate facilities:		
Asset write-downs	$ 25,200	$ 21,600
Cash costs, net of expected sales proceeds	11,800	7,300
Estimated employee severance costs (excluding severance related to the closure of facilities)	15,900	5,700
Asset write-downs due to changed business conditions	14,700	3,700
Estimated cash costs of various other restructuring actions	8,500	5,300
	$ 76,100	$ 43,600

</TABLE>

Accrued restructuring liabilities include $20,910 and $14,835 in accrued liabilities at December 31, 1993 and 1992, respectively, and $22,690 and $8,000

in deferred liabilities at December 31, 1993 and 1992, respectively.

OTHER EXPENSES

In addition to the above restructuring charges, the Company recorded $12,780 ($12,638 in the fourth quarter) of other expenses in 1993. The $12,638 includes write-downs of certain assets and increases in reserves for warranties and environmental matters on property previously owned. The impairment of assets was due primarily to bankruptcy proceedings, continued changes in business conditions and depressed real estate prices on property held for sale.

Other expenses in 1993 also include approximately $4,000 of costs in the first nine months of 1993 offset by a similar amount of gains. The costs were associated primarily with the terminated negotiations for the acquisition of a business, securities litigation costs, the settlement of a threatened proxy contest, and a reserve for anticipated loss on the disposition of property. The mitigating gains include a $1,541 gain from the sale of 50% of the Knytex stitchbonded business to Owens-Corning to form a new joint venture, and approximately $2,000 in gains from the settlement of insurance claims and a terminated contract.

Other income in 1992 consisted of $2,992 from the final settlement of a patent infringement lawsuit.

NOTE 4 - INVENTORIES

Inventories at December 31, 1993 and 1992 were:

<TABLE>
<CAPTION>

	1993	1992
<S>	<C>	<C>
Raw materials	$ 14,717	$ 17,299
Work in progress	11,570	16,881
Finished goods	20,056	24,933
Supplies	941	1,961
Total inventories	$ 47,284	$ 61,074

</TABLE>

Inventories are valued at the lower of cost or market. During the fourth quarter of 1993, the Company changed to the first-in, first-out method of accounting for substantially all inventories. Previously, domestic honeycomb and fabric inventories were valued using the last-in, first-out method and all other inventories were valued at the lower of average cost or market. The FIFO method provides a more meaningful presentation of the Company's financial position by reflecting inventories at more recent costs. The Company believes that the disclosure of inventories at recent costs provides more relevant information about the Company's current business condition. The change to the FIFO method conforms substantially all inventories of the Company to the same accounting method.

The effect of the change in accounting method from LIFO to FIFO was to increase the loss from continuing operations and net loss for the year ended December 31, 1993 by $233 or $0.03 per share. This change has been applied to prior years by retroactively restating the consolidated financial statements as required by generally accepted accounting principles. The effect of this restatement was to increase retained earnings as of January 1, 1991 by $3,526. The restatement increased the 1992 loss from continuing operations and net loss by $440 or $0.06 per share, and increased the 1991 income from continuing operations and net income by $130 or $0.02 per share. The cumulative and current-year effects of changing from the average cost method to the FIFO method are not material and are included in the 1993 results.

NOTE 5 - INVESTMENTS AND OTHER ASSETS

Investments and other assets as of December 31, 1993 and 1992 were:

<TABLE>
<CAPTION>

	1993	1992
<S>	<C>	<C>

Investments in joint ventures	$ 5,950	$ 900
Long-term notes receivable, net of reserves	1,665	2,708
Intangibles, net of accumulated amortization	5,156	8,098
Other assets	8,604	8,924
Total investments and other assets	$ 21,375	$ 20,630

</TABLE>

Investments in joint ventures consist of a 50% interest in Knytex Company, L.L.C., which is jointly owned and operated with Owens-Corning Fiberglas Corporation; a 50% interest in DIC-Hexcel Limited, which is jointly owned and operated with Dainippon Ink and Chemicals, Inc.; and a 40% interest in Hexcel-Fyfe, L.L.C., which is jointly owned and operated with Fyfe Associates Corporation. These investments are accounted for by the equity method. Equity in earnings for the years ended December 31, 1993 and 1992 were not material to the consolidated financial statements.

Knytex Company, L.L.C. was formed on June 30, 1993 when the Company sold 50% of the Hexcel Knytex business to Owens-Corning and contributed the remaining 50% to the joint venture. The Company received proceeds of $4,500 and recognized a gain of $1,541 from the sale.

Reserves for long-term notes receivable totaled $3,400 as of December 31, 1993. There were no reserves as of December 31, 1992.

NOTE 6 - DEBTOR-IN-POSSESSION FINANCING

Prior to the Chapter 11 filing, Hexcel Corporation arranged for a debtor-in-possession revolving line of credit of up to $35,000 from The CIT Group / Business Credit, Inc. On January 28, 1994, the Bankruptcy Court granted final approval for use of this credit facility. As of December 31, 1993, Hexcel Corporation had not borrowed under this revolving line of credit.

The debtor-in-possession credit line is available to finance the normal business operations and restructuring activities of Hexcel Corporation. This credit facility cannot be used to finance joint ventures, European subsidiaries, or any transaction outside of the ordinary course of business without the prior consent of the Bankruptcy Court. The amount available for borrowing is based on the outstanding balance of eligible U.S. receivables and inventories, as defined in the credit agreement, up to a maximum of $35,000. Any borrowings against the U.S. debtor-in-possession line of credit are due upon the earlier of December 1995 or confirmation by the Bankruptcy Court of a plan of reorganization.

Interest on outstanding borrowings is computed at an annual rate of 1% in excess of the prime rate of the Bank of America. In addition, a commitment fee of 0.5% per annum is charged on the unused portion of the facility.

The debtor-in-possession credit line is secured by substantially all of the U.S. assets of Hexcel Corporation, as well as 65% of the shares of stock of substantially all European subsidiaries. Under the terms of the facility and the provisions of federal bankruptcy laws, the security interest of The CIT Group / Business Credit, Inc. has superpriority over virtually all prepetition claims and most Chapter 11 administrative expense claims.

The revolving line of credit is subject to a number of financial covenants and other restrictions. Hexcel Corporation must maintain minimum levels of cumulative earnings before interest, taxes, depreciation, and amortization. In addition, the Parent Company is subject to limitations in permitting the creation of liens, incurring lease obligations, extending trade credit to European subsidiaries, and incurring capital expenditures. Certain business activities, investments and guarantees are also restricted, and the payment of dividends is prohibited.

NOTE 7 - NOTES PAYABLE

Since September 15, 1993, Hexcel Corporation has been out of compliance with substantially all of its prepetition debt obligations. Payment and enforcement of most of these obligations is stayed by federal bankruptcy laws for the duration of bankruptcy proceedings. Furthermore, the ultimate disposition of these debts is subject to confirmation of a plan of reorganization by the Bankruptcy Court. Accordingly, the outstanding principal and accrued interest on all prepetition debt obligations has been included in liabilities

subject to disposition in bankruptcy reorganization in the consolidated balance sheet as of December 31, 1993.

The debt obligations of Hexcel Corporation's European subsidiaries are not subject to the provisions of the federal bankruptcy laws and have not been stayed. However, $15,574 of the outstanding debt of Hexcel S.A., a Belgian subsidiary, as of December 31, 1993 is pursuant to credit facilities with European banks, commitments for which expired on March 16, 1994. Hexcel S.A. is currently in negotiations with these banks to extend these credit facilities (see Note 16). The debt of Hexcel S.A. is secured by substantially all of that subsidiary's assets, which totaled $32,340 at December 31, 1993.

Total credit lines, excluding U.S. credit lines subject to disposition in bankruptcy reorganization, were $63,792 at December 31, 1993. $35,000 of this total was a debtor-in-possession revolving line of credit from The CIT Group / Business Credit, Inc. (see Note 6). The remaining $28,792 was comprised of various credit lines extended to the Parent Company's European subsidiaries, $7,168 of which was available for borrowing by those subsidiaries. The debtor-in-possession credit line cannot be used to provide direct financial support outside of the normal course of business to joint ventures or European subsidiaries without the prior consent of the Bankruptcy Court, and the credit lines of European subsidiaries are unavailable to finance the activities of the Parent Company.

Notes payable and capital lease obligations at December 31, 1993 and 1992 were:

<TABLE>
<CAPTION>

	1993	1992
<S>	<C>	<C>
U.S.:		
U.S. revolving credit agreement	$ 12,000	$ 12,000
Note payable originally due 1994	750	--
10.12% senior notes originally due 1998	30,000	30,000
7% convertible subordinated debentures originally due 2011	25,625	25,625
Obligations under IDB variable rate demand notes originally due through 2024	15,890	15,944
Various notes payable originally due through 2007	2,181	2,825
Capital lease obligations (see Note 8)	929	1,068
Total U.S. notes payable and capital lease obligations	87,375	87,462
International:		
Various short-term notes payable of Hexcel S.A. (see Note 16)	15,574	14,374
Various other short-term notes payable	5,905	2,608
Various notes payable due through 1997	6,296	10,519
Capital lease obligations (see Note 8)	2,025	2,531
Total international notes payable and capital lease obligations	29,800	30,032
Total notes payable and capital lease obligations	117,175	117,494
Less amount subject to disposition in bankruptcy reorganization (see Note 9)	(87,375)	--
Total notes payable and capital lease obligations, net	$ 29,800	$ 117,494
Notes payable and current maturities of long-term liabilities, net	$ 24,632	$ 21,925
Long-term notes payable and capital lease obligations, net	5,168	95,569
Total notes payable and capital lease obligations, net	$ 29,800	$ 117,494

</TABLE>

The 7% convertible subordinated debentures are subject to disposition in bankruptcy reorganization (see Note 9). Prior to the commencement of bankruptcy proceedings, these debentures were redeemable by the Company under certain provisions, with mandatory redemption scheduled to begin August 1, 1997 through annual sinking fund requirements. The debentures were convertible prior to

maturity into common stock of the Company at $31.87 per share, subject to adjustment under certain conditions. During the second quarter of 1992, the Company repurchased $7,315 of the subordinated debentures on the open market. The repurchase resulted in an extraordinary gain of $956 after taxes.

The Company has various industrial development bonds ("IDB") outstanding, guaranteed by bank letters of credit for fees of 0.375% to 0.50%. These obligations are subject to disposition in bankruptcy reorganization (see Note 9). The interest rates on the bonds are variable and averaged 2.5% in 1993, 2.9% in 1992 and 4.8% in 1991.

Excluding obligations subject to disposition in bankruptcy reorganization, installments due on long-term notes payable for the years 1994 through 1997 are $2,774, $2,337, $962 and $223, respectively. There are no installments due after 1997.

Interest payments were $9,529 in 1993, $11,689 in 1992 and $12,449 in 1991.

The fair value of the Company's long-term debt is not presently determinable due to Hexcel Corporation's bankruptcy proceedings (see Note 2) and the uncertainties surrounding Hexcel S.A., a wholly-owned subsidiary (see Note 16).

NOTE 8 - LEASING ARRANGEMENTS

Assets, accumulated depreciation and related liability balances under capital leasing arrangements as of December 31, 1993 and 1992 were:

<TABLE>
<CAPTION>

	1993	1992
<S>	<C>	<C>
Property, plant and equipment	$ 6,640	$ 6,958
Less accumulated depreciation	(2,710)	(2,583)
Net property, plant and equipment	$ 3,930	$ 4,375
Capital lease obligations	$ 2,954	$ 3,599
Less current maturities	(527)	(504)
Long-term capital lease obligations	2,427	3,095
Less amount subject to disposition in bankruptcy reorganization (see Note 9)	(781)	--
Long-term capital lease obligations, net	$ 1,646	$ 3,095

</TABLE>

Certain sales and administrative offices, data processing equipment and manufacturing facilities are leased under operating leases. Federal bankruptcy laws allow Hexcel Corporation to affirm or reject prepetition leases on a lease-by-lease basis. The Parent Company is currently evaluating prepetition lease obligations to determine which obligations to affirm and which to reject. The rejection of one or more

leases may give rise to additional claims against the Parent Company which are not currently reflected in the accompanying consolidated financial statements.

Rental expenses under operating leases were $3,541 in 1993, $5,053 in 1992 and $4,410 in 1991.

Future minimum lease payments as of December 31, 1993 were:

<TABLE>
<CAPTION>

	Type of Lease	
Payable during years ending December 31:	Capital	Operating

1994	$ 840	$ 3,467
1995	613	2,760
1996	458	2,249
1997	458	1,670
1998	458	910
1999 and thereafter	1,649	1,733
Total minimum lease payments	4,476	12,789
Less amount subject to potential rejection under the federal bankruptcy laws (see Note 9)	(1,629)	(9,494)
Total minimum lease payments not subject to potential rejection	$ 2,847	$ 3,295

Total minimum capital lease payments include $823 of imputed interest.

NOTE 9 - LIABILITIES SUBJECT TO DISPOSITION IN BANKRUPTCY REORGANIZATION

Liabilities subject to disposition in bankruptcy reorganization as of December 31, 1993 were:

	1993
Accounts payable	$ 21,676
Accrued liabilities, including prepetition interest	9,057
U.S. revolving credit agreement	12,000
10.12% senior notes originally due 1998	30,000
7% convertible subordinated debentures originally due 2011	25,625
Obligations under IDB variable rate demand notes originally due through 2024	15,890
Various U.S. notes payable and capital lease obligations	3,860
Accrued postpetition interest on prepetition debt	1,824
Total liabilities subject to disposition in bankruptcy reorganization	$ 119,932

Liabilities subject to disposition in bankruptcy reorganization consisted of the estimated prepetition claims of Hexcel Corporation creditors as of December 31, 1993. The Parent Company is in the process of confirming the nature and amount of existing claims, and the bar date for the filing of additional claims is April 28, 1994. Until the Parent Company receives and completes a reconciliation of all proofs of claim submitted by creditors, the recorded liability is subject to revision. Furthermore, the recorded liability does not include any amounts for claims that may arise from the rejection of executory contracts, including leases.

The industrial development bonds are guaranteed by irrevocable bank letters of credit (see Note 7). The bondholders have the right to draw upon the letters of credit, at which time the issuing bank would then become an unsecured creditor of the Parent Company.

The satisfaction of liabilities subject to disposition in bankruptcy reorganization is subject to confirmation of a plan of reorganization by the Bankruptcy Court. Such liabilities may be settled for amounts other than those reflected in the consolidated financial statements.

NOTE 10 - SHAREHOLDERS' EQUITY AND STOCK OPTION AND PURCHASE PLANS

SHAREHOLDERS' EQUITY

A shareholder rights plan was adopted, effective September 1986 and amended in October 1988, November 1990 and December 1990, that provides for the issuance of two-thirds of one right for each outstanding share of common stock and equivalent. The rights become exercisable if a person or a group acquires 25% or more of the outstanding shares of the Company. The rights also become exercisable, at the option of the Board of Directors, if a person or group acquires 10% or more of the outstanding shares and is designated as an "adverse party" by the Board of Directors. The rights expire on September 19, 1996.

Each right allows the purchase, for $180 (adjustable), of one one-hundredth of a share of Series A Junior Participating Preferred Stock or, in certain events involving an acquisition or change in control of the Company, stock or assets worth twice the exercise price. The Company reserves 200,000 preferred shares for the plan. The Company has authorized preferred stock of 450,000 shares. None was outstanding as of December 31, 1993 and 1992.

Cash dividends declared and paid per common share were $0.44 in 1992 and 1991. The Board of Directors suspended dividend payments beginning in 1993. Dividend payments are currently precluded by bankruptcy proceedings and the debtor-in-possession credit line.

STOCK OPTION AND PURCHASE PLANS

Stock option data for the two years ended December 31, 1993 were:

<TABLE>
<CAPTION>

	NUMBER OF SHARES	OPTION PRICE PER SHARE	EXPIRATION DATES
<S>	<C>	<C>	<C>
Options outstanding at January 1, 1992	601,777	$ 7.56 - 32.06	1992 - 2001
Options granted	156,400	12.13	2002
Options exercised	(55,438)	10.44	2001
Options expired or canceled	(68,565)	10.44 - 29.38	1992 - 2002
Options outstanding at December 31, 1992	634,174	7.56 - 32.06	1997 - 2002
Options granted	275,200	9.13 - 12.31	2003
Options exercised	--	--	--
Options expired or canceled	(375,899)	10.44 - 32.06	1997 - 2003
Options outstanding at December 31, 1993	533,475	$ 7.56 - 32.06	1998 - 2003
Options exercisable at December 31, 1993	359,725	$ 7.56 - 32.06	1998 - 2002

</TABLE>

At December 31, 1993 and 1992, the total number of shares reserved for issuance under stock option plans including shares granted and shares available for grant was 955,662 and 908,771, respectively. Options vest one year from the date of grant and expire 10 years after such grant date.

Prior to the Chapter 11 filing, employees meeting certain criteria could purchase common stock of the Company under a non-qualified employee stock purchase plan. The subscription price of the stock was 83.33% of the average of the high and low sales prices on the New York Stock Exchange on the quarterly purchase dates. The Board of Directors canceled this plan effective December 5, 1993.

Under a restricted stock plan implemented in 1988, the Company may grant shares of restricted common stock to senior executives in amounts and with restrictions as the Company may determine. The restricted shares vest in three to seven years from date of grant. Holders of the restricted stock are entitled to vote and receive all dividends. Effective December 5, 1993, the Board of Directors suspended future grants under this plan indefinitely. As of December 31, 1993 and 1992, the Company had outstanding a total of 44,939 and 65,494 shares of restricted stock, respectively.

Under a discounted stock option plan implemented in 1988, officers may exchange all or a portion of incentive bonuses for common stock options. The Company granted no discounted stock options in 1993 and 1992.

NOTE 11 - RETIREMENT PLANS

The Company has various retirement and profit sharing plans covering substantially all employees. The net cost of these plans was $2,330 in 1993, $2,880 in 1992, and $2,481 in 1991.

In the United States, the Company maintains a defined contribution plan comprised of a 401(k) plan covering essentially all domestic employees and a profit sharing plan covering all domestic salaried employees. The Company also has defined benefit pension plans for substantially all U.S. hourly employees and U.K. employees, which have not been affected by the bankruptcy proceedings of the Parent Company. The Company also has defined benefit retirement plans

for senior executives and directors. The European subsidiaries, except for those in the United Kingdom, participate in government retirement plans which cover all employees of those subsidiaries.

Under the 401(k) plan, the Company makes matching contributions equal to 50% of the contributions of the employees, not to exceed 3% of base wages. Contributions to the salaried profit sharing plan are based on a formula which approximates 12% of consolidated income before provision for income taxes less certain adjustments as defined. Contributions to the 401(k) plan were $1,130 for 1993, $1,593 for 1992, and $1,637 for 1991. There were no contributions to the salaried profit sharing plan for 1993, 1992 and 1991.

The defined benefit pension plans are career average pension plans. Benefits are based on years of service and the annual compensation of the employee. The funding policy for the pension plans is to contribute the minimum amount required by applicable regulations. Benefits for the executive and director retirement plans are based on years of service and annual compensation, and the Company does not fund these plans.

Net cost for the defined benefit pension and retirement plans for the years ended December 31, 1993, 1992 and 1991 consisted of:

<TABLE>
<CAPTION>

	1993	1992	1991
<S>	<C>	<C>	<C>
Service cost - benefits earned during the year	$ 749	$ 832	$ 794
Interest cost on projected benefit obligation	713	803	693
Return on assets - actual	(1,385)	(157)	(1,576)
Net amortization and deferral	1,123	(191)	933
Net cost	$ 1,200	$ 1,287	$ 844

</TABLE>

Assumptions used in the accounting were:

<TABLE>
<CAPTION>

	1993	1992	1991
<S>	<C>	<C>	<C>
Discount rates	7.00%	8.25%	8.25%
Rates of increase in compensation	4.00%	4.50%	4.50%
Expected long-term return on assets	9.50%	9.50%	9.50%

</TABLE>

The funded status and amounts recognized for the defined benefit pension and retirement plans at December 31, 1993 and 1992 were:

<TABLE>
<CAPTION>

	1993	1992
<S>	<C>	<C>
Actuarial present value of benefit obligations:		
Vested benefits	$ 8,480	$ 7,203
Non-vested benefits	1,530	1,123
Accumulated benefit obligations	$ 10,010	$ 8,326
Projected benefit obligation for service rendered to date	$ 11,056	$ 9,512
Less plan assets at fair value, primarily listed stocks	(5,358)	(5,526)
Projected benefit obligations in excess of plan assets	5,698	3,986
Unrecognized net loss	(1,693)	(485)
Unrecognized prior service costs	(339)	(395)

Unrecognized net transition obligation being recognized over 15 years	(352)	(398)
Adjustment required to recognize minimum pension obligation	1,337	--
Defined benefit liability	$ 4,651	$ 2,708

</TABLE>

Statement of Financial Accounting Standards No. 87, "Employers' Accounting for Pensions," requires the recognition of a minimum pension obligation on the balance sheet. The minimum pension obligation adjustment of $646 included in shareholders' equity at December 31, 1993 is necessary to reflect the minimum obligation for the Company's pensions plans and results primarily from lowering the assumed discount rates to 7% in 1993.

NOTE 12 - POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

The Company has various postretirement benefit plans covering substantially all U.S. employees retiring on or after age 58 who have rendered at least 15 years of service. The plans include health care and life insurance coverage for retirees and their dependents. The Company continues to fund benefit costs on a pay-as-you-go basis and, for 1993, 1992 and 1991, made benefit payments of $576, $352 and $604, respectively. On an interim basis, the Bankruptcy Court has approved the continued funding of postretirement benefits up to approximately $50 per month. Accordingly, the liability for accrued

postretirement benefits other than pensions has been included in deferred liabilities in the consolidated balance sheet as of December 31, 1993.

Under the health care plan, annual coverage is provided up to a maximum of 50% of plan costs for each retiree and covered dependent. Under the life insurance plan, annual coverage is provided equal to 65% of the final base pay of the retiree until the age of 70. Upon reaching 70 years of age, life insurance coverage is reduced.

Effective January 1, 1992, the Company adopted Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." This statement requires the Company to accrue the expected cost of postretirement benefits as employees render service. This is a significant change from prior policy of recognizing these costs on the cash basis. The cumulative effect, as of January 1, 1992, of changing to the accrual basis was a noncash charge of $8,052 after taxes. In addition, the Company recorded noncash expenses of $924 and $997 in 1993 and 1992, respectively.

The defined postretirement benefit obligations included in deferred liabilities at December 31, 1993 and 1992 were:

<TABLE>
<CAPTION>

	1993	1992
<S>	<C>	<C>
Accumulated postretirement benefit obligation:		
Retirees	$ 7,946	$ 7,288
Fully eligible active plan participants	1,573	1,336
Other active plan participants	6,471	4,573
	15,990	13,197
Unrecognized net loss	(2,046)	--
Defined postretirement benefit liability	$ 13,944	$ 13,197

</TABLE>

Net defined postretirement benefit costs for the years ended December 31, 1993 and 1992 were:

<TABLE>
<CAPTION>

	1993	1992

<S>	<C>	<C>
Service cost - benefits earned during the year	$ 400	$ 367
Interest cost on accumulated postretirement benefit obligation	1,100	982
Net periodic postretirement benefit cost	$ 1,500	$ 1,349

</TABLE>

Two health care cost trend rates were used in measuring the accumulated postretirement benefit obligation. The assumed indemnity health care cost trend in 1994 was 13.0% for participants less than 65 years of age and 9.0% for participants 65 years of age and older, gradually declining to 6.0% for both age groups in the year 2001. The assumed HMO health care cost trend in 1994 was 10.0% for participants less than 65 years of age and 7.0% for participants 65 years of age and older, gradually declining to 6.0% and 5.0%, respectively, in the year 2001.

The weighted average discount rate used in determining the accumulated postretirement benefit obligation was 7% in 1993 and 8.25% in 1992.

If the health care cost trend rate assumptions were increased by 1%, the accumulated postretirement benefit obligation as of December 31, 1993 would be increased by 6.3%. The effect of this change on the sum of the service cost and interest cost would be an increase of 4.9%.

NOTE 13 - INCOME TAXES

The Company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," effective January 1, 1993. The cumulative effect of adopting SFAS 109 was the recognition of $4,500 of income, which was recorded in the first quarter of 1993. In connection with the adoption of SFAS 109, the Company established a valuation allowance of $4,693 against its deferred income tax assets.

During 1993, substantial uncertainty developed as to the realization of the Company's deferred income tax assets. As a result, the Company increased the valuation allowance against those assets to $41,313 as of December 31, 1993, which reduced the net deferred income tax assets to zero. The increase to the valuation allowance reflects the Company's assessment that the bankruptcy proceedings of Hexcel Corporation and ongoing operating losses have jeopardized the realization of deferred income tax assets.

Income (loss) before income taxes and the tax benefit (provision) for income taxes from continuing operations for the years ended December 31, 1993, 1992 and 1991 were:

<TABLE>
<CAPTION>

	1993	1992	1991
<S>	<C>	<C>	<C>
Income (loss) before income taxes:			
United States	$ (64,717)	$ (14,179)	$ (655)
International	(15,538)	(9,876)	5,252
Total income (loss) before income taxes	$ (80,255)	$ (24,055)	$ 4,597
Benefit (provision) for income taxes:			
Current:			
U.S.	$ (234)	$ (64)	$ 2,804
International	(177)	375	(463)
Total current	(411)	311	2,341
Deferred:			
U.S.	(6,598)	5,233	(1,632)
International	808	805	(535)
Total deferred	(5,790)	6,038	(2,167)
Total benefit (provision) for income taxes	$ (6,201)	$ 6,349	$ 174

</TABLE>

A reconciliation of the tax benefit (provision) to the U.S. federal statutory income tax rate of 34% for the years ended December 31, 1993, 1992 and 1991 was:

<TABLE>
<CAPTION>

	1993	1992	1991
<S>	<C>	<C>	<C>
Benefit (provision) at U.S. federal statutory rate	$ 27,287	$ 8,179	$ (1,563)
U.S. state taxes, less federal tax benefit	(104)	(130)	(117)
Impact on tax rates of international tax structure	--	1,154	950
Impact of different international tax rates, adjustments to income tax accruals and other	3,236	2,292	904
Limitation on recognition of tax benefits for operating losses	--	(5,146)	--
Valuation allowance	(36,620)	--	--
Total benefit (provision)	$ (6,201)	$ 6,349	$ 174

</TABLE>

The Company paid income taxes of $203 in 1993, $468 in 1992, and $434 in 1991. The Company has made no U.S. income tax provision for $12,390 of undistributed earnings of international subsidiaries as of December 31, 1993. Such earnings are considered to be permanently reinvested. The additional U.S. income tax on these earnings, if repatriated, would be offset in part by foreign tax credits.

Deferred income taxes result from temporary differences between the recognition of items for income tax purposes and financial reporting purposes. Principal temporary differences as of December 31, 1993 and January 1, 1993 were:

<TABLE>
<CAPTION>

	12/31/93	1/1/93
<S>	<C>	<C>
Accelerated depreciation and amortization	$ (15,115)	$ (14,969)
Accrued restructuring charges	20,080	8,463
Net operating loss carryforwards	9,520	1,700
Reserves and other, net	24,360	10,071
Valuation allowance	(41,313)	(4,693)
Total deferred tax assets (liabilities)	$ (2,468)	$ 572

</TABLE>

As of December 31, 1993, the Company had net operating loss carryforwards for federal income tax purposes of approximately $20,000 and net operating loss carryforwards for international income tax purposes of approximately $8,000. The federal tax carryforwards, which are available to offset future taxable income, expire at various dates through the year 2008. However, the Company's net operating loss carryforwards may be reduced or subject to annual limitations if Hexcel Corporation experiences an "ownership change" as defined by federal income tax laws. Such a change might occur as a result of market activity in the Parent Company's equity securities or in connection with a plan of reorganization involving the issuance or exchange of equity securities.

NOTE 14 - DISCONTINUED OPERATIONS

In November 1990, the Company announced plans to sell the fine chemicals business. On March 31, 1992, the Company sold the U.S. fine chemicals business located in Zeeland, Michigan. The divestiture resulted in a loss of $798 after taxes. The Company used the proceeds of $19,262 from the sale to repay debt. On January 31, 1994, the Company sold the European fine chemicals business located in Teesside, England, completing the divestiture of discontinued

operations. The sale generated net cash proceeds of approximately $500, which was received in 1993.

The 1993 loss from discontinued operations included a $2,800 write-down of European assets recorded in the third quarter, while the 1992 loss included an accrual of $2,300 for estimated future losses.

NOTE 15 - SIGNIFICANT CUSTOMERS

The Boeing Company and Boeing subcontractors accounted for approximately 19% of 1993 sales, 15% of 1992 sales and 18% of 1991 sales. Sales to U.S. government programs, including some of the sales to The Boeing Company and Boeing subcontractors noted above, were 16% of sales in 1993, 15% of sales in 1992 and 17% of sales in 1991.

NOTE 16 - CONTINGENCIES

HEXCEL S.A. (BELGIUM)

The consolidated financial statements include the accounts of Hexcel S.A., the Company's wholly-owned Belgian subsidiary, after elimination of intercompany transactions and accounts. As of December 31, 1993, Hexcel S.A. had total assets of $32,340 and total liabilities of $38,711. For the year ended December 31, 1993, Hexcel S.A. generated net sales of approximately $38,000 and a net loss of approximately $13,000.

Due to depressed European business conditions, particularly in the aerospace industry, Hexcel S.A. has been operating at a loss. Furthermore, interest costs and restructuring activities are consuming cash, and Hexcel S.A. is investigating alleged product claims which could require additional cash outlays. The subsidiary is currently in negotiations with it lenders regarding the commitment of credit facilities which expired beginning on March 16, 1994. Four of the five existing lenders have agreed to a stand still until April 30, 1994, subject to the Parent Company making satisfactory progress toward obtaining authorization from the Bankruptcy Court to invest additional funds and recapitalize Hexcel S.A. Discussions with the fifth lender are continuing. There is no assurance that the Bankruptcy Court will authorize the investment of additional funds or the recapitalization of Hexcel S.A., or that the existing lenders will continue to extend their short-term credit agreements for any specified length of time. Without such additional investment, Hexcel S.A. may be in violation of statutory minimum capital requirements.

Hexcel S.A.'s ability to continue as a going concern is subject to its obtaining needed financing, as well as resolving alleged product claims and successfully implementing required restructuring initiatives. The above factors among others may indicate that Hexcel S.A. will be unable to continue as a going concern for a reasonable period of time. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should Hexcel S.A. be unable to continue as a going concern.

LITIGATION AND OTHER CONTINGENCIES

The Company is involved in litigation arising from business activities. In addition, the Company is subject to certain Government inquiries, including reviews of business practices and cost classifications and a civil suit. The Company is cooperating with the Government in all such inquiries of which the Company has knowledge. However, management is unable to predict the legal proceedings that could result from these inquiries.

During December 1992, three lawsuits alleging violations of federal securities laws by the Company and certain officers were filed. The Court consolidated the three lawsuits into one action. Although management believes there were meritorious defenses to the claims, Hexcel Corporation negotiated a tentative settlement with the plaintiffs prior to the Chapter 11 filing to avoid costly and unproductive litigation. This matter, including the tentative settlement, has been stayed by bankruptcy proceedings.

In July 1992, the Company was joined in a lawsuit concerning a dispute over a real estate transaction. This action concerned, in part, cleanup and costs associated with an abandoned waste disposal site which the Company sold in 1979. Hexcel Corporation negotiated a global settlement, which was not signed prior to the Chapter 11 filing. This matter, including the negotiated settlement, has been stayed by bankruptcy proceedings.

Hexcel Corporation has provided a $4,000 back-up letter of credit in connection with environmental claims on property previously owned. As a result of the Chapter 11 filing, this letter of credit may be

invoked, in which case the issuing bank would become an unsecured creditor of Hexcel Corporation pending resolution of the dispute.

The Company is self-insured against claims associated with sudden and accidental environmental damage and environmental impairment damage. Certain current and former facilities are the subjects of environmental investigations or claims. In addition, the Company has been named as a potentially responsible party in several superfund sites.

Management believes, based on available information, that it is unlikely any of these items will have a material adverse effect on the earnings or financial position of the Company.

The Company has filed a claim for equitable relief with a major military customer in connection with underutilized capacity at the Chandler, Arizona plant. A deferral of unabsorbed fixed costs increased profits before taxes by $2,000 in 1992 and $2,428 in 1991 and was recorded as a long-term asset at December 31, 1993 and 1992. Management believes, based upon the advice of counsel, the Company ultimately will realize the cumulative amount deferred. In 1993, the customer agreed to pay for a portion of the unabsorbed fixed costs incurred during the year, contingent upon government acceptance of this billing practice. Accordingly, no additional costs were deferred in 1993.

NOTE 17 - BUSINESS SEGMENT REPORTING

The Company operates within a single business segment, structural materials. The following table summarizes certain financial data for continuing operations by geographic area as of December 31, 1993, 1992, and 1991 and for the years then ended:

<TABLE>
<CAPTION>

	1993	1992	1991
<S>	<C>	<C>	<C>
Net sales:			
United States	$ 193,641	$ 216,171	$ 210,490
International	144,927	170,118	176,094
Consolidated	$ 338,568	$ 386,289	$ 386,584
Income (loss) before income taxes:			
United States	$ (61,818)	$ (10,743)	$ 2,725
International	(18,437)	(13,312)	1,872
Consolidated	$ (80,255)	$ (24,055)	$ 4,597
Identifiable assets:			
United States	$ 169,621	$ 194,925	$ 199,569
International	98,740	115,925	143,737
Consolidated	$ 268,361	$ 310,850	$ 343,306
Capital expenditures:			
United States	$ 4,694	$ 11,044	$ 9,966
International	1,848	6,049	4,762
Consolidated	$ 6,542	$ 17,093	$ 14,728
Depreciation and amortization:			
United States	$ 10,118	$ 10,774	$ 10,530
International	5,722	4,960	4,891
Consolidated	$ 15,840	$ 15,734	$ 15,421

</TABLE>

The above data exclude discontinued operations, the extraordinary gain and

the cumulative effects of accounting changes.

International net sales consist of the net sales of international subsidiaries, sold primarily in Europe, and U.S. exports.

To compute income (loss) before income taxes, the Company allocated administrative expenses to International of $2,899 in 1993, $3,436 in 1992 and $3,380 in 1991.

NOTE 18 - QUARTERLY DATA (UNAUDITED)

Quarterly financial data for the years ended December 31, 1993 and 1992 were:

<TABLE>
<CAPTION>

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
<S>	<C>	<C>	<C>	<C>
1993				
Net sales	$ 89,291	$ 92,839	$ 76,179	$ 80,259
Gross margin	14,129	16,858	12,468	12,997
Loss from continuing operations	(3,126)	(2,303)	(51,596)	(29,431)
Loss from discontinued operations	(178)	(186)	(3,675)	--
Cumulative effect of accounting change	4,500	--	--	--
Net income (loss)	1,196	(2,489)	(55,271)	(29,431)
Net income (loss) per share and equivalent share:				
Primary and fully diluted:				
Continuing operations	$ (0.43)	$ (0.31)	$ (7.02)	$ (4.03)
Discontinued operations	(0.02)	(0.03)	(0.50)	--
Cumulative effect of accounting change	0.61	--	--	--
Net income (loss)	0.16	(0.34)	(7.52)	(4.03)
Dividends per share	--	--	--	--
Market price:				
High	$ 9.75	$ 11.25	$ 10.75	$ 8.25
Low	7.75	9.25	5.50	2.13
1992				
Net sales	$ 100,600	$ 102,756	$ 94,405	$ 88,528
Gross margin	20,410	22,669	20,193	13,682
Income (loss) from continuing operations	1,849	1,086	2,086	(22,727)
Loss from discontinued operations	(1,889)	(263)	(298)	(2,022)
Extraordinary gain	--	956	--	--
Cumulative effect of accounting change	(8,052)	--	--	--
Net income (loss)	(8,092)	1,779	1,788	(24,749)
Net income (loss) per share and equivalent share:				
Primary and fully diluted:				
Continuing operations	$ 0.25	$0.15	$ 0.29	$ (3.12)
Discontinued operations	(0.26)	(0.04)	(0.04)	(0.28)
Extraordinary gain	--	0.13	--	--
Cumulative effect of accounting change	(1.11)	--	--	--
Net income (loss)	(1.12)	0.24	0.25	(3.40)
Dividends per share	$ 0.11	$ 0.11	$ 0.11	$ 0.11
Market price:				
High	14.50	14.13	13.00	12.38
Low	10.50	10.50	10.50	7.50

</TABLE>

Results for each quarter of 1993 and 1992 were restated to reflect the change in accounting for domestic honeycomb and fabric inventories from the last-in, first-out method to the first-in, first-out method. The retroactive application of this accounting change to prior periods is required by generally accepted accounting principles.

The Company adopted SFAS 109, "Accounting for Income Taxes," effective January 1, 1993 (see Note 13). The cumulative effect of adopting SFAS 109 was the recognition of income of $4,500 in the first quarter of 1993.

Results for the second quarter of 1993 include approximately $4,000 of other expenses offset by a similar amount of gains (see Note 3).

In the third quarter of 1993, the Company recorded a $50,000 restructuring charge for the additional costs of the expanded restructuring program (see Note 3).

During the fourth quarter of 1993, the Company recorded an additional restructuring charge of $2,600 and other expenses of $12,638 (see Note 3).

The Company adopted SFAS 106, "Employers' Accounting for Postretirement Benefits Other than Pensions," effective January 1, 1992 (see Note 12). The cumulative effect of adopting SFAS 106 was a noncash charge of $8,052 after taxes in the first quarter of 1992.

Results for the first quarter of 1992 also include a litigation gain of $2,288. The Company recognized an additional gain of $704 in the second quarter of 1992 from this suit.

In the second quarter of 1992, the Company repurchased convertible subordinated debentures which resulted in an extraordinary gain of $956 after taxes (see Note 7).

In the third quarter of 1992, the Company agreed to terminate interest rate swap contracts which resulted in a gain of $1,361.

In December 1992, the Company initiated a restructuring program which resulted in a charge of $23,500 (see Note 3).

Quarterly data for 1993 and 1992 reflect certain reclassifications made in 1993.

HEXCEL CORPORATION AND SUBSIDIARIES
SCHEDULE V - PROPERTY, PLANT AND EQUIPMENT
(In thousands)

<TABLE>
<CAPTION>

CLASSIFICATION	BALANCE AT BEGINNING OF YEAR	ADDITIONS AT COST	SALES AND RETIREMENTS	OTHER* CHANGES - ADD (DEDUCT)	BALANCE AT END OF YEAR
<S>	<C>	<C>	<C>	<C>	<C>
Year ended December 31, 1993:					
Land	$ 6,223	$ --	$ (7)	$ (1,556)	$ 4,660
Buildings	64,465	1,441	(179)	(6,725)	59,002
Machinery and equipment	154,753	4,111	(4,081)	(10,733)	144,050
Office equipment	24,022	529	(1,842)	51	22,760
Vehicles	1,137	24	(80)	(89)	992
Leasehold improvements	3,341	437	(660)	(100)	3,018
	$ 253,941	$ 6,542	$ (6,849)	$ (19,152)	$ 234,482
Year ended December 31, 1992:					
Land	$ 6,087	$ 85	$ --	$ 51	$ 6,223
Buildings	61,668	3,602	(39)	(766)	64,465
Machinery and equipment	152,411	10,141	(4,905)	(2,894)	154,753
Office equipment	22,193	2,706	(730)	(147)	24,022
Vehicles	1,144	86	(160)	67	1,137
Leasehold					

improvements	3,159	473	(117)	(174)	3,341
	$ 246,662	$ 17,093	$ (5,951)	$ (3,863)	$ 253,941
Year ended December 31, 1991:					
Land	$ 5,889	$ 83	$ --	$ 115	$ 6,087
Buildings.	60,028	3,366	(767)	(959)	61,668
Machinery and equipment.	152,558	9,386	(7,194)	(2,339)	152,411
Office equipment	21,636	1,702	(975)	(170)	22,193
Vehicles	1,336	76	(265)	(3)	1,144
Leasehold improvements	3,039	115	--	5	3,159
	$ 244,486	$ 14,728	$ (9,201)	$ (3,351)	$ 246,662

<FN>

* Consist principally of the revaluation of certain foreign assets to reflect current exchange rates under SFAS No. 52 and certain transfers between categories, as well as asset write-downs in connection with 1993 restructuring charges and other expenses.

</TABLE>

HEXCEL CORPORATION AND SUBSIDIARIES
SCHEDULE VI - ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT
(In thousands)

<TABLE>
<CAPTION>

CLASSIFICATION	BALANCE AT BEGINNING OF YEAR	ADDITIONS AT COST	SALES AND RETIREMENTS	OTHER* CHANGES - ADD (DEDUCT)	BALANCE AT END OF YEAR
<S>	<C>	<C>	<C>	<C>	<C>
Year ended December 31, 1993:					
Buildings.	$ 19,281	$ 2,858	$ (152)	$ (2,443)	$ 19,544
Machinery and equipment.	77,463	9,677	(2,869)	(3,115)	81,156
Office equipment	15,448	2,277	(1,401)	(124)	16,200
Vehicles	803	116	(35)	(72)	812
Leasehold improvements	2,675	307	(667)	(213)	2,102
	$ 115,670	$ 15,235	$ (5,124)	$ (5,967)	$ 119,814
Year ended December 31, 1992:					
Buildings.	$ 17,505	$ 2,348	$ (89)	$ (483)	$ 19,281
Machinery and equipment.	73,273	9,643	(2,723)	(2,730)	77,463
Office equipment	13,760	2,497	(604)	(205)	15,448
Vehicles	744	136	(89)	12	803
Leasehold improvements	2,352	461	(115)	(23)	2,675
	$ 107,634	$ 15,085	$ (3,620)	$ (3,429)	$ 115,670
Year ended December 31, 1991:					
Buildings.	$ 15,388	$ 2,697	$ (621)	$ 41	$ 17,505
Machinery and					

equipment.	71,811	9,037	(5,372)	(2,203)	73,273
Office equipment	11,892	2,764	(733)	(163)	13,760
Vehicles	818	141	(205)	(10)	744
Leasehold improvements	1,942	391	--	19	2,352
	$ 101,851	$ 15,030	$ (6,931)	$ (2,316)	$ 107,634

<FN>

* Consist principally of the revaluation of certain foreign assets to reflect current exchange rates under SFAS No. 52 and certain transfers between categories, as well as asset write-downs in connection with 1993 restructuring charges and other expenses.

</TABLE>

<TABLE>
<CAPTION>

HEXCEL CORPORATION AND SUBSIDIARIES
SCHEDULE IX - SHORT-TERM NOTES PAYABLE
(IN THOUSANDS)

	BALANCE AT END OF PERIOD	WEIGHTED AVERAGE INTEREST RATE AT END OF PERIOD	MAXIMUM AMOUNT OUTSTANDING DURING THE PERIOD	AVERAGE AMOUNT OUTSTANDING DURING THE PERIOD	WEIGHTED AVERAGE INTEREST RATE DURING THE PERIOD
<S>	<C>	<C>	<C>	<C>	<C>
Year ended December 31, 1993:					
Notes Payable	$ 21,479	6.6%	$ 37,493	$ 30,832	8.8%
Year ended December 31, 1992:					
Notes Payable	$ 16,982	10.1%	$ 52,333	$ 22,980	9.9%
Year ended December 31, 1991:					
Notes Payable	$ 17,318	9.8%	$ 32,062	$ 17,638	9.1%

</TABLE>

HEXCEL CORPORATION AND SUBSIDIARIES
SCHEDULE X - SUPPLEMENTARY INCOME STATEMENT INFORMATION
(In thousands)

<TABLE>
<CAPTION>

	YEARS ENDED DECEMBER 31,		
	1993	1992	1991
<S>	<C>	<C>	<C>
Maintenance and repairs.	$13,498	$10,778	$9,547
Taxes, other than payroll and income taxes . .	3,805	3,628	4,170

</TABLE>

EXHIBIT 11

STATEMENT REGARDING COMPUTATION OF PER SHARE EARNINGS - UNAUDITED

The Company reports net income (loss) per share data on primary and fully

diluted bases. Primary net income (loss) per share is based upon the weighted average number of outstanding common shares and common equivalent shares from stock options. Fully diluted net income (loss) per share is based upon (a) the weighted average number of outstanding common shares and common equivalent shares from stock options and adjusted for the assumed conversion of the 7% convertible subordinated debentures and (b) net income (loss) increased by the expenses on the debentures. Computations of net income (loss) per share on the primary and fully diluted bases for 1993, 1992, and 1991 were:

<TABLE>
<CAPTION>

PRIMARY NET INCOME (LOSS) PER SHARE AND EQUIVALENT SHARE

(IN THOUSANDS EXCEPT PER SHARE DATA)	1993	1992	1991
<S>	<C>	<C>	<C>
Income (loss) from continuing operations	$(86,456)	$(17,706)	$ 4,771
Loss from discontinued operations	(4,039)	(4,472)	(508)
Extraordinary gain	--	956	--
Cumulative effects of accounting changes	4,500	(8,052)	--
Net income (loss)	$(85,995)	$(29,274)	$ 4,263
Weighted average common shares outstanding	7,330	7,254	7,113
Weighted average common equivalent shares from stock options	--	18	33
Weighted average common shares and equivalent shares	7,330	7,272	7,146
Primary net income (loss) per share and equivalent share from (1):			
Continuing operations	$ (11.79)	$ (2.43)	$ 0.67
Discontinued operations	(0.55)	(0.62)	(0.07)
Extraordinary gain	--	0.13	--
Cumulative effects of accounting changes	0.61	(1.11)	--
Primary net income (loss) per share and equivalent share (1)	$ (11.73)	$ (4.03)	$0.60

FULLY DILUTED NET INCOME (LOSS) PER SHARE AND EQUIVALENT SHARE

(IN THOUSANDS EXCEPT PER SHARE DATA)	1993	1992	1991
Income (loss) from continuing operations	$(86,456)	$(17,706)	$ 4,771
Loss from discontinued operations	(4,039)	(4,472)	(508)
Extraordinary gain	--	956	--
Cumulative effects of accounting changes	4,500	(8,052)	--
Net income (loss)	(85,995)	(29,274)	4,263
Debenture interest and issuance costs	1,213	1,330	1,364
Adjusted net income (loss)	$(84,782)	$(27,944)	$ 5,627
Weighted average common shares outstanding	7,330	7,254	7,113
Weighted average common equivalent shares			
Stock options	--	18	33
7% convertible debentures	804	881	1,034
Weighted average common shares and equivalent shares	8,134	8,153	8,180
Fully diluted net income (loss) per share and equivalent share from (1):			
Continuing operations	$ (11.79)	$ (2.43)	$ 0.67
Discontinued operations	(0.55)	(0.62)	(0.07)
Extraordinary gain	--	0.13	--
Cumulative effects of accounting changes	0.61	(1.11)	--
Fully diluted net income (loss) per share and equivalent share (1)	$ (11.73)	$ (4.03)	$ 0.60

<FN>
(1) For 1993, 1992 and 1991, the primary and fully diluted net income (loss) per share were the same because the fully diluted computation was antidilutive.

</TABLE>

C. EXHIBITS

EXHIBIT NO. DESCRIPTION

3. 1. Restated Certificate of Incorporation of Hexcel Corporation(6)

2. Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock(6)

3. Certificate of Increase of Authorized Number of Shares of Series A Junior Participating Preferred Stock(7)

4. Amended and Restated Bylaws of Hexcel Corporation dated as of August 30, 1993

4. 1. Certificate of Incorporation of Hexcel Corporation, Articles 5 through 10 (See Exhibit 3-1)

2. Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock (Exhibit 3-2)

3. Certificate of Increase of Authorized Number of Shares of Series A Junior Participating Preferred Stock (See Exhibit 3-3)

4. Amended and Restated Bylaws of Hexcel Corporation, Sections 3 through 11, 13 through 16, and 46 (See Exhibit 3-4)

5. Amendment to Bylaws of Hexcel Corporation (See Exhibit 3-4)

6. Rights Agreement dated as of August 14, 1986, between Hexcel Corporation and Manufacturers Hanover Trust Company, as Successor Rights Agent(6)

7. Amendment No. 1 dated October 18, 1988 to Rights Agreement between Hexcel Corporation and the Bank of California, N.A.

8. Amendment No. 2 dated November 19, 1990 between Hexcel Corporation and Manufacturers Hanover Company, as successor Rights Agent(4)

9. Amendment No. 3 dated December 18, 1990 between Hexcel Corporation and Manufacturers Hanover Company, as successor Rights Agent(5)

10. Exemplar of Indenture between Hexcel Corporation and The Bank of California, N.A., Trustee, dated October 1, 1988

11. Loan Agreement and Indentures-Industrial Development Bonds. These instruments are not filed herewith; the registrant agrees to furnish a copy of such instruments to the Commission upon request

10. Material Contracts:

1. A. Note Agreement, as amended, dated December 9, 1977, $8,000,000 8-3/4% Notes

B. Amendments dated April 25, 1978, April 30, 1980, January 6, 1981, April 12, 1981, May 13, 1981, August 21, 1981, March 15, 1982 and September 1, 1982, December 31, 1983, July 24, 1986 and August 25, 1986, to Note Agreement dated December 9, 1977, $8,000,000 8-3/4% Notes

2. Consent Agreement dated March 31, 1993, relating to Amended and Restated Credit Agreement dated March 31, 1993, among Hexcel Corporation and the Banks named therein and Wells Fargo Bank, N.A., as Agent(7)

3. Amended and Restated Credit Agreement dated March 31, 1993, among Hexcel Corporation and the Banks named therein and Wells Fargo Bank, N.A., as Agent(7)

4. Letter of Credit and Reimbursement Agreement dated March 1, 1988, between Hexcel Corporation and Banque Nationale de Paris(7)

5. Letter of Credit and Reimbursement Agreement dated December 1, 1989, between Hexcel Corporation and Banque Nationale de Paris(3)

A. Amendment No. 1 to Letter of Credit and Reimbursement Agreement dated October 12, 1988, between Hexcel Corporation and Banque Nationale de Paris

B. Amendment No. 2 to Letter of Credit and Reimbursement Agreement dated July 1, 1992, between Hexcel Corporation and Banque Nationale de Paris

C. Amendment No. 3 to Letter of Credit and Reimbursement Agreement dated April 15, 1993, between Hexcel Corporation and Banque Nationale de Paris

6. Note Agreement dated as of October 1, 1988, between Hexcel Corporation and Principal Mutual Life Insurance Company, $30,000,000 10.12% Senior Notes Due October 1, 1998

7. Letter of Credit Reimbursement Agreement dated as of November 1, 1991, among Hexcel Corporation and Barclays Bank PLC

8. Letter of Credit Reimbursement Agreement dated as of April 28, 1992, among Hexcel Corporation and Barclays Bank PLC as amended March 31, 1993

9. Debtor in Possession Credit Agreement dated as of December 8, 1993, and amended January 3, 1994 and March 25, 1994, and amended April 11, 1994 by and between Hexcel Corporation and The CIT Group/Business Credit, Inc.

10. Executive Compensation Plans and Arrangements

A. Stock Option Plans

(1) 1988 Management Stock Program(1)

(2) Amendments to 1988 Management Stock Program(1)

(3) 1988 Restricted Stock Agreement - Sample Agreement(1)

(4) 1988 Directors' Discounted Stock Option Agreement - Sample Agreement(1)

(5) 1988 Discounted Stock Option Agreement - Sample Agreement(1)

(6) 1988 Employees Nonqualified Stock Option Agreement - Sample Agreement(2)

(7) 1988 Officers' Nonqualified Stock Option Agreement - Sample Agreement(1)

B. Exemplar of Executive Deferred Compensation Agreement

C. Exemplars of Incentive Plans(6)

D. Exemplars of Contingency Employment Agreement

E. Directors' Retirement Plan(7)

F. Employment Agreement dated September 28, 1993 between Hexcel Corporation and John J. Lee

G. Employment Agreement dated September 28, 1993 between Hexcel Corporation and John L. Doyle

11. Statement Regarding Computation of Per Share Earnings

18. Preferability letter regarding change in accounting for inventories - Deloitte & Touche

21. Subsidiaries of Registrant

23. Consents of Experts and Counsel

1. Independent Auditors' Consent - Deloitte & Touche

2. Consent of Independent Public Accountants - Arthur Andersen & Co.

- ---

(1) Incorporated by reference to the Registration Statement of registrant on Post-Effective Amendment No. 1 to Form S-8 filed on May 11, 1988, No. 33-17025, pursuant to the Securities Act of 1933

(2) Incorporated by reference to the Registration Statement of registrant on Form S-8 filed on May 2, 1989, No. 33-28445, pursuant to the Securities Act of 1933

(3) Incorporated by reference to the Annual Report of registrant on Form 10-K for the year ended December 31, 1989, filed pursuant to Section 13 of the Securities Exchange Act of 1934.

(4) Incorporated by reference to the Current Report of registrant on Form 8-K dated November 19, 1990, filed pursuant to Section 13 of the Securities Exchange Act of 1934.

(5) Incorporated by reference to the Current Report of registrant on Form 8-K dated December 18, 1990, filed pursuant to Section 13 of the Securities Exchange Act of 1934.

(6) Incorporated by reference to the Annual Report of registrant on Form 10-K for the year ended December 31, 1991, filed pursuant to Section 13 of the Securities Exchange Act of 1934.

(7) Incorporated by reference to the Annual Report of registrant on Form 10-K for the year ended December 31, 1992, filed pursuant to Section 13 o

EXHIBIT 3.4
AMENDMENT TO BYLAWS

HEXCEL CORPORATION

RESTATED BY-LAWS

AS OF AUGUST 30, 1993

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<CAPTION>

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SHARES

AMENDMENTS

CORPORATE SEAL

MISCELLANEOUS

RESTATED
BY-LAWS OF HEXCEL CORPORATION
(FORMERLY HEXCEL MERGER CORPORATION)
A DELAWARE CORPORATION
AS OF AUGUST 30, 1993

OFFICES

1. PRINCIPAL OFFICE. The principal office for the transaction of the business of the Corporation is hereby fixed and located at 5794 W. Las Positas Boulevard, Pleasanton, California. The Board of Directors is hereby granted full power and authority to change the place of said principal office.

2. OTHER OFFICES. The registered office in the State of Delaware is hereby fixed and located at the Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware. The Board of Directors is hereby granted full power and authority to change the place of said registered office within the State of Delaware. Branch or subordinate offices may at any time be established by the Board of Directors at any place or places where the Corporation is qualified to do business.

STOCKHOLDERS

3. PLACE OF MEETINGS. Stockholders' meetings shall be held at the principal office for the transaction of the business of this Corporation, or at such other place as the Board of Directors shall, by resolution, appoint.

4. ANNUAL MEETINGS. The annual meetings of stockholders shall be held on any day and at any time during the months of April or May in each year as determined by resolution of the Board of Directors. At such meetings directors shall be elected, reports of the affairs of the Corporation shall be considered, and any other business may be transacted which is within the powers of the stockholders.

Written notice of each annual meeting shall be mailed to each stockholder entitled to vote, addressed to such stockholder at his address appearing on the books of the Corporation or given by him to the Corporation for the purpose of notice. If a stockholder gives no address, notice shall be deemed to have been given if sent by mail or other means of written communication addressed to the place where the principal executive office of the Corporation is situated, or if published at least once in some newspaper of general circulation in the county in which said office is located. All such notices shall be mailed, postage prepaid, to each stockholder entitled thereto not less than ten (10) days nor more than sixty (60) days before each annual meeting. Such notices shall specify the place, the day, and the hour of such meeting, the names of the nominees for election as directors if directors are to be elected at the meeting, and

those matters which the Board of Directors intends to present for action by the stockholders, and shall state such other matters, if any, as may be expressly required by statute.

5. SPECIAL MEETINGS. Special meetings of the stockholders, for any purpose or purposes, may be called at any time by the Board of Directors, the Chairman of the Board, the President, or by a committee of the Board of Directors which has been duly designated by the Board of Directors and whose powers and authority, as provided in a resolution of the Board of Directors or in the By-Laws of the Corporation, include the power to call such meetings, but such special meetings may not be called by any other person or persons; provided, however, that if and to the extent that any special meeting of stockholders may be called by any other person or persons specified in any provisions of the Certificate of Incorporation or any amendment thereto, or any certificate filed under Section 151(g) of the Delaware General Corporation Law designating the number of shares of Preferred Stock to be issued and the rights, preferences, privileges and restrictions granted to and imposed on the holders of such designated Preferred Stock, as permitted by Section 5 of the Certificate of Incorporation, then such special meeting may also be called by the person or persons in the manner, at the times and for the purposes so specified. Except in special cases where other express provision is made by statute, notice of such special meeting shall be given in the same manner as for an annual meeting of stockholders. Said notice shall specify the general nature of the business to be transacted at the meeting. No business shall be transacted at a special meeting except as stated in the notice sent to stockholders, unless by the unanimous consent of all stockholders represented at the meeting, either in person or by proxy. Upon written request to the Chairman of the Board, the President, the Secretary or any Vice President of the Corporation by any person (but not the Board of Directors) entitled to call a special meeting of stockholders, the person receiving such request shall cause a notice to be given to the stockholders entitled to vote that a meeting will be held at a time requested by the person calling the meeting not less than thirty-five (35) nor

more than sixty (60) days after the receipt of the request.

6. ADJOURNED MEETINGS AND NOTICE THEREOF. Any stockholders' meeting, annual or special, whether or not a quorum is present, may be adjourned from time to time by the vote of a majority of the shares, the holders of which are either present in person or represented by proxy thereat, but in the absence of a quorum no other business may be transacted at such meeting.

Notice of an adjourned meeting need not be given if (a) the meeting is adjourned for thirty (30) days or less, (b) the time and place of the adjourned meeting are announced at the meeting at which the adjournment is taken, and (c) no new record date is fixed for the adjourned meeting. Otherwise, notice of the adjourned meeting shall be given as in the case of an original meeting.

7. VOTING. Except as provided below or as otherwise provided by the Certificate of Incorporation or by law, a stock- holder shall be entitled to one vote for each share held of record on the record date fixed for the determination of the stockholders entitled to vote at a meeting or, if no such date is fixed, the date determined in accordance with law. If any share

is entitled to more or less than one vote on any matter, all references herein to a majority or other proportion of shares shall refer to a majority or other proportion of the voting power of shares entitled to vote on such matter. The Board of Directors, in its discretion, or the officer presiding at a meeting of stockholders, in his discretion, may require that any votes cast at such meeting, including a vote for directors, be by written ballot. Except as provided in the preceding sentence, the election of directors shall not be by ballot, unless, before the voting for directors begins, a stockholder entitled to vote for directors at the meeting demands that voting for directors be by written ballot.

8. QUORUM. A majority of the shares entitled to vote, represented in person or by proxy, constitutes a quorum for the transaction of business. No business may be transacted at a meeting in the absence of a quorum other than the adjournment of such meeting, except that if a quorum is present at the commencement of a meeting, business may be transacted until the meeting is adjourned even though the withdrawal of stockholders results in less than a quorum. If a quorum is present at a meeting, the affirmative vote of a majority of the shares represented at the meeting and entitled to vote on any matter shall be the act of the stockholders unless the vote of a larger number is required by law, the Certificate of Incorporation or these By-Laws. If a quorum is present at the commencement of a meeting but the withdrawal of stockholders results in less than a quorum, the affirmative vote of the majority of shares required to constitute a quorum shall be the act of the stockholders unless the vote of a larger number is required by law, the Certificate of Incorporation or these By-Laws. Any meeting of stockholders, whether or not a quorum is present,

may be adjourned by the vote of a majority of the shares represented at the meeting.

9. ACTION WITHOUT MEETING. No action shall be taken by the stockholders except at an annual or special meeting of stockholders.

10. PROXIES. A stockholder may be represented at any meeting of stockholders by a written proxy signed by the person entitled to vote or by such person's duly authorized attorney-in-fact. A proxy must bear a date within three (3) years prior to the meeting, unless the proxy specifies a different length of time. A revocable proxy is revoked by a writing delivered to the Secretary of the Corporation stating that the proxy is revoked or by a subsequent proxy executed by, or by attendance at the meeting and voting in person by, the person executing the proxy.

11. LIST OF STOCKHOLDERS. The Secretary of the Corporation shall prepare and make, at least ten (10) days before every meeting of the stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

11.1. BUSINESS OF ANNUAL MEETINGS. Except to the extent, if any, specifically provided to the contrary in the Certificate of Incorporation or these By-Laws, to be properly brought before the annual meeting, all business must be either (a) specified in the notice of annual meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (b) otherwise properly brought before the annual meeting by or at the direction of the Board of Directors, or (c) otherwise properly brought before the annual meeting by a stockholder. In addition to any other applicable requirements, for business to be properly brought before any annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation, not less than 60 days nor more than 90 days prior to the meeting; provided, however, that in the event that less than 70 days' notice or prior public disclosure of the date of the annual meeting is given or made to stockholders, notice by the stockholder to be timely must be so received by the Secretary not later than the close of business on the 10th day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure of the date of

the annual meeting was made, whichever first occurs. A stockholder's notice to the Secretary shall set forth with respect to each matter the stockholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and record address of the stockholder proposing such business, (iii) the class and number of shares of the Corporation that are beneficially owned by the stockholder, and (iv) any material interest of the stockholder in such business.

The Chairman of the annual meeting shall, if the facts warrant, determine and declare to the meeting that the business was not properly brought before the meeting in accordance with the provisions of this Section 11.1, and any such business not properly brought before the meeting shall not be transacted.

DIRECTORS

12. POWERS. Subject to limitations of the Certificate of Incorporation, of the By-Laws, and of the General Corporation Law of Delaware as to action to be authorized or approved by the stockholders, and subject to the duties of directors as prescribed by the By-Laws, all corporate powers shall be exercised by or under the ultimate direction of, and the business and affairs of the Corporation shall be managed by, the Board of Directors. Without prejudice to such general powers, but subject to the same limitations, it is hereby expressly declared that the directors shall have the following powers:

(a) To select and remove all of the other officers, agents and employees of the Corporation, prescribe such powers and duties for them as may not be inconsistent with law, with the Certificate of Incorporation or the By-Laws, fix their compensation and require from them security for faithful service.

(b) To conduct, manage and control the affairs and business of the Corporation, and to make such rules and regulations therefor not inconsistent with law, or with the Certificate of Incorporation, or the By-Laws, as they may deem best.

(c) To change the principal office for the transaction of the business of the Corporation from one location to another as provided in Section 1 hereof; to fix and locate from time to time one or more subsidiary offices of the Corporation as provided in Section 2 hereof; to designate any place for the holding of any stockholders' meeting or meetings; and to prescribe the forms of certificates of stock, and to alter the form of such certificates from time to time, as in their judgment they may deem best, provided such certificates shall at all times comply with the provisions of law.

(d) To authorize the issuance of shares of capital stock of the

Corporation from time to time, upon such terms as may be lawful.

(e) To borrow money and incur indebtedness for the purposes of the Corporation, and to cause to be executed and delivered therefor, in the corporate name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations, or other evidences of debt and securities therefor.

13. NUMBER OF DIRECTORS.

(a) Except as provided in Subsection 6.1 of the Certificate of Incorporation and in any certificate filed pursuant to Section 151(g) of the General Corporation Law of Delaware designating the number of shares of Preferred Stock to be issued and the rights, preferences, privileges and restrictions granted to or imposed on the holders of such designated Preferred Stock, as permitted by Section 5 of the Certificate of Incorporation, the authorized number of directors of this Corporation shall be not less than eight (8) nor more than fifteen (15). The exact number of directors shall be fixed from time to time by an amendment to Subsection (b) of this Section duly adopted by the Board of Directors or by the holders of 75% of the shares of the Corporation.

(b) Subsection (a) of this Section provides for an indefinite number of directors and requires this Subsection, from time to time, to specify the exact number. Pursuant thereto it is hereby specified that this Corporation shall have nine (9) directors.

14. ELECTION, TERM OF OFFICE AND VACANCIES.

(a) Except as provided in Subsections 6.2(a) and 6.2(b) of the Certificate of Incorporation and in Subsection 14(b) below, the Board of Directors shall be and is divided into three classes, Class I, Class II and Class III, as nearly equal in number of directors as possible, with the term of office of the directors of one class expiring each year. Each director shall serve for a term ending on the date of the third annual meeting following the annual meeting at which such director was elected; provided, however, that the directors first elected to Class I shall

serve for a term ending on the date of the annual meeting next following the end of the calendar year 1983, the directors first elected to Class II shall serve for a term ending on the date of the second annual meeting next following the end of the calendar year 1983, and the directors first elected to Class III shall serve for a term ending on the date of the third annual meeting next following the end of the calendar year 1983. In the event of any change in the authorized number of directors, the Board of Directors shall apportion any newly created directorships to, or reduce the number of directorships in, such class or classes as shall, so far as possible, equalize the number of directors in

each class. If, consistently with the rule that the three classes shall be as nearly equal in number of directors as possible, any newly created directorship may be allocated to one of two or more classes, the Board of Directors shall allocate it to the available class whose term of office is due to expire at the latest date following such allocation. Notwithstanding any of the foregoing, each director shall serve for a term continuing until the annual meeting of the stockholders at which the term of the class to which he was elected expires and until his successor is elected and qualified or until his earlier death, resignation or removal.

Except as provided in the Certificate of Incorporation and in Subsection 14(b) hereof, any vacancies in the Board of Directors for any reason, and any newly created directorships resulting from any increase in the number of directors, may be filled by the Board of Directors, acting by a majority of the directors then in office, although less than a quorum; and any directors so chosen shall hold office until the next election of the class for which such directors shall have been chosen, and until their successors shall be elected and qualified.

(b) Notwithstanding any provisions of Subsection 6.2 (a) or any other provision of Section 6 of the Certificate of Incorporation or the provisions of Sections 13, 14 and 15 hereof, whenever the holders of any one or more classes or series of Preferred Stock issued by the Corporation shall have the right, voting separately by class or series, to elect directors at any annual or special meeting of stockholders, the election, term of office, filling of vacancies, removal and other features of such directorships shall be governed by the terms of the Certificate of Incorporation applicable thereto, and by the terms of any certificate filed pursuant to Section 151(g) of the General Corporation Law of Delaware designating the number of shares of Preferred Stock to be issued and the rights, preferences, privileges and restrictions granted to and imposed on the holders of such designated Preferred Stock, as permitted by Section 5 of the Certificate of Incorporation, and such directors so elected shall not be divided into classes pursuant to Section 6.2 (a) of the Certificate of Incorporation or Section 14 (a) hereof unless expressly provided by such terms.

15. REMOVAL. Except as provided in the Certificate of Incorporation and in Subsection 14(b) hereof, a director may be removed from office at any time, but only for cause, and only by the affirmative vote of the holders of a majority of the shares entitled to vote at an election of directors. No reduction in the number of directors shall have the effect of removing any director prior to the expiration of his term.

16. RESIGNATION. Any director may resign by giving written notice to the Chairman of the Board, the President, the Secretary or the Board of Directors. Such resignation shall be effective when given unless the notice

specifies a later time. The resignation shall be effective regardless of whether it is accepted by the Corporation.

17. COMPENSATION. If the Board of Directors so resolves, the directors, including the Chairman of the Board, shall receive compensation and expenses of attendance for meetings of the Board of Directors and of committees of the Board. Nothing herein shall preclude any director from serving the Corporation in another capacity and receiving compensation for such service.

18. COMMITTEES. The Board of Directors may, by resolution adopted by a majority of the authorized number of directors, designate one or more committees, each consisting of two or more directors, to serve at the pleasure of the Board. In the absence or disqualification of any member of a committee of the Board, the other members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board to act in the place of such absent or disqualified member. The Board may designate one or more directors as alternate members of a committee who may replace any absent member at any meeting of the committee. To the extent permitted by resolution of the Board of Directors, a committee may exercise all of the authority of the Board to the extent permitted by Section 141(c) of the General Corporation Law of Delaware.

19. INSPECTION OF RECORDS AND PROPERTIES. Each director may inspect all books, records, documents and physical properties of the Corporation and its subsidiaries at any reasonable time. Inspections may be made either by the director or the director's agent or attorney. The right of inspection includes the right to copy and make extracts.

20. TIME AND PLACE OF MEETINGS AND TELEPHONE MEETINGS. Immediately following each annual meeting of stockholders, the Board of Directors shall hold a regular meeting for the purposes of organizing the Board, election of officers and the transaction of other business. The Board may establish by resolution the times, if any, other regular meetings of the Board shall be held. All meetings of directors shall be held at the principal executive office of the Corporation or at such other place as shall be designated in the notice for the meeting or in a resolution of the Board of Directors. Directors may participate in a meeting through use of conference telephone or similar communications equipment, so long as all directors participating in such meeting can hear each other.

21. CALL. Meetings of the Board of Directors, whether regular or special, may be called by the Chairman of the Board, any Chief Executive Officer, the President, the Secretary, or any two directors.

22. NOTICE. Regular meetings of the Board of Directors may be held without notice if the time of such meetings has been fixed by the Board. Special meetings shall be held

upon four days' notice by mail or 48 hours' notice delivered personally or by telephone, telegraph [or confirmed facsimile], and regular meetings shall be held upon similar notice if notice is required for such meetings. Neither a notice nor a waiver of notice need specify the purpose of any regular or special meeting. Notice sent by mail or telegram shall be addressed to a director at his business or home address as shown upon the records of the Corporation, or at such other address as the director specifies in writing delivered to the Corporation, or if such an address is not so shown on such records and no written instructions have been received from the director, at the place in which meetings of directors are regularly held. Such mailing, telegraphing, delivery [or transmittal], as above provided, shall be due, legal and personal notice to such director. If a meeting is adjourned for more than 24 hours, notice of the adjourned meeting shall be given prior to the time of such meeting to the directors who were not present at the time of the adjournment.

23. MEETING WITHOUT REGULAR CALL AND NOTICE. The transactions of any meeting of the Board of Directors, however called and noticed or wherever held, are as valid as though had at a meeting duly held after regular call and notice if a quorum is present and if, either before or after the meeting, each of the directors not present signs a written waiver of notice, a consent to holding the meeting or an approval of the minutes of the meeting. For such purposes, a director shall not be considered present at a meeting if, although in attendance at the meeting, the director protests the lack of notice prior to the meeting or at its commencement.

24. ACTION WITHOUT MEETING. Any action required or permitted to be taken by the Board of Directors may be taken without a meeting, if all of the members of the Board individually or collectively consent in writing to such action.

25. QUORUM AND REQUIRED VOTE. A majority of the directors then in office shall constitute a quorum for the transaction of business, provided that unless the authorized number of directors is one, the number constituting a quorum shall not be less than the greater of one-third of the authorized number of directors or two directors. Except as otherwise provided by the Certificate of Incorporation or these By-Laws, every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present is the act of the Board. A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for such meeting. A majority of the directors present at a meeting, whether or not a quorum is present, may adjourn the meeting to another time and place.

26. COMMITTEE MEETINGS. The principles set forth in Sections 20 through 25 of these By-Laws shall apply to committees of the Board of Directors and to actions by such committees.

27. INTERESTED DIRECTORS. No contract or transaction between the Corporation and one or more of its directors or officers, or between the Corporation and any other

corporation, partnership, association, or other organization in which one or more of its directors or officers are directors or officers or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the Board of Directors or committee thereof which authorizes the contract or transaction, or solely because his or their votes are counted for such purpose if (a) the material facts as to his or their relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board of Directors or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors may be less than a quorum; or (b) the material facts as to his or their relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders; or (c) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified by the Board of Directors, a committee thereof or the stockholders. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

Subject to the provisions of the above paragraph, the Corporation may lend money to, or guarantee any obligation of, or otherwise assist any officer or other employee of the Corporation or of any of its subsidiaries, including any officer or employee who is a director of the Corporation or any of its subsidiaries, whenever, in the judgment of the directors, such loan, guaranty or assistance may reasonably be expected to benefit the Corporation. The loan, guaranty or other assistance may be with or without interest, and may be unsecured, or secured in such manner as the Board of Directors shall approve, including, without limitation, a pledge of shares of stock of the Corporation. Nothing in this Section contained shall be deemed to deny, limit or restrict the powers of guaranty or warranty of any corporation at common law or under any statute.

28. HONORARY ADVISORS TO THE BOARD. The Board of Directors may appoint one or more Honorary Advisors, who shall hold such position for such period, shall have such authority and perform such duties as the Board of Directors may specify, subject to change at any time by the Board of Directors. An Honorary Advisor to the Board shall not be a director for any purpose or with respect to any provision of these By-Laws or of the General Corporation Law of Delaware, and shall have no vote as a director. However, an Honorary Advisor to the Board shall receive the same compensation and expense reimbursement as a director for attendance at directors' meetings.

29. EMPLOYEE COMPENSATION MEASURES. No director shall vote upon any

employee compensation measure in which he has a direct personal interest and any vote cast on such measures by such a director shall be nullified and deemed void. Directors having such an interest may be counted in determining the presence of a quorum at a meeting of the Board of Directors or a committee thereof which authorizes, approves or ratifies such a measure. The term "employee compensation measures" shall include, without limitation, salary, bonus, stock options, stock purchase plans, retirement benefits, etc., but shall not include directors' fees and compensation as referred to in Section 17.

OFFICERS

30. TITLES AND RELATION TO BOARD OF DIRECTORS. The officers of the Corporation shall include one or more Chief Executive Officers, a President, a Secretary and a Treasurer. The Board of Directors may also choose a Chairman of the Board, one or more Vice Chairmen of the Board, a Chief Financial Officer, a General Counsel, and one or more Vice Presidents, Assistant Secretaries, Assistant Treasurers or other officers. All officers shall perform their duties and exercise their powers subject to the direction of the Board of Directors. In the absence of appointment by the Board of Directors, any Chief Executive Officer shall have the right and power to appoint an Executive Vice President, one or more additional Vice Presidents, one or more Assistant Secretaries and one or more Assistant Treasurers, all of whom shall perform their duties and exercise their powers subject to the direction of any Chief Executive Officer, subject to the overriding direction of the Board of Directors. No Vice President, Assistant Secretary or Assistant Treasurer shall be appointed for a term of office exceeding the term of office of the President, Secretary or Treasurer, respectively. Any number of offices may be held by the same person.

31. ELECTION, TERM OF OFFICE AND VACANCIES. At its regular meeting after each annual meeting of stockholders, the Board of Directors shall choose the officers of the Corporation. No officer need be a member of the Board of Directors except the Chairman of the Board. The officers shall hold office until their successors are chosen, except that the Board of Directors may remove any officer at any time. If an office becomes vacant for any reason, the vacancy shall be filled by the Board.

32. RESIGNATION. Any officer may resign at any time upon written notice to the Corporation without prejudice to the rights, if any, of the Corporation under any contract to which the officer is a party. Such resignation shall be effective when given unless the notice specifies a later time. The resignation shall be effective regardless of whether it is accepted by the Corporation.

33. SALARIES. The Board of Directors shall fix the salaries of the Chairman of the Board, any Vice Chairman and any Chief Executive Officer and may fix the salaries of other employees of the Corporation including the other

officers. If the Board does not fix the salaries of the other officers, any Chief Executive Officer shall fix such salaries.

34. CHAIRMAN OF THE BOARD. The Chairman of the Board shall, if present, preside at all meetings of the Board of Directors, and exercise and perform such other powers and duties as may be from time to time assigned to him by the Board of Directors or prescribed by the By-Laws.

35. CHIEF EXECUTIVE OFFICER. Unless otherwise determined by the Board of Directors, any Chief Executive Officer shall be deemed general manager of the Corporation, and shall, in the absence of a Chairman of the Board, preside at all meetings of the Board of Directors and stockholders, shall be ex officio a member of any committees of the Board, shall effectuate orders and resolutions of the Board of Directors and shall exercise such other powers and perform such other duties as the Board of Directors shall prescribe.

36. PRESIDENT AND VICE PRESIDENTS. In the absence or disability of any Chief Executive Officer, the President (and in the absence or disability of the President, the Vice President, if any, (or if more than one, the Vice Presidents in order of their rank as fixed by the Board of Directors or, if not so ranked, the Vice President designated by the Board of Directors)) shall perform all the duties of any Chief Executive Officer, and when so acting shall have all the powers of, and be subject to all the restrictions upon, the President. The President and Vice Presidents shall have such other powers and perform such other duties as from time to time may be prescribed for them respectively by the Board of Directors or the By-Laws.

37. SECRETARY. The Secretary shall have the following powers and duties:

(a) RECORD OF CORPORATE PROCEEDINGS. The Secretary shall attend all meetings of the Board of Directors and its committees and shall record all votes and the minutes of such meetings in a book to be kept for that purpose at the principal executive office of the Corporation or at such other place as the Board of Directors may determine. The Secretary shall keep at the Corporation's principal executive office the original or a copy of the By-Laws, as amended.

(b) RECORD OF SHARES. Unless a transfer agent is appointed by the Board of Directors to keep a share register, the Secretary shall keep at the principal executive office of the Corporation a share register showing the names of the stockholders and their addresses, the number and class of shares held by each, the number and date of certificates issued, and the number and date of cancellation of each certificate surrendered for cancellation.

(c) NOTICES. The Secretary shall give such notices as may be required by law or these By-Laws.

(d) ADDITIONAL POWER AND DUTIES. The Secretary shall exercise such other powers and perform such other duties as the Board of Directors or any Chief Executive Officer shall prescribe.

38. TREASURER. Unless otherwise determined by the Board of Directors, the Treasurer of the Corporation shall be its chief financial officer, and shall have custody of the corporate funds and securities and shall keep adequate and correct accounts of the Corporation's properties and business transactions. The Treasurer shall disburse such funds of the Corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, shall render to any Chief Executive Officer and directors, at regular meetings of the Board of Directors or whenever the Board may require, an account of all transactions and the financial condition of the Corporation and shall exercise such other powers and perform such other duties as the Board of Directors or any Chief Executive Officer shall prescribe.

39. OTHER OFFICERS. The other officers, if any, of this Corporation shall perform such duties as may be assigned to them by the Board of Directors, except as otherwise provided in Section 30.

SHARES

40. CERTIFICATES. A certificate or certificates for shares of the capital stock of the Corporation shall be issued to each stockholder when any such shares are fully paid up. All such certificates shall be signed by the Chairman of the Board, any Vice Chairman, any Chief Executive Officer, the President or a Vice President and the Secretary or Assistant Secretary. Any signature on the certificate may be by facsimile.

41. TRANSFERS OF SHARES OF CAPITAL STOCK. Transfers of shares shall be made only upon the transfer books of this Corporation, kept at the office of the Corporation or transfer agents designated to transfer such shares, and before a new certificate is issued, the old certificate shall be surrendered for cancellation.

42. REGISTERED SHAREHOLDERS. Registered stockholders only shall be entitled to be treated by the Corporation as the holders in fact of the shares standing in their respective names and the Corporation shall not be bound to recognize any equitable or other claim to or interest in any share on the part of any other person, whether or not it shall have express or other notice thereof, except as expressly provided by the laws of Delaware.

43. LOST OR DESTROYED CERTIFICATES. The Corporation may cause a new stock certificate to be issued in place of any certificate previously issued by the Corporation alleged to have been lost, stolen or destroyed. The Corporation may, at its' discretion and as a condition precedent to such issuance, require

the owner of such certificate to deliver an affidavit stating that such certificate was lost, stolen or destroyed, or to give the Corporation a bond or other security sufficient to indemnify it against any claim that may be made against it, including any expense or liability, on account of the alleged loss, theft or destruction or the issuance of a new certificate.

44. RECORD DATE AND CLOSING OF STOCK BOOKS. The Board of Directors may fix a time, in the future, not more than sixty (60) nor less than ten (10) days prior to the date of any meeting of stockholders, nor more than sixty (60) days prior to the date fixed for the payment of any dividend or distribution, or for the allotment of rights, or when any change or conversion or exchange of shares shall go into effect, as a record date for the determination of the stockholders entitled to notice of and to vote at any such meeting, or entitled to receive any such dividend or distribution, or any such allotment of rights, or to exercise the rights in respect to any such change, conversion, or exchange of shares, and in such case except as provided by law, only stockholders of record on the date so fixed shall be entitled to notice of and to vote at such meeting or to receive such dividend, distribution, or allotment of rights, or to exercise such rights, as the case may be, notwithstanding any transfer of any shares on the books of the Corporation after any record date fixed as aforesaid. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting unless the Board of Directors fixes a new record date. The Board of Directors shall fix a new record date if the adjourned meeting takes place more than thirty (30) days from the date set for the original meeting.

45. TRANSFER AGENTS AND REGISTRARS. The Board of Directors may appoint one or more transfer agents or transfer clerks, and one or more registrars, who shall be appointed at such times and places as the requirements of the Corporation may necessitate and the Board of Directors may designate.

AMENDMENTS

46. ADOPTION OF AMENDMENTS. New By-Laws of this Corporation may be adopted or these By-Laws may be amended or repealed by a vote of either a majority of directors of the Corporation or a majority of the shares of the Corporation; provided, however, that, except as specifically provided in Section 13, the provisions set forth in Sections 5, 9, 13(b), 14, 15, and 46 shall not be adopted, amended or repealed, nor shall any other By-Law be adopted, amended or repealed which will have the effect of modifying or permitting the circumvention of such By-Laws unless such adoption, amendment or repeal is approved by the affirmative vote of not less than 75% of the shares of the Corporation.

47. RECORD OF AMENDMENTS. Whenever an amendment or new By-Law is adopted, it shall be copied in the Book of By-Laws with the original

By-Laws, in the appropriate place. If any By-Laws or By-Law is repealed, the fact of repeal with the date of the meeting at which the repeal was enacted or written assent was filed shall be stated in said book.

CORPORATE SEAL

48. FORM OF SEAL. The corporate seal shall be circular in form, and shall have inscribed thereon the name of the Corporation, the date of its incorporation and the word "Delaware".

MISCELLANEOUS

49. CHECKS, DRAFTS, ETC. All checks, drafts, or other orders for payment of money, notes, or other evidences of indebtedness, issued in the name of or payable to the Corporation, shall be signed or endorsed by such person or persons and in such manner as, from time to time shall be determined by resolution of the Board of Directors.

50. CONTRACTS, ETC.; HOW EXECUTED. The Board of Directors, except as otherwise provided in these By-Laws, may authorize any officer or officers, or agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances; and unless so authorized by the Board of Directors, no officer, agent, or employee shall have any power or authority to bind the Corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

51. REPRESENTATION OF SHARES OF OTHER CORPORATIONS. The Chairman of the Board, any Chief Executive Officer, the President or any Vice President and

the Secretary or Assistant Secretary of this Corporation are authorized to vote, represent, and exercise on behalf of this Corporation all rights incident to and all shares of any other corporation or corporations standing in the name of this Corporation. The authority herein granted to said officers to vote or represent on behalf of this Corporation any and all shares held by this Corporation in any other corporation or corporations may be exercised either by such officers in person or by any other person authorized so to do by proxy or power of attorney duly executed by said officers.

52. INSPECTION OF BY-LAWS. The Corporation shall keep in its principal office for the transaction of business the original or a copy of these By-Laws as amended or otherwise altered to date, certified by the Secretary, which shall be open to inspection by the stockholders at all reasonable times during office hours.

53. DIVIDENDS. Dividends upon the capital stock of the Corporation,

subject to the provisions of the Certificate of Incorporation, if any, may be declared by the Board of Directors at any regular or special meeting, and may be paid in cash, in property, or in shares of the capital stock. Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the Board of Directors from time to time, in its absolute discretion, deems proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for any proper purpose, and the Board of Directors may modify or abolish any such reserve.

54. FISCAL YEAR. The fiscal year of the Corporation shall be fixed by resolution of the Board of Directors.

55. CONSTRUCTION AND DEFINITIONS. Unless the context otherwise requires, the general provisions, rules and construction, and definitions contained in the General Corporation Law of Delaware shall govern the construction of these By-Laws. Without limiting the generality of the foregoing, the masculine gender includes the feminine and neuter, the singular number includes the plural and the plural number includes the singular, and the term "person" includes a corporation as well as a natural person.

SECRETARY'S CERTIFICATE

THIS IS TO CERTIFY:

That I am the duly elected, qualified and acting Secretary of HEXCEL CORPORATION, a Delaware corporation, and that the above and foregoing Restated By-Laws were adopted as the By-Laws of said Corporation on the _____ day of _____, 1993, by the directors of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand this _____ day of _____, 1993.

_____
Robert D. Krumme, Secretary

EXHIBIT 4.7
Amendment No. 1

AMENDMENT NO. 1 TO RIGHTS AGREEMENT

AMENDMENT NO. 1, dated as of October 18, 1988, to the Rights Agreement dated as of August 14, 1986 (the "Rights Agreement"), between Hexcel Corporation, a Delaware corporation (the "Company"), and The Bank of California, a California banking corporation, as Rights Agent (the "Rights Agent").

WHEREAS, the Company and the Rights Agent entered into the Rights Agreement specifying the terms of the Rights (as defined therein);

WHEREAS, the Company and the Rights Agent desire to amend the Rights Agreement in accordance with Section 26 of the Rights Agreement;

NOW, THEREFORE, in consideration of the premises and mutual agreements set forth in the Rights Agreement and this Amendment, the parties hereby agree as follows:

1. Section 1(c)(iii) of the Rights Agreement is amended by inserting the following at the end of said Section:

> "PROVIDED, however, that nothing in this paragraph (c) shall cause a person engaged in business as an underwriter of securities to be the "Beneficial Owner" of, or to "beneficially own," any securities acquired through such person's participation in good faith in a firm commitment underwriting until the expiration of forty days after the date of such acquisition."

2. Section 3(a) of the Rights Agreement is amended to change the reference to Rule 14e-2(a) to Rule 14d-2(a). Section 3(a) of the Rights Agreement is also amended by adding immediately after the words "(ii) the close of business on the tenth business day" and before the words "after the date that" the following parenthetical clause:

> "(or such later date as may be determined by the Company's Board of Directors)"

3. Section 7(c) of the Rights Agreement is amended by inserting the following at the end of said Section:

> "Notwithstanding the provisions of this Section 7(c), if, for any reason, the provision permitting holders of Rights to pay the Purchase Price by delivery of shares of Common Stock is held by a court of competent jurisdiction or authority to be invalid or violative of any rule under the Exchange Act or if the Board, on the advice of counsel, determines that there is a reasonable likelihood that such provision

will be held to be invalid or will violate the rules under the Exchange Act, holders of Rights shall be required to pay the Purchase Price in cash as provided in clause (x) above. The Company reserves the right to require, prior to the occurrence of an event described in Section 11(a)(ii) or Section 13(a), that, upon any

exercise of Rights, a number of Rights be exercised so that only whole shares of Preferred Stock will be issued."

4. Section 11(a)(ii)(B) of the Rights Agreement is amended to read in its entirety as follows:

"(B) any Person (other than the Company, any employee benefit plan of the Company or of any Subsidiary of the Company, or any Person or entity organized, appointed or established by the Company for or pursuant to the terms of any such plan), alone or together with its Affiliates and Associates, shall, at any time after the Rights Dividend Declaration Date, become the Beneficial Owner of 25% or more of the shares of Common Stock then outstanding, unless the event causing the 25% threshold to be crossed is a transaction set forth in Section 13(a) hereof or is an acquisition of shares of Common Stock pursuant to a tender offer or an exchange offer for all outstanding shares of Common Stock at a price and on terms determined by at least a majority of the members of the Board of Directors who are not officers of the Company and who are not representatives, nominees, Affiliates or Associates of an Acquiring Person, after receiving advice from one or more investment banking firms, to be (a) at a price which is fair to stockholders (taking into account all factors which such members of the Board deem relevant including, without limitation, prices which could reasonably be achieved if the Company or its assets were sold on an orderly basis designed to realize maximum value) and (b) otherwise in the best interests of the Company and its stockholders, or"

5. Section 11(a)(ii) of the Rights Agreement is amended so that the first parenthetical clause following Section 11(a)(ii)(C) shall read as follows:

"(except as provided below, in Section 7(e) hereof and in Section 23(c) hereof)"

6. Section 13(b) of the Rights Agreement is amended by inserting the following at the end of said Section:

"If, for any reason, the Rights cannot be exercised for Common Stock of the Company or such Principal Party, then a holder of Rights will have the right to exchange his Rights for cash from the Company or such Principal Party in an amount equal to the number of shares of such Common Stock he would otherwise be entitled to purchase times 50% of the then current market price, as determined pursuant to Section 11(d)(i) hereof, of such stock of such Principal Party or the Company. If, for any reason, including, without limitation, if such Principal Party is an individual, private partnership or private company, the foregoing formulation cannot be applied to determine the cash amount into which the Rights are exchangeable, then the Board of Directors of the Company, based upon the advice from one or more investment banking firms, shall determine such amount reasonably and with utmost good faith to the holders of Rights. Any such determination shall be binding and final."

7. Section 14(b) of the Rights Agreement is amended so that the first parenthetical clause shall read as follows:

"(other than, except as provided in Section 7(c) hereof, fractions which are integral multiples of one one-hundredth of a share of Preferred Stock)"

8. Section 23(a) of the Rights Agreement is amended by inserting the following at the end of said Section:

"In addition, the Board of Directors of the Company may redeem all but not less than all of

the then outstanding Rights at the Redemption Price, following the occurrence of a Stock Acquisition Date (but prior to the occurrence of a Triggering Event), in connection with any event specified in Section 13(a) which (i) treats all holders of Common Stock alike and (ii) does not involve (other than as a holder of Common Stock being treated like all other such holders) an Acquiring Person or an Affiliate or Associate of an Acquiring Person or any other Person in which such Acquiring Person, Affiliate or such Associate has any interest, or any other Person acting directly or indirectly on behalf of or in association with any such Acquiring Person, Affiliate or Associate. The Company may, at its option, pay the Redemption Price in cash, shares of Common Stock (based on the "current market price", as defined in Section 11(d) hereof, of the Common Stock at the time of redemption) or any other form of consideration deemed appropriate by the Board of Directors."

9. Section 23 of the Rights Agreement is amended by adding the following new Section 23(c):

"(c)(i) Subject to the limitations of applicable law, the Board of Directors of the Company may, at its option, at any time after the occurrence of a Section 11(a)(ii) Event, exchange all or part of the then outstanding and exercisable Rights (which shall not include Rights that have become void pursuant to the provisions of Section 7(e) hereof) for shares of Common Stock at an exchange ratio of one share of Common Stock per Right, appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the date hereof (such exchange ratio being hereinafter referred to as the "Exchange Ratio"). Notwithstanding the foregoing, the Board of Directors shall not be empowered to effect such exchange at any time after any Person (other than the Company, any subsidiary of the Company, any employee benefit plan of the Company or any such subsidiary, or any entity holding Common Stock for or pursuant to

the terms of any such plan), together with all Affiliates and Associates of such Person, becomes the Beneficial Owner of 50% or more of the Common Stock then outstanding.

(ii) Immediately upon the action of the Board of Directors of the Company ordering the exchange of any Rights pursuant to this Section 23(c) and without any further action and without any notice, the right to exercise such Rights shall terminate and the only right thereafter of a holder of such Rights shall be to receive that number of shares of Common Stock equal to the number of of such Rights held by such holder multiplied by the Exchange Ratio. The Company shall promptly give public notice of any such exchange; PROVIDED, HOWEVER, that the failure to give, or any defect in, such notice shall not affect the validity of such exchange. The Company promptly shall mail a notice of any such exchange to all of the holders of such Rights at their last addresses as they appear upon the registry books of the Rights Agent. Any notice which is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice. Each such notice of exchange will state the method by which the exchange of the Common Stock for Rights will be effected and, in the event of any partial exchange, the number of Rights which will be exchanged. Any partial exchange shall be effected pro rata based on the number of Rights (other than Rights which have become void pursuant to the provisions of Section 7(e) hereof) held by each holder of Rights.

(iii) In any exchange pursuant to this Section 23(c), the Company, at its option, may substitute shares of Preferred Stock (or equivalent preferred stock, as such term is defined in Section 11(b) hereof) for Common Stock exchangeable for Rights, at the initial rate of one one-hundredth of a share of Preferred Stock (or equivalent

preferred stock) for each share of Common Stock, as appropriately adjusted to reflect adjustments in the voting rights of the shares of Preferred Stock pursuant to the terms

thereof, so that the fraction of a share of Preferred Stock delivered in lieu of each share of Common Stock shall have the same voting rights as one share of Common Stock.

(iv) In the event that there shall not be sufficient shares of Common Stock or Preferred Stock issued but not outstanding or authorized but unissued to permit any exchange of Rights as contemplated in accordance with this Section 23(c), the Company shall take all such action as may be necessary to authorize additional shares of Common Stock or Preferred Stock for issuance upon exchange of the Rights.

(v) The Company shall not be required to issue fractions of shares of Common Stock or to distribute certificates which evidence fractional shares of Common Stock. In lieu of such fractional shares of Common Stock, the Company shall pay to the registered holders of the Right Certificates with regard to which such fractional shares of Common Stock would otherwise be issuable an amount in cash equal to the same fraction of the current market value of a whole share of Common Stock. For the purposes of this Section 23(c)(v), the current market value of a whole share of Common Stock shall be the closing price of a share of Common Stock (as determined pursuant to Section 11(d) hereof) for the Trading Day immediately prior to the date of exchange pursuant to this Section 23(c)."

10. Section 30 of the Rights Agreement is amended by inserting the following at the end of said Section:

"Without limiting the foregoing, if any provision requiring that a determination be made by less than the entire Board of Directors (or at a time or with the concurrence of a group of directors consisting of less than the entire Board) is held by a court of competent jurisdiction or other authority to be invalid, void or unenforceable, such determination shall then

be made by the Board in accordance with applicable law and the Company's Certificate of Incorporation and By-laws."

11. The term "Agreement" as used in the Rights Agreement shall be deemed to refer to the Rights Agreement as amended hereby-

12. The foregoing amendment shall be effective as of the date hereof and, except as set forth herein, the Rights Agreement shall remain in full force and effect and shall be otherwise unaffected hereby.

13. This Amendment may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and their respective corporate seals to be hereunto affixed, all as of the day and year first above written.

HEXCEL CORPORATION

By /s/ John O'Flaherty

Name: John O'Flaherty
Title: Vice President

THE BANK OF CALIFORNIA

By /s/ Alice M. Alvarado

Name: Alice M. Alvarado
Title: Trust Officer

EXHIBIT 4.10

INSTRUMENT OF RESIGNATION, APPOINTMENT AND ACCEPTANCE

INSTRUMENT OF RESIGNATION, APPOINTMENT AND ACCEPTANCE (this "Instrument") entered into as of the 1st day of October, 1988 among Hexcel Corporation, a Delaware corporation (the "Issuer"), The Bank of California, N.A., a national banking association incorporated under the laws of the United States ("BCAL"), and Bankers Trust Company of California, N.A., a national banking association incorporated under the laws of the United States, ("Bankers").

W I T N E S S E T H

WHEREAS, the Issuer and BCAL entered into a certain Indenture dated as of August 1, 1986 (the "Indenture") with respect to the issuance of $35,000,000.00 principal amount of 7% Convertible Subordinated Debentures Due 2011 (the "Securities"), $34,950,000.00 of which are outstanding;

WHEREAS, BCAL has been acting as Trustee under the Indenture;

WHEREAS, Section 9.10 of the Indenture provides that BCAL may resign at any time and be discharged of the trust created by the Indenture by giving written notice thereof to the Issuer and by mailing notice of resignation to the holders of Securities;

WHEREAS, BCAL, pursuant to the provisions of Section 9.10 Of the Indenture, has given such written notice to the Issuer on the 9th day of March, 1988, a copy of which is attached hereto as Exhibit A, and has mailed such notice of its resignation as Trustee under the Indenture to the security holders in accordance with the provisions of the Indenture, a copy of which is attached hereto as Exhibit B, which resignation shall create a vacancy in the office of the Trustee;

WHEREAS, Section 9.10 of the Indenture further provides that the Issuer shall promptly appoint a successor Trustee to fill the vacancy in the office of Trustee under the Indenture;

WHEREAS, the Issuer wishes to appoint Bankers as successor Trustee under the Indenture;

WHEREAS, Bankers is willing to accept such appointment as successor Trustee on the terms and conditions set forth herein and under the Indenture;

and

WHEREAS, Bankers is qualified and eligible to act as successor Trustee under the Indenture.

NOW, THEREFORE, pursuant to the provisions of the Indenture and in consideration of the covenants herein contained, it is agreed among the Issuer, BCAL and Bankers as follows:

1. The Issuer hereby accepts the resignation of BCAL as Trustee and, pursuant to the authority vested in it by Section 9.10 of the Indenture and by resolution of its board of directors dated 23 August 1988, a copy of which is attached as Exhibit D, hereby appoints Bankers as successor Trustee under the Indenture, with all the estate, properties, rights, powers, trusts, duties and obligations heretofore vested in BCAL as Trustee under the Indenture. BCAL's resignation as Trustee and Bankers' appointment and acceptance as successor Trustee, shall be effective as of the opening of business on the date first above written upon the execution and delivery hereof by each of the parties hereto.

2. The Issuer hereby designates the corporate trust office of BCAL presently located at 400 California Street, San Francisco, CA 94145 as the office or agency of the Issuer in San Francisco, California where the Securities may be presented for exchange, conversion, registration of transfer and payment and as the office where notices and demands to or upon the Issuer in respect of the Indenture or Securities may be served.

3. The Issuer represents and warrants that:

(a) It is validly organized and existing under the laws of the state of its incorporation;

(b) the Securities were validly and lawfully issued;

(c) it has performed or fulfilled each covenant, agreement and condition on its part to be performed or fulfilled under the Indenture;

(d) it has no knowledge of the existence of any default, or Event of Default (as defined in the Indenture), or any event which upon notice or passage of time or both would become an Event of Default, under the Indenture;

(e) it has not appointed any paying agents under the Indenture other than BCAL and The Bank of California New York Trust Company;

(f) it will continue to perform the obligations undertaken by it under the Indenture; and

(g) promptly after the execution and delivery of this Instrument, it will mail or cause to be mailed to each security holder a Notice of Appointment of Successor Trustee, a form of which is attached hereto as Exhibit c.

4. BCAL represents and warrants to Bankers that:

(a) It has made, or promptly will make available to Bankers originals of all documents relating to the trust created by the Indenture and all information in the possession of its Corporate Trust Department relating to the administration and status thereof and will furnish to Bankers any of such documents or information Bankers may select;

(b) to the best of the knowledge of the Officers of BCAL assigned to its Corporate Trust Department, no default, or Event of Default (as defined in the Indenture), or any event which upon notice or lapse of time or both would become an Event of Default under the Indenture, exists;

(c) it has lawfully and fully discharged its duties as Trustee under the Indenture; and

(d) no covenant or condition contained in the Indenture has been waived by BCAL or by the security holders of the percentage in aggregate principal amount of the Securities required by the Indenture to effect any such waiver.

BCAL further agrees to indemnify Bankers and save Bankers harmless from and against any and all costs, claims, liabilities, losses or damages whatsoever (including reasonable fees and disbursements of counsel, auditors or other agents or experts) to the extent not otherwise reimbursed by the Issuer to Bankers, which Bankers may suffer or incur as a result of, or arising out of, Bankers' accepting the appointment and acting as successor Trustee or any other duties or obligations under the Indenture, but in each case only to the extent that such costs, claims, liabilities, losses or damages arise out of or are as a result of or are in connection with or are alleged to arise out of or to be the result of or to be in connection with BCAL'S actions or omissions in the performance by BCAL of its duties as Trustee.

BCAL agrees in addition to indemnify Bankers and save Bankers harmless from any and all costs, claims, liabilities, losses or damages (including reasonable fees and disbursements of counsel, auditors or other EXPERTS) arising

out of or as a result of or in connection with any omissions from or inaccuracies in the registry books relating to the Securities

("Securities Register"). BCAL agrees to investigate from time to time as Bankers may reasonably request, at the expense of the Issuer or, if the Issuer fails to pay, at the expense of BCAL, the completeness or accuracy of any information in the Securities Register which relates to any transaction occurring prior to the appointment of Bankers as Trustee for the Securities.

5. Bankers represents that it is qualified and eligible to act as Trustee under the provisions of the Indenture.

6. Bankers hereby accepts its appointment as successor Trustee under the Indenture and accepts the trust created thereby, and assumes all rights, powers, duties and obligations of the Trustee under the Indenture. Bankers will perform said trust and will exercise said rights, powers, duties and obligations upon the terms and conditions set forth in the Indenture.

7. BCAL hereby accepts the designation of its corporate trust office as the office or agency of the Issuer in San Francisco, California where the Securities may be presented for exchange, conversion, registration of transfer and payment and as the office where notices and demands to or upon the Issuer in respect of the Indenture or the Securities may be served. In accepting such appointment as paying agent of the Issuer, BCAL further agrees to execute and deliver to Bankers an instrument pursuant to Section 6.04 of the Indenture.

8. Pursuant to the written request of Bankers and the Issuer hereby made, BCAL, upon payment of its outstanding charges, receipt of which is hereby acknowledged, confirms, assigns, transfers and sets over to Bankers, as successor Trustee under the Indenture, upon the trust expressed in the Indenture, any and all moneys and all the rights, powers, trusts, duties and obligations which BCAL now holds as trustee under and by virtue of the Indenture.

9. The Issuer, for the purpose of more fully and certainly vesting in and confirming to Bankers, as successor Trustee under the Indenture, said rights, powers, duties, trusts and obligations, at the request of Bankers, hereby joins in the execution hereof.

10. The Issuer and BCAL hereby agree, upon the request of Bankers, to execute, acknowledge and deliver such further instruments of conveyance and assurance and to do such other things as may be required for more fully and certainly vesting and confirming in Bankers all of the properties, rights, powers, duties and obligations of BCAL as Trustee under the Indenture.

11. Terms not otherwise defined in this Instrument shall have the definitions given thereto in the Indenture.

12. The effect and meaning of this Instrument and the rights of all parties hereunder shall be governed by, and construed in accordance with, the laws of the State of California.

13. This Instrument may be simultaneously executed in any number of counterparts. Each such counterpart so executed shall be deemed to be an original, but all together shall constitute but one and the same instrument.

IN WITNESS WHEREOF, Hexcel Corporation has caused this Instrument to be executed and acknowledged by one of its officers duly authorized, its corporate seal to be affixed hereunto, and the same to be attested by its secretary or one of its assistant secretaries; BcAL has caused this Instrument to be executed and acknowledged by one of its vice presidents, its corporate seal to be affixed hereunto, and the same to be attested by one of its assistant secretaries; and Bankers Trust Company of California, N.A. has caused this Instrument to be executed and acknowledged by one of its vice presidents, its corporate seal to be affixed hereunto, and the same to be attested by one of its assistant secretaries, as of the day and year first above written.

HEXCEL CORPORATION

[Seal]

By:

Its: Vice President

Attest:

- ---
Its: Assistant Secretary

THE BANK OF CALIFORNIA, N.A.

[Seal]

By:

Its: Vice President

Attest:

- ------------------------------
Its:

BANKERS TRUST COMPANY OF
CALIFORNIA, N .A.

[Seal]

By:

Its: Vice President

Attest:

- ------------------------------
Its:

EXHIBIT A

March 9, 1988

Hexcel Corporation
Attention: Mr. Christopher Ward
630 California Street
San Francisco, CA 94108

Re: NOTICE OF RESIGNATION OF TRUSTEE,
$34,950,000 Principal Amount
HEXCEL CORPORATION
7% Convertible Subordinated Debentures Due 2011

Dear Chris:

NOTICE IS HEREBY GIVEN, pursuant to Section 9.10 of the Indenture (the

"Indenture") dated as of August 1, 1986, by and between Hexcel Corporation and The Bank of California, N.A., as Trustee, that The Bank of California, N.A. has resigned as Trustee because of the existence of a conflict of interest as defined in Section 9.08 of the Indenture. The Bank of California, N.A., however, will continue to act as Paying Agent, Transfer Agent and Registrar for subject Debentures.

Such resignation as Trustee shall take effect immediately upon appointment of a successor trustee pursuant to Section 9.10 of the Indenture.

Very truly yours,

The Bank of California, N.A., as Trustee

BY: _____
Assistant Vice President

EXHIBIT B

NOTICE OF RESIGNATION
OF TRUSTEE

To the Holders of

7% Convertible Subordinated Debentures Due 2011
Issued by Hexcel Corporation

NOTICE IS HEREBY GIVEN that, pursuant to Section 9.10 of the Indenture dated as of August 1, 1986, under which the above mentioned Debentures were issued, the undersigned has resigned as Trustee effective October 1, 1988.

THE BANK OF CALIFORNIA, N.A.

Dated:_____, 1988

EXHIBIT C

NOTICE OF APPOINTMENT
OF SUCCESSOR TRUSTEE

To the Holders of

7% Convertible Subordinated Debentures Due 2011
Issued by Hexcel Corporation

NOTICE IS HEREBY GIVEN that Hexcel Corporation (the "Company") has received a notice of resignation from The Bank of California, N.A. as Trustee, under the Indenture dated as of August 1, 1986 (the "Indenture"), such resignation to be effective October 1, 1988.

NOTICE IS HEREBY FURTHER GIVEN that pursuant to Section 9 .10 of the Indenture, the Company has appointed Bankers Trust Company of California, N.A., as successor Trustee under the Indenture. Bankers Trust Company of California, N.A. has, pursuant to Section 9.11 of the Indenture, accepted such appointment to be effective October 1, 1988. The address of the Corporate Trust and Agency Group West office of the Bankers Trust Company of California, N.A., successor Trustee is 50 Fremont Street, San Francisco, California 94105.

NOTICE IS HEREBY FURTHER GIVEN that pursuant to Section 6.02 of the Indenture, the Company has designated The Bank of California, N.A. as its paying agent and its office or agency in the city of San Francisco, California where said Securities may be presented for exchange, conversion, registration of transfer or payment as provided in the Indenture and where notices and demands to or upon the Company in respect of the Securities and the Indenture may be served. The address of The Bank of California, N.A. is 400 California Street, San Francisco, CA 94104. The Company's designated office or agency in the city of New York, New York remains The Bank Of California New York Trust Company whose address is 20 Exchange Place, New York, NY 10005. Securities being sent to such offices or agencies for exchange, conversion, registration of transfer or payment should be sent to the following address:

BY MAIL

1. The Bank of
California, N.A.
400 California Street
San Francisco, CA 94104

2. The Bank of California
New York Trust Company
20 Exchange Place
New York, NY 10005

BY HAND

1. The Bank of
California, N.A.
400 California Street
San Francisco, CA 94104

2. The Bank of California
New York Trust Company
20 Exchange Place
New York, NY 10005

HEXCEL CORPORATION

Dated: _____, 1988

RESOLUTION RE SUCCESSOR TRUSTEE
INDENTURE DATED AUGUST 1, 1986

The following is a true copy of resolutions duly adopted on the 23rd of August, 1988, by the Board of Directors of Hexcel Corporation.

"RESOLVED, that any officer of this Company is hereby authorized to accept the resignation of the Bank of California, N.A. as Trustee under the Company's Indenture, dated as of August 1, 1986, to appoint the Bankers Trust Company of California, N.A., as successor Trustee under said Indenture and to appoint the Bank of California, N.A. as paying agent and the Company's office or agency in San Francisco, California for the payment of, registration of, and services of notices in connection with, the Securities under said Indenture; and

"FURTHER RESOLVED, that any officer of this Company is hereby authorized to enter into such agreements and other instruments as may be necessary or desirable to effectuate the appointment of Bankers Trust Company of California, N.A. as successor Trustee and The Bank of California, N.A. as paying agent and the Company's said agent under said Indenture; and

"FURTHER RESOLVED, that any officer of this Company is hereby authorized to accept the resignation of any such successor Trustees under the Company's Indenture dated August 1, 1986 and to appoint further successor Trustees and/or paying agents and to enter into such agreements and other instruments as may be necessary or desirable to effectuate such appointments under said Indenture hereafter.

HEXCEL CORPORATION

/s/ David Wong

David Wong, Assistant Secretary

EXHIBIT 10.1(a)

1COMPOSITE CONFORMED COPY

- ----------

HEXCEL CORPORATION

NOTE AGREEMENT

Dated December 9, 1977

$8,000,000 8-3/4% Notes Due June 1, 1997

- ----------

TABLE OF CONTENTS

TO

NOTE AGREEMENT

HEXCEL CORPORATION
650 California Street
San Francisco, California 94108

NOTE AGREEMENT

$8,000,000

8-3/4% Notes due June 1, 1997

December 9, 1977

Bankers Life Company

In the case of all payments on account of the Notes in accordance with Section 4.1, by:

crediting (in the form of federal funds bank wire transfer) its
Account No. 014752
in Iowa-Des Moines National Bank
Des Moines, Iowa 50304
with sufficient information with such wire transfer to identify the payor of such funds, the obligations to which they relate, and any apportionment between principal and interest;

in the case of all other communications;

711 High Street
Des Moines, Iowa 50307
Attention: Investment Department
Securities Division

Dear Sirs:

Hexcel Corporation (the "Company"), a California corporation, hereby agreed with you as follows:

SECTION 1. PURCHASE AND SALE OF NOTES

1.1 ISSUE OF NOTES.

The Company will authorize the issue of $8,000,000 in aggregate principal amount of 8-3/4% notes due 1997 (herein called the "Notes"). Each Note will be in the amount of $100,000 or an integral multiple thereof (except as may be necessary to reflect any principal amount not evenly divisible by $100,000); will bear interest on the unpaid principal balance thereof from the date of the Note at the rate of 8-3/4% per annum (except as set forth to the contrary in Section 7.7(d)), payable semi-annually on the first day of December and the first day of June in each year, commencing with the payment date next succeeding the date of the Note, until the principal amount thereof shall be due and payable, and thereafter will bear interest at the rate of 9-3/4% per annum; and will mature on June 1, 1997. The Notes will be in the form of the Note set out in Exhibit A to this Agreement.

1.2 THE CLOSING.

The Company hereby agrees to sell to you and you hereby agree to

purchase from the Company, in accordance with the provisions of this Agreement, $4,000,000 in aggregate principal amount of Notes at 100% of the principal amount thereof. Your purchase shall be made at a closing to be held on December 15, 1977. The date of the closing is herein called the "Closing Date." The closing will be held at the office of McCutchen, Doyle, Brown & Enersen, Three Embarcadero Center, San Francisco California 94111. At the closing the Company will deliver to you a single Note in the principal amount of your purchase, dated the Closing Date and payable to you, against payment in funds immediately available in San Francisco.

1.3 PURCHASE FOR INVESTMENT.

You represent to the Company that you are purchasing the Notes for your own account for investment and with no present intention of distributing the Notes or any part thereof, but without prejudice, however, to your right at all times to sell or otherwise dispose of all or any part of the Notes under a registration under the Securities Act of 1933, as amended, (at your expense, unless otherwise agreed in writing by the Company) or under an exemption from such registration available under such Act.

1.4 OTHER AGREEMENT.

Simultaneously with the execution and delivery of this Agreement, the Company is entering into an agreement (the "Other Agreement") with [name of the other Purchaser] (the "Other Purchaser") (you and the Other Purchaser being herein called the "Purchasers"), which agreement is identical to

this Agreement except as to the identity of the Purchaser, and your obligations hereunder are subject to the execution and delivery of the Other Agreement. The obligations of each Purchaser shall be several and not joint and you shall not be liable or responsible for the acts or defaults of the Other Purchaser.

1.5 FAILURE TO DELIVER

If at the closing the Company fails to tender to you the Note to be purchased by you or if the conditions specified in Section 3 have not been fulfilled, you may thereupon elect to be relieved of all further obligations under this Agreement. Nothing in this Section shall operate to relieve the Company from any of its obligations hereunder or to waive any of your rights against the Company.

1.6 EXPENSES

Whether or not the Notes are sold, the Company will pay all expenses relating to this Agreement, including but not limited to:

(a) the cost of reproducing this Agreement and the Notes;

(b) the reasonable fees and disbursements of your special counsel;

(c) your reasonable out-of-pocket expenses;

(d) the cost of delivering to your home office, insured to your satisfaction, the Note purchased by you at the closing;

(e) all expenses relating to any amendments, waivers or consents pursuant to the provisions hereof;
and

(f) any amounts owing to Dean Witter & Co. Incorporated or any other brokerage or finder's fee in connection with the transactions contemplated by this Agreement.

The obligations of the Company under this Section 1.6 shall survive the payment or prepayment of the Notes and the termination of this Agreement.

SECTION 2. WARRANTIES AND REPRESENTATIONS

The Company warrants and represents to you that:

2.1 SUBSIDIARIES.

Exhibit B to this Agreement states (1) the name of each of the Subsidiaries, its jurisdiction of incorporation and the percentage of its Voting Stock owned by the Company and each other Subsidiary and (2) the name of each of the Company's corporate or joint venture Affiliates (other than Subsidiaries) and the nature of the affiliation. The Company and each Subsidiary has good and marketable title to all of the shares it purports to own of the stock of each Subsidiary, free and clear in each case of any Lien. All such shares have been duly issued and are fully paid and non-assessable.

2.2. CORPORATE ORGANIZATION AND AUTHORITY.

The Company, and each Subsidiary,

(a) is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation,

(b) has all requisite power and authority and all necessary licenses and permits to own and operate its Properties and to carry on its business as now conducted and as presently proposed to be conducted, and

(c) has duly qualified and is authorized to do business and is in good standing as a foreign corporation in each jurisdiction in which both (1) such qualification is necessary and (2) either (i) its sales in the most recent fiscal year of the Company exceeded $50,000 or (ii) assets owned or leased by it with an aggregate fair market value in excess of $50,000 are located.

2.3 BUSINESS, PROPERTY AND INDEBTEDNESS.

(a) The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1976 and its Current Report on Form 8-K dated April 4, 1977 filed by the Company with the Securities and Exchange Commission and previously delivered to you correctly describe the general nature of the business and principal Properties of the Company and the Subsidiaries.

(b) Exhibit B to this Agreement correctly lists all Funded Debt and Current Debt of the Company and its Subsidiaries outstanding at the date hereof.

2.4 FINANCIAL STATEMENTS

(a) The consolidated balance sheets of the Company and the Subsidiaries as of December 31 in each of the years from 1972 to 1976, inclusive, and the related consolidated statements of income, stockholders' equity and changes in financial position for each of the fiscal years ended on such dates, all accompanied by reports thereon containing opinions without qualification, except as there- in noted, by Arthur Andersen & Co., independent certified public accountants, and the consolidated balance sheet of the Company and the Subsidiaries as of September 30, 1977 (un- audited) and the related consolidated statements of income and changes in financial position for the three- and nine-month periods ended on such date, copies of which have been delivered to you, have been prepared in accordance with generally accepted accounting principles (except for the omission of footnotes from such unaudited statements) consistently applied, and present fairly the financial position of the Company and the Subsidiaries as of such dates and the results of their operations and changes in their financial position for such periods. If footnotes were included in such unaudited statements in accordance with generally accepted accounting principles, the facts disclosed in such footnotes would not include a material adverse change from the facts disclosed in the footnotes to the above-mentioned financial statements at December 31, 1976 and for the fiscal year then ended. These consolidated financial statements include the accounts of all Subsidiaries of the Company for the respective periods during which a subsidiary relationship has existed.

(b) Since December 31, 1976, there has been no change in the business, prospects, profits, Properties or condition (financial or other) of

the Company or any of its Subsidiaries except changes in the ordinary course of business, none of which individually or in the aggregate has been materially adverse, and the acquisition of the Company's Zeeland, Michigan plant on the terms described in its Current Report on Form 8-K dated April 4, 1977 filed with the Securities and Exchange Commission.

2.5 FULL DISCLOSURE.

The financial statements referred to in Section 2.4 do not, nor does this Agreement or any written statement furnished to you by or on behalf of the Company in connection with the negotiation of the sale of the Notes, contain any untrue statement of a material fact or omit a material fact necessary to make the statements contained therein or herein not misleading. There is no fact which

the Company has not disclosed to you in writing which materially affects adversely, or which, so far as the Company can now foresee, will materially affect adversely, the Properties, business, prospects, profits or condition (financial or other) of the Company and its Subsidiaries or the ability of the Company to perform this Agreement.

2.6 PENDING LITIGATION.

Other than the OSHA and EPA matters described to you in a letter or even date herewith, there are no proceedings pending, or to the knowledge of the Company threatened, against or affecting the Company or any Subsidiary in any court or before any governmental authority or arbitration board or tribunal which involve the possibility of materially and adversely affecting the financial position or results of operations of the Company and the Subsidiaries on a consolidated basis for or at the end of the current or any past or future accounting period. Such letter fairly presents the present status of such OSHA and EPA matters and fairly assesses the likelihoods of the possible outcomes of such matters. Neither the Company nor any Subsidiary is in default with respect to any order of any court, governmental authority or arbitration board or tribunal.

2.7 TITLE TO PROPERTIES.

The Company, and each Subsidiary, has good and marketable title in fee simple (or its equivalent under applicable law) to all the real Property, and has good title to all the other Property, it purports to own, including that reflected in the most recent balance sheet referred to in Section 2.4 (except as sold or otherwise disposed of in the ordinary course of business), free from Liens not permitted by Section 7.6.

2.8 PATENTS AND TRADEMARKS.

The Company, and each subsidiary, owns or possesses all the patents, trademarks, service marks, trade names, licenses and rights with respect to the foregoing necessary for the present and planned future conduct of its business, without any known conflict with the rights of others.

2.9 SALE IS LEGAL AND AUTHORIZED.

The sale of the Notes by the Company and compliance by the Company and each Subsidiary with all of the provisions of this Agreement and of the Notes:

(a) are within the corporate powers of the Company and each Subsidiary; and

(b) are legal and will not conflict with, result in any breach of any of the provisions of, constitute a default under, or result in the creation of any Lien upon any Property of the Company or any Subsidiary under the provisions of, any agreement, charter instrument, by-law or other instrument to which the Company or any Subsidiary is a party or by which the Company or any Subsidiary or any Property of any of them may be bound.

2.10 NO DEFAULTS.

No event has occurred since December 31, 1976, and no condition exists (whether as a result of an event occurring before, on or after such date), which constituted or constitutes a Default or any Event of Default, or which would have constituted or would constitute a Default, or Event of Default if this Agreement had been in force from December 31, 1976. Neither the Company nor any Subsidiary is in violation in any material respect of any term of any agreement, charter instrument, by-law or other instrument to which it is a party or by which it may be bound.

2.11 GOVERNMENTAL CONSENT.

Neither the nature of the Company or of any Subsidiary, or of any of their respective businesses or Properties, nor any relationship between the Company or any Subsidiary and any other Person, nor any circumstance in connection with the offer, issue, sale or delivery of the Notes is such as to require a consent, approval or authorization of, or filing, registration or qualification with, any governmental authority on the part of the Company as a condition to the execution and delivery of this Agreement or the offer, issue, sale or delivery of the Notes.

2.12 TAXES AND RENEGOTIATION.

(a) All tax returns required to be filed by the Company or any Subsidiary in any jurisdiction have in fact been filed, and all taxes, assessments, fees and other governmental charges upon the Company or any Subsidiary, or upon any of their respective Properties, income or franchises, which are due and payable have been paid. The United States income tax liability of the Company and the Subsidiaries has been finally determined by the Internal Revenue Service, and has been satisfied, for all taxable years through the taxable year ended December 31, 1973. Neither the Company nor any Subsidiary knows of any proposed additional tax assessment against. it.

(b) The provisions for taxes on the books of the Company and each Subsidiary are adequate for all open years, and for its current fiscal period. The amount of the reserve for federal income taxes reflected in the consolidated balance sheet of the Company and its Subsidiaries at December 31, 1976 is an adequate provision for such Federal income taxes, if any, as may be payable by the Company and its Subsidiaries for the taxable years 1974 through 1976.

(c) The liabilities, if any, of the Company and the Subsidiaries under the Renegotiation Act of 1948 or 1951, as amended, have been finally determined by the Renegotiation Board, and have been satisfied, for all fiscal years through the fiscal year ended December 31, 1974. Neither the Company nor any Subsidiary has received a renegotiation report, other than any renegotiation report which has been finally disposed of prior to December 31, 1976. There is no matter pending before the Renegotiation Board or any Regional Renegotiation Board involving the Company or any Subsidiary. No reserve for renegotiation is necessary in the consolidated balance sheet of the Company and the Subsidiaries at December 31, 1976 in order for such balance sheet to fairly present the financial position of the Company and the Subsidiaries at such date.

2.13 USE OF PROCEEDS.

The Company will apply all the proceeds from the sale of the Notes for the repayment of bank borrowings. None of the transactions contemplated in this Agreement (including, without limitation thereof, the use of the proceeds from the sale of the Notes) will violate or result in a violation of Section 7 of the Securities Exchange Act of 1934, as amended, or any regulations issued pursuant thereto, including, without limitation, Regulations G, T and X of the Board of Governors of the Federal Reserve System, 12 C.F.R., Chapter II. Neither the Company nor any Subsidiary owns or intends to carry or purchase any "margin security" within the meaning of said Regulation G, including margin securities originally issued by it. None of the proceeds from the sale of the Notes will be used to purchase or carry (or refinance any borrowing the proceeds of which were used to purchase or carry) any "security" within the meaning of the Securities Exchange Act of 1934, as amended.

2.14 PRIVATE OFFERING.

Neither the Company nor Dean Witter & Co., Incorporated (the only Person authorized or employed by the Company as agent, broker, dealer or otherwise in connection

with the offering or sale of the Notes or any similar Security of the Company) has offered any of the Notes or any similar Security of the Company for sale to, or solicited offers to buy any thereof from, or otherwise approached or negotiated with respect thereto with, any prospective purchaser, other than you and six other institutional investors, each of whom was offered a portion of the Notes at private sale for investment. The Company agrees that neither the Company nor anyone acting on its behalf will offer the Notes or any part thereof or Securities of the same or similar class (within the meaning of Rule 146 of the Securities and Exchange Commission) for issue or sale to, or solicit any offer to acquire any of the same from, anyone so as to bring the issuance and sale of the Notes within the provisions of Section 5 of the Securities Act of 1933, as amended. The Company agrees not to issue any Securities within six months after any original issuance of the Notes or any part thereof, if such issuance would bring the issuance and sale of the Notes within the provisions of such Section 5.

2.15 EARNINGS COVERAGE.

The net earnings available for fixed charges of the Company and subsidiary institutions, consolidated as required pursuant to Section 81(2) of the New York Insurance Law, for the period of the five fiscal years most recently audited have averaged per year not less than one and one-half times their average consolidated fixed charges for such year. As used in this Section, the terms "net earnings available for fixed charges", "subsidiary institutions" and "fixed charges" have the meanings stated in Exhibit E.

2.16 COMPLIANCE WITH LAW.

As to all matters other than the OSHA and EPA matters described to you in a letter of even date herewith, neither the Company nor any Subsidiary is aware of (duly diligent investigation having been made with respect thereto):

(a) any violation of any laws, ordinances, governmental rules or regulations to which it is subject;

(b) any failure to obtain any licenses, permits, franchises or other governmental authorizations necessary to the ownership of its Property or to the conduct of its business; or

(c) any facts which would form the basis for any such violation or failure;

which violation or failure to obtain might materially and adversely affect the financial position or results of operations of the Company and the Subsidiaries on a consolidated basis for or at the end of the current or any past or future accounting period. Such letter fairly presents the present status of such OSHA and EPA matters and fairly assesses the likelihoods of the possible outcomes of such matters.

2.17 RESTRICTIONS ON COMPANY AND SUBSIDIARIES.

Neither the Company nor any Subsidiary is a party to any contract or agreement, or subject to any charter or other corporate restriction, which materially and adversely affects the business of the Company and its Subsidiaries. Neither the Company nor any Subsidiary is a party to any contract or agreement which restricts the right or ability of such corporation to incur Funded Debt, other than this Agreement and the Loan Agreement dated February 11, 1976 between the Company and Wells Fargo Bank, National Association, as amended by Amendment to Loan Agreement dated April 1, 1977. Neither the Company nor any Subsidiary has agreed or consented to cause or permit in the future (upon the happening of a contingency or otherwise) any of its Property, whether now owned or hereafter acquired, to be subject to a Lien not permitted by Section 7.6.

2.18 ERISA

(A) RELATIONSHIP OF VESTED BENEFITS TO PENSION ASSETS. The present value of all benefits vested under all "employee pension benefit plans," as such term is defined in Section 3 of ERISA, maintained by the Company or any Subsidiary, as from time to time in effect (herein called the "Pension Plans"), did not as of December 31, 1975, the last annual valuation date, exceed the value of the assets of the Pension Plans allocable to such vested benefits.

(b) PROHIBITED TRANSACTIONS. Neither any of the Pension Plans nor any trust created thereunder, nor any "disqualified person" has engaged in a "prohibited transaction," as such terms are defined in Section 4975 of the Internal Revenue Code of 1954, as amended, which could subject the Pension Plans or any of them, any such trust, or any trustee or administrator thereof, or any party dealing with the Pension Plans or any such trust to the tax or penalty on prohibited transactions imposed by said Section 4975.

(c) REPORTABLE EVENTS. Neither any of the Pension Plans nor any such trust have been terminated nor have there been any "reportable events", as that term is defined in Section 4043 of ERISA, since September 2, 1974.

(d) ACCUMULATED FUNDING DEFICIENCY. None of the Pension Plans has incurred any "accumulated funding deficiency," as such term is defined in Section 302 of ERISA (whether or not waived), since the effective date specified by Section 306 of ERISA.

SECTION 3. CLOSING CONDITIONS.

Your obligation to purchase and pay for the Note to be delivered to you at the closing shall be subject to the following conditions precedent:

3.1 OPINIONS OF COUNSEL.

You have received from Messrs. Wendel, Lawlor, Rosen & Black, counsel for the Company, and Messrs. McCutchen, Doyle, Brown & Enersen, your special counsel, the closing opinions described in Exhibits C and D to this Agreement.

3.2 DISTRIBUTIONS.

The Company shall not, after December 31, 1976, have declared, made or incurred any liability to make Distributions in respect of the Equity Securities of the Company aggregating more than $1,000,000.

3.3 WARRANTIES AND REPRESENTATIONS TRUE AS OF CLOSING DATE.

The warranties and representations contained in Section 2 shall (except as affected by transactions contemplated by this Agreement) be true in all material respects on the Closing Date with the same effect as though made on and as of that date.

3.4 COMPLIANCE WITH THIS AGREEMENT.

The Company shall have performed and complied with all agreements and conditions contained herein which are required to be performed or complied with by the Company before or at the closing.

3.5 OFFICERS' CERTIFICATE.

You shall have received a certificate dated the Closing Date and signed by the President or a Vice President

and the Treasurer or an Assistant Treasurer of the Company, certifying that the conditions specified in Sections 3.2, 3.3 and 3.4 have been fulfilled.

3.6 LEGALITY.

The Notes shall on the Closing Date qualify as a legal investment for insurance companies under Section 81(2) (b) of the New York Insurance Law and you shall have received a certificate in the form of Exhibit E to this Agreement, or such other evidence as you may reasonably request, to establish compliance with this condition.

3.7 OTHER CLOSING.

Simultaneously with the closing of your purchase, the Other Purchaser shall have purchased a like principal amount of Notes and the Company shall have received payment therefor.

3.8 PROCEEDINGS SATISFACTORY.

All proceedings taken in connection with the sale of the Notes and all documents and papers relating thereto shall be satisfactory to you and your special counsel. You and your special counsel shall have received copies of such documents and papers as you or they may reasonably request in connection therewith or as a basis for your special counsel's closing opinion, all in form and substance satisfactory to you and your special counsel.

3.9 COMPLETION OF INFORMATION CERTIFICATE.

The Company shall have completed and delivered to you the Information Certificate in the form of Exhibit F to this Agreement, with a copy of the Company's most recent audited annual financial statements attached thereto, which certificate and statements you have informed the Company may be used as a basis for filings which you may be required to make with certain regulatory bodies and with the National Association of Insurance Commissioners.

3.10 INSURANCE CERTIFICATE.

The Company shall have delivered the written opinion of its independent insurance broker or advisor, dated the Closing Date, to the effect set forth in Section 7.2(b).

SECTION 4. PURCHASER'S SPECIAL RIGHTS

4.1 DIRECT PAYMENT.

Notwithstanding anything to the contrary in this Agreement or the Notes, the Company will pay all amounts payable with respect to any Notes held by you, any nominee or affiliate of yours, or any institutional holder of 6-1/4% or more in principal amount of Notes at the time outstanding, (without any presentment or surrender of such Notes and without any notation of such payment being made thereon) by crediting before 12:00 noon, local time at the place of receipt, by federal funds bank wire transfer, the account of such holder in any bank in the United States as may be designated in writing by such holder, or in such other manner or to such other address in the United States as may be designated in writing by such holder, or in such other manner or to such other address in the United States as may be designated in writing by such holder. Each holder of a Note to which this Section 4.1 applies agrees that in the event it shall sell or transfer any such Note (a) it will, prior to the delivery of such Note (unless it has already done so), make a notation thereon of all principal, if any, prepaid on such Notes and will also note thereon the date to which interest has been paid on such Note, and (b) it will promptly notify the Company of the name and address of the transferee of any such Note so transferred.

4.2 DELIVERY EXPENSES.

If you surrender any Note to the Company pursuant to this Agreement, the Company will pay the cost of delivering to or from your home office from or to the Company, insured to your satisfaction, the surrendered Note and any Note issued in substitution or replacement for the surrendered Note.

4.3 ISSUE TAXES.

The Company will pay all taxes in connection with the issuance and sale of the Notes and in connection with any modification of the Notes and will save you harmless without limitation as to time against any and all liabilities with respect to all such taxes. The obligations of the Company under this Section 4.3 shall survive the payment or prepayment of the Notes and the termination of this Agreement.

SECTION 5. PREPAYMENTS.

5.1 REQUIRED PREPAYMENTS.

(a) In additional to paying the entire outstanding principal amount and the interest due on the Notes

on the maturity date thereof, the Company will prepay, and there shall become due and payable, $500,000 principal amount of the Notes on June 1 in each year beginning on June 1, 1982 and ending June 1, 1996, inclusive. Each such prepayment shall be at 100% of the principal amount prepaid, together with

interest accrued thereon to the date of prepayment.

(b) The Company's exercise of any prepayment option in Section 5.2(a) or Section 5.2(b), or the acquisition of any Notes by the Company, shall not reduce or otherwise affect its obligation to make any prepayment required by Section 5.1(a).

5.2 OPTIONS TO PREPAY.

(a) OPTION TO PREPAY AT PAR. The Company may, at the time of any payment pursuant to Section 5.1(a), upon notice as provided in Section 5.3, prepay an additional principal amount of Notes equal to the amount required to be paid at that time, or any lesser amount in an integral multiple of $50,000, at 100% without premium, such prepayment to be together with interest accrued to each such prepayment date on the principal amount so prepaid; PROVIDED, however, that not more than $2,650,000 in aggregate principal amount of Notes may be prepaid pursuant to this Section 5.2(a). Such optional prepayment right shall not be cumulative and all or any part of such prepayment option not exercised as to any particular date shall thereupon cease and lapse and be of no further force or effect.

(b) OPTION TO PREPAY AT A PREMIUM. Subject to Section 5.2(c), the Company may prepay the Notes in whole or part at any time, in integral multiples of $50,000, at the applicable percentage set out below of the principal amount then being prepaid together with accrued interest on the principal amount so prepaid to the prepayment date:

IF PREPAYMENT IS MADE DURING THE 12-MONTH PERIOD BEGINNING JUNE 1 IN THE YEAR	PERCENTAGE OF PRINCIPAL AMOUNT
1977	108.75%
1978	108.29%
1979	107.83%
1980	107.37%
1981	106.91%
1982	106.45%
1983	105.99%
1984	105.53%
1985	105.07%
1986	104.61%

1987	104.15%
1988	103.69%
1989	103.23%
1990	102.77%

1991	102.31%
1992	101.85%
1993	101.39%
1994	100.93%
1995	100.47%
1996	100.00%

(c) REFUNDING LIMITATION. Notwithstanding the provisions of Section 5.2(b), none of the Notes may be prepaid pursuant to Section 5.2(b) prior to June 1, 1987 as a part of a refunding or anticipated refunding operation by the application, directly or indirectly, to such prepayment of funds borrowed by the Company or any Subsidiary or Affiliate having (1) an effective interest cost of less than 8-3/4% per annum, or (2) as of the date of the proposed prepayment, a Weighted Average Life to Maturity less than the then remaining Weighted Average Life to Maturity of the Notes.

(d) "WEIGHTED AVERAGE LIFE TO MATURITY" of any indebtedness for borrowed money means as at the time of the determination thereof the number of years obtained by dividing the then Remaining Dollar-Years of such indebtedness by the then outstanding principal amount of such indebtedness. The term "Remaining Dollar-Years" of any indebtedness for borrowed money means the amount obtained by (1) multiplying the amount of each then remaining sinking fund, serial maturity or other required repayment, including repayment at final maturity, by the number of years (calculated at the nearest one-twelfth) which will elapse between the date of proposed prepayment and the date of that required repayment and (2) totaling all the products obtained in (1).

5.3 NOTICE OF OPTIONAL PREPAYMENT.

The Company will give notice of any optional prepayment of the Notes to each holder of the Notes not less than 30 days nor more than 60 days before the date fixed for prepayment, specifying (a) such date, (b) the Section of this Agreement under which the prepayment is to be made, (c) the principal amount of the holder's Notes to be prepaid on such date, and (d) the premium, if any, and accrued interest applicable to the prepayment. Such notice of prepayment shall also certify all facts which are conditions precedent to any such prepayment. Notice of prepayment having been so given, the aggregate principal amount of the

Notes specified in such notice, together with the premium, if any, and accrued interest thereon, shall become due and payable on the prepayment date.

5.4 PARTIAL PREPAYMENT PRO RATA.

If there is more than one holder of the Notes, the aggregate

principal amount of each required or optional partial prepayment of the Notes shall be allocated in units of $1,000 or integral multiples thereof among the holders of the Notes at the time outstanding in proportion, as nearly as practicable, to the respective unpaid principal amounts of the Notes then outstanding held by them, with adjustments, to the extent practicable, to equalize for any prior prepay- ments not in such proportion. For the purpose of this Section 5.4 only, any Notes reacquired by the Company shall be deemed to be outstanding and the Company shall be deemed to be the holder thereof.

5.5 SURRENDER OF NOTES ON PREPAYMENT.

Subject to Section 4.1, upon any partial prepayment of a Note, such Note shall, at the option of the holder thereof, be either (a) surrendered to the Company pursuant to Section 6.2 in exchange for a new Note in a principal amount equal to the principal amount remaining unpaid on the surrendered Note, or (b) made available to the Company for notation thereon of the portion of the principal so prepaid. In case the entire principal amount of any Note is prepaid, such Note shall be surrendered to the Company for cancellation and shall not be reissued, and no Note shall be issued in lieu of the prepaid principal amount of any Note.

SECTION 6. REGISTRATION; SUBSTITUTION OF NOTES

6.1 REGISTRATION OF NOTES.

The Company shall cause to be kept at its office, maintained pursuant to Section 7.3, a register for the registration and transfer of the Notes. The names and addresses of the holders of the Notes, the transfer thereof and the names and addresses of the transferees of the Notes shall be registered in the register. The Person in whose name any Note shall be registered shall be deemed and treated as the owner and holder thereof for all purposes of this Agreement, and the Company shall not be affected by any notice of knowledge to the contrary.

6.2 EXCHANGE OF NOTES.

Upon surrender of any Note at the office of the Company maintained pursuant to Section 7.3, the Company,

at the request of the holder thereof, will execute and deliver, at the Company's expense (except as provided below), new Notes in exchange therefor, in denominations of at least $100,000 (except as may be necessary to reflect any principal amount not evenly divisible by $100,000), in an aggregate principal amount equal to the unpaid principal amount of the surrendered Note. Each such new Note shall be payable to such Person as such holder may request and shall be

substantially in the form of the Note set out in Exhibit A. Each such new Note shall be dated and bear interest from the date to which interest has been paid on the surrendered Note or dated the date of the surrendered Note if no interest has been paid thereon. The Company may require payment of a sum sufficient to cover any stamp tax or governmental charge imposed in respect of any transfer. The Company shall not, however, have any obligation to exchange Notes pursuant to this Section 6.2, if such exchange would be a transfer in violation of the Securities Act of 1933 as amended.

6.3 REPLACEMENT OF NOTES.

Upon receipt by the Company of evidence reasonably satisfactory to it of the ownership of and the loss, theft, destruction or mutilation of any Note and

(a) in the case of loss, theft or destruction, of indemnity reasonably satisfactory to it (PROVIDED, if the holder of the Note is an insurance company, its own agreement of indemnity shall be deemed to be satisfactory), or

(b) in the case of mutilation, upon surrender for cancellation thereof,

the Company at its expense will execute and deliver in lieu thereof, a new Note of like tenor, dated and bearing interest from the date to which interest has been paid on such lost, stolen, destroyed or mutilated Note or dated the date of such lost, stolen, destroyed or mutilated Note if no interest has bene paid thereon.

6.4 REPURCHASE RIGHT.

(a) NOTICE TO COMPANY. You agree that, if no Default or Event of Default exists, you will give the Company notice as set forth in this Section 6.4 of any proposed transfer of a Note, or a portion of the principal amount thereof, for a cash consideration other than a transfer among you, your nominees and your affiliates. Such notice may be given orally (by telephone or in person) to the President of chief financial officer of the Company or, if

your call is during business hours and neither is then available, to any person willing to take a message for either such person. Such notice may, at your option, also be given by written or telegraphic means delivered to the Company, which shall be considered given upon its receipt by the Company. In any case such notice shall state the principal amount of notes proposed to be transferred, the name of the proposed transferee and the amount of the cash consideration.

(b) REPURCHASE BY COMPANY. If, within 72 hours of your notice

pursuant to Section 6.4(a), you receive telegraphic notice from the Company that the Company thereby exercises its right to repurchase pursuant to this Section 6.4, then, if no Default or Event of Default then exists or would exist following such repurchase, the Company shall have the right (and upon your receipt of such notice, the Company shall have the obligation) to purchase not less than the entire principal amount proposed to be transferred in a transaction described in Section 6.4(a) for the same cash consideration as set forth in your notice to the Company. Such 72-hour period shall include Saturdays, Sundays and business holidays, but if it contains fewer than 8 hours between 9:00 a.m. and 5:00 p.m. on a day or days which are not a Saturday, Sunday or business holiday in San Francisco, California, it shall be extended until 8 such hours have accumulated after your notice pursuant to Section 6.5(a). The Company will pay the purchase price in immediately available funds as set forth in Section 4.1 within 192 hours after your notice pursuant to Section 6.4(a). The Company's giving of such notice and its payment of the purchase price shall constitute its certification, as of the times of such notice and payment, that no Default or Event of Default exists or will exist following such repurchase. Such 192-hour period shall not include Saturdays, Sundays or busi- ness holidays in San Francisco, California.

(c) GENERAL. Your obligation to give notice pursuant to Section 6.4(a), and to sell Notes to the Company pursuant to Section 6.4(b), is personal to you, your nominees and your affiliates, and is not binding on any successor owner of the Notes. If you give notice of a proposed transfer to the Company pursuant to Section 6.4(a), and the Company does not exercise its rights (or comply with any obligations) under Section 6.4(b) as to such transfer, then, without further notice to or purchase right in the Company, you may transfer Notes in the principal amount and to the transferee set forth in your notice to the Company pursuant to Section 6.4(a) within 3 months after such notice, at any price which is not lower than 97% of the proposed price set forth in such notice.

SECTION 7. COMPANY BUSINESS COVENANTS

The Company covenants that on and after the date of initial issue of the Notes, so long as any of the Notes are outstanding:

7.1 PAYMENT OF TAXES AND CLAIMS.

The Company and each Subsidiary will pay, before they become delinquent,

(a) all taxes, assessments and governmental charges or levies imposed upon it or its Property, and

(b) all claims or demands of materialmen, mechanics,

carriers, warehousemen, landlords and other like Persons which, if unpaid, might result in the creation of a Lien upon its Property.

PROVIDED that items of the foregoing description need not be paid while being contested in good faith and by appropriate proceedings and PROVIDED FURTHER that for all purposes of this Agreement reserve shall be created in an amount such that an ultimate liability in excess of the reserved amount is, in the opinion of management of the Company, not likely and PROVIDED FURTHER that the owning company's title to, and its right to use, its Property is not materially adversely affected thereby. In the case of any item described in clause (a) or (b) above involving in excess of 1% of Con- solidated Net Worth, the adequacy of the reserve shall be supported by the written opinion of two officers of the Company and the appropriateness of the proceedings shall be supported by the written opinion of two officers of the Company and the appropriateness of the proceedings shall be supported by the written opinion of independent counsel familiar with the matter, which opinion shall also state that, although such counsel cannot predict the outcome of such matter, the opinion of management as to the adequacy of the reserve is not, in the judgment of such counsel, unreasonable.

7.2 MAINTENANCE OF PROPERTIES AND CORPORATE EXISTENCE.

The Company and each Subsidiary will:

(a) PROPERTY -- maintain its Property in good condition and make all necessary renewals, replacements, additions, betterments and improvements thereto;

(b) INSURANCE -- maintain, with financially sound and reputable insurers, insurance with respect to its

Properties and business against such casualties and contin-gencies, of such types (including public liability, larceny, embezzlement or other criminal misappropriation insurance) and in such amounts as is reasonable and prudent, affording in each case protection that is, in the opinion of the Company's independent insurance broker or advisor, not materially less than that customarily carried by established corporations engaged in the same or a similar business and similarly situated;

(c) FINANCIAL RECORDS -- keep true books of records and accounts in which full and correct entries will be made of all its business transactions, and will reflect in its financial statements adequate accruals and appropriations to reserves, all in accordance with generally accepted accounting principles;

(d) CORPORATE EXISTENCE AND RIGHTS -- do or cause to be done

all things necessary (i) to preserve and keep in full force and effect its existence, rights and franchises and (ii) to maintain each Subsidiary as a Subsidiary, except as otherwise permitted by Section 7.4 or 7.5(d);

(e) COMPLIANCE WITH LAW -- not be in violation of any laws, ordinances, or governmental rules and regulations to which it is subject and will not fail to obtain any licenses, permits, franchises or other governmental authorizations necessary to the ownership of its Properties or to the conduct of its business, which violation or failure to obtain might materially adversely affect the business, prospects, profits, Properties or condition (financial or other) of the Company and the Subsidiaries, PROVIDED that nothing in this Section 7.2(e) shall preclude the Company or any Subsidiary from contesting an asserted violation in good faith and by appropriate proceedings if an appropriate reserve is created (and supported by written opinions, if required) on the same terms and conditions as set forth in Section 7.1; and

(f) EXISTING NATURE OF BUSINESS -- not engage in any business if as a result thereof the general nature of the business, taken on a consolidated basis, which would then be engaged in by the Company and the Subsidiaries would be substantially changed from the general nature of the business engaged in by the Company and the Subsidiaries on the date hereof as described in Section 2.3.

7.3 PAYMENT OF NOTES AND MAINTENANCE OF OFFICE.

The Company will punctually pay or cause to be paid the principal and interest (and premium, if any) to become due in

respect of the Notes according to the terms thereof and will maintain an office in the State of California where notices, presentations and demands in respect of this Agreement or the Notes may be made upon it. Such office shall be maintained at 650 California Street, San Francisco, California 94108 until such time as the Company shall notify the holders of the Notes in writing of any change of location of such office within such State.

7.4 DISPOSAL OF SHARES OF A SUBSIDIARY.

(a) Neither the Company nor any Subsidiary will sell or otherwise dispose of any Equity Security of a Subsidiary, nor will any Subsidiary issue, sell or otherwise dispose of, or repurchase or otherwise reacquire, any shares of its own Equity Securities, if the effect of the transaction (on any assumption as to the exercise or nonexercise of any options, warrants or other exercisable Securities) would be to reduce the proportionate interest of the Company and its Wholly-Owned Subsidiaries in the outstanding Equity Securities of the Subsidiary whose Equity Securities are the subject of

the transaction.

(b) The restrictions of Section 7.4(a) shall not apply to the issue of directors' qualifying shares.

(c) The restrictions of Section 7.4(a) shall not apply to the transfer at one time of the entire investment (whether represented by Equity Securities, debt, claims or otherwise) of the Company and its other Subsidiaries in a Subsidiary, if all of the following conditions are met:

(1) the Disposition Value of the Subsidiary, together with the Disposition Value of any other Subsidiary whose Equity Securities are being simultaneously disposed of pursuant to this Section 7.4(c) and the Disposition Value of any assets being simultaneously disposed of, does not exceed 15% of Consolidated Net Tangible Assets at the end of the Measuring Period;

(2) the Disposition Value of the Subsidiary, together with the Disposition Value of assets previously or simultaneously disposed of by the Company and all Subsidiaries (other than in the ordinary course of business) since the beginning of the Measuring Period and the Disposition Value of all Subsidiaries whose Equity Securities have previously or simultaneously been disposed of pursuant to this Section 7.4(c) since the beginning of the Measuring Period, does not exceed 20% of Consolidated Net Tangible Assets at the end of the Measuring Period;

were owned, at any time within the 24 months prior to the determination of "Disposition Value", by the Company or another Subsidiary (unless, in the case of ownership by another Subsidiary, such assets at all times during such period constituted substantially all the assets of such other Subsidiary).

(e) "MEASURING PERIOD" shall mean the eight most recent full quarterly fiscal periods of the Company for which financial statements have been prepared and delivered pursuant to Section 8.1(a), or such lesser number of such quarterly periods as commence after December 31, 1976.

(f) For purposes of Section 7.4(c), Equity Securities of a Subsidiary disposed of in compliance with such Section shall not also be considered "assets" of the owning company.

7.5 SALE OF ASSETS; SKI DIVISION; MERGER.

(a) SALE OF ASSETS. Neither the Company nor any Subsidiary will, except in the ordinary course of business, sell, lease, transfer or otherwise dispose of, assets, PROVIDED that the foregoing restrictions shall not

apply to any sale, lease, transfer or other disposition from a Subsidiary to the Company or a Wholly-Owned Subsidiary; and PROVIDED FURTHER that the foregoing restrictions shall not apply to the transfer at one time of the Company's or the Subsidiary's entire interest in such assets, if all of the following conditions are met:

(1) the Disposition Value of such assets, together with the Disposition Value of any other assets being simultaneously disposed of and the Disposition Value of any Subsidiary whose Equity Securities are being simultaneously disposed of pursuant to Section 7.4 (c), does not exceed 15% of Consolidated Net Tangible Assets at the end of the Measuring Period;

(2) the Disposition Value of such assets, together with the Disposition Value of assets previously or simultaneously disposed of by the Company and all Subsidiaries (other than in the ordinary course of business) since the beginning of the Measuring Period and the Disposition Value of all Subsidiaries whose Equity Securities have been previously or simultaneously disposed of pursuant to Section 7.4(c) since the beginning of the Measuring Period, does not exceed 20% of Consolidated Net Tangible Assets at the end of the Measuring Period;

(3) The transfer is not directly or indirectly to an Affiliate or to a Person any part of whose Equity Securities or other ownership interest or Funded Debt or Current Debt is owned directly or indirectly by an Affiliate;

(4) in the opinion of the Company's Board of Directors, the transfer is for fair value and is in the best interests of the Company; and

(5) immediately after the consummation of the transaction, and after giving effect thereto, no Default or Event of Default would exist.

(b) For purposes of Section 7.5(a), Equity Securities of a Subsidiary disposed of in compliance with Section 7.4(c) shall not also be considered "assets" of the owning company. The disposition of cash as a Distribution or Investment is governed by Sections 7.10 and 7.11, respectively, and not by Section 7.5(a).

(c) SKI DIVISION. The limitations of Sections 7.5(a) (1) and (2) shall not apply to the disposition of the assets comprising the ski division of the Company, substantially as such division exists on the date hereof, if both of the following conditions are met:

(1) such disposition is consummated on or before September 30, 1978; and

(2) the fair market value of the consideration received in such disposition is not less than 90% of the amount at which such assets would be shown on a balance sheet of the Company at the date of disposition (without, however, giving effect to any write-down of such assets after December 31, 1976 other than normal depreciation and normal amortization).

For purposes of paragraph (2) above, the "fair market value of the consideration received" shall include assumptions of current liabilities and Funded Debt of the Company if, in connection with the disposition transaction, the Company and the Subsidiaries cease to be liable in respect thereof (whether by law, contract or otherwise) and which is not secured after such transaction by a Lien (created pursuant to law, contract or otherwise) on any Property of the Company or any Subsidiary; but no other type of assumption shall be included in the "fair market value of the consideration received." In the event of a disposition pursuant to this Section 7.5(c), Sections 7.4(c)(2) and 7.5(a)(2)

shall be applied to simultaneous or subsequent dispositions as though the disposition pursuant to this Section 7.5(c) had not occurred.

(d) MERGER AND CONSOLIDATION. Neither the Company nor any Subsidiary will consolidate with or merge into any other Person or permit any other Person to consolidate with or merge into it (except that a Subsidiary may consolidate with or merge into the Company or a Wholly-Owned Subsidiary); PROVIDED that the foregoing restriction does not apply to the merger of consolidation of the Company with another corporation, if:

(1) the corporation which results from such merger or consolidation ("the surviving corporation") is organized under the laws of the United States or a jurisdiction thereof;

(2) the due and punctual payment of the principal of and premium, if any, and interest on all of the Notes, according to their tenor, and the due and punctual performance and observance of all the covenants in the Notes and this Agreement to be performed or observed by the Company, are expressly assumed in writing by the surviving corporation;

(3) after giving effect to the proposed merger or consolidation, the surviving corporation will be in compliance with Section 7.2(f); and

(4) immediately after the consummation of the transaction, and after giving effect thereto, no Default or Event of Default would exist.

7.6 LIENS AND ENCUMBRANCES.

Neither the Company nor any Subsidiary will (i) cause or permit or (ii) agree or consent to cause or permit in the future (upon the happening of a contingency or otherwise), any of its Property, whether now owned or hereafter acquired, to be subject to a Lien except:

(a) reservations, exceptions, encroachments, easements, rights of way, covenants, conditions, restrictions, leases and other similar title exceptions or encumbrances affecting real Property PROVIDED they do not in the aggregate materially detract from the value of said Properties or materially interfere with their use in the ordinary conduct of the owning company's business;

(b) statutory Liens in favor of Persons furnishing services or materials securing obligations which are not yet due and payable;

(c) Liens on Property of a Subsidiary, PROVIDED such Liens secure only obligations owing to the Company or a Wholly-Owned Subsidiary; and

(d) Liens securing Restricted Obligations complying with Section 7.8.

7.7 FUNDED DEBT.

(a) INCURRENCE OF SENIOR FUNDED DEBT. Neither the Company nor any Subsidiary will incur or in any manner become liable in respect of any Senior Funded Debt unless, after giving effect thereto and any transactions concurrent therewith, Consolidated Net Tangible Assets would be at least equal to 250% of Consolidated Senior Funded Debt.

(b) INCURRENCE OF FUNDED DEBT. Neither the Company nor any Subsidiary will incur or in any manner become liable in respect of any Funded Debt unless, after giving effect thereto and any transactions concurrent therewith, Consolidated Net Tangible Assets would be at leasst equal to 225% of Consolidated Funded Debt.

(c) MAINTENANCE OF CONSOLIDATED NET TANGIBLE ASSETS. The Company will maintain Consolidated Net Tangible Assets in an amount at least equal to the greater of (1) 250% of Consolidated Senior Funded Debt or (2) 225% of Consolidated Funded Debt.

(d) SENIOR FUNDED DEBT PRIOR TO JULY 1, 1980. Notwithstanding anything therein to the contrary, Sections 7.7(a) and (c) shall be applied, until and including June 30, 1980, as though the figure "250%" read "225%" in each instance in which it appears, PROVIDED that in the event Consolidated Net Tangible Assets at the end of any fiscal quarter to and including the quarter ended June 30, 1980 is less than 250% of Consolidated Senior Funded Debt, then, notwithstanding anything herein or in the Notes to the contrary, the unpaid principal amount of the Notes shall bear interest during such fiscal quarter at the rate of 8-7/8% per annum (computed on the basis of a 360-day year of twelve 30-day months), payable (to the extent in excess of interest at the rate of 8-3/4% per annum) within 45 days of the end of such fiscal quarter. Nothing in this Section 7.7(d) shall limit or otherwise affect the obligation of the

Company to make payments of interest (based on the rate of 8-3/4% per annum) on June 1 and December 1 in each year as set forth in the Notes.

7.8 RESTRICTED OBLIGATIONS.

(a) Neither the Company nor any Subsidiary will incur or in any manner become or remain liable in respect of any Restricted Obligations unless, after giving effect to any incurrence or becoming liable and any transactions concurrent therewith, the aggregate principal amount of all Restricted Obligations is not greater than 20% of Consolidated Net Tangible Assets.

(b) "RESTRICTED OBLIGATION" means:

(1) any obligation secured by a Lien on Property of the Company or any Subsidiary of a type not described in Caluse (a), (b) or (c) of Section 7.6;

(2) the amount of any Excess Subsidiary Guaranties; and

(3) any unsecured Funded Debt incurred by any Domestic Subsidiary, or in respect of which any Domestic Subsidiary is in any manner liable, other than Funded Debt held by the Company or any Wholly-Owned Subsidiary.

(c) EXCESS SUBSIDIARY GUARANTIES" means the amount, if any, by which

(1) the aggregate amount from time to time of all Guaranties by the Company of the obligations of any Subsidiary for borrowed money exceeds

(2) the lesser of (x) $1,000,000 or (y) 3% of Consolidated Net Tangible Assets.

(d) For purposes of Section 7.8 (a), in computing the aggregate amount of Restricted Obligations,

(1) any duplication as to Restricted Obligations which are described in both clause (1) and clause (2) or (3) of Section 7.8(b), and as to any Restricted Obligation described in Clause (3) and any Guaranty of it (to the extent of Excess Subsidiary Guaranties), shall be eliminated; and

(2) no Restricted Obligation of the Company described in clause (1) of Section 7.8(b)

shall be eliminated on the ground that it is held by a Subsidiary.

(e) Nothing in this Section 7.8 shall be construed to permit any obligation which is impermissible under any other provision of this Agreement.

7.9 CONSOLIDATED NET WORKING CAPITAL.

(a) MAINTENANCE OF CONSOLIDATED NET WORKING CAPITAL. The Company will maintain Consolidated Net Working Capital in an amount not less than $8,000,000.

(b) CURRENT RATIO. The Company will maintain Consolidated Current Assets at not less than 150% of Consolidated Current Liabilities.

(c) "CONSOLIDATED CURRENT ASSETS" at any date means the amount at which the current assets of the Company and all Subsidiaries would be shown on a consolidated balance sheet at such date but excluding any amount on account of assets which do not constitute Consolidated Net Tangible Assets.

(d) "CONSOLIDATED CURRENT LIABILITIES" at any date means the amount at which their current liabilities would be shown on such balance sheet.

(e) "CONSOLIDATED NET WORKING CAPITAL" means Consolidated Current Assets minus Consolidated Current Liabilities.

7.10 DISTRIBUTIONS.

(a) Neither the Company nor any Subsidiary will declare or make or incur any liability to make any Distribution in respect of any Equity

Security of the Company if, immediately after giving effect to the proposed Distribution:

(1) the sum of Distributions in respect of its Equity Securities (valued immediately after such action, as provided in the definition thereof) for the period subsequent to December 31, 1976 would exceed

(2) the sum of (i) $2,000,000, plus (ii) 95% of Consolidated Net Income for the period from January 1, 1977 through the most recent quarterly fiscal period of the Company, plus (iii) the aggregate net proceeds received by the Company in cash from the sale of Nonredeemable Equity Securities subsequent to

the Closing Date, plus (iv) the aggregate principal amount of indebtedness of the Company (other than bank indebtedness converted after any failure to pay interest or principal thereof when due according to its original terms or after any acceleration of the stated maturity thereof) for money borrowed by the Company converted into or exchanged for Nonredeemable Equity Securities subsequent to the Closing Date.

(b) The Company will not authorize a Distribution in respect of any Equity Security of the Company which is not payable within 90 days of authorization.

(c) Neither the Company nor any Subsidiary will authorize or make a Distribution in respect of any Equity Security of the Company if after giving effect to the proposed Distribution a Default or an Event of Default would exist.

7.11 RESTRICTED INVESTMENTS.

(a) Neither the Company nor any Subsidiary will make or authorize any Restricted Investment if, immediately after giving effect to the proposed Restricted Investment, the amount of Restricted Investments of the Company and all Subsidiaries (valued immediately after such action, as provided in the definition thereof) would exceed 10% of Consolidated Net Worth.

(b) "RESTRICTED INVESTMENTS" means all investments, made in cash, by delivery of Property or through the issuance of any Security, by the Company or any Subsidiary (x) in any Person, whether by acquisition of an Equity Security, indebtedness or other obligation or Security, or by loan, advance or capital contribution, or otehrwise, or (y) in any Property (items (x) and (y) herein called "Investments"), except the following:

(1) Investments in one or more Subsidiaries or any corporation which concurrently with such Investment becomes a Subsidiary;

(2) Property to be used by the Company or a Subsidiary in the ordinary course of a line of business permitted by Section 7.2(f);

(3) current assets arising from the sale of goods and services in the ordinary course of business of the Company and the Subsidiaries;

(4) Investments in direct obligations

of the United States of America or any agency thereof or obligations guaranteed by the United States of America, PROVIDED that such obligations mature within one year from the date of acquisition thereof;

(5) Investments in direct obligations of a state of the United States or any agency thereof or obligations guaranteed by any such state, PROVIDED such obligations are given the highest rating by Standard and Poor's or Moody's Investors Service, Inc. and mature within one year from the date of acquisition thereof;

(6) Investments in certificates of deposit maturing within one year from the date of acquisition issued by a bank or trust company organized under the laws of the United States or any state thereof having capital, surplus and undivided profits aggregating at least $100,000,000; and

(7) Investments in commercial paper given the highest rating by Standard and Poor's or Moody's Investors Service, Inc. and maturing not more than 270 days from the date of creation thereof.

Investments shall be valued at cost less any net return of capital through the sale or liquidation thereof or other return of capital thereon. In the case of Investments received in exchange for a Subsidiary whose Equity Securities have disposed of pursuant to Section 7.4(c) or assets disposed of pursuant to Section 7.5, such cost shall be considered to be, in the case of a Subsidiary described in the first sentence of Section 7.4(d), the Disposition Value of the Subsidiary, or, in the case of assets (or a Subsidiary not so described), the net depreciated book value of such assets as would be shown on a balance sheet at the date of disposition. In the case of such an exchange in which consideration in addition to Investments is received, the cost otherwise attributable to the Investment pursuant to the immediately preceding sentence shall be reduced (but not below zero) by (i) the amount of cash received, (ii) the fair market value of any Property received which does not constitute a Restricted Investment, and (iii) the amount of current liabilities and Funded Debt of the Company and the Subsidiaries as to which, in connection with the exchange transaction, the Company and all Subsidiaries cease to be liable

(whether by law, contract or otherwise) and which is not secured after such transaction by a Lien (created pursuant to law, contract or otherwise) on any Property of the Company or any Subsidiary; but such cost so attributable shall not be reduced by any other amounts.

(c) Any corporation which becomes a Subsidiary after the date hereof shall be deemed to have made, at the time it becomes a Subsidiary, all Restricted Investments of such corporation existing immediately after it becomes a Subsidiary.

7.12 GUARANTIES.

The Company will not become or be liable in respect of any Guaranty unless its agreed potential liability is limited to a sum certain. No Subsidiary will become or be liable in respect of any Guaranty except (i) the endorsement in the ordinary course of business of negotiable instruments for deposit or collection and (ii) the Guaranty by a Foreign Subsidiary of obligations of the Company.

7.13 ERISA COMPLIANCE.

Neither the Company nor any Subsidiary will itself, or will permit (to the extent within the power of the Company) any Person to:

(a) engage in any "prohibited transaction," as such term is defined in Section 4975 of the Internal Revenue Code of 1954, as amended, in respect of any Pension Plan maintained by it, or any trust created thereunder;

(b) incur any "accumulated funding deficiency," as such term is defined in Section 302 of ERISA, in respect of any Pension Plan maintained by it, whether or not waived and without giving effect to any extension of any amortization period granted by the Secretary of Labor; or

(c) terminate any such Pension Plan or trust in whole or in part in a manner which could result in the imposition of a Lien on the Property of the Company or any Subsidiary pursuant to Section 4068 of ERISA.

7.14 TRANSACTIONS WITH AFFILIATES.

Neither the Company nor any Subsidiary will enter into any transaction (or, in the case of related transactions, any group of transactions), including, without limitation, the purchase, sale or exchange of Property or the rendering of any service, with any Affiliate (or any Person who

will become an Affiliate in such transaction or group of transactions) except in the ordinary course of and pursuant to the reasonable requirements of the Company's or such Subsidiary's business

nad upon fair and reasonable terms no less favorable to the Company or such Subsidiary than would obtain in a comparable arm's-length transaction (or group of transactions, as the case may be) with a Person not an Affiliate.

7.15 TAX CONSOLIDATION.

The Company will not file or consent to the filing of any consolidated income tax return with any Person other than a Subsidiary.

7.16 SALE OR DISCOUNT OF RECEIVABLES.

Neither the Company nor any Domestic Subsidiary will discount or sell with recourse, or sell for less than the greater of the face value or market value thereof, any of its notes receivable or accounts receivable. No Foregin Subsidiary will (i) discount, or sell for less than the greater of the face value or market value thereof, any of its notes receivable or accounts receivable except in the ordinary course of business; or (ii) sell any of its notes receivable or accounts receivable with recourse.

7.17 SALE AND LEASEBACK TRANSACTIONS.

(a) Neither the Company nor any Subsidiary will, more than 180 days after completion of construction (as to unimproved real estate acquired for the purpose of constructing substantial improvements) or its original acquisition by any of them (as to other Property), dispose of Property which immediately after such disposition is leased or otherwise made available to the Company or nay Subsidiary for a period of 36 months or more (or as to which such leasing or making available is contemplated at the time of disposition) if the net book value of the Property involved in any single transaction (after depreciation, obsolescence, amortization, valuation and other proper reserves) at the date of the last balance sheet prepared pursuant to Section 8.1(b) exceeds the greater of (i) $1,500,000 or (ii) 7% of Consolidated Net Worth.

(b) The limitations of Section 7.17(a) shall not apply to any disposition of motor vehicles, data processing equipment or fork lifts and similar materials handling equipment.

(c) Nothing in this Section 7.17 shall be construed to permit any disposition, FundedDebt or Lien which is impermissible under any other provision of this Agreement.

7.18 ACQUISITION OF NOTES.

Neither the Company nor any Subsidiary nor any Affiliate will, directly or indirectly, acquire or make any offer to acquire any Notes (other than pursuant to Section 6.4) unless the Company or such Subsidiary or Affiliate has offered to acquire Notes, pro rata, from all holders of the Notes and upon the same terms. In case the Company acquires any Notes, such Notes shall thereafter be cancelled and no Notes shall be issued in substitution therefor.

SECTION 8. INFORMATION AS TO COMPANY

8.1 FINANCIAL AND BUSINESS INFORMATION.

The Company will deliver to you, if at the time you or any nominee or any affiliate of yours holds any Notes, and to each other institutioinal holder of the then outstanding Notes:

(a) QUARTERLY STATEMENTS -- as soon as practicable after the end of each quarterly fiscal period in each fiscal year of the Company, and in any event within 45 days thereafter, duplicate copies of:

(1) a consolidated balance sheet of the Company and the Subsidiaries at the end of such quarter, and

(2) consolidated statements of income and changes in financial position of the Company and the Subsidiaries for such quarter and (in the case of the second and thrid quarters) for the portion of the fiscal year ending with such quarter,

setting forth in each case in comparative form the figures for the corresponding periods in the previous fiscal year, and accompanied by a certificate executed on behalf of the Company by an authorized financial officer to the effect that such financial statements fairly present the results of the period and the financial position of the Company and the Subsidiaries and reflect, in the opinion of management, all adjustments necessary to a fair statement of the results of the period and the financial condition of the Company and the Subsidiaries. Such statements shall be presented in at least the detail of the interim statements referred to in Section 2.4(a), or of quarterly reports on Securities and Exchange Commission Form 10-Q (or successor form), whichever is more detailed as to a particular item. Such quarterly statements may omit footnotes if the facts disclosed in such footnotes would not include a material adverse change from the facts disclosed in the footnotes to the most recent annual audited statements delivered pursuant to Section 8.1(b) but shall include any footnotes reasonably necessary to disclose any such material adverse change.

(b) ANNUAL AUDITED STATEMENTS -- as soon as practicable after the end of each fiscal year of the Company, and in any event within 90 days thereafter, duplicate copies of:

(1) a consolidated balance sheet of the Company and the Subsidiaries at the end of such year, and

(2) consolidated statements of income, stockholders' equity and changes in financial position of the Company and the Subsidiaries for such year,

setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail and accompanied by an opinion thereon of the accountants named in Section 2.4 or other independent certified public accountants of recognized United States national standing selected by the Company, which opinion shall contain no qualification other than

(x) qualifications with respect to the effect of uncertainties concerning future events, the outcome of which is not susceptible of reasonable estimation at the date of the opinion and

(y) (in the event such accountants do not maintain an office in the jurisdiction in question) a statement that such accountants have relied on the reports of other independent certified public accountants (or the equivalent qualification in such jurisdiction) with respect to the examination of Foreign Subsidiaries,

and shall state that such financial statements fairly presents the financial position of the companies being reported upon and the results of their operations and changes in financial position and have been prepared in accordance with generally accepted accounting principles consistently applied (except for changes in application in which such accountants concur) and that the examination of such accountants in connection with such financial statements has been made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as were considered necessary in the circumstances;

(c) ANNUAL SUBSIDIARY STATEMENTS -- as soon as practicable after the end of each fiscal year of the Company, and in any event within 90 days thereafter, duplicate copies of:

(1) a balance sheet of each Subsidiary at the end of such year, and

(2) a statement of income of each Subsidiary for such year,

setting forth in each case in comparative form the figures for the the previous fiscal year, all in reasonable detail and accompanied by a certificate executed on behalf of the Company by a principal financial officer to the effect that such financial statements of each Subsidiary fairly present the results of the period and its financial position.

(d) INSURANCE -- as soon as practicable after the end of each fiscal year of the Company, and in any event within 90 days thereafter, duplicate copies of written opinions of the Company's independent insurance broker or advisor to the effect set forth in Section 7.2(b);

(e) OPINIONS OF INDEPENDENT COUNSEL -- as soon as practicable after the end of each fiscal year of the Company, and in any event within 90 days thereafter, duplicate copies of all written opinions of independent counsel required pursuant to Section 7.1 or 7.2(e);

(f) AUDIT REPORTS, ETC. -- promptly upon receipt thereof, one copy of each other audit report submitted to the Company or any Subsidiary, and of any written report submitted to the audit committee, the board of directors or shareholders of the Company, by independent accountants in connection with any annual, interim or special audit made by them of the books of the Company or any Subsidiary (other than any audit performed solely to determine contractual obligations or solely pursuant to the Renegotiation Act of 1948 or 1951, as amended), as to any portion of which designated by the Company in writing (prior to or contemporaneously with its delivery to you) as confidential you agree to take reasonable precautions against disclosure so long as such portion does not otherwise become public;

(g) SEC AND OTHER REPORTS -- promptly upon their becoming available, one copy of each financial statement, report, notice or proxy statement sent by the Company or any Subsidiary to stockholders generally, and of each regular or periodic report and any registration statement, prospectus or written communication (other than transmittal letters and routine comment letters relating to quarterly and annual reports and proxy statements filed by the Company) in respect thereof filed by the Company or any Subsidiary with, or received by such Person in connection therewith from, any securities exchange or the Securities and Exchange Commission or any successor agency;

(h) ERISA -- immediately upon becoming aware of the occurrence of any (i) "REPORTABLE EVENT," "PROHIBITED TRANSACTION," as such term is defined in Section 4975 of the Internal Revenue Code of 1954, as amended, in connection with any Pension Plan or any trust created thereunder, a written notice specifying the nature thereof, what action the Company is taking or proposes to take with respect thereto, and, when known, any action taken by the Internal Revenue Service or Department of Labor with respect thereto;

(i) NOTICE OF DEFAULT OR EVENT OF DEFAULT -- immediately upon becoming aware of the existence of any condition or event which constitutes a Default or an Event of Default, a written notice specifying the nature and period of existence thereof and what action the Company is taking or proposes to take with respect thereto;

(j) NOTICE OF CLAIMED DEFAULT -- immediately upon becoming aware that the holder of any Note has given notice or takne any other action with respect to a claimed Default or Event of Default, or that the holder of any evidence of indebtedness or other Security of the Company or any Subsidiary (or any evidence of indebtedness or other Security secured by any Property of the Company or any Subsidiary) has given notice or taken any other action with respect to a claimed default or event of default thereunder, a written notice specifying the notice given or action taken by such holder and the nature of the claimed Default, Event of Default, default or event of default and what action the Company is taking or proposes to take with respect thereto; and

(k) REQUESTED INFORMATION -- with reasonable promptness, such other data and information as from time to time may be reasonably requested in writing. It is hereby agreed that any request for a statement of changes in financial position of a Subsidiary for a year for which a statement of income is prepared pursuant to Section 8.1(c), prepared and certified as set forth in such Section, shall be considered reasonable.

8.2 OFFICERS' CERTIFICATES.

Each set of financial statements delivered to you or any other institutional holder of the Notes pursuant to section 8.1(a) or (b) will be accompanied by a certificate executed on behalf of the Company by (i) the President or a Vice President, and (ii) an authorized financial officer of the Company, setting forth:

(a) COVENANT COMPLIANCE -- the information (including detailed calculations and reconciliations with the published financial statements of the Company) required in order to establish whether the Company was in compliance with the requirements of Sections 7.4 through 7.18 during the period covered by the income statement then being furnished; and

(b) EVENT OF DEFAULT -- that the signers have reviewed the relevant terms of this Agreement and have made, or caused to be made under their supervision, a review of the transactions and conditions of the Company and its Subsidiaries from the beginning of the accounting period covered by the income statements being delivered therewith to the date of the certificate and that such review has not disclosed the existence during such period of any condition or event which constitutes a Default or an Event of Default or, if any such condition or event existed or

exists, specifying the nature and period of existence thereof and what action the Company has taken or proposes to take with respect thereto.

8.3 ACCOUNTANTS' CERTIFICATES.

Each set of annual financial statements delivered pursuant to Section 8.1(b) will be accompanied by a certificate of the accountants who certify such financial statements, stating that they have reviewed Sections 7 and 10 of this Agreement and stating further, whether, in making their audit, such accountants have become aware of any condition or event which then constitutes a Default or an Event of Default, and, if any such condition or event then exists, specifying the nature and period of existence thereof. Such certificate may state that it relates only to accounting matters.

8.4 INSPECTION.

The Company will permit any of your representatives, while you or any nominee or affiliate of yours holds any Note, or the representatives of any other insurance, bank, pension fund or other similar institutional beneficial holder of the Notes, at your or such holder's expense, to visit and inspect any of the Properties of the Company or any Subsidiary, to examine all their books of account, records, reports and other papers, to make copies and extracts therefrom, and to discuss their respective affairs, finances and accounts with their respective officers and independent public accountants (and by this provision the Company authorizes said accountants to discuss the finances and affairs of the Company and the Subsidiaries) all at such reasonable times and places and as often as may be reasonably requested, and subject to the Company's receipt of any necessary national security or customer confidentiality clearances in the case of restricted production areas. You agree that you will take reasonable precautions against disclosure of any information disclosed to you pursuant to your request as to which the Company has given you written notice (prior to or contemporaneously with its disclosure to you) of its confidential nature, so long as such information does not otherwise become public.

SECTION 9. EVENTS OF DEFAULT

9.1 NATURE OF EVENTS.

An "Event of Default" shall exist if any of the following occurs and is continuing:

(a) PRINCIPAL OR PREMIUM PAYMENTS -- the Company fails to make any payment of principal or premium on any Note on or before the date such payment is due;

(b) INTEREST PAYMENTS -- the Company fails to make any payment of interest on any Note on or before five days after the date such payment is due;

(c) PARTICULAR COVENANT DEFAULTS -- the Company or any Subsidiary fails to perform or observe any covenant contained in Section 7.4 through 7.10, inclusive, 7.12, 7.18, 8.1(i) or 8.1(j);

(d) OTHER DEFAULTS -- the Company or any Subsidiary fails to comply with any provision of this Agreement other than those referred to in Section 9.1(a), (b) or (c), and such failure continues for more than 30 days after the facts which constitute such failure shall first become known to the President, any Vice President, the Treasurer, the chief financial officer, the Controller, any Assistant Treasurer or the Secretary of the Company or, insofar as such facts relate to a Subsidiary, to any such officer of such Subsidiary. In the case of any Vice President of the Company whose responsibilities relate solely to one of the operating divisions of the Company, such 30-day period shall commence, if the facts which constitute such failure relate to such operating division, when such facts shall first become known to such Vice President, and, in all other cases, when such Vice President shall first become aware of such facts and also that such facts constitute a Default.

(e) WARRANTIES OR REPRESENTATIONS -- any warranty, representation or other statement by or on behalf of the Company contained in this Agreement or in any instrument furnished in compliance with or in reference to this Agreement is false or misleading at the time made in any material respect;

(f) DEFAULT ON INDEBTEDNESS OR OTHER SECURITY -- the Company or any Subsidiary fails to make any payment due on any indebtedness or other Security issued by the Company or any Subsidiary or in respect of which the Company or any Subsidiary is liable or which is secured by any Property of the Company or any Subsidiary; or any event shall occur or any condition shall exist in respect of any such indebtedness or other Security, or under any agreement securing or relating to such indebtedness or other Security, the effect of which is and continues to be (i) to cause (or permit any holder of such indebtedness or other Security or a trustee to cause) such indebtedness or other Security, or a portion thereof, to become due prior to its stated maturity or prior to tis regularly scheduled dates of payment, or (ii) to permit a trustee or the holder of any Security (other than common stock of the Company or any Subsidiary) to elect a majority of the directors on the Board of Directors of the Company or such Subsidiary;

(g) INVOLUNTARY BANKRUPTCY PROCEEDINGS -- a receiver, liquidator or trustee of the Company, or any Subsidiary, or of any of the

Property of either, is appointed by court order and such order remains in effect for more than 30 days; or the

Company, or any Subsidiary, is adjudicated bankrupt or insolvent; or any of the Property of either is sequestered by court order and such order remains in effect for more than 30 days; or a petition is filed against the Company or any Subsidiary under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect, and is not dismissed within 30 days after such filing;

(h) VOLUNTARY PETITIONS -- the Company, or any Subsidiary, files a petition in voluntary bankruptcy or seeking relief under any provision of any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect, or consents to the filing of any petition against it under any such law, PROVIDED that the filing of a petition in voluntary bankruptcy by a Foreign Subsidiary in the jurisdiction of its incorporation after payment of all its obligations, as part of a plan of orderly liquidation and not for purposes of relief from creditors, shall not constitute an Event of Default;

(i) ASSIGNMENTS FOR BENEFIT OF CREDITORS, ETC. -- the Company or a Subsidiary makes an assignment for the benefit of its creditors, or admits in writing its inability to pay its debts generally as they become due, or consents to the appointment of a receiver, trustee or liquidator of the Company, or a Subsidiary, or of all or any part of the Property of either; or

(j) UNDISCHARGED FINAL JUDGMENTS -- final judgment or judgments for the payment of money aggregating in excess of $50,000 is or are outstanding against one or more of the Company and the Subsidiaries and any one of such judgments has been outstanding for more than 30 days from the date of its entry and has not been discharged in full or stayed.

9.2 DEFAULT REMEDIES.

(a) ACCELERATION. If an Event of Default exists, the holder or holders of more than 33-1/3% in principal amount of the Notes then outstanding (exclusive of Notes then owned by the Company, any Subsidiaries and any Affiliates) may exercise any right, power or remedy permitted to such holder or holders by law, and shall have, in particular, without limiting the generality of the foregoing, the right to declare the entire principal and all interest accrued on all the Notes then outstanding to be, and such Notes shall thereupon become, forthwith due and payable, without any presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived. The Company will forthwith pay to the holder or holders of all the Notes then outstanding the entire principal of and interest accrued on the Notes, and (to

the extent permitted by law), in the event such holder or holders in its or their discretion give the Company written notice of such

declaration 18 or more days prior to its stated effectiveness and it is not sooner cured, a premium in the amount which would be payable if the Company then had elected to prepay the Notes at a premium pursuant to Section 5.2(b), PROVIDED that during the existence of an Event of Default described in Section 9.1(a) or 9.1(b) and irrespective of whether the holder or holders of more than 33-1/3% in principal amount of Notes then outstanding have declared all the Notes to be due and payable pursuant to this Section 9.2(a), any holder of Notes who or which has not consented to any waiver with respect to such Event of Default may, at his or its option, by notice in writing to the Company, declare the Notes then held by such holder to be, and such Notes shall thereupon become, forthwith due and payable together with all interest accrued thereon without any presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived, and the Company shall forthwith pay to such holder the entire principal of and interest accrued on such Notes, and (to the extent permitted by law), if such holder in its discretion has given such 18-day notice and the default is not sooner cured, a premium in the amount which would be payable if the Company then had elected to prepay the Notes at a premium pursuant to Section 5.2(b).

(b) NONWAIVER AND EXPENSES -- No course of dealing on the part of any holder of the Notes nor any delay or failure on the part of any holder of the Notes to exercise any rights shall operate as a waiver of such right or otherwise prejudice such holder's rights, powers and remedies. If the Company fails to pay when due the principal, premium or interest on any Note, or fails to comply with any other provision of this Agreement, the Company will pay to the holders of the Notes, to the extent permitted by law, such further amounts as shall be sufficient to cover the cost and expenses, including but not limited to reasonable attorneys' fees, incurred by such holders in collecting or attempting to collect any sums due on the Notes or in otherwise enforcing or attempting to enforce any of their rights.

9.3 ANNULMENT OF ACCELERATION OF NOTES.

If a declaration is made pursuant to Section 9.2(a) by any holder or holders of the Notes, then and in every such case, the holders of 66-2/3% or more in aggregate principal amount of the Notes then outstanding (exclusive of Notes then owned by the Company, any Subsidiaries and any Affiliates) may, by written instrument filed with the Company, rescind and annul such declaration, and the consequences thereof, PROVIDED that at the time such declaration is annulled and rescinded:

(a) no judgment or decree has been entered for the payment of any monies due pursuant to the Notes or this Agreement;

(b) all arrears of interest upon all the Notes and all other sums payable under the Notes and

under this Agreement [except any principal, interest or premium on the Notes which has become due and payable by reason of such declaration under Section 9.2(a)] shall have been duly paid; and

(c) each and every other Default and Event of Default shall have been waived pursuant to Section 11.5 or otherwise made good or cured,

and PROVIDED FURTHER that no such rescission and annulment shall extend to or affect any subsequent Default or Event of Default or impair any right consequent thereon.

SECTION 10. INTERPRETATION OF THIS AGREEMENT

10.1 TERMS DEFINED.

As used in this Agreement, the following terms have the respective meanings set forth below or set forth in the Section following such term:

AFFILIATE -- a Person (other than a Subsidiary) (1) which directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, the Company, (2) which beneficially owns or holds 10% or more of any class of the Voting Stock of the Company or (3) 10% or more of the Voting Stock (or in the case of a Person which is not a corporation, 10% or more of the equity interest) of which is beneficially owned or held by the Company or a Subsidiary. The term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

CAPITALIZED LEASE -- any lease that is required to be capitalized on a balance sheet in accordance with Statement of Financial Accounting Standards No. 13, or any accounting standard which is a successor to such Statement, as in effect on the date of determination. For purposes of this Agreement, the obligations outstanding under a Capital Lease at any date shall be the amount determined pursuant to such Statement or successor standard.

CLOSING DATE -- Section 1.2.

CONSOLIDATED CURRENT ASSETS -- Section 7.9(c).

CONSOLIDATED CURRENT LIABILITIES -- Section 7.9(d).

CONSOLIDATED FUNDED DEBT -- Funded Debt of the Company and the Subsidiaries on a consolidated basis.

CONSOLIDATED NET INCOME -- for any period means net earnings after income taxes of the Company and the Subsidiaries

determined on a consolidated basis (adjusted proportionately for any minority interest in any Subsidiary) for such period, but excluding the following items, in each case net of any related income tax:

(1) any gain arising from the sale of capital assets;

(2) any loss arising from the disposition or other removal from service of capital assets, to the extent of capital gains during the current or the prior two fiscal years of the Company (other than any capital gains occurring before January 1, 1977) which were excluded from Consolidated Net Income pursuant to clause (1) above and to which no other capital loss has previously been thus applied;

(3) any gain arising from any write-up of assets;

(4) earnings of any Subsidiary accrued prior to the date it became a Subsidiary;

(5) earnings of any Person, substantially all the assets of which have been acquired in any manner (including, without limitation, by merger or such Person's becoming a Subsidiary), realized by such Person prior to the date of such acquisition;

(6) net earnings of any Person (other than a Subsidiary) in which the Company or any Subsidiary has an ownership interest in excess of the smaller of the following amounts: (i) cash Distributions by such Person actually received by the Company or such Subsidiary in such period (irrespective of when earned); or (ii) net earnings of such Person during the five most recent fiscal years of the Company (or such lesser number of such fiscal years as commence after December 31, 1976), less the amount of any prior Distributions by such Person during or since such five-year (or lesser) period;

(7) net losses of any Person (other than a Subsidiary), but only to the extent of any net earnings of such Person in the last three fiscal years of the Company (other than any net earnings accruing prior to January 1, 1977) which were excluded from

Consolidated Net Income pursuant to clause (6) above and to which no other net losses of such Person have previously been thus applied;

(8) any portion of the net earnings of any Subsidiary which is and remains unavailable for payment of dividends to the Company for any reason other than the accrual of an income tax with respect to such payment or mere inadvisability as a business matter (in the case of Foreign Subsidiaries domiciled outside Western Europe and Domestic Subsidiaries), or (in the case of Foregin Subsidiaries domiciled in Western Europe) by reason of obligations or limitations assumed by such Subsidiary in connection with the incurrence of Funded Debt or Current Debt or by reason of impairment of capital or insolvency under the laws of the jurisdiction in which such Subsidiary is incorporated;

(9) the earnings of any Person to which assets of the Company shall have been sold, transferred or disposed of, or into which the Company shall have merged, prior to the date of such transaction; and

(10) any gain arising from the acquisition of any Securities of the Company or any Subsidiary.

In applying capital losses to capital gains pursuant to clause (2) above, losses shall first be applied to any available gains of the current period and then to any available gains of prior periods in chronological order beginning with the earliest prior period with any available capital gains. In applying net losses to net earnings pursuant to clause (7) above, net losses shall be applied to any available net earnings of prior periods in chronological order beginning with the earliest prior period with any available net earnings. Consolidated Net Income for any period shall include cash distributions received in such period from a Person (other than a Subsidiary) in the amount which is the smaller of those described in (i) and (ii) of clause (6) above notwithstanding that the distributed amount was earned by such Person in a prior period [subject, however, to the limitations of (ii) of clause (6)]. In the event any net earnings of any Subsidiary excluded pursuant to clause (8) above cease to be unavailable for the payment of dividends for any of the reasons set forth in such clause (8) within any of the five full fiscal years of the Company following the fiscal year in which such unavailable earnings were accrued, the amount of such excluded net earnings shall be included in Consolidated Net Income for the period within which they so cease to be unavailable.

CONSOLIDATED NET TANGIBLE ASSETS -- at any date means:

(1) Consolidated Total Net Assets at such date;

minus

(2) any amounts included in Consoldiated Total Net Assets on account of:

(A) deferred organization expense, preoperating expenses and deferred charges other than (i) those for prepaid or deferred insurance, rent and taxes and (ii) those which are current assets;

(B) patents, copyrights, trademarks, trade names, franchises, good will, experimental expense and other similar intangibles;

(C) unamortized debt discount and expense and deferred commissions and expense on capital shares; or

(D) Foreign Assets, to the extent the amount included in Consolidated Total Net Assets on account of Foreign Assets exceeds 25% of Consolidated Total Net Assets;

minus

(3) Consolidated Current Liabilities;

minus

(4) minority interests in Subsidiaries (adjusted proportionately to reflect the exclusion of certain write-ups from the definition of Consolidated Total Net Assets and the exclusion of the items listed in paragraph (2) above from Consolidated Net Tangible Assets).

CONSOLIDATED NET WORKING CAPITAL -- Section 7.9(e).

CONSOLIDATED NET WORTH -- at any date means

(1) Consolidated Net Tangible Assets at such date

minus

(2) the amount at which the liabilities (other than

minority interests in Subsidiaries and capital stock and surplus) of the Company and the Subsidiaries would be shown on a consolidated balance sheet at such date, and including as liabilities all

reserves for contingencies and other potential liabilities, but not including any liability deducted in the calculation of Consolidated Net Tangible Assets pursuant to clause (3) of the definition of such term.

CONSOLIDATED SENIOR FUNDED DEBT -- Senior Funded Debt of the Company and the Subsidiaries on a consolidated basis.

CONSOLIDATED TOTAL NET ASSETS -- at any date means the net book value (after deducting related depreciation, obsolescence, amortization, valuation and other proper allowances) at which the assets of the Company and all Subsidiaries would be shown on a consolidated balance sheet at such date, but excluding any write-up of assets after December 31, 1976.

CURRENT DEBT -- with respect to any Person means all liabilities for borrowed money (whether as the original obligor, pursuant to an assumption or Guaranty, as a partner or joint venturer, or otherwise) and all liabilities secured by any Lien existing on Property owned by such Person (whether or not such liabilities have been assumed), which, in either case, are payable on demand or within one year from the creation thereof, except:

(1) any such liabilities which are renewable or extendible at the option of the debtor to a date more than one year form the date of creation thereof, and

(2) any such liabilities which, although payable within one year, constitute payments required to be made on account of principal of indebtedness expressed to mature more than one year from the date of creation thereof.

DEFAULT -- an event or condition the occurrence of which would, with the lapse of time or the giving of notice or both, become an Event of Default.

DISPOSITION VALUE -- Section 7.4(d).

DISTRIBUTION -- in respect of any corporation means:

(1) dividends or other distributions on Equity Securities of the corporation (except payments of principal and interest of Senior Funded Debt and required payments of principal and interest

of Subordinated Funded Debt and except distributions in Nonredeemable Equity Securities); and

(2) optional payments of principal or interest of Subordinated Funded Debt; and

(3) the redemption or acquisition of Equity Securities (except when solely in exchange for Nonredeemable Equity Securities), PROVIDED that required redemptions or repurchases or payments of principal of Redeemable Equity Securities shall not constitute Distributions to the extent that the aggregate net proceeds received by the Company in cash from the sale of Redeemable Equity Securities subsequent to the Closing Date exceeds the aggregate amount of required redemptions or repurchases or payments of principal of Redeemable Equity Securities made subsequent to such date and prior to the time of determination.

DOMESTIC SUBSIDIARY -- a Subsidiary organized under the laws of the United States, its territories or possessions, or Canada, or a jurisdiction thereof, and which conducts substantially all of its business and has substantially all its Property within the United States, its territories or possessions, or Canada.

EQUITY SECURITY -- an equity Security of any class (whether or not preferred), and any instrument or Security entitling the holder to purchase any such Security or exchangeable for or convertible into any such Security.

ERISA -- means that Employee Retirement Income Security Act of 1974, as amended from time to time.

EVENT OF DEFAULT -- Section 9.1.

FOREIGN ASSETS -- assets located outside the United States, its territories or possessions, or Canada, and notes, receivables and other obligations due from, or any Investments in, any Person domiciled outside the United States, its territories or possessions, or Canada, other than accounts receivable, not exceeding in the aggregate at any one time 15% of Consoldiated Net Worth of the Company at the end of the most recent period for which financial statements have been delivered pursuant to Section 8.1, arising in the ordinary course of business out of exports from the United States by the Company or a Domestic Subsidiary, none of which remain unpaid more than 120 days after delivery of the realted export goods to the carrier or more than 30 days after the due date thereof.

FOREIGN SUBSIDIARY -- any Subsidiary other than a Domestic

Subsidiary.

FUNDED DEBT -- with respect to any Person, means without duplication

(1) its liabilities (whether as the original obligor, pursuant to an assumption, as a partner or joint venturer or otherwise) for borrowed money, other than Current Debt;

(2) its liabilities under any Guaranty of an obligation of a Person which is not the Company or a Subsidiary;

(3) in the case of any Guaranty of an obligation of a Subsidiary which is not a Wnholly-Owned Subsidiary, the same proportion of its liabilities under such a Guaranty as the proportion of the outstanding Equity Securities of such Subsidiary which are not legally and beneficially owned by the Company and its Wholly-Owned Subsidiaries;

(4) liabilities secured by any Lien existing on Property owned by such Person (whether or not such liabilities have been assumed), other than Current Debt; and

(5) any other obligations (other than deferred taxes and minority interests in Subsidiaries) which are required by generally accepted accounting principles to be shown as liabilities on its balance sheet and which are payable or remain unpaid more than one year from the creation thereof.

GUARANTY -- by any Person shall mean all obligations of such Person guaranteeing or in effect guaranteeing any indebtedness, divident or other obligation of any other Person (the "primary obligor") in any manner, directly or indirectly, including obligations incurred through an agreement, contingent or otherwise, by such Person:

(1) to purchase such indebtedness or obligation or any Property or assets constituting security therefor;

(2) to advance or supply funds

(i) for the purchase of payment of such indebtedness or obligation, or

(ii) to maintain working capital or other

balance sheet condition or any income statement condition or otherwise to advance or make available funds for the purchase or payment of such indebtedness or obligation;

(3) to lease Property or to purchase Securities or other Property or services primarily for the purpose of assuring the owner of such indebtedness or obligation of the ability of the primary obligor to make payment of the indebtedness or obligation; or

(4) otherwise to assure the owner of the indebtedness or obligation of the primary obligor against loss in respect thereof.

"Guaranty" shall not, however, include any liability on endorsements made in the ordinary course of business of negotiable instruments for deposit or collection. For purposes of this Agreement, the amount of a Guaranty shall be the maximum agreed potential liability under the Guaranty, except in the case of a Guaranty of obligations for borrowed money, in which case it shall be the sum of the principal amount outstanding from time to time and (if covered by the Guaranty) the amount of any overdue interest.

INVESTMENTS -- Section 7.11(b).

LIEN -- any interest in Property securing an obligation owed to, or a claim by, a Person other than the owner of the Property, whether such interest is based on the common law, statute or contract, and including but not limited to

(1) the security interest lien arising from a mortgage, encumbrance, pledge, conditional sale or trust receipt; or

(2) a lease, consignment or bailment for security purposes; or

(3) the lessor's interest in Property subject to a Capitalized Lease.

The term "Lien" shall include reservations, exceptions, encroachments, easements, rights-of-way, covenants, conditions, restriction, leases and other title exceptions and encumbrances affecting Property. For the purposes of this Agreement, the Company or a Subsidiary shall be deemed to be the owner of any Property which it has leased pursuant to a Capitalized Lease or which it has acquired or holds subject to a conditional sale agreement, lease or other arrangement pursuant to which title to the Property has been retained by or vested in some other Person for security purposes. In the case of a Lien which is being contested as permitted by Section 7.1, the amount required to be

reserved by such provision shall, for purposes of this Agreement, be considered the amount secured by such Lien. If the amount so required to be reserved is zero, such Lien shall be considered a Lien securing a Restricted Obligation in the amount of zero.

MEASURING PERIOD -- Section 7.4 (e).

NONREDEEMABLE EQUITY SECURITY -- any Equity Security other than a Redeemable Equity Security.

NOTES -- Section 1.1.

OTHER AGREEMENT -- Section 1.4.

OTHER PURCHASER -- Section 1.4.

PENSION PLANS -- Section 2.18(a).

PERSON -- an individual, partnership, joint venture, corporation, trust or unincorporated organization, and a government or agency or political subdivision thereof.

PROPERTY -- any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

PURCHASERS -- Section 1.4.

REDEEMABLE EQUITY SECURITY -- any Equity Security which constitutes indebtedness of the issuing corporation or which the issuing corporation is obligated to repurchase or redeem or which is redeemable at the option of the holder.

RESTRICTED INVESTMENTS -- Section 7.11(b)

SECURITY -- shall have the same meaning as in Section 2(1) of the Securities Act of 1933, as amended.

SENIOR FUNDED DEBT -- (i) any Funded Debt of the Company other than Subordinated Funded Debt; and (ii) any Funded Debt of any Subsidiary.

SUBORDINATED FUNDED DEBT -- unsecured Funded Debt of the Company for money borrowed which (i) has, at the time of incurrence or issuance, a Weighted Average Life to Maturity not less than 90% of the then remaining Weighted Average Life to Maturity of the Notes, and (ii) is issued under an indenture or other instrument containing provisions for the subordination of such indebtedness (to which appropriate reference shall be made in the instruments

evidencing such indebtedness) substantially as follows (the term "debentures" being, for convenience, used in the provisions set forth below to designate the instruments issued to evidence Subordinated Funded Debt and the term "this Indenture" to designate the indenture or other instrument under which the debentures are issued):

"All debentures issued under this Indenture shall be issued subject to the following provisions and each person holding any debenture whether upon original issue or upon transfer or assignment thereof accepts and agrees to be bound by such provisions."

"All debentures issued hereunder and any coupons thereto appertaining shall, to the extent and in the manner hereinafter set forth, be subordinated and subject in right to the prior payment in full of superior indebtedness as defined in this Section. For the purposes of this Section, the term superior

indebtedness' shall mean (a) all evidences of indebtedness issued by Hexcel Corporation (the "Company") pursuant to certain Note Agreements with various note purchasers dated December 9, 1977 providing for the issuance of 8-3/4% promissory notes in the aggregate principal amount of $8,000,000, and as said Note Agreements or promissory notes may have been or may hereafter be amended, modified or supplemented, with or without notice to the holders of the debentures, (b) all other indebtedness of the Company for borrowed money unless by the terms of the instrument creating or evidencing such indebtedness it is provided that such indebtedness is not superior in right of payment to the debentures or to other indebtedness which is pari passu with, or subordinated to, the debentures, and (c) any deferrals, renewals or extensions of any such superior indebtedness, or debentures, notes or other evidences of indebtedness issued in exchange for such superior indebtedness."

"No payment on account of principal, premium, if any, sinking funds, or interest on the debentures shall be made unless full payment of amounts then due for principal, premium, if any, sinking funds, and interest on superior indebtedness has been made or duly provided for in money or money's worth in accordance with its terms. No payment on account of principal, premium, if any, sinking funds, or interest on the debentures shall be made if, at the time of such payment or immediately after giving effect thereto: (i) there shall exist a default in the payment of principal, premium, if any, sinking funds or interest with respect to any superior indebtedness, or (ii) there shall have occurred an event of default (other than a default in the payment of principal, premium, if any, sinking funds or interest) with respect to any superior indebtedness, as defined therein or in the instrument under which the same is outstanding, permitting the holders thereof to accelerate the maturity thereof and written notice of such occurrence shall have been given to the Company by the holder or holders of such superior indebtedness and such

event of default shall not have been cured by waiver or shall not have ceased to exist. Notwithstanding the foregoing, the Company may make and the Trustee may receive and shall apply any payment in respect of the debentures (for principal, premium, if any, sinking funds, or interest) if such payment was made prior to the occurrence of any of the contingencies specified in clauses (i) and (ii) above."

"Upon (i) any acceleration of the principal amount due on the debentures or (ii) any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities, to creditors upon any dissolution or winding-up or total or partial liquidation or reorganization of the Company, whether voluntary or involuntary or in bankruptcy, insolvency, receivership or other proceedings, all principal, premium, if any, and interest due or to become due upon all superior indebtedness shall first be paid in full, or payment thereof provided for in money or money's worth in accordance with its terms, before any payment is made on account of the principal of, premium, if any, or interest on the indebtedness evidenced by the debentures, and upon any such dissolution or winding-up or liquidation or reorganization any payment or distribution of

assets of the Company of any kind or character, whether in cash, property or securities, to which the holders of the debentures or the Trustee under this Indenture would be entitled, except for the provisions hereof, shall be paid by the Company or by any receiver, trustee in bankruptcy, liquidating trustee, agent or other person making such payment or distribution, or by the holders of the debentures or by the Trustee under this Indenture if received by them or it, direct to the holders of superior indebtedness (pro rata to each such holder on the basis of the respective amounts of superior indebtedness held by such holder) or their representatives, to the extent necessary to pay all superior indebtedness in full, in money or money's worth, after giving effect to any concurrent payment or distribution to or for the holders of superior indebtedness, before any payment or disstribution is made to the holders of the indebtedness evidenced by the debentures or to the Trustee under this Indenture."

"In the event that, contrary to the foregoing, any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities, shall be received by the Trustee or the holders of the debentures before all superior indebtedness is paid in full, or provisions made for such payment, in accordance with its terms, such payment or distribution shall be held in trust for the benefit of, and shall be paid over or delivered to, the holders of such superior indebtedness or their representative or representatives, or to the trustee or trustees under any indenture pursuant to which any instruments evidencing any of such supeerior indebtedness may have been issued, as their respective interest may appear, for application to the payment of all superior indebtedness in full in accordance with its terms, after

giving effect to any concurrent payment or distribution to or for the holders of such superior indebtedness."

SUBSIDIARY -- a corporation of whose Voting Stock the Company and its Wholly-Owned Subsidiaries own at least a majority, or, if greater than a majority, such proportion as is necessary to elect a majority of its corporate directors (or Persons performing similar functions), and of each of whose classes of other Equity Securities the Company and its Wholly-Owned Subsidiaries legally and beneficially own the same proportion as its Voting Stock.

VOTING STOCK -- Securities of any class or classes of a corporation the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the corporate directors (or Persons performing similar functions).

WEIGHTED AVERAGE LIFE TO MATURITY -- Section 5.2(d).

WHOLLY-OWNED SUBSIDIARY -- any Subsidiary, all of the Equity Securities (except directors' qualifying shares) of which are owned by the Company or the Company's other Wholly-Owned Subsidiaries.

10.2 ACCOUNTING PRINCIPLES.

Where the character or amount of any asset or liability or item of income or expense is required to be determined or any consolidation or other accounting computation is required to be made for the purposes of this Agreement, this shall be done in accordance with generally accepted accounting principles at the time in effect, to the extent applicable, except where such principles are inconsistent with the express requirements of this Agreement. For purposes of determining the character or amount of any asset, liability or item of income or expense under this Agreement, a reserve created pursuant Section 7.1 and 7.2(e), to the extent a corresponding liability reserve would not be created in accordance with generally accepted accounting principles, shall be given the same effects as a corresponding liability reserve created in accordance with such principles would be given in accordance with such principles.

10.3 DIRECTLY OR INDIRECTLY.

Where any provision in this Agreement refers to action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such Person, including actions taken by or on behalf of any partnership in which such Person is a general partner.

10.4 GOVERNING LAW.

This Agreement and the Notes shall be governed by and construed in accordance with California law.

10.5 PRINCIPAL AMOUNT.

For purposes of any provision of this Agreement which refers to the principal amount of any obligation (other than a Capitalized Lease) which does not separately express principal and interest shall be considered principal.

SECTION 11. MISCELLANEOUS

11.1 NOTICES.

(a) All communications under this Agreement or under the Notes shall be in writing and shall be mailed by first class mail, postage prepaid,

(1) if to you, at your address shown at the beginning of this Agreement, marked for attention as there indicated, or at such other address as you may have furnished the Company in writing, or

(2) if to the Company, at its address shown at the beginning of this Agreement, or at such other address as it may have furnished in writing to you and all other holders of the Notes at the time outstanding.

(b) Any notice so addressed and mailed by registered or certified mail shall be deemed to be given when so mailed.

11.2 REPRODUCTION OF DOCUMENTS.

This Agreement and all documents relating thereto, including, without limitation, (a) consents, waivers and modifications which may hereafter be executed, (b) documents received by you at any closing of your purchase of the Notes (except the Notes themselves), and (c) financial statements, certificates and other information previously or hereafter furnished to you, may be reproduced by you by any photographic, photostatic, microfilm, micro-card, miniature photographic or other similar process and you may destroy any original document so reproduced. The Company agrees and stipulates that any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made by you in the regular course of business) and that any enlargement, facsimile or further reproduction of such reproduction shall likewise by admissible in evidence.

11.3 SURVIVAL.

All warranties, representations, and covenants made by the Company herein or in any certificate or other instrument delivered by it or on its behalf under this Agreement shall be considered to have been relied upon by you and shall survive the delivery to you of the Notes regardless of any investigation made by you or on your behalf. All statements in any such certificate or other instrument shall constitute warranties and representations by the Company hereunder.

11.4 SUCCESSORS AND ASSIGNS.

This Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties, PROVIDED that your commitment to purchase Notes pursuant hereto shall inure only to the benefit of the Company as it presently exists and is not subject to assignment. The provisions of this Agreement are intended to be for the benefit of all holders, from time to time, of the notes, and shall be enforceable by any such holder, whether or not express assignment to such holder of rights under this Agreement has been made by you or your successor or assign.

11.5 AMENDMENT AND WAIVER.

(a) REQUIREMENTS. This Agreement may be amended, and the observance of any term or condition of this Agreement may be waived,

with (and only with) the written consent of the Company and the holders of at least 66-2/3% in principal amount of the Notes at the time outstanding (exclusive of Notes then owned by the Company, any Subsidiary or any Affiliate); PROVIDED that no such amendment or waiver of any of the provisions of Sections 1 through 4 hereof shall be effective as to you unless consented to by you in writing; and PROVIDED FURTHER, that no such amendment or waiver shall, without the written consent of the holders of all the Notes at the time outstanding, (i) subject to Sections 9.2 and 9.3, change the amount or time of any prepayment or payment of principal or premium or the rate or time of payment of interest, (ii) amend Section 9 hereof, or (iii) amend this Section 11.5.

(b) SOLICITATION OF NOTEHOLDERS. So long as any outstanding Notes are owned by you, the Company will not solicit, request or negotiate for or with respect to any proposed waiver or amendment of any of the provisions of this Agreement or the Notes unless each holder of the Notes (irrespective of the amount of Notes then owned by it) shall be informed thereof by the Company and shall be afforded the opportunity of considering the same and shall be supplied by the Company with sufficient information to enable it to make an informed decision with respect thereto. Executed counterparts or true and correct copies of any waiver or consent effected pursuant to the provisions of this Section

11.5 shall be delivered by the Company to each holder of outstanding Notes forthwith following the date on which the same shall have been executed and delivered by the holder or holders of the requisite percentage of outstanding Notes. The Company will not, directly or indirectly, pay or cause to be paid any remuneration, whether by way of supplemental or additional interest, fee or otherwise, to any holder of the Notes as consideration for or as an inducement ot the entering into by any holder of the Notes of any waiver or amendment of any of the terms and provisions of this Agreement unless such remuneration is concurrently paid, on the same terms, ratably to the holders of all of the Notes then outstanding.

(c) BINDING EFFECT. Any such amendment or waiver shall apply equally to all the holders of the Notes and shall be binding upon them and upon each future holder of any Note and upon the Company whether or not such Note shall have been marked to indicate such amendment or waiver. No such amendment or waiver shall extend to or affect any obligation not expressly amended or waived or impair any right consequent thereon.

11.6 DUPLICATE ORIGINALS.

Two or more originals of this Agreement may be signed by the parties, each of which shall be an original but all of which together shall constitute one and the same instrument.

If this Agreement is satisfactory to you, please so indicate by signing the acceptance at the foot of a counterpart of this Agreement and return such counterpart to the Company, whereupon this Agreement will become binding between us in accordance with its terms.

Very truly yours,

HEXCEL CORPORATION

By: /s/ Harvie M. Merrill

President

ACCEPTED:

[Separate Note Agreements were
entered into by the Company and

each Note Purchaser listed below:

BANKERS LIFE COMPANY

By: /s/ R. W. Ehrle

Title: R. W. Ehrle,
Senior Vice President

CONNECTICUT MUTUAL LIFE
INSURANCE COMPANY

By: /s/ Raymond J. Hollworth

Title: Raymond J. Hollworth,
Senior Investment Officer]

EXHIBIT A

HEXCEL CORPORATION

8-3/4% Note Due June 1, 1997.

No. R- _____ San Francisco, California

$ _____ , 19 ____

Hexcel Corporation (the "Company"), a California corporation, for value received, hereby promises to pay to _____ or registered assigns the principal sum of _____ Dollars ($_____) on June 1, 1997; and to pay interest (computed on the basis of a 360-day year of twelve 30-day months) on the unpaid principal balance thereof from the date of this Note at the rate of 8-3/4% per annum (except as set forth below), semi-annually on the first day of June and the first day of December in each year, commencing with the payment date next succeeding the date hereof, until the principal amount hereof shall become due and payable; and to pay on demand interest on any overdue principal (including any overdue prepayment of

principal) and premium, if any, and (to the extent permitted by applicable law) on any overdue installment of interest, at the rate of 9-3/4% per annum.

Payments of principal, premium, if any, and interest shall be made in such coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts by check mailed and addressed to the registered holder hereof at the address shown in the register maintained by the Company for such purpose, or, at the option of the holder hereof, in such manner and at such other place in the United States of America as the holder hereof shall have designated to the Company in writing.

This Note is one of an issue of Notes of the Company issued in an aggregate principal amount limited to $8,000,000 pursuant to the Company's Note Agreements with Bankers Life Company and Connecticut Mutual Life Insurance Company dated December 9, 1977, and is entitled to the benefits thereof. As provided in such Agreements, this Note is subject to prepayment, in whole or in part, in certain cases without premium and in other cases with a premium as specified in said Agreements. The Company agrees to make required prepayments on account of said Notes in accordance with the provisions of said Agreements.

This Note is a registered Note and is transferable only by surrender thereof at the principal office of the Company in San Francisco, California, duly endorsed or accompanied by a written instrument of transfer duly executed by the registered holder of this Note or his attorney duly authorized in writing.

Under certain circumstances, as specified in Section 7.7(d) of said Agreements, this Note may, prior to July 1, 1980, bear interest at the rate of 8-7/8% per annum.

Under certain circumstances, as specified in said Agreements, the principal of this Note may be declared due and payable in the manner and with the effect provided in said Agreements.

This Note and said Agreements are governed by and are to be construed in accordance with California law.

HEXCEL CORPORATION

(CORPORATE SEAL)

By: _____
President

By: _____
Treasurer

2.

EXHIBIT 10.1(b)

HEXCEL CORPORATION
650 California Street
San Francisco, California 94108

$8,000,000 8-3/4% Notes Due June 1, 1997
Amendment Agreement

August 21, 1981

The Bankers Life
711 High Street
Des Moines, IA 50307

Attention: Bond Department

Gentlemen:

We refer to the Note Agreement (the "Note Agreement") dated December 9, 1977, as amended on April 25, 1978, April 30, 1980, January 6, 1981, April 2, 1981, and May 13, 1981, between you and us.

As a result of Hexcel's sale of its Ski Division and concurrent investment in Hanson Industries on February 13, 1981, the Company is in violation of Section 7.11(f) of the amended Note Agreement. Therefore, a new amendment is requested for subsection (f) of Section 7.11.

The requested amendment substitutes for subsection (f) a new subsection (f) to 7.11 as follows:

"7.11(f) SKI DIVISION. Section 7.11(a) shall not prohibit the acquisition of notes and/or securities of Hanson Industries, if

"(1) after giving effect to such investment the amount of Restricted Investments of the Company and all Subsidiaries (valued immediately after such acquisition, as provided in the definition thereof) would not exceed (i) 10% of Consolidated Net Worth plus (ii) $1,300,000; and

"(2) the foregoing subparagraph (1) to the contrary notwithstanding, so long as the amount of Restricted Investments of the Company and all Subsidiaries (valued from time to time after such acquisition, of notes and/or securities of Hanson Industries, as provided in the definition thereof) is greater than 10% of Consolidated Net Worth, the Company shall not make or authorize any Restricted Investment (other than such acquisition) or any increase in any Restricted Investment above the amount permitted by 7.11(e)(1) or 7.11(f)(1)."

The requested amendment also amends the definition of Consolidated Net Tangible Assets (p. 46) by adding a new subparagraph (5) which shall read, "minus (5) the amount by which the Company's Restricted Investments exceed 10% Consolidated Net Worth or $2,500,000, whichever is less."

This amendment will also delete the new subsection (e) to Section 7.7 which was added by the amendment dated April 30, 1980.

This Amendment Agreement amends no provisions of the Note Agreement other than Section 7.11 and does not waive compliance with any provision of the Note Agreement, as amended hereby. The Note Agreement, as amended hereby, is hereby approved, confirmed and ratified.

If the foregoing amendment is satisfactory to you, please so indicate by signing the acceptance at the foot of a counterpart of this Amendment Agreement and return such counterpart to the Company, whereupon this Amendment Agreement will become binding between us in accordance with its terms.

Very truly yours,

HEXCEL CORPORATION

By: _____
D. T. Divird, Treasurer

Accepted:

THE BANKERS LIFE

By: _____
Title:

HEXCEL CORPORATION
650 California Street
San Francisco, California 94108

$8,000,000 8-3/4% Notes Due June 1, 1997
Amendment Agreement

August 21, 1981

Connecticut Mutual Life Insurance Company
140 Garden Street
Hartford, CT 06115

Attention: Bond Department

Gentlemen:

We refer to the Note Agreement (the "Note Agreement") dated December 9, 1977, as amended on April 25, 1978, April 30, 1980, January 6, 1981, April 2, 1981, and May 13, 1981, between you and us.

As a result of Hexcel's sale of its Ski Division and concurrent investment in Hanson Industries on February 13, 1981, the Company is in violation of Section 7.11(f) of the amended Note Agreement. Therefore, a new amendment is requested for subsection (f) of Section 7.11.

The requested amendment substitutes for subsection (f) a new subsection (f) to 7.11 as follows:

"7.11(f) SKI DIVISION. Section 7.11(a) shall not prohibit the acquisition of notes and/or securities of Hanson Industries, if

"(1) after giving effect to such investment the amount of Restricted Investments of the Company and all Subsidiaries (valued immediately after such acquisition, as provided in the definition thereof) would not exceed (i) 10% of Consolidated Net Worth plus (ii) $1,300,000; and

"(2) the foregoing subparagraph (1) to the contrary notwithstanding, so long as the amount of Restricted Investments of the Company and all Subsidiaries (valued from time to time after such acquisition, of notes and/or securities of Hanson Industries, as provided in the definition thereof) is greater than 10% of Consolidated Net Worth, the Company shall not make or authorize any Restricted Investment (other than such acquisition) or any increase in any Restricted Investment above the amount permitted by 7.11(e)(1) or 7.11(f)(1)."

The requested amendment also amends the definition of Consolidated Net Tangible Assets (p. 46) by adding a new subparagraph (5) which shall read, "minus (5) the amount by which the Company's Restricted Investments exceed 10% Consolidated Net Worth or $2,500,000, whichever is less."

This amendment will also delete the new subsection (e) to Section 7.7 which was added by the amendment dated April 30, 1980.

This Amendment Agreement amends no provisions of the Note Agreement other than Section 7.11 and does not waive compliance with any provision of the Note Agreement, as amended hereby. The Note Agreement, as amended hereby, is hereby approved, confirmed and ratified.

If the foregoing amendment is satisfactory to you, please so indicate by signing the acceptance at the foot of a counterpart of this Amendment Agreement and return such counterpart to the Company, whereupon this Amendment Agreement will become binding between us in accordance with its terms.

Very truly yours,

HEXCEL CORPORATION

By: _____
D. T. Divird, Treasurer

Accepted:

CONNECTICUT MUTUAL LIFE
INSURANCE COMPANY

By: _____
Title: Investment Officer

$8,000,000 8-3/4% Notes Dues June 1, 1996
Amendment Agreement

July 24, 1986

Principal Mutual Life Insurance
Company (Bankers Life Company)
Bond Department
711 High Street
Des Moines, Iowa 50507

ATTN: Mr. James K. Hovey, Jr.

Gentlemen:

We refer to the Note Agreement (the "Note Agreement") dated December 9, 1977, as amended on April 25, 1978; April 30, 1980; January 6, 1981; April 2, 1981; May 13, 1981; August 21, 1981; March 15, 1982; September 1, 1982; and December 31,

1983 between you and us. Capitalized terms used without definition in this Amendment Agreement have the meanings ascribed to them in the Note Agreement.

Hexcel Corporation desires to issue up to $35,000,000 of Convertible Subordinated Debentures Due 2011 in a domestic public offering. A copy of the Preliminary Prospectus dated July 18, 1986 is enclosed which describes such proposed debenture issue. Therefore, an amendment is requested for Section 7.7(b)(c) - FUNDED DEBT.

The requested amendment substitutes for Section 7.7(b)(c) a new Section 7.7(b)(c) as follows:

"Section 7.7 - FUNDED DEBT.

(b) INCURRENCE OF FUNDED DEBT. Neither the Company nor any Subsidiary will incur or in any manner become liable in respect to any Funded Debt unless, after giving effect thereto and any transactions concurrent therewith, Consolidated Net Tangible Assets would be at least equal to the following percentages of Consolidated Funded Debt in each of the applicable periods:

August 1, 1982 - December 31, 1987	200%
January 1, 1988 - June 1, 1996	225%

(c) INCURRENCE OF DOMESTIC FUNDED DEBT. Neither the Company nor any Domestic Subsidiary will incur or in any manner become liable in respect of any Domestic Funded Debt unless, after giving effect thereto and any transactions

concurrent therewith, Domestic Net Tangible Assets would be at least equal to the following percentages of Domestic Funded Debt in each of the applicable periods:

June 1, 1983 - May 31, 1988	160%
June 1, 1988 - June 1, 1996	180%."

This Amendment Agreement amends no provisions of the Note Agreement other than Section 7.7(b)(c) and does not waive compliance with any provision of the Note Agreement as amended hereby. The Note Agreement, as amended hereby, is hereby approved, confirmed and ratified. The Amendment Agreement will become effective only when identical Amendment Agreements are executed by the holders of 66-2/3% in principal amount of the Notes at the time outstanding and copies of such Amendment Agreements are received by the Company and by it delivered to each of the holders of the Notes (this provision of the Agreement is no longer

applicable since Bankers Life Company is the sole Note holder).

If the foregoing amendment is satisfactory to you, please do indicate by signing the acceptance at the foot of a counterpart of this Amendment Agreement and return such counterpart to the Company, whereupon this Amendment Agreement will become binding between us in accordance with its terms.

Very truly yours,

HEXCEL CORPORATION

By: _____
C. J. Ward, Treasurer

ACCEPTED:

THE PRINCIPAL MUTUAL LIFE INSURANCE COMPANY
(BANKERS LIFE COMPANY)

By: _____
Title: Dewain A. Sparrgrove
Second Vice President-Securities Investment

By: _____
Title: James K. Hovey
Assistance Director-Securities Investment

$8,000,000 8-3/4% Notes Dues June 1, 1996
Amendment Agreement

August 15, 1986

Principal Mutual Life Insurance Company
(formerly known as Bankers Life Company)
Investment Department, Securities Division
711 High Street
Des Moines, Iowa 50309

ATTN: Mr. James K. Hovey
Assistant Director, Securities Investment

Gentlemen:

We refer to the Note Agreement (the "Note Agreement") dated December 9, 1977, as amended on April 25, 1978; April 30, 1980; January 6, 1981; April 2, 1981; May 13, 1981; August 21, 1981; March 15, 1982; September 1, 1982; December 31, 1983 and July 24, 1986, between you and us. Capitalized terms used without definition in this Amendment Agreement have the meanings ascribed to them in the Note Agreement.

Hexcel Corporation desires to invest its excess cash in certain tax advantaged instruments. Therefore, an amendment is requested for Section 7.11(b). - Restrictive Investments.

The requested amendment amends Section 7.11(b) by adding two new subsections (9) and (10) as follows:

"Section 7.11(b) - RESTRICTIVE INVESTMENTS

(9) Investments in insurance maturing within one year or having a floating rate of interest and guaranteed by a bank or trust company organized under the laws of the United States or any state thereof having capital, surplus and undivided profits aggregating at least $100,000,000.

(10) Investments in money market cumulative preferred stocks (floating rate dividend) which have a rating of at least A by Standard & Poors or Al by Moody's Investors Services, Inc.

This Amendment Agreement amends no provisions of the Note Agreement other than Section 7.11(b) and does not waive compliance with any provision of the Note Agreement as amended

hereby. The Note Agreement, as amended hereby, is hereby approved, confirmed and ratified. The Amendment Agreement will become effective only when identical Amendment Agreements are executed by the holders of 66-2/3% in principal amount of the Notes at the time outstanding and copies of such Amendment Agreements are received by the Company and by it delivered to each of the holders of the Notes (this provision of the Agreement is no longer applicable since Principal Mutual Life Insurance Company (formerly known as Bankers Life Company) is the sole Note holder).

If the foregoing amendment is satisfactory to you, please do indicate by signing the acceptance at the foot of a counterpart of this Amendment Agreement and return such counterpart to the Company, whereupon this Amendment Agreement will

become binding between us in accordance with its terms.

Very truly yours,

HEXCEL CORPORATION

By: _____
C. J. Ward, Treasurer

ACCEPTED:

PRINCIPAL MUTUAL LIFE INSURANCE COMPANY
(FORMERLY KNOWN AS BANKERS LIFE COMPANY)

By: _____
Title: _____

By: _____
Title: _____

HEXCEL CORPORATION

650 California Street
San Francisco, California 94108

$8,000,000 8-3/4% Notes Due June 1, 1997
Amendment Agreement

April 2, 1981

We refer to the Note Agreement (the "Note Agreement" dated December 9, 1977 as amended on January 6, 1981 between you and us relating to the captioned issue. Capitalized terms used without definition in this Amendment Agreement have the meanings ascribed to them in the Note Agreement.

As a result of Hexcel's sale of its Ski Division and concurrent investment in Hanson Industries on February 13, 1981, the Company is in violation of Section 7.11 (f) of the amended Note Agreement. Therefore, a new amendment is requested

for subsection (f) of Section 7.11.

The requested amendment is as follows:

"(f) SKI DIVISION. Section 7.11(a) shall not prohibit the acquisition by the Company of notes and/or securities of Hanson Industries if

"(1) after giving effect to such acquisition, the amount of Restricted Investments of the Company and all Subsidiaries (valued immediately after such acquisition, as provided in the definition thereof) would not exceed (i) 10% of Consolidated Net Worth plus (ii) $700,000; and

"(2) so long as the amount of Restricted Investments of the Company and all Subsidiaries (valued form time to time after such acquisition, of notes and/or securities of Hanson Industries, as provided in the definition thereof) is greater than 10% of Consolidated Net Worth, the Company shall not make or authorize any Restricted Investment (OTHER THAN SUCH ACQUISITION)"

This Amendment Agreement amends no provisions of the Note Agreement other than Section 7.11 and does not waive compliance with any provision of the Note Agreement, as amended hereby. The Note Agreement, as amended hereby, is hereby approved, confirmed and ratified.

If the foregoing amendment is satisfactory to you, please so indicate by signing the acceptance at the foot of a counterpart of this Amendment Agreement and return such counterpart to the Company, whereupon this Amendment Agreement will become binding between us in accordance with its terms.

Very truly yours,

HEXCEL CORPORATION

By:_____
D. T. Divird, Treasurer

Accepted:

BANKERS LIFE COMPANY

By:_____
Name: Robert E. Wilkins
Title: Vice President-Fixed Income Securities

By:_____
Name:

Title: Director-Securities Investment

HEXCEL CORPORATION

650 California Street
San Francisco, California 94108

$8,000,000 8-3/4% Notes Due June 1, 1997
Amendment Agreement

April 2, 1981

We refer to the Note Agreement (the "Note Agreement" dated December 9, 1977 as amended on January 6, 1981 between you and us relating to the captioned issue. Capitalized terms used without definition in this Amendment Agreement have the meanings ascribed to them in the Note Agreement.

As a result of Hexcel's sale of its Ski Division and concurrent investment in Hanson Industries on February 13, 1981, the Company is in violation of Section 7.11 (f) of the amended Note Agreement. Therefore, a new amendment is requested for subsection (f) of Section 7.11.

The requested amendment is as follows:

"(f) SKI DIVISION. Section 7.11(a) shall not prohibit the acquisition by the Company of notes and/or securities of Hanson Industries if

"(1) after giving effect to such acquisition, the amount of Restricted Investments of the Company and all Subsidiaries (valued immediately after such acquisition, as provided in the definition thereof) would not exceed (i) 10% of Consolidated Net Worth plus (ii) $700,000; and

"(2) so long as the amount of Restricted Investments of the Company and all Subsidiaries (valued form time to time after such acquisition, of notes and/or securities of Hanson Industries, as provided in the definition thereof) is greater than 10% of Consolidated Net Worth, the Company shall not make or authorize any Restricted Investment (OTHER THAN SUCH ACQUISITION)"

This Amendment Agreement amends no provisions of the Note Agreement other than Section 7.11 and does not waive compliance with any provision of the Note Agreement, as amended hereby. The Note Agreement, as amended hereby, is hereby approved, confirmed and ratified.

If the foregoing amendment is satisfactory to you, please so indicate by signing the acceptance at the foot of a counterpart of this Amendment Agreement and return such counterpart to the Company, whereupon this Amendment Agreement will become binding between us in accordance with its terms.

Very truly yours,

HEXCEL CORPORATION

By:_____
D. T. Divird, Treasurer

Accepted:

CONNECTICUT MUTUAL LIFE INSURANCE COMPANY

By:_____
Title: Assistant Investment Officer

HEXCEL CORPORATION
650 California Street
San Francisco, California 94108

$8,000,000 8-3/4% Notes Due June 1, 1997
Amendment Agreement

January 6, 1981

Dear Sirs:

We refer to the Note Agreement (the "Note Agreement") dated December 9, 1977 between you and us relating to the captioned issue. Capitalized terms used without definition in this Amendment Agreement have the meanings ascribed to them in the Note Agreement.

Hexcel proposes to sell its Ski Division to Hanson Industries. In connection with this sale, we request that Section 7.11 of the Note Agreement be amended as set forth below. In order to induce you to enter into this Amendment Agreement, we hereby represent and warrant that any materials sent to you do not contain any untrue statement of a material fact or omit a material fact necessary to make the statements contained therein not misleading.

The requested amendment adds a new subsection (f) to Section 7.11, as follows:

"(f) Ski Division> Section 7.11(a) shall not prohibit the acquisition by the Company of notes and/or securities of Hanson Industries if

"(1) after giving effect to such acquisition, the amount of Restricted Investments of the Company and all Subsidiaries (valued immediately after such acquisition, as provided in the definition thereof) would not exceed (i) 10% of Consolidated Net Worth plus (ii) $500,000; and

"(2) so long as the amount of Restricted Investments of the Company and all Subsidiaries (valued from time to time after such acquisition, of notes and/or securities of Hanson Industries, as provided in the definition thereof) is greater than 10% of Consolidated Net Worth, the Company shall not make or authorize any Restricted Investment (other than such acquisition)."

This Amendment Agreement amends no provisions of the Note Agreement other than Section 7.11 and does not waive compliance with any provision of the Note Agreement, as amended hereby. The Note Agreement, as amended hereby, is hereby approved, confirmed and

ratified.

If the foregoing amendment is satisfactory to you, please so indicate by signing the acceptance at the foot of a counterpart of this Amendment Agreement and return such counterpart to the Company, Whereupon this Amendment Agreement will become binding between us in accordance with its terms.

Very truly yours,

HEXCEL CORPORATION

By_____
Treasurer

Accepted:

CONNECTICUT MUTUAL LIFE INSURANCE COMPANY

By_____

Title:

HEXCEL CORPORATION
650 California Street
San Francisco, California 94108

$8,000,000 8-3/4% Notes Due June 1, 1997
Amendment Agreement

January 6, 1981

Dear Sirs:

We refer to the Note Agreement (the "Note Agreement") dated December 9, 1977 between you and us relating to the captioned issue. Capitalized terms used without definition in this Amendment Agreement have the meanings ascribed to them in the Note Agreement.

Hexcel proposes to sell its Ski Division to Hanson Industries. In connection with this sale, we request that Section 7.11 of the Note Agreement be amended as set forth below. In order to induce you to enter into this Amendment Agreement, we hereby represent and warrant that any materials sent to you do not contain any untrue statement of a material fact or omit a material fact necessary to make the statements contained therein not misleading.

The requested amendment adds a new subsection (f) to Section 7.11, as follows:

"(f) Ski Division> Section 7.11(a) shall not prohibit the acquisition by the Company of notes and/or securities of Hanson Industries if

"(1) after giving effect to such acquisition, the amount of Restricted Investments of the Company and all Subsidiaries (valued immediately after such acquisition, as provided in the definition thereof) would not exceed (i) 10% of Consolidated Net Worth plus (ii) $500,000; and

"(2) so long as the amount of Restricted Investments of the Company and all Subsidiaries (valued from time to time after such acquisition, of notes and/or securities of Hanson Industries, as provided in the definition thereof) is greater than 10% of Consolidated Net Worth, the Company shall not make or authorize any Restricted Investment (other than such acquisition)."

This Amendment Agreement amends no provisions of the Note Agreement other than

Section 7.11 and does not waive compliance with any provision of the Note Agreement, as amended hereby. The Note

Agreement, as amended hereby, is hereby approved, confirmed and ratified.

If the foregoing amendment is satisfactory to you, please so indicate by signing the acceptance at the foot of a counterpart of this Amendment Agreement and return such counterpart to the Company, Whereupon this Amendment Agreement will become binding between us in accordance with its terms.

Very truly yours,

HEXCEL CORPORATION

By_____
Treasurer

Accepted:

BANKERS LIFE COMPANY

By_____
Title:

By_____

$8,000,000 8-3/4% Notes Due June 1, 1997
Amendment Agreement

March 15, 1982

Connecticut Mutual Life Insurance Company
140 Garden Street
Hartford, Connecticut 94108

Attention: Bond Department

Gentlemen:

We refer to the Note Agreement (the "Note Agreement") dated December 9, 1977, as amended on April 25, 1978, April 30, 1980, January 6, 1981, April 2, 1981, May 13, 1981, and August 21, 1981, between you and us.

Hexcel Corporation desires to place in trust and arbitrage funds from certain tax-exempt industrial and pollution control revenue notes. Therefore, an amendment is requested for Section 10.1, Terms Defined. The requested amendment adds a new paragraph (E) to subsection (2), of the defined term Consolidated Net Tangible Assets as follows:

"(E) investment of monies in capital funds of the following bond or notes held in trust by Mellon Bank, N.A. until disbursement:

(1) $4,500,000 Industrial Development Revenue Bond, Series 1981 (Hexcel Corporation) issued by the Industrial Development Authority of the City of Casa Grande, Arizona.

(2) $1,000,000 Pollution Control Revenue Bond, (Hexcel Corporation Project) 1981 Series A, issued by the California Pollution Control Financing Authority.

(3) $1,000,000 Industrial Development Revenue Note, Series 1981 (Hexcel Corporation) issued by the Young County #1 Industrial Development Corporation.

(4) $5,500,000 Industrial Development Revenue Note, Series 1981 (Hexcel Corporation) issued by the Guadalupe-Blanco River Authority Industrial Development Corporation.

(5) $7,000,000 Economic Development Revenue Note, Series 1981 (Hexcel Corporation) issued by the Economic Development Corporation of the County of Ottawa, Michigan.

(6) $2,000,000 Industrial Development Revenue Note, Series 1981 (Hexcel Corporation) issued by the City of Lancaster, Ohio."

The amendment also substitutes for subsection (2) a new sub-section (2) to the defined term, Funded Debt as follows:

"(2) its liabilities under any Guaranty of an obligation of a person which is not the Company or a Subsidiary, other than the monies in the capital fund of the following bonds or notes held in trust by Mellon Bank, N.A. until disbursement for qualified capital expenditures:

(Monies in the capital fund of these following notes or bonds no longer held in trust will be included in the calculation of Funded Debt):

(a) $4,500,000 Industrial Development Revenue Bond, Series 1981 (Hexcel Corporation) issued by the Industrial Development Authority of the City of Casa Grande, Arizona.

(b) $1,000,000 Pollution Control Revenue Bond, (Hexcel Corporation

Project) 1981 Series A, issued by the California Pollution Control Financing Authority.

(c) $1,000,000 Industrial Development Revenue Note, Series 1981 (Hexcel Corporation) issued by the Young County #1 Industrial Development Corporation.

(d) $5,500,000 Industrial Development Revenue Note, Series 1981 (Hexcel Corporation) issued by the Guadalupe-Blanco River Authority Industrial Development Corporation.

(e) $7,000,000 Economic Development Revenue Note, Series 1981 (Hexcel Corporation) issued by the Economic Development Corporation of the County of Ottawa, Michigan.

(f) $2,000,000 Industrial Development Revenue Note, Series 1981 (Hexcel Corporation) issued by the City of Lancaster, Ohio."

This Amendment Agreement amends no provisions of the Note Agreement other than Section 10.1, Defined Terms, and does note waive compliance with any provision of the Note agreement, as amended hereby. The Note Agreement, as amended hereby, is hereby approved, confirmed and ratified. The Amendment Agreement will become effective only when identical Amendment Agreements are executed by holders of 66-2/3% in principal amount of the Notes at the time outstanding and copies of such Amendment Agreements are received by the Company and by it delivered to each of the holders of the Notes.

If the foregoing amendment is satisfactory to you, please so indicate by signing the acceptance

at the foot of a counterpart of this Amendment Agreement and return such counterpart to the Company, hereupon this Amendment Agreement will become binding between us in accordance with its terms.

Very truly yours,

HEXCEL CORPORATION

By:_____
Title: D. T. Divird, Treasurer

Accepted:

Connecticut Mutual Life Insurance Company

By:_____

Title: Donald W. Chamberlain, Senior Investment Officer

$8,000,000 8-3/4% Notes Due June 1, 1997
Amendment Agreement

March 15, 1982

Bankers Life Company
711 High Street
Des Moines, Iowa 50507

Attention: Bond Department

Gentlemen:

We refer to the Note Agreement (the "Note Agreement") dated December 9, 1977, as amended on April 25, 1978, April 30, 1980, January 6, 1981, April 2, 1981, May 13, 1981, and August 21, 1981, between you and us.

Hexcel Corporation desires to place in trust and arbitrage funds from certain tax-exempt industrial and pollution control revenue notes. Therefore, an amendment is requested for Section 10.1, Terms Defined. The requested amendment adds a new paragraph (E) to subsection (2), of the defined term Consolidated Net Tangible Assets as follows:

"(E) investment of monies in capital funds of the following bond or notes held in trust by Mellon Bank, N.A. until disbursement:

(1) $4,500,000 Industrial Development Revenue Bond, Series 1981 (Hexcel Corporation) issued by the Industrial Development Authority of the City of Casa Grande, Arizona.

(2) $1,000,000 Pollution Control Revenue Bond, (Hexcel Corporation Project) 1981 Series A, issued by the California Pollution Control Financing Authority.

(3) $1,000,000 Industrial Development Revenue Note, Series 1981 (Hexcel Corporation) issued by the Young County #1 Industrial Development Corporation.

(4) $5,500,000 Industrial Development Revenue Note, Series 1981 (Hexcel Corporation) issued by the Guadalupe-Blanco River Authority Industrial Development Corporation.

(5) $7,000,000 Economic Development Revenue Note, Series 1981 (Hexcel Corporation) issued by the Economic Development Corporation of

the County of Ottawa, Michigan.

(6) $2,000,000 Industrial Development Revenue Note, Series 1981 (Hexcel Corporation) issued by the City of Lancaster, Ohio."

The amendment also substitutes for subsection (2) a new sub-section (2) to the defined term, Funded Debt as follows:

"(2) its liabilities under any Guaranty of an obligation of a person which is not the Company or a Subsidiary, other than the monies in the capital fund of the following bonds or notes held in trust by Mellon Bank, N.A. until disbursement for qualified capital expenditures:

(Monies in the capital fund of these following notes or bonds no longer held in trust will be included in the calculation of Funded Debt):

(a) $4,500,000 Industrial Development Revenue Bond, Series 1981 (Hexcel Corporation) issued by the Industrial Development Authority of the City of Casa Grande, Arizona.

(b) $1,000,000 Pollution Control Revenue Bond, (Hexcel Corporation Project) 1981 Series A, issued by the California Pollution Control Financing Authority.

(c) $1,000,000 Industrial Development Revenue Note, Series 1981 (Hexcel Corporation) issued by the Young County #1 Industrial Development Corporation.

(d) $5,500,000 Industrial Development Revenue Note, Series 1981 (Hexcel Corporation) issued by the Guadalupe-Blanco River Authority Industrial Development Corporation.

(e) $7,000,000 Economic Development Revenue Note, Series 1981 (Hexcel Corporation) issued by the Economic Development Corporation of the County of Ottawa, Michigan.

(f) $2,000,000 Industrial Development Revenue Note, Series 1981 (Hexcel Corporation) issued by the City of Lancaster, Ohio."

This Amendment Agreement amends no provisions of the Note Agreement other than Section 10.1, Defined Terms, and does note waive compliance with any provision of the Note agreement, as amended hereby. The Note Agreement, as amended hereby, is hereby approved, confirmed and ratified. The Amendment Agreement will become effective only when identical Amendment Agreements are executed by holders of 66-2/3% in principal amount of the Notes at the time outstanding and copies of such Amendment Agreements are received by the Company and by it delivered to each of the holders of the Notes.

If the foregoing amendment is satisfactory to you, please so indicate by signing the acceptance

at the foot of a counterpart of this Amendment Agreement and return such counterpart to the Company, hereupon this Amendment Agreement will become binding between us in accordance with its terms.

Very truly yours,

HEXCEL CORPORATION

By:_____
Title: D. T. Divird, Treasurer

Accepted:

Bankers Life Company

By:_____
Title: Robert E. Wilkins, Vice President-Fixed Income Securities

By:_____
Title: Dewain A. Sparrgrove, Associate Director Securities Investment

HEXCEL CORPORATION
650 California Street
San Francisco, California 94108

$8,000,000 8-3/4% Notes Due June 1, 1997
Amendment Agreement

April 25, 1978

Connecticut Mutual Life Insurance Company
140 Garden Street
Hartford, Connecticut 06115

Attention: Investment Department Securities Division

Dear Sirs:

We refer to the Note Agreement (the "Note Agreement") dated December 9, 1977 between you and us relating to the captioned issue. Capitalized terms used without definition in this Amendment Agreement have the meanings ascribed to them in the Note Agreement.

We propose to acquire an interest in securities of Saytech a corporation as described in the materials attached to our letter to you dated April 11, 1978. In connection with that acquisition, we request that Section 7.11 of the Note Agreement be amended as set forth below. In order to induce you to enter into this Amendment Agreement, we hereby represent and warrant that said materials do not contain any untrue statement of a material fact or omit a material fact necessary to make the statements contained therein not misleading.

The requested amendment is to add a new subsection (d) to Section 7.11, as follows:

"(d) Saytech. Section 7.11(a) shall not prohibit the acquisition by the Company of securities of Saytech (a corporation) on the terms set forth in materials attached to the Company's letter to you dated April 11,1978 if

"(1) after giving effect to such acquisition, the amount of Restricted Investments of the Company and all Subsidiaries (valued immediately after such acquisition, as provided in the definition thereof) would not exceed (i) 10% of Consolidated Net Worth plus (ii) $600,000; and

"(2) so long as the amount of Restricted Investments of the Company and all Subsidiaries (valued from time to time after such acquisition, as provided in the definition thereof) is greater than 10% of Consolidated Net Worth, the Company shall not make or authorize any Restricted Investment (other than such acquisition)."

This Amendment Agreement amends no provision of the Note Agreement other than Section 7.11 and does not waive compliance with any provision of the Note Agreement, as amended hereby.

The Note Agreement, as amended hereby, is hereby approved, confirmed and ratified.

If the foregoing amendment is satisfactory to you, please so indicate by signing the acceptance at the foot of a counterpart of this Amendment Agreement and return such counterpart to the Company, whereupon this Amendment Agreement will become binding between us in accordance with its terms.

Very truly yours,

HEXCEL CORPORATION

By_____
President

Accepted:

CONNECTICUT MUTUAL LIFE INSURANCE COMPANY

By _____
Title:

HEXCEL CORPORATION
650 California Street
San Francisco, California 94108

$8,000,000 8-3/4% Notes Due June 1, 1997
Amendment Agreement

April 25, 1978

Bankers Life Company
711 High Street
Des Moines, Iowa 50307
Attention: Investment Department Securities Division

Dear Sirs:

We refer to the Note Agreement (the "Note Agreement") dated December 9, 1977 between you and us relating to the captioned issue. Capitalized terms used without definition in this Amendment Agreement have the meanings ascribed to them in the Note Agreement.

We propose to acquire an interest in securities of Saytech a corporation as described in the materials attached to our letter to you dated April 11, 1978. In connection with that acquisition, we request that Section 7.11 of the Note Agreement be amended as set forth below. In order to induce you to enter into this Amendment Agreement, we hereby represent and warrant that said materials do not contain any untrue statement of a material fact or omit a material fact necessary to make the statements contained therein not misleading.

The requested amendment is to add a new subsection (d) to Section 7.11, as follows:

"(d) Saytech. Section 7.11(a) shall not prohibit the acquisition by the Company of securities of Saytech (a corporation) on the terms set forth in materials attached to the Company's letter to you dated April 11,1978 if

"(1) after giving effect to such acquisition, the amount of Restricted Investments of the Company and all Subsidiaries (valued immediately after such acquisition, as provided in the definition thereof) would not exceed (i) 10% of Consolidated Net Worth plus (ii) $600,000; and

"(2) so long as the amount of Restricted Investments of the Company and all Subsidiaries (valued from time to time after such acquisition, as provided in the definition thereof) is greater than 10% of Consolidated Net Worth, the

Company shall not make or authorize any Restricted Investment (other than such acquisition)."

This Amendment Agreement amends no provision of the Note Agreement other than Section 7.11 and does not waive compliance with any provision of the Note Agreement, as amended hereby.

The Note Agreement, as amended hereby, is hereby approved, confirmed and ratified.

If the foregoing amendment is satisfactory to you, please so indicate by signing the acceptance at the foot of a counterpart of this Amendment Agreement and return such counterpart to the Company, whereupon this Amendment Agreement will become binding between us in accordance with its terms.

Very truly yours,

HEXCEL CORPORATION

By_____
President

Accepted:

BANKERS LIFE COMPANY

By _____
Title:

HEXCEL CORPORATION
650 California Street
San Francisco, California 94108

$8,000,000 8-3/4% Notes Due June 1, 1997
Amendment Agreement

April 30, 1980

Connecticut Mutual Life Insurance Company
140 Garden Street
Hartford, Connecticut 06115

Attention: Investment Department Securities Division

Dear Sirs:

We refer to the Note Agreement (the "Note Agreement") dated December 9, 1977 between you and us relating to the captioned issue. Capitalized terms used without definition in this Amendment Agreement have the meanings ascribed to them in the Note Agreement.

We propose to acquire an interest in securities of Stevens-Genin (a French corporation). In connection with that acquisition, we request that Section 7.7 and 7.11 of the Note Agreement be amended as set forth below. In order to induce you to enter into this Amendment Agreement, we hereby represent and warrant that any materials sent to you do not contain any untrue statement of a material fact or omit a material fact necessary to make the statements contained therein not misleading.

The requested amendments add a new subsection (e) to Section 7.11, as follows:

"(e) Stevens-Genin. Section 7.11(a) shall not prohibit the acquisition by the Company of securities of Stevens-Genin (a French corporation) if

"(1) after giving effect to such acquisition, the amount of Restricted Investments of the Company and all Subsidiaries (valued immediately after such acquisition, as provided in the definition thereof) would not exceed (i) 10% of Consolidated Net Worth plus (ii) $2,000,000; and

"(2) so long as the amount of Restricted Investments of the Company and all Subsidiaries (valued from time after such acquisition, as provided in the definition thereof) is greater than 10% of Consolidated Net Worth, the Company shall not make or authorize any Restricted Investment (other than such acquisition)."

The requested amendments also add a new subsection (e) to Section 7.7, as follows:

(e) Stevens-Genin. Consolidated Net Tangible Assets as defined for the funded debt test will be reduced by the amount of restricted investments exceeding 10% of consolidated net worth or $1,300,000 whichever is lower.

These Amendment Agreements amend no provisions of the Note Agreement other than Section 7.7 and 7.11 and does not waive compliance with any provision of the Note Agreement, as amended hereby. The Note Agreement, as amended hereby, is hereby approved, confirmed and ratified.

If the foregoing amendment is satisfactory to you, please so indicate by signing the acceptance at the foot of a counterpart of this Amendment Agreement and return such counterpart to the Company, whereupon this Amendment Agreement will become binding between us in accordance with its terms.

Very truly yours,

HEXCEL CORPORATION

By _____
Vice President

Accepted:

CONNECTICUT MUTUAL LIFE INSURANCE COMPANY

By_____
Title:

HEXCEL CORPORATION
650 California Street
San Francisco, California 94108

$8,000,000 8-3/4% Notes Due June 1, 1997
Amendment Agreement

April 30, 1980

Bankers Life Company
711 High Street
Des Moines, Iowa 50307

Attention: Investment Department Securities Division

Dear Sirs:

We refer to the Note Agreement (the "Note Agreement") dated December 9, 1977 between you and us relating to the captioned issue. Capitalized terms used without definition in this Amendment Agreement have the meanings ascribed to them in the Note Agreement.

We propose to acquire an interest in securities of Stevens-Genin (a French corporation). In connection with that acquisition, we request that Section 7.7 and 7.11 of the Note Agreement be amended as set forth below. In order to induce you to enter into this Amendment Agreement, we hereby represent and warrant that any materials sent to you do not contain any untrue statement of a material fact or omit a material fact necessary to make the statements contained therein not misleading.

The requested amendments add a new subsection (e) to Section 7.11, as follows:

"(e) Stevens-Genin. Section 7.11(a) shall not prohibit the acquisition by the Company of securities of Stevens-Genin (a French corporation) if

"(1) after giving effect to such acquisition, the amount of Restricted Investments of the Company and all Subsidiaries (valued immediately after such acquisition, as provided in the definition thereof)would not exceed (i) 10% of Consolidated Net Worth plus (ii) $2,000,000; and

"(2) so long as the amount of Restricted Investments of the Company and all Subsidiaries (valued from time after such acquisition, as provided in the definition thereof) is greater than 10% of Consolidated Net Worth, the Company shall not make or authorize any Restricted Investment (other than such acquisition)."

The requested amendments also add a new subsection (e) to Section 7.7, as follows:

(e) Stevens-Genin. Consolidated Net Tangible Assets as defined for the funded debt test will be reduced by the amount of restricted investments exceeding 10% of consolidated net worth or $1,300,000 whichever is lower.

These Amendment Agreements amend no provisions of the Note Agreement other than Section 7.7 and 7.11 and does not waive compliance with any provision of the Note Agreement, as amended hereby. The Note Agreement, as amended hereby, is hereby approved, confirmed and ratified.

If the foregoing amendment is satisfactory to you, please so indicate by signing the acceptance at the foot of a counterpart of this Amendment Agreement and return such counterpart to the Company, whereupon this Amendment Agreement will become binding between us in accordance with its terms.

Very truly yours,

HEXCEL CORPORATION

By _____
Vice President

Accepted:

BANKERS LIFE COMPANY

By_____
Title:

May 13, 1981

Connecticut Mutual Life
Insurance Company
140 Garden Street
Hartford, Connecticut 06115
Attn: Bond Department

Re: $8,000,000 8-3/4% Notes Due June 1, 1977 -
AMENDMENT AGREEMENT

Gentlemen:

We refer to the Note Agreement (the "Note Agreement") dated December 9, 1977, as amended by Letter Agreements dated January 25, 1978, April 30, 1980, January 6, 1981 and April 2, 1981, between you and us relating to the captioned issue. Capitalized terms used without definition in this Amendment Agreement have the meanings ascribed to them in the Note Agreement.

Hexcel International Finance N.V., a wholly owned subsidiary of the Company proposes to offer $10,000,000 aggregate principal amount of 9% Convertible Subordinated Guaranteed Debentures guaranteed by the Company. You have been supplied with a Preliminary Offering Circular dated April 28, 1981, which describes such proposed offer and guarantee; such Preliminary Offering Circular has been changed to decrease the offering to $10,000,000, and to set the interest rate and conversion price. In connection with this transaction, we request that Section 7.8 and Section 7.11 of the Note Agreement be amended and that Section 7.19 be added as set forth below. In order to induce you to enter into this Amendment Agreement, we hereby represent and warrant that any materials sent to you do not contain any untrue statement of a material fact or omit a material fact necessary to make the statements contained therein not misleading.

As a condition to this Amendment Agreement, the Company shall enter into the guarantee described in the Preliminary Offering Circular only if such guarantee and the obligations of the Company to Hexcel International Finance N.V. are subordinated to the Notes in the manner described in said Preliminary Offering Circular and in paragraph 10.1 (in the definition of Subordinated Funded Debt) of the Note Agreement.

The requested amendment restates in full subsection 7.8(c) (1), adds a new subsection (8) to subsection 7.11(b), and adds a new Section 7.19 as follows:

"7.8(c)(1) The aggregate amount from time to time of all Guarantees by the Company of the obligations of any Subsidiary for borrowed money (excluding any amount of the Company's guarantee of the obligations of Hexcel International Finance, N.V. ["Hexcel N.V."], a wholly-owned subsidiary of the Company, pursuant to the 9% Convertible Subordinated Guaranteed Debentures due 1996 issued by Hexcel N.V. in the principal amount of $10,000,000 [the "Debentures"]) exceeds"

"7.11(b)(8) Investments in the Company by Hexcel N.V., a wholly-owned subsidiary of the Company."

"7.19 ADVANCES TO HEXCEL N.V. The Company shall not make any loan, advance or contribution to Hexcel N.V. in excess of $4,000,000 other than a loan, advance or contribution to service the Debentures."

If the foregoing Amendment is satisfactory to you, please so indicate by signing the acceptance at the foot of a counterpart of this Amendment Agreement and return such counterpart to the Company, whereupon this Amendment Agreement will become binding between us in accordance with its terms.

Very truly yours,

HEXCEL CORPORATION

By: _____
Treasurer

Accepted:

By: _____
Title: Investment Officer

By: _____
Title: D. W. Gutshall, Director-Securities Investment

HEXCEL CORPORATION
650 California Street
San Francisco, California 94108

May 13, 1981

Bankers Life Company
711 High Street
Des Moines, Iowa 50307
Attn: Investment Department
Securities Division

Re: $8,000,000 8 3/4% Notes Due June 1, 1997 -
AMENDMENT AGREEMENT

Gentlemen:

We refer to the Note Agreement (the "Note Agreement") dated December 9, 1977, as amended by Letter Agreements dated January 25, 1978, April 30, 1980, January 6, 1981 and April 2, 1981, between you and us relating to the captioned issue. Capitalized terms used without definition in this Amendment Agreement have the meanings ascribed to them in the Note Agreement.

Hexcel International Finance N.V., a wholly owned subsidiary of the Company proposes to offer $10,000,000 aggregate principal amount of 9% Convertible Subordinated Guaranteed Debentures guaranteed by the Company. You have been supplied with a Preliminary Offering Circular dated April 28, 1981, which describes such proposed offer and guarantee; such Preliminary Offering Circular has been changed to decrease the offering to $10,000,000, and to set the interest rate and conversion price. In connection with this transaction, we request that Section 7.8 and Section 7.11 of the Note Agreement be amended and that Section 7.19 be added as set forth below. In order to induce you to enter into this Amendment Agreement, we hereby represent and warrant that any materials sent to you do not contain any untrue statement of a material fact or omit a material fact necessary to make the statements contained therein not misleading.

As a condition to this Amendment Agreement, the Company shall enter into the guarantee described in the Preliminary Offering Circular only if such guarantee and the obligations of the Company to Hexcel International Finance N.V. are subordinated to the Notes in the manner described in said Preliminary Offering Circular and in paragraph 10.1 (in the definition of Subordinated Funded Debt) of the Note Agreement.

The requested amendment restates in full subsection 7.8(c) (1), adds a new subsection (8) to subsection 7.11(b), and adds a new Section 7.19 as follows:

"7.8(c)(1) The aggregate amount from time to time of all Guarantees by the Company of the obligations of any Subsidiary for borrowed money (excluding any amount of the Company's guarantee of the obligations of Hexcel International Finance, N.V. ["Hexcel N.V."], a wholly-owned subsidiary of the Company, pursuant to the 9% Convertible Subordinated Guaranteed Debentures due 1996 issued by Hexcel N.V. in the principal amount of $10,000,000 [the "Debentures"]) exceeds"

"7.11(b)(8) Investments in the Company by Hexcel N.V., a wholly-owned subsidiary of the Company."

"7.19 ADVANCES TO HEXCEL N.V. The Company shall not make any loan, advance or contribution to Hexcel N.V. in excess of $4,000,000 other than a loan, advance or contribution to service the Debentures."

If the foregoing Amendment is satisfactory to you, please so indicate by signing the acceptance at the foot of a counterpart of this Amendment Agreement and return such counterpart to the Company, whereupon this Amendment Agreement will become binding between us in accordance with its terms.

Very truly yours,

HEXCEL CORPORATION

By: _____
Treasurer

Accepted:

By: _____
Title: Robert E. Wilkins, Vice President-Fixed Income Securities

By: _____
Title: D. W. Gutshall, Director-Securities Investment

$8,000,000 8-3/4% Notes Due June 1, 1997
Amendment Agreement

September 1, 1982

Connecticut Mutual Life Insurance Company
140 Garden Street
Hartford, Conn. 06115

Attention: Bond Department

Gentlemen:

We refer to the Note Agreement (the "Note Agreement") dated December 9, 1977, as amended on April 25, 1978, April 30, 1980, January 6, 1981, April 2, 1981, May 13, 1981, August 21, 1981, and March 15, 1982 between you and us. Capitalized terms used without definition in this Amendment Agreement have the meanings ascribed to them in the Note Agreement.

Hexcel Corporation desires to increase its ability to acquire Foreign Assets without violation of existing Funded Debt limitations. Therefore, a new amendment is requested for Section 7.7 Funded Debt, Section 7.9 Consolidated Net Working Capital, and Section 10.1 Defined Terms.

The requested amendment substitutes for Section 7.7 a new Section 7.7 as follows:

"Section 7.7 Funded Debt.

(a) Incurrence of Senior Funded Debt. Neither the Company nor any Subsidiary will incur or in any manner become liable in respect of any Senior Funded Debt unless, after giving effect thereto and any transactions concurrent therewith, Consolidated Net Tangible Assets would be at least equal to 250% of Consolidated Senior Funded Debt.

(b) Incurrence of Funded Debt. Neither the Company nor any Subsidiary will incur in any manner become liable in respect of any Funded Debt unless, after giving effect thereto any an transactions concurrent therewith, Consolidated Net Tangible Assets would be at least equal to the following percentages of Consolidated Funded Debt in each of the applicable periods:

August 1, 1982 - December 31, 1985	200%
January 1, 1986 - June 1, 1996	225%

(c) Incurrence of Domestic Funded Debt. Neither the Company nor any Domestic Subsidiary will incur or in any manner become liable in respect of any Domestic Funded Debt unless, after giving effect thereto and any transactions concurrent therewith, Domestic Net

Tangible Assets would be at least equal to the following percentages of Domestic Funded Debt in each of the applicable periods:

August 1, 1982 - May 31, 1983	140%
June 1, 1983 - May 31, 1985	160%
June 1, 1985 - June 1, 1996	180%

(d) Maintenance of Consolidated Net Tangible Assets. The Company will maintain Consolidated Net Tangible Assets in an amount at least equal to the

greater of (1) 250% of Consolidated Senior Funded Debt, or (2) the percentages of Consolidated Funded Debt as prescribed in Section 7.7(b), during the periods there mentioned."

The amendment substitutes for 7.9(a) a new Section 7.9(a) as follows:

"(a) Maintenance of Consolidated Net Working Capital. The Company will maintain Consolidated Net Working Capital in an amount at least equal to the greater of Senior Funded Debt or $8,000,000."

In addition to the above changes, the following definitions are added to, or substituted for the corresponding definitions in Section 10.1 Defined Terms:

"Consolidated Net Tangible Assets --- at any date means:

(1) Consolidated Total Net Assets at such date

minus

(2) Any amounts included in Consolidated Total Net Assets on account of:

(a) deferred organization expense, preoperating expenses and deferred charges other than (i) those for prepaid or deferred insurance, rent and taxes and (ii) those which are current assets;

(b) patents, copyrights, trademarks, trade names, franchises, good will, experimental expense and other similar intangibles;

(c) unamortized debt discount and expense and deferred commissions and expense on capital shares; or

(d) Foreign Assets, to the extent the amount included in Consolidated Total Net Assets on account of Foreign Assets exceeds 40% of Consolidated Total Net Assets;

minus

(3) Consolidated Current Liabilities;

minus

(4) minority interests in Subsidiaries (adjusted proportionately to reflect the exclusion of certain write-ups from the definition of Consolidated Total Net Assets and the exclusion of the items listed in paragraph (2) above from Consolidated Net Tangible Assets).

Domestic Current Liabilities --- at any date means:

(1) Consolidated Current Liabilities

minus

(2) Any amounts included in Consolidated Current Liabilities which are Foreign Current Liabilities.

Domestic Funded Debt --- at any date means:

(1) Consolidated Funded Debt

minus

(2) Any amount included in Consolidated Funded Debt which is Foreign Funded Debt.

Domestic Net Tangible Assets --- at any date means:

(1) Domestic total Net Assets at such date

minus

(2) any amounts included in Domestic Total Net Assets of account of:

(a) deferred organization expenses, preoperating expenses and deferred charges other than (i) those for prepaid or deferred insurance, rent and taxes and (ii) those which are current assets;

(b) patents, copyrights, trademark trade names, franchises, good will, experimental expense and other similar intangibles; or

(c) unamortized debt discount and expense and deferred commissions and expenses on capital shares;

minus

(3) Domestic Current Liabilities

minus

(4) minority interests in Subsidiaries (adjusted proportionately to reflect the exclusion of certain write-ups from the definition of Domestic Total Net Assets and the exclusion of the items listed in paragraph (2) above from Domestic Net Tangible Assets).

Domestic Total Net Assets --- at any date means the net book value (after deducting related depreciation, obsolescence, amortization, valuation and other proper allowances) at which the assets of the Company and all Subsidiaries would be shown on a Consolidated balance sheet at such date but excluding (1) any

write-ups of assets after December 31, 1976 and (2) all Foreign Assets.

Foreign Current Liabilities --- at any date means the amount of any Current Liability as to which neither the Company nor any Domestic Subsidiary has any liability, whether as primary obligor, under a Guaranty, by assumption or otherwise, and which is not secured by a Lien on any Property of the Company or of any Domestic Subsidiary.

Foreign Funded Debt --- at any date means the amount of any Funded Debt as to which neither the Company nor any Domestic Subsidiary has any liability, whether as primary obligor, under a Guaranty, by assumption or otherwise and which is not secured by a Lien on any Property of the Company or of any Domestic Subsidiary.

This Amendment Agreement amends no provisions of the Note Agreement other than Section 7.7, Section 7.9, and Section 10.1, and does not waive compliance with any provision of the Note Agreement as amended hereby. The Note Agreement, as amended hereby, is hereby approved, confirmed and ratified. The Amendment Agreement will become effective only when (1) identical Amendment Agreements are executed by the holders of 66-2/3% in principal amount of the Notes at the time outstanding and copies of such Amendment Agreements ar received by the Company and by it delivered to each of the holders of the Notes and (2) the Company pays to each of the holders of Notes the sum of Two Hundred and Fifty Thousand and No/100 dollars ($250,000.00) to be applied toward the reduction of the outstanding principal indebtedness of the Notes as of the date of payment thereof for application of payment of the Note coming due June 1, 1997. Upon payment of the above sum, the Notes will mature on June 1, 1996.

If the foregoing amendment is satisfactory to you, please so indicate by signing the acceptance at the foot of a counterpart of this Amendment Agreement and return such counterpart to the Company, whereupon this Amendment Agreement will become binding between us in accordance with its terms.

Very truly yours,

HEXCEL CORPORATION

By:_____

Title: Mark A. Young, Treasurer

Accepted:

By:_____
Title: Raymond J. Hollworth, Second Vice President

$8,000,000 8-3/4% Notes Due June 1, 1997
Amendment Agreement

September 1, 1982

Bankers Life Company
711 High Street
Des Moines, Iowa 50507

Attention: Bond Department

Gentlemen:

We refer to the Note Agreement (the "Note Agreement") dated December 9, 1977, as amended on April 25, 1978, April 30, 1980, January 6, 1981, April 2, 1981, May 13, 1981, August 21, 1981, and March 15, 1982 between you and us. Capitalized terms used without definition in this Amendment Agreement have the meanings ascribed to them in the Note Agreement.

Hexcel Corporation desires to increase its ability to acquire Foreign Assets without violation of existing Funded Debt limitations. Therefore, a new amendment is requested for Section 7.7 Funded Debt, Section 7.9 Consolidated Net Working Capital, and Section 10.1 Defined Terms.

The requested amendment substitutes for Section 7.7 a new Section 7.7 as follows:

"Section 7.7 Funded Debt.

(a) Incurrence of Senior Funded Debt. Neither the Company nor any Subsidiary will incur or in any manner become liable in respect of any Senior Funded Debt unless, after giving effect thereto and any transactions concurrent therewith, Consolidated Net Tangible Assets would be at least equal to 250% of Consolidated Senior Funded Debt.

(b) Incurrence of Funded Debt. Neither the Company nor any Subsidiary will incur in any manner become liable in respect of any Funded Debt unless, after giving effect thereto any an transactions concurrent therewith, Consolidated Net Tangible Assets would be at least equal to the following percentages of Consolidated Funded Debt in each of the applicable periods:

August 1, 1982 - December 31, 1985	200%
January 1, 1986 - June 1, 1996	225%

(c) Incurrence of Domestic Funded Debt. Neither the Company nor any Domestic Subsidiary will incur or in any manner become liable in respect of any Domestic Funded Debt unless, after giving effect thereto and any transactions

concurrent therewith, Domestic Net

Tangible Assets would be at least equal to the following percentages of Domestic Funded Debt in each of the applicable periods:

August 1, 1982 - May 31, 1983	140%
June 1, 1983 - May 31, 1985	160%
June 1, 1985 - June 1, 1996	180%

(d) Maintenance of Consolidated Net Tangible Assets. The Company will maintain Consolidated Net Tangible Assets in an amount at least equal to the greater of (1) 250% of Consolidated Senior Funded Debt, or (2) the percentages of Consolidated Funded Debt as prescribed in Section 7.7(b), during the periods there mentioned."

The amendment substitutes for 7.9(a) a new Section 7.9(a) as follows:

"(a) Maintenance of Consolidated Net Working Capital. The Company will maintain Consolidated Net Working Capital in an amount at least equal to the greater of Senior Funded Debt or $8,000,000."

In addition to the above changes, the following definitions are added to, or substituted for the corresponding definitions in Section 10.1 Defined Terms:

"Consolidated Net Tangible Assets --- at any date means:

(1) Consolidated Total Net Assets at such date

minus

(2) Any amounts included in Consolidated Total Net Assets on account of:

(a) deferred organization expense, preoperating expenses and deferred charges other than (i) those for prepaid or deferred insurance, rent and taxes and (ii) those which are current assets;

(b) patents, copyrights, trademarks, trade names, franchises, good will, experimental expense and other similar intangibles;

(c) unamortized debt discount and expense and deferred commissions and expense on capital shares; or

(d) Foreign Assets, to the extent the amount included in Consolidated Total Net Assets on account of Foreign Assets exceeds 40% of Consolidated Total Net Assets;

minus

(3) Consolidated Current Liabilities;

minus

(4) minority interests in Subsidiaries (adjusted proportionately to reflect the exclusion of certain write-ups from the definition of Consolidated Total Net Assets and the exclusion of the items listed in paragraph (2) above from Consolidated Net Tangible Assets).

Domestic Current Liabilities --- at any date means:

(1) Consolidated Current Liabilities

minus

(2) Any amounts included in Consolidated Current Liabilities which are Foreign Current Liabilities.

Domestic Funded Debt --- at any date means:

(1) Consolidated Funded Debt

minus

(2) Any amount included in Consolidated Funded Debt which is Foreign Funded Debt.

Domestic Net Tangible Assets --- at any date means:

(1) Domestic total Net Assets at such date

minus

(2) any amounts included in Domestic Total Net Assets of account of:

(a) deferred organization expenses, preoperating expenses and deferred charges other than (i) those for prepaid or deferred insurance, rent and taxes and (ii) those which are current assets;

(b) patents, copyrights, trademark trade names, franchises, good will, experimental expense and other similar intangibles; or

(c) unamortized debt discount and expense and deferred commissions and expenses on capital shares;

minus

(3) Domestic Current Liabilities

minus

(4) minority interests in Subsidiaries (adjusted proportionately to reflect the exclusion of certain write-ups from the definition of Domestic Total Net Assets and the exclusion of the items listed in paragraph (2) above from Domestic Net Tangible Assets).

Domestic Total Net Assets --- at any date means the net book value (after deducting related depreciation, obsolescence, amortization, valuation and other proper allowances) at which the assets of the Company and all Subsidiaries would be shown on a Consolidated balance sheet at such date but excluding (1) any write-ups of assets after December 31, 1976 and (2) all Foreign Assets.

Foreign Current Liabilities --- at any date means the amount of any Current Liability as to which neither the Company nor any Domestic Subsidiary has any liability, whether as primary obligor, under a Guaranty, by assumption or otherwise, and which is not secured by a Lien on any Property of the Company or of any Domestic Subsidiary.

Foreign Funded Debt --- at any date means the amount of any Funded Debt as to which neither the Company nor any Domestic Subsidiary has any liability, whether as primary obligor, under a Guaranty, by assumption or otherwise and which is not secured by a Lien on any Property of the Company or of any Domestic Subsidiary.

This Amendment Agreement amends no provisions of the Note Agreement other than Section 7.7, Section 7.9, and Section 10.1, and does not waive compliance with any provision of the Note Agreement as amended hereby. The Note Agreement, as amended hereby, is hereby approved, confirmed and ratified. The Amendment Agreement will become effective only when (1) identical Amendment Agreements are executed by the holders of 66-2/3% in principal amount of the Notes at the time outstanding and copies of such Amendment Agreements ar received by the Company and by it delivered to each of the holders of the Notes and (2) the Company pays to each of the holders of Notes the sum of Two Hundred and Fifty Thousand and No/100 dollars ($250,000.00) to be applied toward the reduction of the outstanding principal indebtedness of the Notes as of the date of payment thereof for application of payment of the Note coming due June 1, 1997. Upon payment of the above sum, the Notes will mature on June 1, 1996.

If the foregoing amendment is satisfactory to you, please so indicate by signing the acceptance at the foot of a counterpart of this Amendment Agreement and return such counterpart to the Company, whereupon this Amendment Agreement will become binding between us in accordance with its terms.

Very truly yours,

HEXCEL CORPORATION

By:_____

Title: Mark A. Young, Treasurer

Accepted:

BANKERS LIFE COMPANY

By:_____
Title: Robert E. Wilkins, Vice President-Fixed Income Securities

By:_____
Title: Dewain A. Sparrgrove, Associate Director-Securities Investment

$8,000,000 8-3/4% Notes Due June 1, 1996
Amendment Agreement
December 31, 1983

Connecticut Mutual Life Insurance Company
140 Garden Street
Hartford, Connecticut 06115

Attention: Bond Department

Gentlemen:

We refer to the Note Agreement (the "Note Agreement") dated December 9, 1977, as amended on April 25, 1978, April 30, 1980, January 6, 1981, April 2, 1981, May 13, 1981, August 21, 1981, March 15, 1982 and September 1, 1982, between you and us.

Hexcel Corporation desires to place in trust and arbitrage funds from certain tax-exempt industrial and pollution control revenue notes. Therefore, an amendment is requested for Section 10.1, TERMS DEFINED. The requested amendment substitutes a new paragraph (E) to subsection (2), of the defined term CONSOLIDATED NET TANGIBLE ASSETS as follows:

"(E) investment of monies in capital funds of the following bonds or notes held in trust by Mellon Bank, N.A. until disbursement:

(1) $4,500,000 Industrial Development Revenue Bond, Series 1981 (Hexcel Corporation) issued by the Industrial Development Authority of the city of Casa Grande, Arizona.

(2) $1,000,000 Pollution Control Revenue Bond, (Hexcel Corporation Project) 1981 Series A, issued by the California Pollution Control Financing Authority.

(3) $1,000,000 Industrial Development Revenue Note, Series 1981 (Hexcel Corporation) issued by the Young County #1 Industrial Development Corporation.

(4) $5,500,000 Industrial Development Revenue Note, Series 1981 (Hexcel Corporation) issued by the Guadalupe-Blanco River Authority Industrial Development Corporation.

(5) $7,000,000 Economic Development Revenue Note, Series 1981 (Hexcel Corporation) issued by the Economic Development Corporation of the County of Ottawa, Michigan.

(6) $2,000,000 Industrial Development Revenue Note, Series 1981 (Hexcel Corporation) issued by the City of Lancaster, Ohio.

(7) $6,435,000 Industrial Development Revenue Bond, Series 1983 (Hexcel Corporation Project) issued by the Industrial Development Authority of the County of Los Angeles."

The amendment also substitutes for subsection (2) a new subsection (2) to the defined term, FUNDED DEBT as follows:

"(2) its liabilities under any Guaranty of an obligation of a person which is not the Company or a Subsidiary, other than the monies in the capital fund of the following bonds or notes held in trust by Mellon Bank, N.A. until disbursement for qualified capital expenditures:

(Monies in the capital fund of these following notes or bonds no longer held in trust will be included in the calculation of FUNDED DEBT):

(a) $4,500,000 Industrial Development Revenue Bond, Series 1981 (Hexcel Corporation) issued by the Industrial Development Authority of the City of Casa Grande, Arizona.

(b) $1,000,000 Pollution Control Revenue Bond, (Hexcel Corporation Project) 1981 Series A, issued by the California Pollution Control Financing Authority.

(c) $1,000,000 Industrial Development Revenue Note, Series 1981 (Hexcel Corporation) issued by the Young County #1 Industrial Development Corporation.

(d) $5,500,000 Industrial Development Revenue Note, Series 1981 (Hexcel Corporation) issued by the Guadalupe-Blanco River Authority Industrial Development Corporation.

(e) $7,000,000 Economic Development Revenue Note, Series 1981 (Hexcel Corporation) issued by the Economic Development Corporation of the County of Ottawa, Michigan.

(f) $2,000,000 Industrial Development Revenue Note, Series 1981 (Hexcel Corporation) issued by the City of Lancaster, Ohio.

(g) $6,435,000 Industrial Development Revenue Bond, Series 1983 (Hexcel Corporation Project) issued by the Industrial Development Authority of the County of Los Angeles."

This Amendment Agreement amends no provisions of the Note Agreement other than Section 10.1, DEFINED TERMS, and does not waive compliance with any provision of the Note Agreement, as amended hereby. The Note Agreement, as amended hereby, is hereby approved, confirmed and ratified. The Amendment Agreement will become effective only when identical Amendment Agreements are executed by the holders of 66-2/3% in principal amount of the Notes at the time outstanding and copies of such Amendment Agreements are received by the Company and by it delivered to each of the holders of the Notes.

If the foregoing amendment is satisfactory to you, please so indicate by signing the acceptance at the foot of a counterpart of this Amendment Agreement and return such counterpart to the Company, whereupon this Amendment Agreement will become binding between us in accordance with its terms.

Very truly yours,

HEXCEL CORPORATION

By: _____
Title: D. T. Divird, Treasurer

Accepted:

CONNECTICUT MUTUAL LIFE INSURANCE COMPANY

By: _____
Title: Robert E. Wilkins, Vice President-Fixed Income Securities

By: _____
Title: Dewain A. Sparrgrove
Director - Securities Investment

$8,000,000 8-3/4% Notes Due June 1, 1996
Amendment Agreement
December 31, 1983

Bankers Life Company
711 High Street
Des Moines, Iowa 50507

Attention: Bond Department

Gentlemen:

We refer to the Note Agreement (the "Note Agreement") dated December 9, 1977, as amended on April 25, 1978, April 30, 1980, January 6, 1981, April 2, 1981, May 13, 1981, August 21, 1981, March 15, 1982 and September 1, 1982, between you and us.

Hexcel Corporation desires to place in trust and arbitrage funds from certain tax-exempt industrial and pollution control revenue notes. Therefore, an amendment is requested for Section 10.1, TERMS DEFINED. The requested amendment substitutes a new paragraph (E) to subsection (2), of the defined term CONSOLIDATED NET TANGIBLE ASSETS as follows:

"(E) investment of monies in capital funds of the following bonds or notes held in trust by Mellon Bank, N.A. until disbursement:

(1) $4,500,000 Industrial Development Revenue Bond, Series 1981 (Hexcel Corporation) issued by the Industrial Development Authority of the city of Casa Grande, Arizona.

(2) $1,000,000 Pollution Control Revenue Bond, (Hexcel Corporation Project) 1981 Series A, issued by the California Pollution Control Financing Authority.

(3) $1,000,000 Industrial Development Revenue Note, Series 1981 (Hexcel Corporation) issued by the Young County #1 Industrial Development Corporation.

(4) $5,500,000 Industrial Development Revenue Note, Series 1981 (Hexcel Corporation) issued by the Guadalupe-Blanco River Authority Industrial Development Corporation.

(5) $7,000,000 Economic Development Revenue Note, Series 1981 (Hexcel Corporation) issued by the Economic Development Corporation of the County of Ottawa, Michigan.

(6) $2,000,000 Industrial Development Revenue Note, Series 1981 (Hexcel Corporation) issued by the City of Lancaster, Ohio.

(7) $6,435,000 Industrial Development Revenue Bond, Series 1983 (Hexcel Corporation Project) issued by the Industrial Development Authority of the County of Los Angeles."

The amendment also substitutes for subsection (2) a new subsection (2) to the defined term, FUNDED DEBT as follows:

"(2) its liabilities under any Guaranty of an obligation of a person which is not the Company or a Subsidiary, other than the monies in the capital fund of the following bonds or notes held in trust by Mellon Bank, N.A. until disbursement for qualified capital expenditures:

(Monies in the capital fund of these following notes or bonds no longer held in trust will be included in the calculation of FUNDED DEBT):

(a) $4,500,000 Industrial Development Revenue Bond, Series 1981 (Hexcel Corporation) issued by the Industrial Development Authority of the City of Casa Grande, Arizona.

(b) $1,000,000 Pollution Control Revenue Bond, (Hexcel Corporation Project) 1981 Series A, issued by the California Pollution Control Financing Authority.

(c) $1,000,000 Industrial Development Revenue Note, Series 1981 (Hexcel Corporation) issued by the Young County #1 Industrial Development Corporation.

(d) $5,500,000 Industrial Development Revenue Note, Series 1981 (Hexcel Corporation) issued by the Guadalupe-Blanco River Authority Industrial Development Corporation.

(e) $7,000,000 Economic Development Revenue Note, Series 1981 (Hexcel Corporation) issued by the Economic Development Corporation of

the County of Ottawa, Michigan.

(f) $2,000,000 Industrial Development Revenue Note, Series 1981 (Hexcel Corporation) issued by the City of Lancaster, Ohio.

(g) $6,435,000 Industrial Development Revenue Bond, Series 1983 (Hexcel Corporation Project) issued by the Industrial Development Authority of the County of Los Angeles."

This Amendment Agreement amends no provisions of the Note Agreement other than Section 10.1, DEFINED TERMS, and does not waive compliance with any provision of the Note Agreement, as amended hereby. The Note Agreement, as amended hereby, is hereby approved, confirmed and ratified. The Amendment Agreement will become effective only when identical Amendment Agreements are executed by the holders of 66-2/3% in principal amount of the Notes at the time outstanding and copies of such Amendment Agreements are received by the Company and by it delivered to each of the holders of the Notes.

If the foregoing amendment is satisfactory to you, please so indicate by signing the acceptance at the foot of a counterpart of this Amendment Agreement and return such counterpart to the Company, whereupon this Amendment Agreement will become binding between us in accordance with its terms.

Very truly yours,

HEXCEL CORPORATION

By: _____
Title: D. T. Divird, Treasurer

Accepted:

Bankers Life Company

By: _____
Title: Robert E. Wilkins, Vice President-Fixed Income Securities

By: _____
Title: Dewain A. Sparrgrove
Director - Securities Investment

FIRST AMENDMENT TO REIMBURSEMENT AGREEMENTS

This First Amendment to Reimbursement Agreements (the "First Amendment"), dated as of October 12, 1988, to those certain Letter of Credit and Reimbursement Agreements between Hexcel Corporation ("Hexcel") and Banque Nationale de Paris, acting through its San Francisco Agency ("BNP") listed on Exhibit A attached hereto (the "Reimbursement Agreements"), is made with respect to the following circumstances:

WHEREAS, the Reimbursement Agreements incorporate by reference certain provisions of the Wells/Mellon Credit Agreement (as that term is defined in the Reimbursement Agreements); and

WHEREAS, Hexcel has requested that BNP waive a negative covenant contained in Section 7.5 of the Wells/Mellon Credit Agreement to permit Hexcel to issue certain Notes (as defined below);

NOW, THEREFORE, Hexcel and BNP agree as follows:

1. DEFINITIONS. Terms defined in the Reimbursement Agreements and used, but not defined, in this First Amendment are used in this First Amendment with their meanings as defined in the Reimbursement Agreements.

2. EFFECTIVE DATE. This First Amendment shall be effective on and from October 12, 1988 (the "Effective Date").

3. NOTE ISSUE. BNP consents to Hexcel's issuance, on or after the Effective Date but prior to December 31, 1988, of an aggregate amount not to exceed Thirty Million Dollars ($30,000,000) of senior unsecured notes bearing interest at not more than 10.12 percent per annum, having maturities of not more than ten (10) years, being non-callable, and ranking pari-passu with Hexcel's other senior unsecured indebtedness (the "Notes"). To the extent necessary to permit the issuance of the Notes, BNP consents to amendment of Section 7.5 of the Wells/Mellon Credit Agreement as provided in the Second Amendment to Credit Agreement among Hexcel, Mellon Bank and Wells Fargo Bank, an executed copy of which is attached hereto as Exhibit B (the "Wells/Mellon Second Amendment"). BNP's consent is subject to the conditions that (a) the Wells/Mellon Second Amendment be executed by all parties thereto and be in full force and effect as of the Effective Date and as of the date of issuance of the Notes and (b) that the representations and warranties contained in section 4 below be true and correct as of the Effective Date and as of the date of issuance of the Notes. BNP's consent shall apply only to the Notes, and not to any additional indebtedness or to any refinancing of the Notes.

4. REPRESENTATIONS AND WARRANTIES. In order to induce BNP to enter into

this First Amendment, Hexcel hereby represents and warrants that (a) the representations and warranties contained in Article 5 of each of the Reimbursement Agreements are true and correct as of the Effective Date, (b) no Event of Default, as specified in Section 8.1 of each of the Reimbursement Agreements, and no event with which notice or lapse of time or both would become an Event of Default, has occurred and is continuing as of the Effective Date. By issuance of the Notes, Hexcel shall be deemed to reaffirm to BNP that each such representation and warranty is true and correct as of the date of such issuance.

5. AMENDMENT AGREEMENT OTHERWISE UNALTERED. Except as expressly modified by this First Amendment, the Reimbursement Agreements shall continue to be in full force and effect.

6. COUNTERPARTS. This First Amendment may be executed in any number of counterparts, but all of such counterparts shall constitute one and the same agreement.

7. GOVERNING LAW. The validity, construction, and effect of this First Amendment shall be governed by the laws of the State of California.

IN WITNESS WHEREOF, Hexcel and BNP by their respective duly authorized officers or representatives have caused this First Amendment to be duly executed as of the day and year first written at the head of this First Amendment.

Hexcel Corporation

/s/ Christopher Ward

By: Christopher Ward
Title: Treasurer

Banque Nationale de Paris, acting through its San Francisco Agency

/s/ Karen M. Irvin

By: Karen M. Irvin
Title: Vice President

/s/ Kent G. Hilen

By: Kent G. Hilen
Title: Assistant Vice President

EXHIBIT A

Letter of Credit and Reimbursement Agreement, dated as of April 1, 1988, between Hexcel Corporation and Banque Nationale de Paris, acting through its San Francisco Agency, relating to $4,150,000 Economic Development Corporation of the County Of Ottawa, Multi-Modal Interchangeable Rate, Industrial Development Revenue Refunding Bonds (Hexcel Corporation Project) Series 1988

Letter of Credit and Reimbursement Agreement, dated as of March 1, 1988, between Hexcel Corporation and Banque Nationale de Paris, acting through its San Francisco Agency, relating to $6,200,000 Industrial Development Authority of the County of Los Angeles, Multi-Modal Interchangeable Rate, Industrial Development Revenue Refunding Bonds (Hexcel Corporation Project) Series 1988

Letter of Credit and Reimbursement Agreement, dated as of April 1, 1988, between Hexcel Corporation and Banque Nationale de Paris, acting through its San Francisco Agency, relating to $800,000 Young County #1 Industrial Development Corporation, Multi-Modal Interchangeable Rate, Industrial Development Revenue Refunding Bonds (Hexcel Corporation Project) Series 1988

Letter of Credit and Reimbursement Agreement, dated as of March 1, 1988, between Hexcel Corporation and Banque Nationale de Paris, acting through its San Francisco Agency, relating to $2,050,000 Industrial Development Authority of the City of Casa Grande, Multi-Modal Interchangeable Rate, Industrial Development Revenue Refunding Bonds (Hexcel Corporation Project) Series 1988

Letter of Credit and Reimbursement Agreement, dated as of April 1, 1988, between Hexcel Corporation and Banque Nationale de Paris, acting through its San Francisco Agency, relating to $750,000 California Pollution Control Financial Authority, Multi-Modal Interchangeable Rate, Pollution Control Revenue Refunding Bonds (Hexcel Corporation Project) Series 1988

Letter of Credit and Reimbursement Agreement, dated as of April 1, 1988, between Hexcel Corporation and Banque Nationale de Paris, acting through its San Francisco Agency, relating to $3,150,000 Guadalupe-Blanco River Authority Industrial Development Corporation, Multi-Modal Interchangeable Rate, Industrial Development Revenue Refunding Bonds (Hexcel Corporation Project) Series 1988

Letter of Credit and Reimbursement Agreement, dated as of April 1, 1988, between Hexcel Corporation and Banque Nationale de Paris, acting through its San Francisco Agency, relating to $1,000,000 The City of Lancaster, Multi-Modal Interchangeable Rate, Industrial Development Revenue Refunding Bonds (Hexcel Corporation Project) Series 1988

EXHIBIT B

Executed copy of Second Amendment to Credit Agreement among Hexcel Corporation, Mellon Bank and Wells Fargo Bank

AMENDMENT NUMBER 2 TO LETTER OF CREDIT AND
REIMBURSEMENT AGREEMENT

THIS AMENDMENT NUMBER 2, dated as of July 1, 1992 (this "Amendment Number 2") to the Letter of Credit and Reimbursement Agreement dated as of April 1, 1988 relating to $4,150,000 Economic Development corporation of the County of Ottawa Michigan Multi-Modal Interchangeable Rate Industrial Development Revenue Refunding Bonds Series 1988 (Hexcel Corporation Project), as revised by that certain First Amendment to Reimbursement Agreements of October, 1988 (the "Reimbursement Agreement"), is made among HEXCEL CORPORATION, a Delaware corporation (the "Company"), and BANQUE NATIONALE DE PARIS, a banking corporation organized and existing under the laws of The Republic of France, acting through its San Francisco Agency (the "Bank"). Capitalized terms used herein and not otherwise defined herein have the meanings given such terms in the Reimbursement Agreement.

WHEREAS, the Company and the Bank have entered into the Reimbursement Agreement, as amended, providing, among other things, for issuance by the Bank of its Letter of Credit (the "Letter of Credit"), issued on April 22, 1988 for the account of Hexcel Corporation;

WHEREAS, the Company entered into a credit agreement dated September 26, 1986 between the Company, WELLS FARGO BANK, N.A. and MELLON BANK, N.A. (the "Wells-Mellon Credit Agreement");

WHEREAS, the Company has entered into a new credit agreement dated April 29, 1991 among the Company, the various banks named therein and WELLS FARGO BANK, N.A. as agent for said banks (the "1991 Credit Agreement");

WHEREAS, the 1991 Credit Agreement replaces the Wells-Mellon Credit Agreement and the Company and the Bank desire to amend the Reimbursement Agreement to reflect the terms of the 1991 Credit Agreement;

NOW, THEREFORE, in consideration of the premises and in order to induce the Bank to continue the Reimbursement Agreement, and in reliance upon the representations and warranties set forth at Section 2 hereof and subject to the satisfaction of the conditions set forth herein, the parties hereby agree as follows:

1. AMENDMENTS

(a) EXHIBIT A. Exhibit A is hereby amended by adding the following definitions:

"1991 CREDIT AGREEMENT" shall mean the Credit Agreement dated April

29, 1991 among the Company, the various banks named therein and WELLS FARGO BANK, N.A. as agent for said banks.

"THE CREDIT AGREEMENT" shall mean for the period of time between September 26, 1986 and April 28, 1991 the Wells-Mellon Credit Agreement and for the period of time beginning April 29, 1991 and thereafter the 1991 Credit Agreement.

"WELLS-MELLON CREDIT AGREEMENT" shall continue to have the meaning given in Exhibit A to the Reimbursement Agreement.

"HEXCEL PROJECT BONDS" shall mean any of the following bonds:

(a) The Economic Development Corporation of the County of Ottawa, Michigan, $4,150,000, Multi-Modal Interchangeable Rate, Industrial Development Revenue Refunding Bonds, dated April 1, 1988 (Hexcel Corporation Project) - Zeeland, MI Facility;

(b) The Industrial Development Authority of the County of Los Angeles, California, $6,200,000, Multi-Modal Interchangeable Rate, Industrial Development Revenue Refunding Bonds, dated March 1, 1988 (Hexcel Corporation Project) - COI, CA Facility;

(c) Young County #l Industrial Development Corporation $800,000, Multi-Modal Interchangeable Rate, Industrial Development Revenue Refunding Bonds, Series 1988 (Hexcel Corporation Project) - Graham, TX Facility;

(d) Industrial Development Authority of the City of Casa Grande, Arizona, $2,050,000, Multi-Modal Interchangeable Rate, Industrial Development Revenue Refunding Bonds, dated March 1, 1988 (Hexcel Corporation Project) - Casa Grande, AZ Facility;

(e) California Pollution Control Financing Authority, $750,000, Multi-Modal Interchangeable Rate, Pollution Control Revenue Refunding Bonds, dated April 1, 1988 (Hexcel Corporation Project) - Livermore, CA Facility;

(f) Guadalupe-Blanco River Authority Industrial Development Corporation, $3,150,000 Multi-Modal Interchangeable Rate, Industrial Development Revenue Refunding Bonds, dated April 1, 1988 (Hexcel Corporation Project) - Seguin, TX Facility;

(g) City of Lancaster, Ohio, $1,000,000, Multi-Modal Interchangeable Rate, Industrial Development Revenue Refunding Bonds, dated April 1, 1988 (Hexcel Corporation Project) - Lancaster, OH Facility; and

(h) Port of Skagit County Industrial Development Corporation, $3,000,000, Variable Rate Demand Revenue Bond, Series 1989 (Hexcel

Corporation Project) - Burlington, WA Facility.

(b) ARTICLE 6. Section 6.1 of the Reimbursement Agreement is hereby deleted in its entirety and the following Section 6.1 is inserted in its place:

Section 6.1. CERTAIN 1991 CREDIT AGREEMENT COVENANTS. Comply and cause each Subsidiary to comply with the conditions, terms and agreements contained in Section 5 (excluding Section 5.01(b)) of the 1991 Credit Agreement as in effect as of April 29, 1991 and as subsequently amended or modified in accordance with Section 7.2 hereof, which condition, terms and agreements (including applicable defined terms) shall be deemed incorporated into this Agreement as if set forth herein in full, provided, however, that

(a) the term "Borrower" as used in Section 5 of the 1991 Credit Agreement shall refer to the Company;

(b) the terms "the Bank" or "the Banks" or similar terms used in Section 5 of the 1991 Credit Agreement shall refer to the Bank;

(c) the terms "the Agreement" or "this Agreement" as used in Section 5 of the 1991 Credit Agreement shall refer to this Agreement;

(d) the terms "Potential Default" and "Event of Default" as used in Section 5 of the 1991 Credit Agreement shall have the meanings given to those terms in Exhibit A of the Reimbursement Agreement;

(c) ARTICLE 7. Section 7.2 of the Reimbursement Agreement is hereby deleted in its entirety and the following Section 7.2 is inserted in its place:

Section 7.2 AMENDMENT OF THE 1991 CREDIT AGREEMENT. Amend, modify, request any waiver of or agree or consent to the amendment, modification or waiver of any provision of the 1991 Credit Agreement as incorporated into this Agreement by Section 6.1 hereof, provided, however, that the Bank's consent shall not be required for any amendment, modification or waiver which:

(a) would permit the Company or its Subsidiaries to create, incur or permit to exist Liens, not otherwise permitted in accordance with Section 5.02(c) of the 1991 Credit Agreement, securing Debt less than, in the aggregate, $7,500,000; or

(b) would permit the Company or its Subsidiaries to create, incur or permit to exist Debt, not otherwise permitted in accordance with Section 5.02(e) of the 1991 Credit Agreement, less than, in the aggregate, $10,000,000; or

(c) does not materially and adversely affect the obligations of the

Company or the rights of the Bank under this Agreement (provided that no amendment, modification or waiver of any term or condition of Section 5.01(i)-(m) of the 1991 Credit Agreement shall be permitted under this clause (c)).

The Company shall promptly notify the Bank in writing of any amendment, modification or waiver requested or granted in connection with Section 5 of the 1991 Credit Agreement, whether or not the Bank's consent is required in connection therewith.

(d) SECTION 8. Section 8.1(h) and (i) are hereby amended by deleting reference to the "Wells-Mellon Credit Agreement" and inserting in each such place the words "Credit Agreement" .

2. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

The Company hereby represents and warrants, as of the date hereof, as follows:

(a) REIMBURSEMENT AGREEMENT REPRESENTATIONS AND WARRANTIES.

Except with respect to matters previously advised to the Bank in writing, all representations and warranties of the Company contained in Article 5 of the Reimbursement Agreement are true and correct on and as of the date hereof as though made on and as of said date (except for those representations and warranties contained in Sections 5.1, 5.11, 5.12 and 5.16).

(b) FINANCIAL CONDITION.

(1) The consolidated balance sheet of the Company and its Subsidiaries as of December 31, 1990 and the related consolidated statements of income and changes in financial position for the fiscal year then ended, certified by Arthur

Anderson & Co., copies of which, as contained in or incorporated by reference in the Company's Annual Report on Form 10K for the fiscal year ended December 31, 1990, have heretofore been furnished to the Bank and present fairly the consolidated results of their operations and changes in financial position for the fiscal year then ended; and the unaudited consolidated balance sheet of the Company and its Subsidiaries as at March 31, 1991 and the related unaudited consolidated statements of income and changes in financial position for the three month period ended on such date, copies of which, as contained in the Company's Quarterly Report on Form 10Q for the fiscal quarter ended March 31, 1991, have heretofore been furnished to the Bank and present fairly the consolidated financial position of the Company and its Subsidiaries as at such date, and the

consolidated results of their operations and changes in financial position for the three-month period then ended.

(2) All such financial statements, including the related schedules and notes thereto, have been prepared in accordance with GAAP consistently applied (except for any changes in principles with which the Company's accountants have concurred).

(3) As at March 31, 1991, neither the Company nor any of its Subsidiaries had any asset, liability, liability for taxes, long-term lease or unusual forward or long-term commitment material to the financial condition of the Company and its Subsidiaries taken as a whole, which was not reflected in the foregoing statements. Neither the Company nor any of its Subsidiaries has any material contingent obligations which are not disclosed in the most recent financial statements of the Company and its Subsidiaries.

(4) Since March 31, 1991, there has been no material adverse change in the business, or prospects, operations, property or financial or other condition of the Company which would materially adversely affect the Company's ability to meet its obligations hereunder and under the Related Documents.

(c) NO DEFAULT. No event has occurred and is continuing, or would result from this Amendment Number 2, from the making of the 1991 Credit Agreement, or any transaction contemplated thereby, which constitutes an Event of Default or Potential Event of Default. Neither the Company nor any Subsidiary is in default in any respect under or with respect to any material contract, agreement, arrangement or instrument to which it is a party or by which it or any of its assets may be bound or affected (including, without limitation, the Wells/Mellon Credit Agreement, the 1991 Credit Agreement or the Reimbursement Agreement), and no

Event of Default or Potential Default has occurred and is continuing. Neither the Company nor any Subsidiary is in default under any material order, award or decree of any court, arbitrator, or other Governmental Authority or other Person binding upon or affecting it or by which any of its assets may be bound or affected. Neither the Company nor any Subsidiary is subject to any order, award or decree which could materially adversely affect its ability to carry on its business as presently conducted or as proposed to be conducted or to perform its obligations under any other order, award or decree.

(d) DUE AUTHORIZATION; CORPORATE POWER; BINDING OBLIGATIONS.

The Company has taken or caused to be taken all requisite corporate action to authorize the execution, issuance and delivery of, and the

performance of its obligations under, this Amendment Number 2 and the 1991 Credit Agreement, and any and all instruments and documents required to be executed or delivered pursuant to or in connection herewith or therewith. The execution and delivery of, and performance by the Company of its obligations under this Amendment Number 2 and the 1991 Credit Agreement and any and all instruments or documents required to be executed in connection herewith or therewith were and are within the powers of the Company and will not violate any provision of any applicable law, regulation, decree or governmental authorization, or its bylaws, and will not violate or cause a default under any provision of any contract, agreement, mortgage, indenture or other undertaking to which it is a party or which is binding upon it or any of its property or assets, and will not result in the imposition or creation of any lien, charge or encumbrance upon any of its properties or assets pursuant to the provisions of any such contract, agreement, mortgage, indenture or undertaking. This Amendment Number 2 and the 1991 Credit Agreement each constitute valid and legally binding obligations of the Corporation, which obligations are enforceable in accordance with their respective terms, except as the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and provided that the availability of equitable remedies is subject to the application of equitable principles.

(e) UNFUNDED LIABILITIES. As of December 31, 1990, neither the Company nor any Subsidiary has unfunded liabilities (actual or contingent) with respect to any pension, benefit or health and medical plan in connection

with any of its employees, whether organized or otherwise which, in the aggregate, exceed $1,000,000.00.

(f) MATERIAL DEBT. Attached hereto as Exhibit A to this Amendment Number 2 is a list of all presently outstanding Material Debt.

(g) CREDIT AGREEMENT. The Company has delivered to the Bank a true and complete copy of the Credit Agreement (including all schedules and exhibits thereto) and all related agreements and amendments thereto.

3. EFFECTIVE DATE OF AMENDMENT.

This Amendment Number 2 is effective as of the date first written above.

4. NO WAIVER.

Nothing contained herein in this Amendment Number 2 or the Credit Agreement or any other document or instrument executed in connection herewith or

therewith, nor any action taken by the Bank or the Company in connection with this Amendment Number 2 or the Credit Agreement or any other action contemplated hereby or thereby shall in any event be construed or deemed to constitute a waiver of any past, present or future Event of Default or Potential Event of Default.

5. FULL FORCE AND EFFECT.

Except as specifically modified by this Amendment Number 2, all of the terms and provisions of the Reimbursement Agreement shall remain in full force and effect.

6. COUNTERPARTS.

This Amendment Number 2 may be executed in two or more counterparts, each of which shall be an original, with the same force and effect as if the signatures thereto and hereto were upon the same instrument.

7. EXPENSES.

Without limiting any provision of the Reimbursement Agreement, the Company agrees to pay any and all costs and expenses of the Bank, without limitation, in connection with the preparation, negotiation, execution, delivery, administration and enforcement of, and any litigation arising from this Amendment Number 2.

8. SEVERABILITY.

Any provision of this Amendment Number 2 or the Reimbursement Agreement which is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or non-authorization without invalidating the remaining provisions hereof or thereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

9. GOVERNING LAW.

This Amendment Number 2 shall be governed by and construed in accordance with the laws of the State of California.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment Number 2 to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

HEXCEL CORPORATION

/s/ William W. Wondolowski

By: WILLIAM W. WONDOLOWSKI
Title: TREASURER

BANQUE NATIONALE DE PARIS, acting through its San Francisco Agency

/s/ Judith A. Dowling

By: JUDITH A. DOWLING
Title: V.P.

/s/ Katherine Wolfe

By: K. WOLFE
Title: A.V.P.

AMENDMENT NUMBER 3 TO LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT

THIS AMENDMENT NUMBER 3, dated as of April 15, 1993 (this "Amendment Number 3") to the Letter of Credit and Reimbursement Agreement dated as of December 1, 1989 relating to $3,000,000 Port of Skagit Industrial Development Corporation, Variable Rate Demand Revenue Bonds Series 1989 (Hexcel Corporation Project), as amended by that certain Amendment Number 2 of the Letter of Credit and Reimbursement Agreement, dated as of July 1, 1992 (as amended, the "Reimbursement Agreement"), is made by and between HEXCEL CORPORATION, a Delaware corporation (the "Company"), and BANQUE NATIONALE DE PARIS, a banking corporation organized and existing under the laws of The Republic of France, acting through its San Francisco Agency (the "Bank"). Capitalized terms used herein and not otherwise defined herein have the meanings given such terms in the Reimbursement Agreement.

WHEREAS, the Company and the Bank have entered into the Reimbursement Agreement providing, among other things, for issuance by the Bank of its Letter of Credit (the "Letter of Credit") for the account of the Company,

WHEREAS, the Company entered into a credit agreement dated September 26, 1986 between the Company, Wells Fargo Bank, N.A. and Mellon Bank, N.A. (the "Wells-Mellon Credit Agreement");

WHEREAS, subsequently, the Company entered into a credit agreement dated April 29, 1991 among the Company, the various banks named therein and Wells Fargo Bank, N.A. as agent for said banks (the "1991 Credit Agreement") which replaced the Wells-Mellon Credit Agreement;

WHEREAS, the Company has amended and restated the 1991 Credit Agreement pursuant to an amended and restated credit agreement dated as of March 31, 1993 among the Company, the various banks named therein and Wells Fargo Bank National Association, as agent for said banks (the "1993 Credit Agreement");

WHEREAS the 1993 Credit Agreement amends and restates the 1991 Credit Agreement and the Company and the Bank desire to amend the Reimbursement Agreement to reflect the terms of the 1993 Credit Agreement;

NOW, THEREFORE, in consideration of the foregoing premises and in order to induce the Bank to continue the Reimbursement Agreement, and in reliance upon

the representations and warranties set forth at Section 2 hereof and subject to the satisfaction of the conditions set forth herein, the parties hereby agree as follows:

1. AMENDMENTS.

(a) EXHIBIT A: DEFINITION OF "1993 CREDIT AGREEMENT". Exhibit A is hereby amended by adding the following definition:

"1993 Credit Agreement" shall mean the Amended and Restated Credit Agreement dated as of March 31, 1993 among the Company, the various banks named therein and Wells Fargo Bank, National Association, as agent for said banks.

(b) EXHIBIT A: DEFINITION OF "CREDIT AGREEMENT". Exhibit A is hereby amended by deleting the definition of "The Credit Agreement" and substituting the following:

"Credit Agreement" shall mean for the period of time between September 26, 1986 and April 28, 1991 the Wells-Mellon Credit Agreement; for the period of time between April 29, 1991 and March 30, 1993 the 1991 Credit Agreement and for the period of time beginning March 31, 1993 and thereafter the 1993 Credit Agreement.

(c) SECTION 6.1. Section 6.1 of the Reimbursement Agreement is hereby deleted in its entirety and the following Section 6.1 is inserted in its place:

Section 6.1. CERTAIN 1993 CREDIT AGREEMENT COVENANTS. Comply and cause each Subsidiary to comply with the conditions, terms and agreements contained in Section V (excluding Section 5.01(b)) of the 1993 Credit Agreement as in effect as of March 31, 1993 and as subsequently amended or modified in accordance with Section 7.2 hereof, which condition, terms and agreements (including applicable defined terms) shall bc deemed incorporated into this Agreement as if set forth herein in full, PROVIDED, HOWEVER, that:

(a) the term "Borrower" as used in Section V of the 1993 Credit Agreement shall refer to the Company,

(b) the terms "the Bank" or "the Banks" or similar terms used in Section V of the 1993 Credit Agreement shall refer to the Bank;

(c) the term "the Agreement" or "this Agreement" as used in Section V of the 1993 Credit Agreement shall refer to this Agreement;

(d) the term "Event of Default" as used in Section V of the 1993 Credit Agreement shall have the meaning given to that term in Exhibit A of this Agreement;

(e) the term "Obligations" as used in Section 5 of the 1993 Credit Agreement shall refer to the Hexcel Project Reimbursement Obligations; and

(f) the definition of "Permitted Liens" contained in Section 5.02(c) of the 1993 Credit Agreement, as incorporated into this Agreement, shall not include sub-paragraphs (vi) or (viii) or any other lien granted or to be granted to the Agent or the Banks (as those terms are used in the 1993 Credit Agreement).

(d) SECTION 6.2. Section 6.2 of the Reimbursement Agreement is hereby deleted in its entirety and the following Section 6.2 is inserted in its place:

SECTION 6.1. PARI PASSU Assure that the obligations of the Company hereunder, to the extent that such obligations are not secured as provided in Section 4 of Amendment Number 3 to this Agreement, rank at least PARI PASSU with the other senior unsecured Debt of the Company.

(e) SECTION 6.6 Article 6 of the Reimbursement Agreement is hereby amended to include the following new Section 6.6:

SECTION 6.6. SECURITY. On or prior to July 31, 1993, the Company shall deliver to the Bank such deeds of trust, mortgages, security agreements, pledge agreements and other instruments, agreements, certificates, opinions and documents (including, without limitation, Uniform Commercial Code financing statements and fixture filings and landlord waivers) (collectively, the "Security Agreements") as the Bank may request to grant to the Bank a security interest in any or all property of the Company (except the stock of the Company's foreign Subsidiaries) prior to the security interests, liens or other interests of any Person other than the Bank, except for the liens described in clauses (i), (iv), (vi),

(vii) and (x) of Subparagraph 5.02(c) of the 1993 Credit Agreement. The Company shall fully cooperate with the Bank and perform all additional acts reasonably requested by the Bank to effect the purposes of this Section.

(f) SECTION 7.2. Section 7.2 of the Reimbursement Agreement is hereby deleted in its entirety and the following Section 7.2 is inserted in its place:

SECTION 7.2 AMENDMENT OF THE 1993 CREDIT AGREEMENT. Amend, modify, request any waiver of or agree or consent to the amendment, modification or waiver of any provision of the 1993 Credit Agreement as incorporated into this Agreement by Section 6.1 hereof, PROVIDED, HOWEVER, that the Bank's consent shall not be required for any amendment, modification or waiver which:

(a) would permit the Company or its Subsidiaries to create, incur or permit to exist Liens, not otherwise permitted in accordance with Section 5.02(c) of the 1993 Credit Agreement, securing Debt less than, in the aggregate, $7,500,000; or

(b) would permit the Company or its Subsidiaries to create, incur or permit to exist Debt, not otherwise permitted in accordance with Section 5.02(e) of the 1993 Credit Agreement, less than, in the aggregate, $10,000,000; or

(c) does not materially and adversely affect the obligations of the Company or the rights of the Bank under this Agreement (PROVIDED, that no amendment, modification or waiver of any term or condition of Section 5.01(i)-(o) of the 1993 Credit Agreement shall be permitted under this clause (c)).

The Company shall promptly notify the Bank in writing of any amendment, modification or waiver requested or granted in connection with Section 5 of the 1993 Credit Agreement, whether or not the Bank's consent is required in connection therewith.

(G) SECTION 8.1. Subsection (d) of Section 8.1 of the Reimbursement Agreement is hereby deleted and the following Subsection (d) is substituted therefor:

(d) (i) the Company shall fail to observe or perform any covenant,

obligation, condition or agreement set forth in Section 6.6 of this Agreement or in subparagraphs 5.01(b), 5.01(c) and 5.01(i)-5.01(o) or in Paragraph 5.02 of the 1993 Credit Agreement as incorporated in this Agreement; or (ii) the Company shall fail to observe or perform any other covenant, obligation, condition or agreement contained in this Agreement or in the Security Agreements referred to in Section 6.6 hereof, and such failure shall continue until the earlier to occur of (x) ten (10) days after the Bank notifies the Company of such failure, or (y) fifteen (15) days after the Company notifies or should have notified the Bank of such failure; or

2. REPRESENTATION AND WARRANTIES OF COMPANY. The Company hereby represents and warrants, as of the date hereof, as follows:

(A) REIMBURSEMENT AGREEMENT REPRESENTATIONS AND WARRANTIES. Except with respect to matters previous advised to the Bank in writing, all representations and warranties of the Company contained in Article 5 of the Reimbursement Agreement are true and correct on and as of the date hereof as though made on and as of said date (except for those representations and warranties contained in Sections 5.1, 5.11, 5.12 and 5.16).

(B) FINANCIAL CONDITION.

(i) The consolidated balance sheet of the Company and its Subsidiaries as of December 31, 1992 and the related consolidated statements of income and changes in financial position for the fiscal year then ended, certified by Arthur Anderson & Co., copies of which, as contained in or incorporated by reference in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1992, have heretofore been furnished to the Bank and present fairly the consolidated results of their operations and changes in financial position for the fiscal year then ended.

(ii) All such financial statements, including the related schedules and notes thereto, have been prepared in accordance with GAAP consistently applied (except for any changes in principles with which the Company's accountants have concurred).

(iii) As at December 31, 1992, neither the Company nor any of its Subsidiaries had any asset, liability, liability for taxes, long-term lease or unusual forward or long-term commitment material to the financial condition of the Company and its Subsidiaries taken as a whole, which was not reflected in the foregoing statements. Neither the Company nor any of its Subsidiaries has

any material contingent obligations which are not disclosed in the most recent financial statements of the Company and its Subsidiaries.

(iv) Since December 31, 1992, there has been no material adverse change in the business, or prospects, operations, property or financial or other condition of the Company which would materially adversely affect the Company's ability to meet its obligations hereunder and under the Related Documents.

(C) NO DEFAULT. Except as previously disclosed in writing to the Bank, no event has occurred and is continuing, or would result from this Amendment Number 3, from the making of the 1993 Credit Agreement, or any transaction contemplated thereby, which constitutes an Event of Default or Potential Event of Default. Except as previously disclosed in writing to the Bank, neither the Company nor any Subsidiary is in default in any respect under or with respect to any material contract, agreement, arrangement or instrument to which it is a party or by which it or any of its assets may be bound or affected (including, without limitation, the 1993 Credit Agreement or the Reimbursement Agreement), and no Event of Default or Potential Default has occurred and is continuing. Neither the Company nor any Subsidiary is in default under any material order, award or decree of any court, arbitrator, or other Governmental Authority or other Person binding upon or affecting it or by which any of its assets may be bound or affected. Neither the Company nor any Subsidiary is subject to any order, award or decree which could materially adversely affect its ability to carry on its business as presently conducted or as proposed to be conducted or to perform its obligations under any other order, award or decree.

(D) DUE AUTHORIZATION; CORPORATE POWER; BINDING OBLIGATIONS. The Company has taken or caused to be taken all requisite corporate action to authorize the execution, issuance and delivery of, and the performance of its obligations under, this Amendment

Number 3 and the 1993 Credit Agreement, and any and all instruments and documents required to be executed or delivered pursuant to or in connection herewith or therewith. The execution and delivery of, and performance by the Company of its obligations under this Amendment Number 3 and the 1993 Credit Agreement and any and all instruments or documents required to be executed in connection herewith or therewith were and are within the powers of the Company and will not violate any provision of any applicable law, regulation. decree or governmental authorization, or its bylaws, and will not violate or cause a default under any provision of any contract, agreement, mortgage, indenture or other undertaking to which it is a party or which is binding upon it or any of its property or assets, and will not result in the imposition or creation of any lien, charge or encumbrance upon any of its properties or assets pursuant to the provisions of any such contract, agreement, mortgage, indenture or undertaking.

This Amendment Number 3 and the 1993 Credit Agreement each constitute valid and legally binding obligations of the Company, which obligations are enforceable in accordance with their respective terms, except as the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and, PROVIDED, that the availability of equitable remedies is subject to the application of equitable principles.

(E) UNFUNDED AND UNACCRUED LIABILITIES. As of December 31, 1992, neither the Company nor any Subsidiary has liabilities (actual or contingent) which are both unfunded and unaccrued with respect to any pension, benefit or health and medical plan in connection with any of its employees, whether organized or otherwise which, in the aggregate, exceed $1,000,000.000.

(F) MATERIAL DEBT. Attached hereto as Exhibit A to this Amendment Number 3 is a list of all presently outstanding Material Debt.

(G) CREDIT AGREEMENT. The Company has delivered to the Bank a true and complete copy of the 1993 Credit Agreement (including all schedules and exhibits thereto) and all related agreements and amendments thereto.

3. CONDITIONS TO EFFECTIVENESS. The effectiveness of this Amendment Number 3 (including, without limitation, the effectiveness of the waiver contained in Section 5 hereof and the consent contained in Section 6 hereof) is subject to the following conditions which shall be satisfied on or before April 15, 1993 (the "Amendment Effective Date"):

(a) On or before the Amendment Effective Date, the Bank shall have received all of the following documents, each in form and substance satisfactory to the Bank:

(i) one original of this Amendment executed by the Company;

(ii) one original of each of the other seven Amendments Number 3 to Letter of Credit and Reimbursement Agreement, executed by the Company relating to each of the other seven Hexcel Project Bonds;

(iii) one executed copy of the 1993 Credit Agreement and one executed copy of that certain Consent Agreement, dated as of March 31, 1993 (the "Consent Agreement") by and among the Company, Wells Fargo Bank,

National Association, as agent, and the other banks named therein, each certified by an officer of the Company to be true and correct copies of those agreements; and

(iv) such other documents, agreements, instruments, certificates and opinions as the Bank may reasonably require shall be executed and delivered to the Bank.

(b) On or before the Amendment Effective Date, the Bank shall have received:

(i) payment of a fee equal to 0.25 percent of the Stated Amount of the Letter of Credit as of the Amendment Effective Date;

(ii) payment of all of the fees and expenses incurred by the Bank, including fees and expenses of its counsel, in connection with this Amendment; and

(iii) evidence satisfactory to the Bank that the conditions precedent to consent and waivers set forth in Section 5 of the Consent Agreement have been satisfied or waived by the Agent (as that term is defined in the Consent Agreement).

Upon satisfaction of the preceding conditions, this Amendment Number 3 shall be deemed effective as of the date first written above.

4. ADDITIONAL LIENS. The Company expects to request the Bank to consent to the granting of a security interest in certain of the Company's property to the Agent for the benefit of the Banks (as the terms "Agent" and "Banks" are used in the 1993 Credit Agreement) and to other non-subordinated creditors of the Company in accordance with Section 2.12 of the 1993 Credit Agreement. The Bank will consent to such request, subject to satisfaction of the following conditions precedent:

(a) the Company shall have submitted such request to the Bank in writing (including proposed drafts of the securing agreement(s) and the intercreditor agreement not less than 60 days prior to the date that such security interest is to be granted;

(b) the security agreement(s) shall grant to the Bank a lien on and security interest in the collateral referred to therein for the purpose of securing the obligations of the Company to the Bank pursuant to this

Agreement, which lien and security interest shall be equal in right and priority to that granted to the other secured parties thereunder, and the Bank shall be satis-

fied in all respects and in its absolute discretion with the terms and conditions of such security agreements;

(c) the intercreditor agreement shall provide for the pro rata sharing of collateral granted under the security agreement(s) and the Bank shall be satisfied in all respects and in its absolute discretion with the terms and conditions of the intercreditor agreement (or similar intercreditor provisions contained in the security agreement(s)) relating to such security interests, including the rights, duties, liabilities and immunities of the Agent with respect to the security interests;

(d) the Company acknowledges that the Bank is not permitted to take or hold any security for obligations of the Company to the Bank pursuant to the Reimbursement Agreement unless such security is also given to the Trustee for the benefit of Bondholders, except as otherwise permitted pursuant to Section 9.9 of the Reimbursement Agreement, and the Company further acknowledges that the Bank's consent to the Company's request to consent to the Company's grant of a security interest as provided in Section 2.12 of the 1993 Credit Agreement shall bc subject to satisfaction, determined in the absolute discretion of the Bank, with the terms and conditions of Section 9.9 of the Reimbursement Agreement;

(e) as of the effective date for the grant of such security interests: no Event of Default or Potential Default shall have occurred and be continuing; the representations and warranties of the Company contained in Article S of the Reimbursement Agreement shall be true and correct in all material respects (except for those representations and warranties contained in Sections 5.1, 5.11, 5.12 and 5.16 of the Reimbursement Agreement); and no event shall have occurred which, in the reasonable judgment of the Bank, may materially and adversely affect the operations or performance of the Company; and

(f) the Company shall have paid all costs and expenses, including the fees and expenses of the Bank's counsel, in connection with the requested security interest.

Delivery to the Bank of Security Agreements which satisfy the terms and conditions of this Section 4 shall satisfy the obligation of the Company under

Section 6.6 of the Reimbursement Agreement.

5. CONSENT TO 1993 AGREEMENT AND WAIVER. Subject to the terms and conditions of this Amendment Number 3 (including, without limitation, satisfaction of the conditions referred to in Section 3 hereof), the Bank hereby (a) consents to the execution and delivery by the Company of the 1993 Credit Agreement and (b) waives any and all Events of Default and Potential Default existing on March 31, 1993. Nothing contained in

this Amendment Number 3 or the Credit Agreement or any other document or instrument executed in connection herewith or therewith, nor any action taken by the Bank or the Company in connection with this Amendment Number 3 or the Credit Agreement or any other action contemplated hereby or thereby shall in any event be construed or deemed to constitute a waiver of any future Event of Default or Potential Event of Default.

6. CONSENT TO BASF TRANSACTION. Subject to the terms and conditions of this Amendment Number 3 (including, without limitation, satisfaction of the conditions referred to in Section 3 hereof), the Bank hereby consents to the Proposed BASF Transaction (the term "Proposed BASF Transaction" and other capitalized terms used in this Section 6 and not otherwise defined in this Amendment Number 3 or the Reimbursement Agreement shall have the meanings given to those terms in the Consent Agreement) solely for the purposes of Subparagraphs 5.02(c), 5.02(d) and 5.02(g) of the 1991 Credit Agreement, provided that:

(a) The aggregate purchase price paid directly or indirectly by the Company and its Subsidiaries in connection with the Proposed BASF Stock Transaction, the Proposed German Asset Acquisition and the Proposed TBK Stock Acquisition, including the requalification and moving costs borne by the Company and all other costs and expenses of the Company in connection therewith, shall not exceed $27,000,000;

(b) Such purchase price shall be a combination of cash and the BASF Note (as defined in the 1993 Credit Agreement);

(c) Lessor will pay to Newco at least $10,000,000 in cash in connection with its purchase of the equipment to be leased to the Company under the BASF Equipment Lease;

(d) The aggregate amount of all lease payments payable directly or

indirectly by the Company and its Subsidiaries in connection with the Proposed BASF Lease Transaction do not exceed $10,000,000 over the four-year term BASF Leases Agreement; and

(e) Each of the Proposed BASF Stock Transaction, the Proposed German Asset Acquisition, the Proposed TBK Stock Acquisition, and the Proposed BASF Lease Transaction is completed no later than April 30, 1993.

7. BANK REPRESENTATION. The Bank hereby represents and warrants that (a) the scheduled Expiration Date of the Letter of Credit is after March 15, 1994 and (b) the Bank has not given notice to the Trustee that an Event of Default under the Reimbursement Agreement has occurred and is continuing.

8. FULL FORCE AND EFFECT. Except as specifically modified by this Amendment Number 3, all of the terms and provisions of the Reimbursement Agreement shall remain in full force and effect.

9. COUNTERPARTS. This Amendment Number 3 may be executed in two or more Counterparts, each of which shall be an original, with the same force and effect as if the signatures thereto and hereto were upon the same instrument.

10. EXPENSES. Without limiting any provision of the Reimbursement Agreement, the Company agrees to pay any and all costs and expenses of the Bank, without limitation, in connection with the preparation, negotiation, execution, delivery, administration and enforcement of, and any litigation arising from this Amendment Number 3.

11. SEVERABILITY. Any provision of this Amendment Number 3 or the Reimbursement Agreement which is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or non-authorization without invalidating the remaining provisions hereof or thereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

12. GOVERNING LAW. This Amendment Number 3 shall be governed by and construed in accordance with the laws of the State of California.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment Number 3 to be duly executed and delivered by their respective officers thereunto duly

authorized as of the date first written above.

HEXCEL CORPORATION

/s/ David G. Schmidt

By: and G. Schmidt
Title: Vice President/Finance

BANQUE NATIONALE DE PARIS,
acting through its San Francisco Agency

/s/ Judith A. Dowling

By: Judith A. Dowling
Title: Vice President

/s/ Katherine Wolfe

By: Katherine Wolfe
Title: Assistant Vice President

PRINCIPAL MUTUAL LIFE INSURANCE COMPANY

and

HEXCEL CORPORATION

NOTE AGREEMENT

Dated as of October 1, 1988

RE: $30,000,000 10.12% Senior Notes
Due October 1, 1998

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(Not a part of the Agreement)

ATTACHMENTS TO NOTE AGREEMENT:

Schedule I - Name and Address of Purchaser

Exhibit A - Form of 10.12% Senior Note

Exhibit B - Closing Certificate of the Company

Exhibit C - Description of Special Counsel's Closing Opinion

Exhibit D - Description of Closing Opinion of Counsel to the Company

Exhibit E - Subordination Provisions Applicable to Subordinated Funded Debt

HEXCEL CORPORATION
11555 Dublin Boulevard
Dublin, California 94568

NOTE AGREEMENT

Re: $30,000,000 10.12% Senior Notes
Due October 1, 1998

Dated as of
October 1, 1988

Principal Mutual Life
Insurance Company
711 High Street
Des Moines, Iowa 50309
Attention: Investment Department, Securities Division

Gentlemen:

The undersigned, HEXCEL CORPORATION, a Delaware corporation (the "COMPANY"), agrees with you as follows:

SECTION 1. DESCRIPTION OF NOTES AND COMMITMENT.

1.1. DESCRIPTION OF NOTES. The Company will authorize the issue and sale of $30,000,000 aggregate principal amount of its 10.12% Senior Notes (the "NOTES") to be dated the date of issue, to bear interest from such date at the rate of 10.12% per annum, payable semiannually on the first day of each April and October in each year (commencing April 1, 1989) and at maturity and to bear interest on overdue principal and (to the extent legally enforceable) on any overdue installment of interest at the rate of 12.12% per annum after maturity, whether by acceleration or otherwise, until paid, to be expressed to mature on October 1, 1998, and to be substantially in the form attached hereto as Exhibit

A. Interest on the Notes shall be computed on the basis of a 360-day year of twelve 30-day months. The Notes are not subject to prepayment or redemption at the option of the Company prior to their maturity. The term "NOTES" as used herein shall include each Note delivered pursuant to this Agreement. You are hereinafter sometimes referred to as the "PURCHASER."

1.2. COMMITMENT, CLOSING DATE. Subject to the terms and conditions hereof and on the basis of the representations and warranties hereinafter set forth, the Company agrees to issue and sell to you, and you agree to purchase from the Company, the entire issue of the Notes at a price of 100% of the principal amount thereof on the Closing Date hereinafter mentioned.

Delivery of the Notes will be made at the offices of the Company set forth on the first page of this Agreement, against payment therefor in Federal or other funds current and immediately available at the principal office of Wells Fargo Bank, San Francisco Main (ABA Routing No. 121-000-2481 for the account of the Company (Account No. 4001-173400) in the amount of the purchase price at 10:00 A.M., San Francisco, California time, on October 28, 1988 or such earlier date as the Company shall specify by not less than five business days' prior written notice to you (the "CLOSING DATE"). The Notes delivered to you on the Closing Date will be delivered to you in the form of two registered Notes in the amounts of $3,000,000 and $27,000,000, respectively, for the full amount of your purchase (unless different denominations are specified by you), registered in your name or in the name of such nominee as you may specify and in substantially the form attached hereto as Exhibit A, all as you may specify at any time prior to the date fixed for delivery.

SECTION 2. REPRESENTATIONS.

2.1. REPRESENTATIONS OF THE COMPANY. The Company represents and warrants that all representations set forth in the form of certificate attached hereto as Exhibit B are true and correct as of the date hereof and are incorporated herein by reference with the same force and effect as though herein set forth in full.

2.2. REPRESENTATIONS OF THE PURCHASER. You represent, and in entering into this Agreement the Company understands, that you are acquiring the Notes for the purpose of investment and not with a view to the resale work distribution thereof, and that you have no present intention of selling, negotiating or otherwise disposing of the Notes; PROVIDED that the disposition of your property shall at all times be and remain within your control. You further represent as to the source of funds being used by you to acquire the Notes that either: (i) such funds do not constitute assets allocated to any separate account maintained by you in which any employee benefit plan (or its related trust) has any interest, or (ii) to the extent that any part of such funds constitutes assets allocated to any separate account maintained by you, you have disclosed in writing to the Company the names of each employee benefit plan whose assets in such account exceed five percent of the total assets or are expected to exceed five percent of the total assets of such account as of the Closing Date (for the purposes of this clause (ii), all employee benefit plans maintained by the same employer or employee organization are deemed to be a single plan). As used in this Section, the terms "separate account" and "employee benefit plan" shall have the respective meanings assigned to them in the Employee Retirement Income Security Act of 1974. In addition, you acknowledge that the Notes shall contain a legend similar in effect to the legend set forth in Exhibit A.

SECTION 3. CLOSING CONDITIONS.

Your obligation to purchase the Notes on the Closing Date shall be subject to the performance by the Company of its agreements hereunder which by the terms hereof are to be performed at or prior to the time of delivery of the Notes and to the following further conditions precedent:

3.1. CLOSING CERTIFICATE. Concurrently with the delivery of Notes to you on the Closing Date, you shall have received a certificate dated the Closing Date, signed by the President or a Vice President of the Company substantially in the form attached hereto as Exhibit B, the truth and accuracy of which shall be a condition to your obligation to purchase the Notes proposed to be sold to you.

3.2. LEGAL OPINIONS. Concurrently with the delivery of Notes to you on the Closing Date, you shall have received from Chapman and Cutler, who are acting as your special counsel in this transaction, and from John F. O'Flaherty, Esq., Vice President and Chief Counsel for the Company and Wendel, Rosen, Black, Dean & Levitan, counsel for the Company, their respective opinions dated the Closing Date, in form and substance satisfactory to you, and covering the

matters set forth in Exhibits C and D, respectively, hereto.

3.3. SATISFACTORY PROCEEDINGS. All proceedings taken in connection with the transactions contemplated by this Agreement, and all documents necessary to the consummation thereof, shall be satisfactory in form and substance to you and your special counsel, and you shall have received a copy (executed or certified as may be appropriate) of all legal documents or proceedings taken in connection with the consummation of said transactions.

3.4. WAIVER OF CONDITIONS. If on the Closing Date the Company fails to tender to you the Notes to be issued to you on such date or if the conditions specified in this Section 3 have not been fulfilled, you may thereupon elect to be relieved of all further obligations under this Agreement. Without limiting the foregoing, if the conditions specified in this Section 3 have not been fulfilled, you may waive compliance by the Company with any such condition to such extent as you may in your sole discretion determine. Nothing in this Section 3.4 shall operate to relieve the Company of any of its obligations here-under or to waive any of your rights against the Company.

SECTION 4. COMPANY COVENANTS.

From and after the Closing Date and continuing so long as any amount remains unpaid on any Note:

4.1. CORPORATE EXISTENCE, ETC. (a) The Company will preserve and keep in force and effect, and will cause each Restricted Subsidiary to preserve and keep in force and effect, its corporate existence, PROVIDED that the foregoing shall not prevent any transaction permitted by Section 4.11.

(b) The Company will preserve and keep in force and effect, and will cause each Restricted Subsidiary to preserve and keep in force and effect, all material licenses and permits necessary to the proper conduct of the continuing business of the Company and its Restricted Subsidiaries.

4.2. INSURANCE. The Company will maintain, and will cause each Restricted Subsidiary to maintain, insurance coverage by financially sound and reputable insurers in such forms and amounts and against such risks as are customary for corporations of established reputation engaged in the same or a similar business and owning and operating similar properties.

4.3. TAXES, CLAIMS FOR LABOR AND MATERIALS, COMPLIANCE WITH LAWS. The Company will promptly pay and discharge, and will cause each Restricted Subsidiary promptly to pay and discharge, all lawful taxes, assessments and governmental charges or levies imposed upon the Company or such Restricted Subsidiary, respectively, or upon or in respect of all or any part of the property or business of the Company or such Restricted Subsidiary, respectively, all trade accounts payable in accordance with usual and customary business terms, and all claims for work, labor or materials, which if unpaid might become a lien or charge (not permitted by Section 4.8) upon any property of the Company or such Restricted Subsidiary, respectively; PROVIDED the Company or such Restricted Subsidiary shall not be required to pay any such tax, assessment, charge, levy, account payable or claim if (i) the validity, applicability or amount thereof is being contested in good faith by appropriate actions or proceedings which will prevent during such actions or proceedings the forfeiture or sale of any property of the Company or such Restricted Subsidiary or any material interference with the use thereof by the Company or such Restricted Subsidiary, and (ii) the Company or such Restricted Subsidiary shall set aside on its books, reserves deemed by it to be adequate with respect thereto. The Company will promptly comply and will cause each Subsidiary to comply with all laws, ordinances or governmental rules and regulations to which it is subject, including without limitation, the Occupational Safety and Health Act of 1970, the Employee Retirement Income Security Act of 1974 and all laws, ordinances, governmental rules and regulations relating to environmental protection in all applicable.jurisdictions, the violation of which would materially and adversely affect the properties, business, prospects, profits or condition of the Company and its Subsidiaries or would result in any lien or charge upon any property of the Company or any Subsidiary, which property is material to the properties, business, prospects, profits or condition of the Company and its Subsidiaries.

4.4. MAINTENANCE, ETC. The Company will maintain, preserve and keep, and will cause each Restricted Subsidiary to maintain, preserve and keep, its properties which are used or useful in the conduct of its business (whether owned in fee or a leasehold interest) in good repair and working order and from time to time will make all necessary repairs, replacements, renewals and additions so that at all times the efficiency thereof shall be maintained.

4.5. NATURE OF BUSINESS. Neither the Company nor any Restricted Subsidiary will engage in any business if, as a result, the general nature of

the business, taken on a consolidated basis, which would then be engaged in by the Company and its Restricted Subsidiaries would be substantially changed from the general nature of the business engaged in by the Company and its Restricted Subsidiaries on the date of this Agreement. For purposes of this Agreement, the "general nature of the business engaged in by the Company and its Restricted Subsidiaries on the date of this Agreement" is the manufacture and development of any or all of the following: structural products, chemicals or resins and/or products sold by the Company primarily to the defense or aerospace industries.

4.6. CONSOLIDATED TANGIBLE NET WORTH. The Company will at all times keep and maintain Consolidated Tangible Net Worth at an amount not less than $65,000,000.

4.7. LIMITATIONS ON INDEBTEDNESS.

(a) The Company will not and will not permit any Restricted Subsidiary to create, assume or incur or in any manner be or become liable in respect of any Current Debt or Funded Debt, except:

(1) the Notes;

(2) Funded Debt of the Company and its Restricted Subsidiaries outstanding as of the date of this Agreement and reflected on the consolidated balance sheet of the Company and its Restricted Subsidiaries as of June 30, 1988;

(3) Unsecured Funded Debt of the Company and Funded Debt of the Company and its Restricted Subsidiaries secured by liens permitted by Section 4.8 PROVIDED that at the time of issuance thereof and after giving effect thereto and to the application of the proceeds thereof:

(i) Consolidated Senior Funded Debt shall not exceed 55% of Total Capitalization, and

(ii) Consolidated Funded Debt shall not exceed 66.7% of Total Capitalization, and

(iii) in the case of the issuance of any Funded Debt of the Company or a Restricted Subsidiary secured by liens permitted by Section 4.8(i), the aggregate amount of all Funded Debt secured by liens permitted by Section 4.8(f), (g), (h) and (i) shall not exceed 10% of Consolidated Net Tangible Assets;

(4) Unsecured Current Debt of the Company, PROVIDED that the Company shall not have Current Debt outstanding on any date unless during the immediately preceding 12 months there shall have been a period of 30 consecutive days on each day of which the largest unpaid principal amount of all Consolidated Current Debt outstanding on such day could have been issued or incurred as Senior Funded Debt of the Company on such day within the limitations of Section 4.7(a)(3) (and the unpaid principal amount of all such Current Debt outstanding at any time during such 30-day period shall be deemed to be, and shall be included in all computations of, Consolidated Senior Funded Debt outstanding during such 30-day period); and

(5) Current Debt or Funded Debt of a Restricted Subsidiary to the Company or to a Wholly-Owned Restricted Subsidiary.

(b) Any corporation which becomes a Restricted Subsidiary after the date hereof shall for all purposes of this Section 4.7 be deemed to have created, assumed or incurred at the time it becomes a Restricted Subsidiary all Funded Debt of such corporation existing immediately after it becomes a Restricted Subsidiary.

(c) The renewal, refinancing, extension or refunding of any Indebtedness shall constitute the issuance of additional Indebtedness, which is, in turn, subject to the limitations of the applicable provisions of this Section 4.7, PROVIDED HOWEVER, that the renewal, refinancing, extension or refunding of such Indebtedness issued in accordance with the limitations of Section 4.7(a)(2) or Section 4.7(b) without increase in principal amount shall not constitute the issuance of additional Indebtedness for purposes of this Section 4.7.

4.8. LIMITATION ON LIENS. The Company will not, and will not permit any Restricted Subsidiary to, create or incur, or suffer to be incurred or to

exist, any mortgage, pledge, security interest, encumbrance, lien or charge of any kind on its or their property or assets, whether now owned or hereafter acquired, or upon any income or profits therefrom, or transfer any property for the purpose of subjecting the same to the payment of obligations in priority to the payment of its or their general creditors, or acquire or agree to acquire, or permit any Restricted Subsidiary to acquire, any property or assets upon conditional sales agreements or other title retention devices, except:

(a) liens for property taxes and assessments or governmental charges or levies and liens securing claims or demands of mechanics and materialmen, PROVIDED that payment thereof is not at the time required by Section 4.3;

(b) liens of or resulting from any judgment or award, the time for the appeal or petition for rehearing of which shall not have expired, or in respect of which the Company or a Restricted Subsidiary shall at any time in good faith be prosecuting an appeal or proceeding for a review and in respect of which a stay of execution pending such appeal or proceeding for review shall have been secured;

(c) liens, charges, encumbrances and priority claims incidental to the conduct of business or the ownership of properties and assets (including warehousemen's and attorneys' liens and statutory landlords' liens) and deposits, pledges or liens to secure the performance of bids, tenders or trade contracts, or to secure statutory obligations, surety or appeal bonds or other liens of like general nature incurred in the ordinary course of business and not in connection with the borrowing of money, PROVIDED in each case, the obligation secured is not overdue or, if overdue, is being contested in good faith by appropriate actions or proceedings;

(d) minor survey exceptions or minor encumbrances, easements or reservations, or rights of others for rights-of-way, utilities and other similar purposes, or zoning or other restrictions as to the use of real properties, which are necessary for the conduct of the activities of the Company and its Restricted Subsidiaries or which customarily exist on properties of corporations engaged in similar activities and similarly situated and which do not in any event materially impair their use in the operation of the business of the Company and its Restricted Subsidiaries;

(e) mortgages, liens or security interests securing Indebtedness of a Restricted Subsidiary to the Company or to another Restricted Subsidiary;

(f) mortgages, conditional sale contracts, security interests or other arrangements for the retention of title (including Capitalized Leases) existing as of June 30, 1988, securing Funded Debt of the Company or any Restricted Subsidiary outstanding on such date;

(g) mortgages, conditional sale contracts, security interests or other arrangements for the retention of title (including Capitalized Leases) incurred after the date hereof given to secure the payment of the purchase or construction price incurred in connection with the acquisition or construction of fixed assets (whether real or personal) useful and intended to be used in carrying on the business of the Company or a Restricted Subsidiary, including liens existing on such fixed assets at the time of acquisition thereof or at the time of acquisition by the Company or a Restricted Subsidiary of any business entity then owning such fixed assets, whether or not such existing liens were given to secure the payment of the purchase price of the fixed assets to which they attach so long as they were not incurred, extended or renewed in contemplation of such acquisition, PROVIDED that (i) the lien or charge shall attach solely to the property acquired, constructed or purchased, (ii) the lien or charge shall be created contemporaneously with, or within 120 days after, such acquisition or completion of construction, and (iii) at the time of acquisition of such fixed asset or completion of construction, the principal amount of Indebtedness so secured shall not exceed an amount equal to the lesser of (x) the total purchase price or construction cost, and (y) the fair market value at the time of acquisition of, or the completion of the construction of, such fixed asset (as determined in good faith by the Board of Directors of the Company);

(h) any extension, renewal or replacement of any lien permitted by the foregoing paragraphs (f) and (g) in respect of the same property theretofore subject to such lien, which is made in connection with the extension, renewal or refunding (without increase in principal amount) of the Indebtedness secured thereby; and

(i) other liens, so long as the total amount of Indebtedness of the Company and its Restricted Subsidiaries which is secured by liens permitted

by paragraphs (f), (g) and (h) and this paragraph (i) of this Section 4.8 does not exceed 10% of Consolidated Net Tangible Assets.

4.9. RESTRICTED PAYMENTS. The Company will not except as hereinafter provided:

(a) Declare or pay any dividends, either in cash or property, on any shares of its capital stock of any class (except dividends or other distributions payable solely in shares of capital stock of the Company); or

(b) Directly or indirectly, or through any Subsidiary, purchase, redeem or retire any shares of its capital stock of any class or any warrants, rights or options to purchase or acquire any shares of its capital stock, other than payment of cash in consideration for the surrender of an unexercised option by any beneficiary under the provisions of the Company's 1988 Stock Option Plan as

such provisions were in effect as of the date hereof without any amendment or modification, other than any amendment or modification of such Plan in ministerial or administrative respects or to conform with changes in law or governmental regulation, SO long as the effect of such amendment or modification does not include either (i) an increase in the number of shares subject to such Plan, or (ii) an increase in the consideration payable for the surrender of an unexercised option by any beneficiary under such Plan (it being understood that the authorization by the Company of shares of common stock for issuance upon the exercise of options outstanding under such Plan as presently in effect shall not be deemed to be an amendment or modification of such Plan); or

(c) Make any other payment or distribution, either directly or indirectly or through any Subsidiary, in respect of its capital stock; or

(d) Make any prepayment of the principal of any Subordinated Funded Debt, other than required or mandatory prepayments in accordance with the ,terms of any Subordinated Funded Debt as in effect as of the date of the original issuance or incurrence thereof; or

(e) Make or permit any Restricted Subsidiary to make any Restricted Investment;

(such declarations or payments of dividends, purchases, redemptions or retirements of capital stock and warrants, rights or options, and all such other distributions and Restricted Investments being herein collectively called "Restricted Payments"), if after giving effect thereto the aggregate amount of Restricted Payments made during the period from and after June 30, 1988 to and including the date of the making of the Restricted Payment in question, would exceed the sum of:

(i) $20,000,000; plus

(ii) 100% of Consolidated Net Income computed on a cumulative basis for said entire period (or if such Consolidated Net Income is a deficit figure, then minus 100% of such deficit); plus

(iii) the net cash proceeds received by the Company for the issuance or sale during such period (other than to the Company or a Restricted Subsidiary) of shares of capital stock of the Company or warrants, rights or options to purchase shares of capital stock of the Company; plus

(iv) the net cash proceeds from the issuance and sale during such period of Subordinated Funded Debt; plus

(v) the net cash proceeds from sales or repayments during such period of any Restricted Investment to the extent of the amount charged as a Restricted Investment when the same was originally made.

The Company will not declare any dividend which constitutes a Restricted Payment payable more than 90 days after the date of declaration thereof.

For the purposes of this Section 4.9, the amount of any Restricted Payment declared, paid or distributed in property of the Company shall be deemed

to be the greater of the book value or fair market value (as determined in good faith by the Board of Directors of the Company) of such property at the time of the making of the Restricted Payment in question.

4.10. LIMITATION ON LONG-TERM LEASES, SALE AND LEASEBACKS.

(a) The Company will not and will not permit any Restricted Subsidiary to become obligated, as lessee, under any Long-Term Lease if at the time of entering into any such Long-Term Lease and after giving effect thereto, the aggregate Rentals payable by the Company and all of its Restricted Subsidiaries on a consolidated basis in any one fiscal year thereafter under all Long-Term Leases would exceed 5% of Consolidated Net Tangible Assets.

(b) The Company will not, and will not permit any Restricted Subsidiary to, enter into any arrangement whereby the Company or any Restricted Subsidiary shall sell or transfer any property owned by the Company or any Restricted Subsidiary to any Person other than the Company or a Restricted Subsidiary and thereupon the Company or any Restricted Subsidiary shall lease or intend to lease, as lessee, the same property unless (i) the property was owned by the Company or such Restricted Subsidiary for a period not exceeding 12 months, or (ii) the property consists of real property on which substantial fixed improvements have been constructed within the 12 months prior to the date of such transfer, regardless of the period such real property was owned by the Company or such Restricted Subsidiary prior to such date.

4.11. MERGERS, CONSOLIDATIONS AND SALES OF ASSETS.

(a) MERGER, CONSOLIDATION AND SALE OF ALL OR SUBSTANTIALLY ALL ASSETS. Neither the Company nor any Restricted Subsidiary will (i) consolidate with or merge into any other Person or permit any other Person to consolidate with or merge into it where such consolidation or merger involves all or substantially all of the consolidated assets of the Company and its Restricted Subsidiaries (except that a Restricted Subsidiary may consolidate with or merge into the Company or another Restricted Subsidiary) or (ii) sell all or substantially all of the consolidated assets of the Company and its Restricted Subsidiaries to any other Person (except that a Restricted Subsidiary may sell to the Company or another Restricted Subsidiary); PROVIDED that the foregoing restriction does not apply to the merger or consolidation of the Company and its Restricted Subsidiaries with another corporation or the sale of all or substantially all of its assets to another Person so long as:

(i) the Person which results from such merger or consolidation or to which the Company has sold such assets (the "SURVIVOR") is organized under the laws of the United States or a jurisdiction thereof;

(ii) if the Company is not the survivor, the due and punctual payment of the principal of and premium, if any, and interest on all of the Notes, according to their tenor, and the due and punctual performance and observance of all the covenants in the Notes and this Agreement to be performed or observed by the Company, are expressly and unconditionally assumed in writing by the survivor;

(iii) if the Company is not the survivor, said survivor shall have delivered to each holder an opinion of counsel reasonably satisfactory to the holder or holders of 66-2/3% or more in aggregate principal amount of the Notes at the time outstanding, to the effect that:

(x) the survivor is a duly incorporated or created and validly existing corporation or entity in good standing under the laws of its state of incorporation or creation and has all requisite power and authority to assume the obligations under the Notes and this Agreement; and

(y) the assumption by the survivor of the obligations of the Company under the Notes and this Agreement has been duly authorized by all necessary corporate or entity action on the part of the survivor (including any action by the stockholders or equity holders of the survivor required by law, by the charter documents or By-Laws of the survivor, or otherwise), has been duly executed and delivered by the survivor, and is a legal, valid and binding obligation of the survivor subject to normal conditions relating to remedies;

(iv) immediately after the consummation of the transaction, and after giving effect thereto, no Default or Event of Default would exist; and

(v) immediately after giving effect to such consolidation, merger, sale or transfer of the assets of the Company as an entirety, the. survivor would be permitted to incur at least $1.00 of additional Senior Funded Debt under the provisions of Section 4.7(a)(3) hereof.

(b) ISSUANCE OR SALE OF STOCK BY RESTRICTED SUBSIDIARY. The Company will not permit any Restricted Subsidiary to issue or sell any shares of stock of any class (including as "stock" for the purposes of this Section 4.11, any warrants, rights or options to purchase or otherwise acquire stock or other Securities exchangeable for or convertible into stock) of such Restricted Subsidiary to any Person other than the Company or a Wholly-owned Restricted Subsidiary, except for the purpose of qualifying directors, or except in connection with the simultaneous issuance of stock to the Company and/or a Restricted Subsidiary whereby the Company and/or such Restricted Subsidiary maintain their same proportionate interest in such Restricted Subsidiary.

(c) SALE BY COMPANY OF STOCK IN RESTRICTED SUBSIDIARY. The Company will not sell, transfer or otherwise dispose of any shares of stock in any Restricted Subsidiary (except to qualify directors) or any Indebtedness of any Restricted Subsidiary, and will not permit any Restricted Subsidiary to sell, transfer or otherwise dispose of (except to the Company or a Wholly-owned Restricted Subsidiary) any shares of stock or any Indebtedness of any other Restricted Subsidiary, unless:

(i) simultaneously with such sale, transfer, or disposition, all shares of stock and all Indebtedness of such Restricted Subsidiary at the time owned by the Company and by every other Subsidiary shall be sold, transferred or disposed of as an entirety;

(ii) the Board of Directors of the Company shall have determined, as evidenced by a resolution thereof, that the retention of such stock and Indebtedness is no longer in the best interests of the Company;

(iii) such stock and Indebtedness is sold, transferred or otherwise disposed of to a Person, for consideration and on terms reasonably deemed by the Board of Directors to be adequate and satisfactory; and

(iv) the Restricted Subsidiary being disposed of shall not have any continuing investment in the Company or any other Subsidiary not being simultaneously disposed of.

Sales or other realization on delinquent receivables shall not be included in any computation of sales or other dispositions hereunder.

4.12. GUARANTIES. The Company will not and will not permit any Restricted Subsidiary to become or be liable in respect of any Guaranty except Guaranties made by the Company which are limited in amount to a stated maximum dollar exposure and included in Current Debt or Consolidated Senior Funded Debt.

4.13. REPURCHASE OF NOTES. Neither the Company nor any Restricted Subsidiary or Affiliate, directly or indirectly, may repurchase or make any offer to repurchase any Notes unless the offer has been made to repurchase Notes, pro rata, from all holders of the Notes at the same time and upon.the same terms. In case the Company repurchases any Notes, such Notes shall thereafter be cancelled and no Notes shall be issued in substitution therefor.

4.14. TRANSACTIONS WITH AFFILIATES. The Company will not, and will not permit any Restricted Subsidiary to, enter into or be a party to, any transaction or arrangement with any Affiliate (including without limitation, the purchase from, sale to or exchange of property with, or the rendering of any service by or for, any Affiliate), except in the ordinary course of and pursuant to the reasonable requirements of the Company's or such Restricted Subsidiary's business and upon fair and reasonable terms not less favorable to the Company or such Restricted Subsidiary than would prevail in a comparable arm's-length transaction with a Person other than an Affiliate.

4.15. TERMINATION OF PENSION PLANS. The Company will not and will not permit any Subsidiary to permit any employee benefit plan maintained by it to be terminated in a manner which could result in the imposition of a lien on any property of the Company or any Subsidiary pursuant to Section 4068 of the Employee Retirement Income Security Act of 1974, as amended.

4.16. REPORTS AND RIGHTS OF INSPECTION. The Company will keep, and will cause each Subsidiary to keep, proper books of record and account in which full and correct entries will be made of all dealings or transactions of or in relation to the business and affairs of the Company or such Subsidiary, in accordance with generally accepted principles of accounting consistently applied (except for changes disclosed in the financial statements furnished to you pursuant to this Section 4.16 and concurred in by the independent public accountants referred to in Section 4.16(b) hereof), and will furnish to you so long as you are the holder of any Note and to each other institutional holder of the then outstanding Notes (in duplicate if so specified below or otherwise requested):

(a) QUARTERLY STATEMENTS. As soon as available and in any event within 45 days after the end of each quarterly fiscal period (except the last) of each fiscal year, a copy of:

(1) consolidated and consolidating balance sheets of the Company and its Restricted Subsidiaries as of the close of such quarter setting forth in comparative form the amount for the corresponding period of the preceding fiscal year,

(2) consolidated and consolidating statements of income and retained earnings of the Company and its Restricted Subsidiaries for such quarterly period, setting forth in comparative form the amount for the corresponding period of the preceding fiscal year, and

(3) consolidated and consolidating statements of changes in financial position of the Company and its Restricted Subsidiaries for the portion of the fiscal year ending with such quarter, setting forth in comparative form the amount for the corresponding period of the preceding fiscal year,

all in reasonable detail and certified as complete and correct, by an authorized financial officer of the Company;

(b) ANNUAL STATEMENTS. As soon as available and in any event within 90 days after the close of each fiscal year of the Company, a copy of:

(1) consolidated and consolidating balance sheets of the Company and its Restricted Subsidiaries as of the close of such fiscal year,and

(2) consolidated and consolidating statements of income and retained earnings and changes in financial position of the Company and its Restricted Subsidiaries for such fiscal year,

in each case setting forth in comparative form the consolidated figures for the preceding fiscal year, all in reasonable detail and accompanied by an opinion thereon of a firm of independent public accountants of recognized national standing selected by the Company to the effect that the consolidated financial statements have been prepared in accordance with generally accepted accounting principles consistently applied (except for changes in application in which such accountants concur) and present fairly the financial condition of the Company and its Restricted Subsidiaries and that the examination of such accountants in connection with such financial statements has been made in accordance with generally accepted auditing standards and accordingly, includes such tests of the accounting records and such other auditing procedures as were considered necessary in the circumstances;

(c) AUDIT REPORTS. Promptly upon receipt thereof, one copy of each interim or special audit made by independent accountants of the books of the Company or any Restricted Subsidiary;

(d) SEC AND OTHER REPORTS. Promptly upon their becoming available, one copy of each financial statement, report, notice or proxy statement sent by the Company to stockholders generally and of each regular or periodic report, and any registration statement or prospectus filed by the Company or any Subsidiary with any securities exchange or the Securities and Exchange Commission or any successor agency, and, upon your request or that of any Institutional Holder, copies of any orders in any proceedings to which the Company or any of its Subsidiaries is a party, issued by any governmental agency, Federal or state, having jurisdiction over the Company or any of its Subsidiaries;

(e) REQUESTED INFORMATION. With reasonable promptness, such other data and information as you or any such institutional holder may reasonably request;

(f) OFFICERS' CERTIFICATES. Within the periods provided in paragraphs (a) and (b) above, a certificate of an authorized financial officer of the Company stating that he has reviewed the provisions of this Agreement and setting forth: (i) the information and computations (in sufficient detail) required in order to establish whether the Company was

in compliance with the requirements of Section 4.6 through Section 4.11, inclusive, at the end of the period covered by the financial statements then being furnished, (ii) whether there existed any Excess Disposition Amount as at the end of the fiscal quarter of the Company then most recently ended and, if so, specifying the same, (iii) if there existed any Excess Disposition Amount as at the end of any of the four last fisc!al quarters of the Company, the Reinvestment Amount as at the end of the fiscal quarter of the Company then most recently ended, (iv) whether the holders of the Notes then have the right to require the prepayment of the Notes pursuant to the provisions of Section 4.17, and (v) whether there existed as of the date of such financial statements and whether, to the best of his knowledge, there exists on the date of the certificate or existed at any time during the period covered by such financial statements any Default or Event of Default and, if any such condition or event exists on the date of the certificate, specifying the nature and period of existence thereof and the action the Company is taking and proposes to take with respect thereto;

(g) ACCOUNTANT'S CERTIFICATES. Within the period provided in paragraph (b) above, a certificate of the accountants who render an opinion with respect to such financial statements, stating that they have reviewed this Agreement and stating further, whether in making their audit, such accountants have become aware of any Default or Event of Default under any of the terms or provisions of this Agreement insofar as any such terms or provisions pertain to or involve accounting matters or determinations, and if any such condition or event then exists, specifying the nature and period of existence thereof;

(h) UNRESTRICTED SUBSIDIARIES. If the same are otherwise available, within the respective periods provided in paragraph (b) above, financial statements of the character and for the dates and periods as in said paragraph (b) provided covering the Unrestricted Subsidiaries (or groups of Unrestricted Subsidiaries on a consolidated basis); and

(i) ERISA. Promptly upon becoming aware of the occurrence of any (i) "reportable event", as such term is defined in Section 40,13 of ERISA, as to which the 30-day notice requirement to the Pension Benefit Guaranty Corporation has not been waived by regulation, or (ii) "prohibited transaction", as such term is defined in Section 4975 of the Internal Revenue Code of 1986, as amended, in connection with any pension plan or any trust created thereunder but in no event later than 30 days after the receipt of any notice of any such event or prohibited transaction described above, a written notice specifying the nature thereof, what action the Company is taking or proposes to take with respect thereto, and, when known, any action taken by the Internal Revenue Service or by the Pension Benefit Guaranty Corporation with respect thereto;

Without limiting the foregoing, the Company will permit you, so long as you are the holder of any Note, and each Institutional Holder of the then outstanding Notes (or such Persons as either you or such holder may designate) to visit and inspect, under the Company's guidance, any of the properties of the Company or any Subsidiary, to examine all their books of account, records, reports and other papers reasonably necessary to establish compliance with this Agreement, to make copies and extracts therefrom, and to discuss their respective affairs, finances and accounts with their respective officers and independent public accountants (and by this provision the Company authorizes.said accountants to discuss with you the finances and affairs of the Company and its Subsidiaries) all at such reasonable times and as often as may be reasonably requested. The Company shall not be required to pay or reimburse you or any such holder for expenses which you or any such holder may incur in connection with any such visitation or inspection.

Notwithstanding the above, all such visits, inspections, examinations, copies and extracts, and discussions are subject to the Company's receipt of any necessary national security or customer confidentiality clearances (which the Company agrees to use its best efforts to obtain). It is understood and agreed that all information which is furnished to, or obtained by, you or any holder of the Notes pursuant to this Section 4.16 shall be treated as confidential and in accordance with the clearances described in the preceding sentence and you and such other holder will use your best efforts (consistent with established procedures among Institutional Holders of privately placed debt such as the Notes) to maintain the confidential nature of any such information so furnished unless and until such information has been made generally available to the public, but nothing herein contained shall limit the right of any party to disclose such information to appropriate regulatory authorities, attorneys and accountants who would ordinarily have access to such information in the normal course of business, and to any prospective purchaser, securities broker or dealer or investment banker in connection with the resale or proposed resale by you or such Holder of any portion of the Notes who shall agree to accept such

information subject to the provisions of Section 4.16 (you hereby agree to use your best efforts to inform the Company as soon as possible of the identity of any such person to whom any such confidential information is disclosed) and to the National Association of insurance Commissioners; and PROVIDED FURTHER that you shall not be liable to the Company or to any other Person for damages for any failure by you, despite your best efforts so to do, to comply with this Section 4.16.

4.17. MANDATORY PREPAYMENT UPON DISPOSITION OF ASSETS. In the event that the Reinvestment Amount as at the end of any fiscal quarter of the Company shall not be equal to or greater than the Excess Disposition Amount as at the end of the Four-Quarter Period ended 12 months prior to the end of such fiscal quarter, each holder of a Note shall have the right, by written notice to the Company, to require the prepayment of such Note on such date (which shall be no less than 30 nor more than 60 days after the date of such notice) as may be specified in such notice, and the entire principal amount of such Note, together with accrued interest thereon but without premium, shall thereupon become due and payable on the date so specified without further notice, demand or presentment. Such notice may be given at any time during the period beginning with the end of such fiscal quarter and ending 90 days after such holder shall have received written notice from the Company stating that such holder then has the right to require the prepayment of the Notes held by such holder pursuant to this Section. The Company will provide each holder of a Note with written notice of the exercise by any other holder of its right to require a prepayment pursuant to the provisions of this Section within five business days after receipt by the Company of the notice from such other holder exercising such right.

SECTION 5. EVENTS OF DEFAULT AND REMEDIES THEREFOR.

5.1. EVENTS OF DEFAULT. Any one or more of the following shall constitute an "Event of Default" as the term is used herein:

(a) Default shall occur in the payment of interest on any Note when the same shall have become due and such default shall continue for more than fifteen days; or

(b) Default shall occur in the payment of the principal of any Note at the expressed or any accelerated maturity date or in the making of any required prepayment of the Notes as provided in Section 4.17; or

(c) Default shall be made in the payment of the principal of or interest on any Indebtedness of the Company or any Restricted Subsidiary for borrowed money aggregating $2,000,000 or more in outstanding principal amount, as and when the same shall become due and payable by the lapse of time, by declaration, by call for redemption or otherwise, and (i) such default shall continue beyond the period of grace, if any, allowed with respect thereto, provided, that the Company shall not be in default in the circumstances described in this clause (i) of this paragraph (c) if (x) the Company or such Restricted Subsidiary is contesting the claim that such default has occurred and such contest is being made by the Company or such Restricted Subsidiary in good faith, all as evidenced by a written certificate signed by the President, any Vice President or Chief Financial Officer of the Company delivered to the holders of the Notes, and (y) the Company or such Restricted Subsidiary continues to diligently pursue its claim that such default has not occurred or (ii) the effect of such default is to cause the maturity of such indebtedness to be accelerated; or

(d) Default or the happening of any event shall occur under any indenture, agreement, or other instrument under which any Indebtedness

aggregating $2,000,000 or more in outstanding principal amount of the Company or any Restricted Subsidiary for borrowed money may be issued and (i) such default or event shall continue for a period of time sufficient to permit the acceleration of the maturity of any Indebtedness of the Company or any Restricted Subsidiary outstanding thereunder; PROVIDED, that the Company shall not be in default in the circumstances described in this clause (i) of this paragraph (d) if (x) the Company or such Restricted Subsidiary is contesting the claim that any default or other such event has occurred and such contest is being made by the Company or such Restricted Subsidiary in good faith, all as evidenced by a written certificate signed by the President, any Vice President or Chief Financial Officer of the Company delivered to the holders of the Notes, and (y) the Company or such Restricted Subsidiary continues to diligently pursue its claim that the

default or other such event has not occurred or (ii) the effect of such default is to cause the maturity of such Indebtedness to be accelerated; or

(e) (i) Default shall occur in the observance or performance of any covenant or agreement contained in Section 4.1(a), 4.5 or 4.7 through 4.13, or 4.17 hereof or (ii) default shall occur in the observance by the Company of the provisions of Section 4.16(f) and such default shall continue for 30 days; or

(f) Default shall occur in the observance or performance of any other provision of this Agreement which is not remedied within 30 days after notice thereof to the Company by the holder of any Note; or

(g) If any representation or warranty made by the Company herein, or made by the Company in any statement or certificate furnished by the Company in connection with the consummation of the issuance and delivery of the Notes or furnished by the Company pursuant hereto, is untrue in any material respect as of the date of the issuance or making thereof; or

(h) The Company or any Restricted Subsidiary becomes insolvent or bankrupt, is generally not paying its debts as they become due or makes an assignment for the benefit of creditors, or the Company or any Restricted Subsidiary causes or suffers an order for relief to be entered with respect to it under applicable Federal bankruptcy law or applies for or consents to the appointment of a custodian, trustee or receiver for the Company or such Restricted Subsidiary or for the major part of the property of either; or

(i) A custodian, trustee or receiver is appointed for the Company or any Restricted Subsidiary or for the major part of the property of either and is not discharged within 60 days after such appointment; or

(j) Final judgment or judgments for the payment of money aggregating in excess of $500,000 is or are outstanding against the Company or any Restricted Subsidiary or against any property or assets of either and any one of such judgments has remained unpaid, unvacated, unbonded or, unstayed by appeal or otherwise for a period of 30 days from the date of its entry; or

(k) Bankruptcy, reorganization, arrangement or insolvency proceedings, or other proceedings for relief under any bankruptcy or similar law or laws for the relief of debtors, are instituted by or against the Company or any Restricted Subsidiary and, if instituted against the Company or any Restricted Subsidiary, are consented to or are not dismissed within 60 days after such institution.

5.2. NOTICE TO HOLDERS. When any Event of Default described in the foregoing SECTION 5.1 has occurred, or if the holder of any Note or of any other evidence of Indebtedness of the Company gives any notice or takes any other action with respect to a claimed default, the Company agrees to give notice within three business days of such event to all holders of the Notes then outstanding, such notice to be in writing and sent by registered or certified mail or by telegram.

5.3. ACCELERATION OF MATURITIES. When any Event of Default described in paragraph (a) or (b) of SECTION 5.1 has happened and is continuing, any holder of any Note may, and when any Event of Default described in paragraphs (c) through (j), inclusive, of said SECTION 5.1 has happened and is continuing, the holder or holders of 25% or more of the principal amount of Notes at the time outstanding may, try notice in writing sent by registered or certified mail to the Company, declare the entire principal and all interest accrued on all Notes to be, and all Notes shall thereupon become, forthwith due and payable, without any presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived. When any Event of Default described in paragraph (k) of SECTION 5.1 has occurred, then all outstanding Notes shall immediately become due and payable without presentment, demand or notice of any kind. Upon the Notes becoming due and payable as a result of any Event of Default as aforesaid, the Company will forthwith pay to the holders of the Notes the entire principal and interest accrued on the Notes and, a premium equal to the then applicable Make-Whole Premium Amount. No course of dealing on the part of any Noteholder nor any delay or failure on the part of any Noteholder to exercise any right shall operate as a waiver of such right or otherwise prejudice such holder's rights, powers and remedies. The Company further agrees, to the extent permitted by law, to pay to the holder or holders of the Notes all costs and expenses incurred by them in the collection of any Notes upon any default hereunder or thereon, including reasonable compensation to such holder's or holders' attorneys for all services rendered in connection therewith.

5.4. RESCISSION OF ACCELERATION. The provisions of SECTION 5.3 are subject

to the condition that if the principal of and accrued interest on all or any outstanding Notes have been declared immediately due and payable by reason of the occurrence of any Event of Default described in paragraphs (a) through (j), inclusive, of SECTION 5.1, the holders of 66-2/3% in aggregate principal amount of the Notes then outstanding may, by written instrument filed with the Company, rescind and annul such declaration and the consequences thereof, PROVIDED that at the time such declaration is annulled and rescinded:

(a) no judgment or decree has been entered for the payment of any monies due pursuant to the Notes or this Agreement;

(b) all arrears of interest upon all the Notes and all other sums payable under the Notes and under this Agreement (except any principal or interest on

the Notes which has become due and payable solely by reason of such declaration under SECTION 5.3) shall have been duly paid; and

(c) each and every other Default and Event of Default shall have been made good, cured or waived pursuant to SECTION 6.1;

and PROVIDED FURTHER, that no such rescission and annulment shall Extend to or affect any subsequent Default or Event of Default or impair any right consequent thereto.

SECTION 6. AMENDMENTS, WAIVERS AND CONSENTS.

6.1. CONSENT REQUIRED. Any term, covenant, agreement or condition of this Agreement may, with the consent of the Company, be amended or compliance therewith may be waived (either generally or in a particular instance and either retroactively or prospectively), if the Company shall have obtained the consent in writing of the holders of at least 66-2/3% in aggregate principal amount of outstanding Notes; provided that without the written consent of the holders of all of the Notes then outstanding, no such waiver, modification, alteration or amendment shall be effective (i) which will change the time of payment of the principal of or the interest on any Note or reduce the principal amount thereof or change the rate of interest thereon, or (ii) which will change the percentage of holders of the Notes required to consent to any such amendment, alteration or modification or any of the provisions of this SECTION 6 or SECTION 5.

6.2. EFFECT OF AMENDMENT OR WAIVER. Any such amendment or waiver shall apply equally to all of the holders of the Notes and shall be binding upon them, upon each future holder of any Note and upon the Company, whether or not such Note shall have been marked to indicate such amendment or waiver. No such amendment or waiver shall extend to or affect any obligation not expressly amended or waived or impair any right consequent thereon.

SECTION 7. INTERPRETATION OF AGREEMENT; DEFINITIONS.

7.1. DEFINITIONS. Unless the context otherwise requires, the terms hereinafter set forth when used herein shall have the following meanings and the following definitions shall be equally applicable to both the singular and plural forms of any of the terms herein defined:

"ADJUSTED EXTENSION OF CREDIT" shall mean any extension of credit granted in the ordinary course of business by the Company to an Unrestricted Subsidiary in the event that (i) the Company or any Restricted Subsidiary shall ship its product to its customer or to such Unrestricted Subsidiary based on an order received from any Person (other than the Company or any Subsidiary) and (ii) such Unrestricted Subsidiary acts as a distributor or a collection agent or in a similar capacity for and on behalf of the Company or such Restricted Subsidiary.

"AFFILIATE" shall mean any Person (other than a Restricted Subsidiary) (i) which directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, the Company, (ii) which beneficially

owns or holds 5% or more of any class of the Voting Stock of the Company or (iii) 5% or more of the Voting Stock (or in the case of a Person which is not a corporation, 5% or more of the equity interest) of which is beneficially owned or held by the Company or a Subsidiary. The term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the

ownership of Voting Stock, by contract or otherwise.

"CAPITALIZED LEASE" shall mean any lease the obligation for Rentals with respect to which is required to be capitalized on a balance sheet of the lessee in accordance with generally accepted accounting principles.

"CAPITALIZED RENTALS" shall mean as of the date of any determination the amount at which the aggregate Rentals due and to become due under all Capitalized Leases under which the Company or any Restricted Subsidiary is a lessee would be reflected as a liability on a consolidated balance sheet of the Company and its Restricted Subsidiaries.

"CONSOLIDATED NET INCOME" for any period shall mean the gross revenues of the Company and its Restricted Subsidiaries for such period less all expenses and other proper charges (including taxes on income), determined on a consolidated basis in accordance with generally accepted accounting principles consistently applied and after eliminating earnings or losses attributable to outstanding Minority Interests, but excluding in any event:

(a) any gains or losses on the sale or other disposition of investments or fixed or capital assets, and any taxes on such excluded gains and any tax deductions or credits on account of any such excluded losses;

(b) the proceeds of any life insurance policy;

(c) net earnings and losses of any Restricted Subsidiary accrued prior to the date it became a Restricted Subsidiary;

(d) net earnings and losses of any corporation (other than a Restricted Subsidiary), substantially all the assets of which have been acquired in any manner, realized by such other corporation prior to the date or such acquisition;

(e) net earnings and losses of any corporation (other than a Restricted Subsidiary) with which the Company or a Restricted Subsidiary shall have consolidated or which shall have merged into or with the Company or a Restricted Subsidiary to the extent realized by such other corporations prior to the date of such consolidation or merger;

(f) net earnings of any business entity (other than a Restricted Subsidiary) in which the Company or any Restricted Subsidiary has an ownership interest unless such net earnings shall have actually been received by the Company or such Subsidiary in the form of cash distributions;

(g) any portion of the net earnings of any Restricted Subsidiary which for any reason is unavailable for payment of dividends to the Company or any other Restricted Subsidiary;

(h) earnings resulting from any reappraisal, revaluation or write-up of assets;

(i) any deferred or other credit representing any excess of the equity in any Subsidiary at the date of acquisition thereof over the amount invested in such Subsidiary;

(j) any gain arising from the acquisition of any Securities of the Company or any Restricted Subsidiary; and

(k) any gain arising from or represented by items which would in accordance with generally accepted accounting principles require separate treatment or classification in the preparation of the Company's financial statements as extraordinary items.

"CONSOLIDATED NET TANGIBLE ASSETS" shall mean as of the date of any determination thereof the total amount of all Tangible Assets after deducting all investments in and loans, advances and extensions of credit (other than Adjusted Extensions of Credit) to Unrestricted Subsidiaries (valued at the book value thereof), all Restricted Investments (valued at the book value thereof), any reappraisal, revaluation or writeup of fixed assets after June 30, 1988, any currency translation adjustment and all items which in accordance with generally accepted accounting principles would be included on the liability and stockholders' equity side of a consolidated balance sheet, except deferred income taxes, deferred investment tax credits, capital stock of any class (including paid-in capital), surplus (including retained earnings), Funded Debt and Minority Interests.

"CONSOLIDATED TANGIBLE NET WORTH" shall mean, as of the date of any

determination thereof, Consolidated Net Tangible Assets less all outstanding Funded Debt, deferred income taxes, deferred investment tax credits and Minority Interests, all determined in accordance with generally accepted accounting principles consolidating the Company and its Restricted Subsidiaries.

"CURRENT DEBT" as of the date of any determination hereof shall mean (i) all Indebtedness for borrowed money other than Funded Debt and (ii) Guaranties of Current Debt of others.

"DEFAULT" shall mean any event or condition, the occurrence of which would, with the lapse of time or the giving of notice, or both, constitute an Event of Default as defined in SECTION 5.1.

"EXCESS DISPOSITION AMOUNT" as at the end of any Four Quarter Period shall mean the amount by which (i) the aggregate book value of or allocated to fixed assets sold, leased, transferred or otherwise disposed of by the Company and its Restricted Subsidiaries (other than in the ordinary course of business or in any consolidation or merger permitted by SECTION 4.11(a)) during such Four-Quarter Period exceeds (ii) 10% of Consolidated Net Tangible Assets determined as at the end of such Four Quarter Period.

"FOUR-QUARTER PERIOD" shall mean a period of four full, consecutive quarter annual fiscal periods, taken together as one accounting period.

"FUNDED DEBT" of any Person shall mean (i) all Indebtedness for borrowed money or which has been incurred in connection with the acquisition of assets in each case having a final maturity of one or more than one year from the date of origin thereof (or which is renewable or extendible at the option of the obligor for a period or periods more than one year from the date of origin), including the Notes, and including, in any computation of the amount of Funded Debt outstanding as of any date, all payments in respect of any Funded Debt that are required to be Trade within one year from such date of determination of Funded Debt, (ii) all Capitalized Rentals, and (iii) all Guaranties of Funded Debt of others. "CONSOLIDATED" when used as a prefix to any Funded Debt shall mean the aggregate amount of all such Funded Debt of the Company and its Restricted Subsidiaries on a consolidated basis eliminating intercompany items.

"GUARANTIES" by any Person shall mean ail obligations (other than endorsements in the ordinary course of business of negotiable instruments for deposit or collection) of such Person guaranteeing or in effect guaranteeing any Indebtedness, dividend or other obligation, of any other Person (the "primary obligor") in any manner, whether directly or indirectly, including, without limitation, all obligations incurred through an agreement, contingent or otherwise, by such Person: (i) to purchase such Indebtedness or obligation or any property or assets constituting security therefor, (ii) to advance or supply funds (x) for the purchase or payment of such Indebtedness or obligation, (y) to maintain working capital or other balance. sheet condition or otherwise to advance or make available funds for the purchase or payment of such Indebtedness or obligation, or (iii) to lease property or to purchase Securities or other property or services primarily for the purpose of assuring the owner of such Indebtedness or obligation of the ability of the primary obligor to make payment of the Indebtedness or obligation, or (iv) otherwise to assure the owner of the Indebtedness or obligation of the primary obligor against loss in respect thereof. For the purposes of all computations made under this Agreement, a Guaranty in respect of any Indebtedness for borrowed money shall be deemed to be Indebtedness equal to the principal amount of such Indebtedness for borrowed money which has been guaranteed, and a Guaranty in respect of any other obligation or liability or any dividend shall be deemed to be Indebtedness equal to the maximum aggregate amount of such obligation, liability or dividend.

"INDEBTEDNESS" of any Person shall mean and include all obligations of such Person which in accordance with generally accepted accounting principles shall be classified upon a balance sheet of such Person as liabilities of such Person, and in any event shall include all (i) obligations of such Person for borrowed money or which has been incurred in connection with the acquisition of property or assets, (ii) obligations secured by any lien or other charge upon property or assets owned by such Person, even though such Person has not assumed or become liable for the payment of such obligations, (iii) obligations created or arising under any conditional sale or other title retention agreement with respect to property or assets acquired by such Person, notwithstanding the fact that the rights and remedies of the seller, lender or lessor under such agreement in the event of default are limited to repossession or sale of property, and (iv) Capitalized Rentals under any Capitalized Lease. For the purpose of computing the "Indebtedness" of any Person, there shall be excluded any particular Indebtedness to the extent that, upon or prior to the maturity thereof, there shall have

been deposited with the proper depositary in trust the necessary funds (or evidences of such Indebtedness, if permitted by the instrument creating such Indebtedness) for the payment, redemption or satisfaction of such Indebtedness; and thereafter such funds and evidences of Indebtedness so deposited shall not be included in any computation of the assets of such Person.

"INSTITUTIONAL HOLDER" shall mean any bank, trust company, insurance company, pension fund, mutual fund or similar institutional investor.

"LONG-TERM LEASE" shall mean any lease of real or personal property (other than a Capitalized Lease) having an original term, including any period for which the lease may be renewed or extended at the option of the lessor, of more than three years.

"MAKE-WHOLE PREMIUM AMOUNT" shall mean at any time with respect to Notes being paid as a result of the existence of an Event of Default, to the extent that the Treasury Rate at such time is lower than the original yield to maturity on the Notes, the excess of (a) the net present value of the originally scheduled principal and interest payments to become due on the Notes to be prepaid, discounted at a rate which is equal to the Treasury Rate over (b) the aggregate principal amount of the Notes plus accrued interest then to be paid or prepaid. To the extent that the Treasury Rate at the time of such payment is equal to or higher than 10.12%, the Make-Whole Premium Amount is zero.

"MINORITY INTERESTS" shall mean any shares of stock of any class of a Restricted Subsidiary (other than directors' qualifying shares as required by law) that are not owned by the Company and/or one or more of its Restricted Subsidiaries. Minority Interests shall be valued by valuing Minority Interests constituting preferred stock at the voluntary or involuntary liquidating value of such preferred stock, whichever is greater, and by valuing Minority Interests constituting common stock at the book value of capital and surplus applicable thereto adjusted, if necessary, to reflect any changes from the book value of such common stock required by the foregoing method of valuing Minority Interests in preferred stock.

"PERSON" shall mean an individual, partnership, corporation, trust or unincorporated organization, and a government or agency or political subdivision thereof.

"REINVESTMENT AMOUNT" as at the date of the end of any fiscal quarter of the Company shall mean the aggregate amount of capital expenditures for or allocated to fixed assets to be used in the business of the Company and its Restricted Subsidiaries made by the Company and its Restricted Subsidiaries during the period of four consecutive fiscal quarters ending with such date. The Company may, for purposes of any determination of "REINVESTMENT AMOUNT," elect to treat any capital expenditure equal to or greater than 5% of the Consolidated Net Tangible Assets of the Company and its Restricted Subsidiaries as at the end of its fiscal quarter most recently ending prior to the actual date of such capital expenditure as having occurred on any date within six months after the actual date of such expenditure. Such election shall be made by designating the date on which such capital expenditure (specifying the same) shall be deemed to have been made, such written notice to be given by the Company to

the holders of the Notes on or before the date of delivery of the certificate of a financial officer of the Company responsive to the requirements of Section 4.16(f) in respect of the fiscal quarter in which such capital expenditure was actually made. Upon the giving of such notice, such capital expenditure shall be deemed to have been made on the date so designated for purposes of any determination of Reinvestment Amount, including any determination for the fiscal quarter within which the actual expenditure was made.

"RENTALS" shall mean and include all fixed rents (including as such all payments which the lessee is obligated to make to the lessor on termination of the lease or surrender of the property) payable by the Company or a Restricted Subsidiary, as lessee or sublessee under a lease of real or personal property, but shall be exclusive of any amounts required to be paid by the Company or a Restricted Subsidiary (whether or not designated as rents or additional rents) on account of maintenance, repairs, insurance, taxes and similar charges. Fixed rents under any so-called, "percentage leases" shall be computed solely on the basis of the minimum rents, if any, required to be paid by the lessee regardless of sales volume or gross revenues.

"RESTRICTED INVESTMENTS" shall mean all investments made by the Company or a Restricted Subsidiary except as follows:

(a) investments, loans and advances by the Company and its Restricted Subsidiaries in and to Restricted Subsidiaries, including any investment in a corporation which, after giving effect to such investment, will become a Restricted Subsidiary;

(b) investments in commercial paper maturing in 270 days or less from the date or issuance which, at the time of acquisition by the Company or any Restricted Subsidiary, is rated at least "A2" by Standard & Poor's Corporation or "P2" by Moody's Investors Services, Inc. or a similar rating by any other nationally recognized credit rating agency of similar standing;

(c) investments in direct obligations of the United States of America, any state thereof or any agency thereof, maturing in twelve months or less from the date of acquisition thereof;

(d) investments in readily-marketable general obligation indebtedness. of any state or municipality which obligations at all times are accorded a rating of "A" or better by Standard & Poor's Corporation or "A" or better by Moody's Investors Service, Inc. and mature not later than one year after the date of acquisition thereof;

(e) investments in certificates of deposit maturing within one year from the date of origin, issued by a bank or trust company organized under the laws of the United States or any state thereof, having capital, surplus and undivided profits aggregating at least $100,000,000;

(f) loans or advances in the usual and ordinary course of business to officers, directors and employees for expenses (including moving expenses related to a transfer) incidental to carrying on the business of the Company or any Restricted Subsidiary;

(g) receivables arising from the sale of goods and services in the ordinary course of business of the Company and its Restricted Subsidiaries; and

(h) investments in readily marketable securities (other than common stock or its equivalent) of any corporation organized under the laws of the United States or any state thereof, which at all times is accorded a rating of at least "AA" or better by Standard & Poor's Corporation or any other nationally recognized credit rating agency of similar standing.

In valuing any investments, loans or advances for the purpose of applying the limitations pertaining to Restricted Investments, such investments, loans and advances shall be taken at the original cost thereof, without allowance for any subsequent write-offs or appreciation or depreciation therein.

For purposes of this definition, at any time when a corporation becomes a Restricted Subsidiary, all investments of such corporation at such time shall be deemed to have been made by such corporation, as a Restricted Subsidiary, at such time.

"RESTRICTED PAYMENTS" is defined in Section 4.9.

"RESTRICTED SUBSIDIARY" shall mean any Subsidiary (a) which is organized under the laws of any State of the United States, the Dominion of Canada or any Province of Canada; (b) which conducts substantially all of its business and has substantially all of its assets within the United States or the Dominion of Canada; (c) of which more than 80% (by number of votes) of the Voting Stock is at all times owned by the Company and/or one or more Restricted Subsidiaries; and (d) which has been designated as a Restricted Subsidiary (i) in the Closing Certificate delivered by the Company on the Closing Date hereunder pursuant to the requirements of Section 3.1 or (ii) by the Company by written notice executed by the President, any Vice President or the Treasurer and furnished to each holder of outstanding Notes. Any restricted Subsidiary may be designated as an Unrestricted Subsidiary by the Company by written notice executed as aforesaid and furnished to each holder of outstanding Notes PROVIDED THAT (x) at the time of such designation such Restricted Subsidiary neither owns directly or indirectly any Funded Debt or capital stock of any other Restricted Subsidiary and (y) after giving effect to such designation (1) the Company could incur at least $1.00 of additional Funded Debt under the limitations of Section 4.7(a)(3) and (2) no Default or Event of Default shall exist, PROVIDED, HOWEVER, that the Company may not thereafter redesignate such Unrestricted Subsidiary as a Restricted Subsidiary.

"SECURITY" shall have the same meaning as in Section 2(1) of the Securities Act of 1933, as amended.

"SENIOR FUNDED DEBT" shall mean all Funded Debt which by its terms is not subordinated in right of payment to the Notes.

"SUBORDINATED FUNDED DEBT" shall mean the 7% Convertible Subordinated Debentures due 2011 and all unsecured Funded Debt of the Company which shall provide for no mandatory reduction in principal thereof (including any prepayment of principal at the option of the holder of such Debt) prior to October 1, 1998 and which shall

contain or have applicable thereto subordination provisions substantially in the form set forth in Exhibit E attached hereto or such other provisions as may be approved in writing by the holders of not less than 66-2/3% in aggregate principal amount of the outstanding Notes.

The term "SUBSIDIARY" shall mean, as to any particular, parent corporation, any corporation of which more than 50% (by number of votes) of tile Voting Stock shall be owned or controlled by such parent corporation and/or one or more corporations which are themselves subsidiaries of such parent corporation. The term "SUBSIDIARY" shall mean a subsidiary of the Company.

"TANGIBLE ASSETS" shall mean as of the date of any determination thereof, the total amount of all assets of the Company and its Restricted Subsidiaries (less depreciation, depletion and other properly deductible valuation reserves) after deducting good will, patents, trade names, trade marks, copyrights, franchises, experimental expense, organization expense, unamortized debt discount and expense, deferred assets other than prepaid insurance and prepaid taxes, the excess of cost of shares acquired over book value of related assets and such other assets as are properly classified as "intangible assets" in accordance with generally accepted accounting principles.

"TOTAL CAPITALIZATION" shall mean, as of any date of determination thereof, the sum of: (a) Consolidated Funded Debt then outstanding, plus (b) the capital stock (including paid-in-capital) accounts, net of treasury shares, plus (or minus in the case of a deficit) the retained earnings accounts of the Company and its Restricted Subsidiaries but excluding any cumulative currency translation adjustment, all determined on a consolidated basis in accordance with generally accepted accounting principles consistently applied.

"TREASURY RATE" means, at any time with respect to any Note, the arithmetic average of the weekly average yields for actively traded, marketable United States Treasury fixed interest rate obligations (as compiled by and published in the issue of the United States Federal Reserve Board Statistical Release H.15 (519) most recently published, prior to the date of acceleration due to the existence of an Event of Default), with constant maturities most closely approximating the Weighted Average Life to Maturity of the Notes at the time of determination. If at any time of determination of the Treasury Rate, the Federal Reserve Board shah have ceased to publish Statistical Release H.15 (519), the Treasury Rate shall be determined by reference to any comparable release of the Federal Reserve Board substituted therefor or, if the Federal Reserve Board shall not then be publishing such a comparable release, by reference to any official publication or release of any other United States governmental department or agency that purports to set forth weekly average yields to maturity of United States Treasury fixed interest rate obligations with a constant maturity in accordance with the criteria set forth in an attachment to Federal Reserve Board Statistical Release G.13, dated February 2, 1977, or such other criteria as may, from time to time, be adopted by such department or agency.

"UNRESTRICTED SUBSIDIARY" shall mean any Subsidiary which is not a Restricted Subsidiary.

"VOTING STOCK" shall mean Securities of any class or classes, the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the corporate directors (or Persons performing Similar functions).

"WEIGHTED AVERAGE LIFE TO MATURITY" with respect to the Notes means, as at the time of determination, the number of years obtained by dividing the then Remaining Dollar-years of the Notes by the outstanding principal amount of the Notes. The term "Remaining Dollar-years" of the Notes means the product obtained by (1) multiplying (A) the amount of each then remaining required principal repayment (including repayment at final maturity), by (B) the number

of years (calculated to the nearest one-twelfth) which will elapse between the time of determination and the date such required repayment is due, and (2) totaling all the products obtained in (1).

"WHOLLY-OWNED" when used in connection with any Subsidiary shall mean a Subsidiary of which all of the issued and outstanding shares of stock (except shares required as directors' qualifying shares) and all Indebtedness for borrowed money shall be owned by the Company and/or one or more of its Wholly-owned Subsidiaries.

7.2. ACCOUNTING PRINCIPLES. Where the character or amount of any asset or liability or item of income or expense is required to be determined or any consolidation or other accounting computation is required to be made for the purposes of this Agreement, the same shall be done in accordance with generally accepted accounting principles, to the extent applicable, except where such principles are inconsistent with the requirements of this Agreement.

7.3. DIRECTLY OR INDIRECTLY. Where any provision in this Agreement refers to action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether the action in question is taken directly or indirectly by such Person.

SECTION 8. MISCELLANEOUS.

8.1. REGISTERED NOTES. The Company shall cause to be kept at its principal office a register for the registration and transfer of the Notes (hereinafter called the "Note Register"), and the Company will register or transfer or cause to be registered or transferred, as hereinafter provided and under such reasonable regulations as it may prescribe, any Note issued pursuant to this Agreement.

At any time and from time to time the registered holder of any Note which has been duly registered as hereinabove provided may transfer such Note upon surrender thereof at the principal office of the Company duly endorsed or accompanied by a written instrument of transfer duly executed by the registered holder of such Note or its attorney duly authorized in writing.

The Person in whose name any registered Note shall be registered shall be deemed and treated as the owner and holder thereof for all purposes of this Agreement. Payment of or on account of the principal, premium, if any, and interest on any registered Note shall be made to or upon the written order of such registered holder.

8.2. EXCHANGE OF NOTES. At any time, and from time to time, upon not less than ten days' notice to that effect given by the holder of any Note initially delivered or of any Note substituted therefor pursuant to Section 8.1, this Section 8.2 or Section 8.3, and, upon surrender of such Note at its office, the Company will deliver in exchange therefor, without expense to the holder, except as set forth below, Notes for the same aggregate principal amount as the then unpaid principal amount of the Note so surrendered, in the denomination of $5,000,000 (or the entire principal amount of such Note, if the principal amount of the Note owned by such holder shall be less than $5,000,000) or any amount in excess thereof as such holder shall specify, dated as of the date to which interest has been paid on the Note so surrendered or, if such surrender is prior to the payment of any interest thereon, then dated as of the date of issue, payable to such Person or Persons, or order, as may be designated by such holder, and otherwise of the same form and tenor as the Notes so surrendered for exchange. The Company may require the payment of a sum sufficient to cover any stamp tax or governmental charge, imposed upon such exchange or transfer.

8.3. LOSS, THEFT, ETC. OF NOTES. Upon receipt of evidence satisfactory to the Company of the loss, theft, mutilation or destruction of any Note, and in the case of any such loss, theft or destruction upon delivery of a bond of indemnity in such form and amount as shall be reasonably satisfactory to the Company, or in the event of such mutilation upon surrender and cancellation of the Note, the Company will make and deliver without expense to the holder thereof, a new Note, of like tenor, in lieu of such lost, stolen, destroyed or mutilated Note. If the Purchase or any subsequent Institutional Holder is the owner of any such lost, stolen or destroyed Note, then the affidavit of an authorized officer of such owner, setting forth the fact of loss, theft or destruction and of its ownership of the Note at the time of such loss, theft or destruction shall be accepted as satisfactory evidence thereof and no further indemnity shall be required as a condition to the execution and delivery of a new Note other than the written agreement of such owner to indemnify the Company.

8.4. EXPENSES, STAMP TAX INDEMNITY. Whether or not the transactions herein contemplated shall be consummated, the Company agrees to pay directly all of your out-of-pocket expenses in connection with the preparation, execution and

delivery of this Agreement and the transactions contemplated hereby, including but not limited to the reasonable charges and disbursements of Chapman and Cutler, your special counsel, duplicating and printing costs and charges for shipping the Notes, adequately insured to you at your home office or at such other place as you may designate, and so long as you hold any of the Notes, all such expenses relating to any amendment, waivers or consents pursuant to the provisions hereof. The Company also agrees that it will pay and save you harmless against any and all liability with respect to stamp and other taxes, if any, which may be payable or which may be determined to be payable in connection with the execution and delivery of this Agreement or the Notes, whether or not any Notes are then outstanding. The Company agrees to protect and indemnify you against any liability for any and all brokerage fees and commissions payable or claimed to be payable to any Person in connection with the transactions contemplated by this Agreement.

8.5. DIRECT PAYMENT. Notwithstanding anything lo the contrary in this Agreement or the Notes, in the case of any Note owned by the Purchaser or its nominee

or owned by any other institutional holder who has given written notice to the Company requesting that the provisions of this Section shall apply, the Company will promptly and punctually pay when due the principal thereof and premium, if any, and interest thereon, without any presentment thereof directly to the Purchaser or such subsequent holder at the address of the Purchaser set forth in Schedule I or at such other address as the Purchaser or such subsequent holder may from time to time designate in writing to the Company or, if a bank account is designated for the Purchaser on Schedule I hereto or in any written notice to the Company from the Purchaser or any such subsequent holder, the Company will make such payments in immediately available funds to such bank account, marked for attention as indicated, or in such other manner or to such other account of the Purchaser or such holder in any bank in the United States as the Purchaser or any such subsequent holder may from time to time direct in writing. The holder of any Notes to which this Section applies agrees that in the event it shall sell or transfer any such Notes (i) it will, prior to the delivery of such Notes (unless it has already done so), note thereon the date to which interest has been paid on such Notes, and (ii) it will promptly notify the Company of the name and address of the transferee of any,Notes so transferred. With respect to Notes to which this Section applies, the Company shall be entitled to presume conclusively that the original or such subsequent institutional holder as shall have requested the provisions hereof to apply to its Notes remains the holder of such Notes until (y) the Company shall have! received notice of the transfer of such Notes, and of the name and address of the transferee, or (z) such Notes shall have been presented to the Company as evidence of the transfer.

8.6. POWERS-AND RIGHTS NOT WAIVED; REMEDIES CUMULATIVE. No delay or failure on the part of the holder of any Note in the exercise of any power or right shall operate as a waiver thereof; nor shall any single or partial exercise of the same preclude any other or further exercise thereof, or the exercise of any other power or right, and the rights and remedies of the holder of any Note are cumulative to and are not exclusive of any rights or remedies any such holder would otherwise have, and no waiver or consent, given or extended pursuant to Section 6 hereof, shall extend to or affect any obligation or right not expressly waived or consented to.

8.7. NOTICES. All communications provided for hereunder shall be in writing and, if to you, delivered or mailed by registered or certified mail, addressed to you at your address appearing on Schedule I to this Agreement or such other address as you or the subsequent holder of any Note initially issued to you, may designate to the Company in writing, and if to the Company, delivered by hand or by overnight air courier or mailed by registered or certified mail to the Company at 11555 Dublin Boulevard, Dublin, California 94568, Vice President and Chief Financial Officer or to such other address as the Company may in writing designate to you or to a subsequent holder of the Note initially issued to you. Any communication so addressed and mailed shall be deemed to be given four business days after deposit in the United States mail and, if delivered by hand, shall be deemed to be given when delivered, and, if sent by overnight air courier, shall be deemed to be given on the first business day following the day it was sent.

8.8. SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon the Company and its successors and assigns and shall inure to your benefit and to the benefit of your successors and assigns, including each successive holder or holders of any Notes.

8.9. SURVIVAL OF COVENANTS AND REPRESENTATIONS. All covenants, representations and warranties made by the Company herein and in any certificates delivered pursuant hereto, whether or not in connection with the Closing Date, shall survive the closing and the delivery of this Agreement and the Notes.

8.10. SEVERABILITY. Should any part of this Agreement for any reason be declared invalid, such decision shall not affect the validity of any, remaining portion, which remaining portion shall remain in force and effect as if this Agreement had been executed with the invalid portion thereof eliminated and it is hereby declared the intention of the parties hereto that they would have executed the remaining portion of this Agreement without including therein any such part, parts, or portion which may, for any reason, be hereafter declared invalid.

8.11. GOVERNING LAW. This Agreement and the Notes issued and sold hereunder shall be governed by and construed in accordance with California law.

8.12. CAPTIONS. The descriptive headings of the various Sections or parts of this Agreement are for convenience only and shall not affect the meaning or construction of any of the provisions hereof.

The execution hereof by you shall constitute a contract between us for the uses and purposes hereinabove set forth, and this Agreement may be executed in any number of counterparts, each executed counterpart constituting an original but all together only one agreement.

HEXCEL CORPORATION

By /s/ D. Thomas Divird
Its Vice President

Accepted as of October 1, 1988.

PRINCIPAL MUTUAL LIFE INSURANCE COMPANY

By /s/ Richard W. Waugh
Its Second Vice President-Securities Investment

By /s/ Steven J. Knight
Its Assistant Director-Securities Investment

SCHEDULE I

Name and Addresses of Purchasers	Principal Amount of Notes to be Purchased
PRINCIPAL MUTUAL LIFE INSURANCE COMPANY 711 High Street Des Moines, Iowa 50309 Attention: Investment Department, Securities Division, Regarding Bond No. 1-B-22313	$27,000,000

Payments

All payments on or in respect of the Notes to be by bank wire transfer of Federal or other immediately available funds (identifying each payment as Hexcel Corporation, $30,000,000 10.12% Senior Notes due 1998 Bond No. 1-B-22313

principal or interest") to:

Norwest Bank Des Moines, N.A.
Seventh and Walnut Streets
Des Moines, Iowa 50304

for credit to Principal Mutual
Life Insurance Company's Account
No. 014752

Notices

All notices and communications, including notices with respect to payments, and written confirmation of each such payment, to be addressed as first provided above.

Name of Nominee in which Notes are to be issued: None

SCHEDULE I
(to Note Agreement)

Name and Addresses of Purchasers	Principal Amount of Notes to be Purchased
PRINCIPAL MUTUAL LIFE INSURANCE COMPANY 711 High Street Des Moines, Iowa 50309 Attention: Investment Department, Securities Division, Regarding Bond No. 1-B-22313	$3,000,000

Payments

All payments on or in respect of the Notes to be by bank wire transfer of Federal or other immediately available funds (identifying each payment as Hexcel Corporation, $30,000,000 10.12% Senior Notes due 1998 Bond No. 1-B-22313 principal or interest") to:

Norwest Bank Des Moines, N.A.
Seventh and Walnut Streets
Des Moines, Iowa 50304

for credit to Principal Mutual
Life Insurance Company's Account
No. 032395

Notices

All notices and communications, including notices with respect to payments, and written confirmation of each such payment, to be addressed as first provided above.

Name of Nominee in which Notes are to be issued: None

HEXCEL CORPORATION

10.12% Senior Note

Due October 1, 1998

No. R- , 19
---------- ---

$

HEXCEL CORPORATION, a Delaware corporation (the "Company"), for value received, hereby promises to pay to

or registered assigns
on the first day of October, 1998
the principal amount of

DOLLARS ($)

and to pay interest (computed on the basis of a 360-day year of twelve 30-day months) on the principal amount from time to time remaining unpaid hereon at the rate of 10.12% per annum from the date hereof until maturity, payable semiannually on the first of each April and October in each year commencing April 1, 1989, and at maturity. The Company agrees to pay interest on overdue principal, premium, if any, and (to the extent legally enforceable) on any overdue installment of interest, at the rate of 12.12% per annum after maturity, whether by acceleration or otherwise, until paid. Both the principal hereof and interest hereon are payable at the principal office of the Company in Dublin, California in coin or currency of the United States of America which at the time of payment shall be legal tender for the payment of public and private debts.

This Note is one of the 10.12% Senior Notes of the Company in the aggregate principal amount of $30,000,000 issued or to be issued under and pursuant to the terms and provisions of the Note Agreement dated as of October 1, 1988, entered into by the Company with the original purchaser therein referred to and this Note and the holder hereof are entitled equally and ratably with the holders of all other Notes outstanding under the Note Agreement to all the benefits and security provided for thereby or referred to therein, to which Note Agreement reference is hereby made for the statement thereof.

EXHIBIT A
(to Note Agreement)

This Note and the other Notes outstanding under the Note Agreement may be declared due prior to their expressed maturity dates and, in such event, prepayment is required to be made thereon, all in the events, on the terms and in the manner and amounts as provided in the Note Agreement.

The Notes are not subject to prepayment or redemption at the option of the Company prior to their maturity.

This Note is registered on the books of the Company and is transferable only by surrender thereof at the principal office of the Company duly endorsed or accompanied by a written instrument of transfer duly executed by the registered holder of this Note or its attorney duly authorized in writing. Payment of or on account of principal if any, and interest on this Note shall be made only to or upon the order in writing of the registered holder.

HEXCEL CORPORATION

By

Its

THIS NOTE HAS NOT BEEN REGISTERED PURSUANT TO THE SECURITIES ACT OF 1933, AS AMENDED, OR REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE AND MAY BE OFFERED OR SOLD ONLY IF SO REGISTERED OR QUALIFIED OR IF AN EXEMPTION FROM SUCH REGISTRATION OR QUALIFICATION IS AVAILABLE.

HEXCEL CORPORATION

CLOSING CERTIFICATE

Principal Mutual Life Insurance Company
711 High Street
Des Moines, Iowa 50309

Gentlemen:

This certificate is delivered to you in compliance with the requirements of the Note Agreement dated as of October 1, 1988 (the "Agreement") entered into by the undersigned, Hexcel Corporation, a Delaware corporation (the "Company"), with you, and as an inducement to and as part of the consideration for your purchase on this date aggregating $30,000,000 principal amount of the 10.12% Senior Notes due October 1, 1998 (the "Notes") of the Company pursuant to the Agreement. The terms which are capitalized herein shall have the same meanings as in the Agreement.

The Company represents and warrants to you as follows:

1. SUBSIDIARIES. Annex A attached hereto states the name of each of the Company's Subsidiaries, its jurisdiction of incorporation and the percentage of its Voting Stock owned by the Company and/or its Subsidiaries. The Company and each Subsidiary has good and marketable title to all of the shares it purports to own of the stock of each Subsidiary, free and clear in each case of any lien. All such shares have been duly issued and are fully paid and nonassessable (except directors' qualifying shares).

2. CORPORATE ORGANIZATION AND AUTHORITY. The Company, and each Subsidiary,

(a) is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation;

(b) has all requisite corporate power and authority and all necessary licenses and permits to own and operate its properties and to carry on its business as now conducted; and

(c) is duly licensed or qualified and is in good standing as a foreign corporation in each jurisdiction wherein the nature of the business transacted by it or the nature of the property owned or leased by it makes such licensing or qualification necessary; except for such violations, none of which individually or in the aggregate have or will have a material adverse effect on the Company and its Subsidiaries.

EXHIBIT B
(to Note Agreement)

3. BUSINESS AND PROPERTY. You have heretofore been furnished with a copy of the Private Placement Memorandum dated August, 1988 (the "Memorandum") prepared by Merrill Lynch Capital Markets which generally sets forth the business conducted and proposed to be conducted by the Company and its Subsidiaries and the principal properties of the Company and its Subsidiaries.

4. FINANCIAL STATEMENTS. (a) The consolidated balance sheets of the Company and its Subsidiaries as of December 31 in each of the years 1983 to 1987 both inclusive, and the statements of income and retained earnings and changes in financial position for the fiscal years ended on said dates accompanied by a report thereon containing an opinion unqualified as to scope limitations imposed by the Company and otherwise without qualification except as therein noted, by Arthur Andersen & Co., have been prepared in accordance with generally accepted accounting principles consistently applied except as therein noted, are correct and complete and present fairly the financial position of the Company and its Subsidiaries as of such dates and the results of their operations and changes in their financial position for such periods. The unaudited consolidated balance sheets of the Company and its Subsidiaries as of

June 30, 1988, and the unaudited statements of income and retained earnings and changes in financial position for the six-month period ended on said date prepared by the Company have been prepared in accordance with generally accepted accounting principles consistently applied (the "JUNE 30, 1988 FINANCIALS"), are correct and complete except with respect to any year-end audit adjustments, none of which individually or in the aggregate will materially adversely affect the financial position of the Company as shown thereon, and present fairly the financial position of the Company and its Subsidiaries as of said date and the results of their operations and changes in their financial position for such period.

(b) Since December 31, 1987, there has been no change in the condition, financial or otherwise, of the Company and its Subsidiaries as shown on the consolidated balance sheet as of such date except changes in the ordinary course of business, none of which individually or in the aggregate has been materially adverse, and changes shown on the June 30, 1988 Financials.

5. INDEBTEDNESS. Annex B attached hereto correctly describes all Current Debt, Funded Debt, Capitalized Leases and Long-Term Leases of the Company and its Restricted Subsidiaries outstanding on June 30, 1988.

6. FULL DISCLOSURE. The financial statements referred to in paragraph 4 do not, nor does the Memorandum or any other written Statement furnished by the Company to you in connection with the negotiation of the sale of the Notes, contain any untrue statement of a material fact or omit a material fact necessary to make the statements contained therein or herein not misleading. There is no fact peculiar to the Company or its Subsidiaries which the Company has not disclosed to you in writing which materially affects adversely nor, so far as the Company can now foresee, will materially affect adversely the properties, business, prospects, profits or condition (financial or otherwise) of the Company and its Subsidiaries.

7. PENDING LITIGATION. There are no proceedings pending or, to the knowledge of the Company threatened, against or affecting the Company or any Subsidiary in any court or before any governmental authority or arbitration board or

tribunal which involve the possibility of materially and adversely affecting the properties, business, prospects, profits or condition (financial or otherwise) of the Company and its Subsidiaries. Neither the Company nor any Subsidiary is in default with respect to any order of any court or governmental authority or arbitration board or tribunal. The Company is involved in lawsuits and environmental claims involving litigation and claims incidental to its business, including involvement in various Environmental Protection Agency Superfund sites; in the opinion of the Company, it is unlikely that these lawsuits or claims individually or in the aggregate will have a material adverse effect on the Company and its Subsidiaries.

8. TITLE TO PROPERTIES. The Company and each Subsidiary has good and marketable title in fee simple (or its equivalent under applicable law) to all the real property and has good title to all the other property it purports to own, including that reflected in the most recent balance sheet referred to in paragraph 4 except as sold or otherwise disposed of in the ordinary course of business, except for liens disclosed in notes to the financial statements referred to in paragraph 4 hereof or otherwise permitted by the Agreement.

9. PATENTS AND TRADEMARKS. The Company and each Subsidiary owns or possesses all the patents, trademarks, trade names, service marks, copyright, licenses and rights with respect to the foregoing necessary for the present conduct of its business, without any known conflict with the rights of others except for such violations, none of which individually or in the aggregate have or will have a material adverse effect on the Company and its Subsidiaries.

10. SALE IS LEGAL AND AUTHORIZED. The sale and delivery of the Notes and compliance by the Company with all of the provisions of the Agreement and the Notes--

(a) are within the corporate powers of the Company and have been duly authorized by proper corporate action on the part of the Company; and

(b) will not violate any provisions of any law or any order of any court or governmental authority or agency and will not conflict with or result in any breach of any of the terms, conditions or provisions of, or constitute a default under the Certificate of Incorporation or By-laws of the Company or any indenture or other agreement or instrument to which the Company is a party or by which it may be bound or result in the imposition of any liens or encumbrances on any property of the Company.

11. NO DEFAULTS. No Default or Event of Default as defined in the

Agreement has occurred and is continuing. The Company is not in default in the payment of principal or interest on any Indebtedness for borrowed money and is not in default under any instrument or instruments or agreements under and subject to which any Indebtedness for borrowed money has been issued and no event has occurred and is continuing under the provisions of any such instrument or agreement which with the lapse of time or the giving of notice, or both, would constitute an event of default thereunder.

12. GOVERNMENTAL CONSENT. No approval, consent or withholding of objection on the part of any regulatory body, state, Federal or local, is necessary in connection with the execution and delivery by the Company of the Agreement or the Notes or compliance by the Company with any of the provisions of the Agreement or the Notes.

13. TAXES. All tax returns required to be filed by the Company or any Subsidiary in any jurisdiction have, in fact, been filed, and all taxes, assessments, fees and other governmental charges upon the Company or any Subsidiary or upon any of their respective properties, income or franchises, which are shown to be due and payable in such returns have been paid. The Company does not know of any proposed additional tax assessment against it for which adequate provision has not been made on its accounts. The Federal income tax liability of the Company and its Subsidiaries has been finally determined by the Internal Revenue Service and satisfied for all taxable years up to and including the taxable year ended December 31, 1984 and no material controversy in respect of additional income taxes due since said date is pending or to the knowledge of the Company threatened. The provisions for taxes on the books of the Company and each Subsidiary are adequate for all open years, and for its current fiscal period.

14. USE OF PROCEEDS. The net proceeds from the sale of the Notes will be used to provide additional working capital and other corporate purposes. None of the transactions contemplated in the Agreements (including, without limitation thereof, the use of proceeds from the issuance of the Notes) will violate or result in a violation of Section 7 of the Securities Exchange Act of 1934, as amended, or ally regulation issued pursuant thereto, including, without limitation, Regulations G, T and X of the Board of Governors of the Federal Reserve System, 12 C.F.R., Chapter II. Neither the Company nor any Subsidiary owns or intends to carry or purchase any "margin security" within the meaning of said Regulation G. None of the proceeds from the sale of the Notes will be used to purchase, or refinance any borrowing, the proceeds of which were used to purchase any "security" within the meaning of the Securities Exchange Act of 1934, as amended.

15. PRIVATE OFFERING. Neither the Company, directly or indirectly, nor any agent on its behalf has offered or will offer the Notes or any similar Security or has solicited or will solicit an offer to acquire the Notes or any similar Security from or has otherwise approached or negotiated or will approach or negotiate in respect of the Notes or any similar Security with any Person other than you and not more than 12 other institutional investors, each of whom was offered a portion of the Notes at private sale for investment. Neither the Company, directly or indirectly, nor any agent on its behalf has offered or will offer the Notes or any similar Security or has solicited or will solicit an offer to acquire the Notes or any similar Security from any Person so as to bring the issuance and sale of the Notes within the provisions of Section 5 of the Securities Act of 1933, as amended. For this purpose, the Company has relied on representations made to it by Merrill Lynch Capital Markets with respect to actions taken by or on behalf of Merrill Lynch Capital Markets.

16. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974. The consummation of the transactions provided for in the agreement and compliance by the Company with the provisions thereof and the Notes issued thereunder will not involve

any prohibited transaction within the meaning of the Employee Retirement Income Security Act of 1974 ("ERISA") or Section 4975 of the Internal Revenue Code. No "employee pension benefit plans," as defined in ERISA ("Plans"), maintained by the Company or any Person which is under common control with the Company within the meaning of Section 4001(b) of ERISA, nor any trusts created thereunder, have incurred any "accumulated funding deficiency" as defined in Section 302 of ERISA nor does the present value of all benefits vested under all Plans exceed, as of January 1, 1988, the last annual valuation date, the value of the assets of the Plans allocable to such vested benefits by an amount greater than $272,000 in the aggregate.

17. PARI PASSU. All the payment obligations of the Company arising under or pursuant to the Note Agreement and the Notes will at all times rank pari passu with all other unsecured and unsubordinated payment obligations and liabilities (including contingent obligations and liabilities) of the Company.

Dated:

HEXCEL CORPORATION

By

Its

SUBSIDIARIES OF THE COMPANY
AS OF JUNE 30, 1988

1. RESTRICTED SUBSIDIARIES

Name of Subsidiary	Jurisdiction and date of Incorporation	Percentage of Voting Stock Owned by Company, Subsidiaries and other Holders	
Dittmer & Dacy	California: 8-22-1986	Hexcel	100
Hexcel/Hi-Tech Corp.	Nevada: 7-30-1986	Hexcel-Minnesota	100
Hexcel International	California: 6-07-1982	Hexcel	100
Hexcel Corp., a Minnesota Corp. (formerly Knytex)	Minnesota: 8-01-1983 Acquired: 7-01-1987	Hexcel	100

2. SUBSIDIARIES (OTHER THAN RESTRICTED SUBSIDIARIES):

Name of Subsidiary	Jurisdiction and date of Incorporation	Percentage of Voting Stock Owned by Company, Subsidiaries and other Holders	
Hexcel do Brasil Services S/D Ltd.	Brazil: 3-20-1986	Hexcel Hexcel Intl.	> 99 < 1
Hexcel Espana	Spain: 8-14-1981	Hexcel Hexcel Intl. Witt	> 99 < 1 < 1
Hexcel S.A.	Belgium: 6-19-1967	Hexcel Hexcel Intl.	> 99 < 1
Hexcel U.K.	United Kingdom: 12-29-1972	Hexcel Otis	> 99 < 1
Seal Sands Chemical Co. Ltd.	United Kingdom: 9-14-1972 Acquired: 10-16-1981	Hexcel Forsyth	> 99 < 1
Hexcel Far East	California: 7-08-1974	Hexcel	> 100
Hexcel Foreign Sales Corporation	Guam, M.I: 11-19-1984	Hexcel	100

ANNEX A
(to Closing Certificate)

<TABLE>
<CAPTION>

Name of Subsidiary	Jurisdiction and date of Incorporation	Percentage of Voting Stock Owned by Company, Subsidiaries and other Holders	
<S>	<C>	<C>	<C>
Hexcel France S.A.	France: 12-11-1956	Hexcel	> 99
(Rezolk France)	Acquired: 12-11-1969	Witt	< 1
		Hexcel S.A.	< 1
		Hexcel Intl	< 1
		Forsyth	< 1
		Otis	< 1
		Hexcel U.K.	< 1
		O'Flaherty	< 1
Hexcel-Genin S. A.	France: 6-27-1950	Hexcel	> 99
	Acquired:	Forcione	< 1
	50% 11-26-1980	Genin	< 1
	100% 03-01-1985	Hexcel Int.	< 1
		Otis	< 1
		Spouncer	< 1
		Witt	< 1
Hexcel GMBH	Germany: 6-06-1986	Hexcel	100

</TABLE>

[logo]

ANNEX B
Page 1 of 5

HEXCEL CORPORATION
DESCRIPTION OF DEBT AND LEASES
AS OF
JUNE 30, 1988

DEFINITION: Hexcel Corporation, a Delaware corporation, is defined as (the "Company")

1. Current Debt of the Company and its Restricted Subsidiaries outstanding on June 30, 1988, is as follows:

<TABLE>

<S>	<C>
Total Current Debts	$ -0-
Plus:	
Current Debt Guaranteed on behalf of Unrestricted Subs.	989,255
TOTAL.....	$ 989,255

</TABLE>

2. Funded Debt of the Company and its Restricted Subsidiaries outstanding on June 30, 1988, is as follows:

<TABLE>

<S>	<C>
Funded Debt: (page 2)	
Current Portion	$671,436
Long-term	65,688,281
Capitalized Leases: (page 3)	
Current Portion	235,477
Long-term	2,024,499
Guarantees of Unrestricted Subsidiaries: (page 4)	
Current and long-term Portion	2,111,371

TOTAL.....	$70,731,064

3. Rentals due in the next 12-months on Long-Term Leases for the company and its Restricted subsidiaries outstanding on June 30, 1988, are as follows (page 5):

TOTAL.....	$1,676,542

4. Capitalized Leases of the Company and its Restricted subsidiaries outstanding on June 30, 1988, are as follows (page 3):

TOTAL.....	$2,259,976

ANNEX B
(to Closing Certificate)

[logo] ANNEX B
Page 2 of 5

HEXCEL CORPORATION

LONG-TERM DEBT
(Borrowed Money)

AS OF
JUNE 30, 1988

	Portion		
	Current	Long-Term	Total
Revolving Line of Credit (2 Banks)	$ -0-	$ 7,000,000	$ 7,000,000
7% Conv. Subordinated Debentures due 2011	-0-	34,950,000	34,950,000
Variable Rate Demand Notes due - 7 Issues due 2007 and 2008	-0-	18,100,000	18,100,000
Pottsville, PA:			
Note "A"	93,334	793,329	886,663
Note "B"	255,170	2,308,871	2,564,041
3% PIDA Loan	43,377	494,654	494,654
Mortgage	18,532	240,260	258,792
Graham, TX Mortgage	11,023	51,167	62,190
8-3/4% Notes:			
Principal Mutual Life	250,000	1,750,000	2,000,000
TOTAL.....	$671,436	$65,688,281	$66,359,717

[logo] ANNEX B
Page 3 of 5

HEXCEL CORPORATION

CAPITAL LEASE

PRINCIPAL PAYMENTS
AS OF
JUNE 30, 1988

Location	Description	Expiration Date of Lease	Portion-Current	Portion-Long-Term	Total
Case Grande, AZ	Building 66	1990	$ 15,522	$ 236,024	$ 251,546
	Building 73	2009	13,144	850,331	863,475
Graham, TX	Numerical Controlled (NC) Profilers:				
	- N/C #1*	1989	56,662	-0-	56,662
	- N/C #2	1992	68,562	307,722	376,284
	- N/C #3	1995	81,587	630,422	712,009
	TOTAL.....		$ 235,477	$2,024,499	$2,259,976

*Adjusted to reflect timing differences.

HEXCEL CORPORATION

GUARANTEED DEBT OUTSTANDING
OF UNRESTRICTED SUBSIDIARIES
AS OF
JUNE 30, 1988

Unrestricted Subsidiary	Portion-Current	Portion-Long-Term	Total
Hexcel S.A.	$ 26,298	$ 1,911,371	$1,937,669
Hexcel Espana	288,400	-0-	288,400
Hexcel Kunststoffe	674,557	-0-	674,557
TOTAL.....	$ 989,255	$ 1,911,371	$ 2,900,626

HEXCEL CORPORATION
LEASE PAYMENTS (RENTS) DUE ON OPERATING LEASES
WITH AN INITIAL TERM GREATER THAN 3 YEARS
AS OF JUNE 30, 1988

LOCATION	DESCRIPTION	1988	1989	1990	1991	1992	1993-2002	TOTAL
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Arlington, TX	Sales Office	$ 37,391	$ 37,391	$ 37,391	$ 37,391	$311,158		$480,723
Casa Grande, AZ	Equipment	1,910	3,821	3,821	3,821	1,910		15,383
Casa Grande, AZ	Warehouse	22,734	34,101	34,101	11,387			102,303
Casa Grande, AZ	H20 Treatment	100	100	100	100	100	1,000	1,500
Cerritos, CA	Forklift	3,200	3,200	3,200	3,200	533		13,333
COI, CA	Warehouse	51,866	103,732	103,732	46,247			305,577
Dublin, CA	Hexcel West	846,000	885,600	922,500	960,000	1,012,580		4,826,800
Dublin, CA	IBM	395,395	395,395	395,395	395,395	131,798		1,713,378
Dublin, CA	IBM	24,820	24,820	24,820	24,820	12,409		111,689
Dublin, CA	IBM	22,800	22,800	22,800	22,800	3,800		95,000
Graham, TX	Warehouse	17,030	17,030	17,030	17,030	2,938		10,958
Livermore, CA	Telephone	12,660	12,660	12,660	6,330			44,310
Phoenix, AZ	Telephone	3,417	3,417	3,417	1,424			11,676
S.F., CA	Telephone	2,983	5,967	5,967	5,967	2,983		23,867
Seguin, TX	MFG Plant	117,426	117,426	117,426	117,426	58,713		528,417
Zeeland, MI	Warehouse	47,715	48,840	48,840	48,840	36,630		230,865
Zeeland, MI	Telephone	11,003	11,003	11,003	11,003			44,012
Zeeland, MI	Forklift	3,665	3,665	3,665	2,443			13,438
TOTAL.....		$1,622,115	$1,730,968	$1,767,858	$1,715,604	$1,575,373	$1,000	8,412,929
QUALIFIED PMTS FOR PERIOD 6/30/88 - 2002 (NOT DISCOUNTED)		$811,058	$1,730,968	$1,767,868	$1,715,604	$1,575,373	$1,000	1,401,871

</TABLE>

DESCRIPTION OF SPECIAL COUNSEL'S CLOSING OPINION

The closing opinion of Chapman and Cutler, special counsel to the Purchaser, called for by Section 3.2 of the Note Agreement, shall be dated the Closing Date and addressed to the Purchaser, shall be satisfactory in form and substance to the Purchaser and shall be to the effect that:

(1) The Company is a corporation, duly incorporated, legally existing and in good standing under the laws of the State of Delaware, has corporate power and authority and is duly authorized to enter into and perform the Note Agreement and to issue the Notes and incur the Indebtedness to be evidenced thereby;

(2) The Note Agreement has been duly authorized, executed and delivered by the Company and constitutes the legal, valid arid binding contract and agreement of the Company enforceable in accordance with its terms, except as such terms may be limited by bankruptcy, insolvency or similar laws and legal or equitable principles affecting the enforcement of creditors' rights generally;

(3) The Notes have been duly authorized by proper Corporate action on the part of the Company, have been duly executed by authorized officers of the Company and delivered and constitute the legal, valid and binding obligations of the Company enforceable in accordance with their terms, except as such terms may be limited by bankruptcy, insolvency or similar laws and legal or equitable principles affecting the enforcement of creditors' rights generally;

(4) No approval, consent or withholding of objection on the part of, or filing, registration or qualification with, any governmental body, Federal, state or local, is necessary in connection with the execution arid delivery by the Company of the Note Agreement or the Notes; and

(5) The issuance, sale and delivery of the Notes under the circumstances contemplated by the Note Agreement is an exempt transaction under the registration provisions of the Securities Act of 1933, as amended, and does not under existing law require the regulation of the Notes under the Securities Act of 1133, as amended, or the qualification of an indenture in respect thereof under the Trust Indenture Act of 1939.

Chapman and Cutler may rely on the opinion of Wendel, Rosen, Black, Dean & Levitan, counsel for the Company, delivered responsive to the

requirements of Section 3.2 of the Note Agreement, as to all matters of California law, PROVIDED that the opinion of Chapman and Cutler shall state that the opinions of John F. O'Flaherty, Esq. and Wendel, Rosen, Black, Dean & Levitan are satisfactory in scope and form to Chapman and Cutler and that, in their opinion, the Purchaser is justified in relying thereon. The opinion of Chapman and Cutler shall cover such other matters relating to the sale of the Notes as the Purchaser may reasonably request. With respect to matters of fact upon which such opinion is based, Chapman and Cutler may rely on appropriate certificates of public officials and officers of the Company.

EXHIBIT C
(to Note Agreement)

DESCRIPTION OF CLOSING OPINION OF COUNSEL TO THE COMPANY

The closing opinions of John F. O'Flaherty, Esq., Vice President and Chief Counsel for the Company and Wendel, Rosen, Black, Dean & Levitan, counsel for the Company, which are called for by Section 3.2 of the Note Agreement, shall be dated the Closing Date and addressed to the Purchaser, shall be satisfactory in scope and form to the Purchaser and shall cover the matters referred to in paragraphs 1 through 5 of Exhibit C and the opinion of John F. O'Flaherty, Esq. shall also be to the effect that:

(1) The Company has full power and authority and is duly authorized to conduct the activities in which it is now engaged and is duly licensed or qualified and is in good standing as a foreign corporation in each jurisdiction in which the character of the properties owned or leased by it or the nature of the business transacted by it makes such licensing or qualification necessary except for jurisdictions in which the failure of such licensing or qualification will not, individually or in the aggregate, have a material adverse effect on the Company or its Subsidiaries;

(2) Each Subsidiary is a corporation duly organized, legally existing and in good standing under the laws of its jurisdiction of incorporation and is duly licensed or qualified and is in good standing in each jurisdiction in which the character of the properties owned or leased by it or the nature of the business transacted by it makes such licensing or qualification necessary except for jurisdictions in which the failure of such licensing or qualification will not, individually or in the aggregate, have a material adverse effect on the Company or its Subsidiaries, all of the issued and outstanding shares of capital stock of each such Subsidiary have been duly issued, are fully paid and non-assessable (except for directors' qualifying shares) and are owned by the Company by one or more Subsidiaries, or by the Company and one or more Subsidiaries except for Directors' qualifying shares and as may be otherwise described on Annex A; and

(3) The issuance and sale of the Notes and the execution, delivery and performance by the Company of the Note Agreement do not conflict with or result in any breach of any of the provisions of or constitute a default under or result in the creation or imposition of any lien or encumbrance upon any of the property of the Company pursuant to the provisions of the Certificate of Incorporation or Bylaws of the Company or any agreement or other instrument known to such counsel to which the Company is a party or by which the Company may be bound.

The opinions of John F. O'Flaherty, Esq. and Wendel, Rosen, Black, Dean & Levitan shall cover such other matters relating to the sale of the Notes as the Purchaser may reasonably request. With respect to matters of fact on which such opinions are based, such counsel shall be entitled to rely on appropriate certificates of public officials and officers of the Company.

EXHIBIT D
(to Note Agreement)

SUBORDINATION PROVISIONS APPLICABLE TO
SUBORDINATED FUNDED DEBT

(a) The indebtedness evidenced by the subordinated notes* and any renewals or extensions thereto shall at all limes be wholly subordinate and junior in right of payment to any and all indebtedness of the Company [here insert description of indebtedness to which Subordinated Funded Debt is Subordinated which in all events must include the Notes] (herein called "Superior Indebtedness"), in the manner and with the force and effect hereafter set forth:

(1) In the event of any liquidation, dissolution or winding up of the Company or of any execution, sale, receivership, insolvency, bankruptcy, liquidation, readjustment, reorganization (in any bankruptcy or workout proceeding), or other similar proceeding relative to the Company or its property, all principal and interest owing on all Superior Indebtedness shall first be paid in full before any payment is made upon the indebtedness evidenced by the subordinated notes; and in any such event any payment or distribution of any kind or character, whether in cash, property or securities (other than in securities or other evidences of indebtedness the payment of which is subordinated to the payment of all Superior Indebtedness which may at the time be outstanding) which shall be made upon or in respect of the subordinated notes shall be paid over to the holders of such Superior Indebtedness, pro rata, for application in payment thereof unless and until such Superior Indebtedness shall have been paid or satisfied in full;

(2) In the event that the subordinated notes are declared or become due and payable because of the occurrence of any event of default hereunder (or under the agreement or Indenture, as appropriate) or otherwise than at the option of the Company, under circumstances when the foregoing clause (1) shall not be applicable, the holders of the subordinated notes shall be entitled to payments only after there shall first have been paid in full all Superior Indebtedness outstanding at the time the subordinated notes so become due and payable because of any such event, or payment shall have been provided for in a manner satisfactory to the holders of such Superior Indebtedness; and

(3) During the continuance of any default in the payment of either principal or interest on any Superior Indebtedness, no payment of principal, premium or interest shall be made on the subordinated notes, if either (i) notice of such default in writing or by telegram has been given to the Company by any holder or holders of any Superior Indebtedness, provided that judicial proceedings shall be commenced with respect to such default within one hundred twenty (120) days thereafter, or (ii) judicial proceedings shall be pending in respect of such default.

(b) The holder of each subordinated note undertakes and agrees for the benefit of each holder of Superior Indebtedness to execute, verify, deliver and file any proofs of claim, consents, assignments or other instruments which any holder of

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* Or debentures or other designation as may be appropriate.

EXHIBIT E
(to Note Agreement)

Superior Indebtedness may at any time require in order to prove and realize rights or claims pertaining to the subordinated notes and to effectuate the full benefit of the subordination contained herein; and upon failure of the holder of any subordinated note so to do, any such holder of Superior Indebtedness shall be deemed to be irrevocably appointed the agent and attorney-in-fact of the holder of such notes to execute, verify, deliver and file any such proofs of claim, consents, assignments or other instrument.

(c) No right of any holder of any Superior Indebtedness to enforce subordination as herein provided shall at any time or in any way be affected or impaired by any failure to act on the part of the company or the holders of Superior Indebtedness, or by any noncompliance by the Company with any of the terms, provisions and covenants of the subordinated notes or the agreement under which they are issued, regardless of any knowledge thereof that any such holder of Superior Indebtedness may have or be otherwise charged with.

(d) The Company agrees, for the benefit of the holders of Superior Indebtedness, that in the event that any subordinated note is declared due and payable before its expressed maturity because of the occurrence of a default hereunder, (i) the Company will give prompt notice in writing of such happening to the holders of Superior Indebtedness and (ii) all Superior Indebtedness shall forthwith become immediately due and payable upon demand, regardless of the

expressed maturity thereof.

(e) The foregoing provisions are solely for the purpose of defining the relative rights of the holders of Superior Indebtedness on the one hand and the holders of the subordinated notes on the other hand, and nothing herein shall impair, as between the Company and the holders of the subordinated notes, the obligation of the Company which is unconditional and absolute, to pay the Principal premium, if any, and interest on the subordinated notes in accordance with their terms, nor shall anything herein prevent the holders of the subordinated notes from exercising all remedies otherwise permitted by applicable law or hereunder upon default hereunder, subject to the rights of the holders of Superior Indebtedness as herein provided for.

BARCLAYS BANK PLC

LETTER OF CREDIT AGREEMENT

BETWEEN HEXCEL CORPORATION

AND BARCLAYS BANK PLC

IRREVOCABLE STAND-BY LETTER OF CREDIT
FOR THE BENEFIT OF NEW JERSEY
DEPARTMENT OF ENVIRONMENTAL PROTECTION
IN THE AMOUNT OF

$4,000,000.00

LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT

LETTER OF CREDIT REIMBURSEMENT AGREEMENT, dated as of November 1, 1991, between HEXCEL CORPORATION, a corporation organized and existing under the laws of Delaware (the "Company"), and BARCLAYS BANK PLC (the "Bank").

WHEREAS, the Company has requested the Bank to issue, effective January 31, 1991, an irrevocable stand-by letter of credit for the benefit of the New Jersey Department of Environmental Protection, substantially in the form of Exhibit A hereto, in aggregate face amount of $4,000,000 (the "LOC Amount");

and

WHEREAS, the Bank has agreed that it will issue the LOC.

NOW, THEREFORE, for good and valuable consideration, the Company and the Bank hereby agree as follows:

Section 1. REIMBURSEMENT AND OTHER PAYMENTS.

1.1 REIMBURSEMENT. The Company hereby agrees to reimburse the Bank, on demand, an amount equal to the amount paid by the Bank on a draft under the LOC. Such reimbursement obligation shall be absolute and unconditional under any and all circumstances and irrespective of any right of set-off, counterclaim or defense to payment which the Company may have or have had against the Bank or the beneficiary of the LOC, including (without limitation) any defense based on the failure of a drawing to conform to the terms of the LOC or any nonapplication or misapplication by the beneficiary thereof of the proceeds of such drawing; provided, however, that nothing contained herein shall be deemed to constitute a waiver by the Company of any right to recover from the Bank any amounts so reimbursed, or to collect damages from the Bank, in either case on account of any wrongful payment or disbursement made by the Bank resulting from the Bank's gross negligence or willful misconduct. The Bank shall immediately notify the Company of any draft under the LOC.

1.2 PAYMENTS. (a) The Company will immediately and unconditionally pay to the Bank upon demand the amount of each payment made by the Bank on a draft under the LOC with interest at the Base Rate plus 2 percent per annum to the date of payment. "Base Rate" shall mean the greater of

the rate designated by the Bank from time to time as its prime rate in the United States of America, and 1/2 of 1 percent plus the overnight federal funds rate as published by the Federal Reserve Bank of New York; the Base Rate to change as and when such rate changes.

(b) In addition, the Company will pay to the Bank a commission of 85 basis points per annum (computed on the basis of a year of 360 days for the actual number of days elapsed) on the undrawn portion of the LOC Amount (the "Fee"), the Fee to be payable quarterly in advance commencing on January 31, 1992; provided, however, that the $8,500 payment on or prior to the date hereof shall be considered a nonrefundable prepayment of the Fee for the first calendar quarter. Further, each LOC shall also be subject to the Bank's standard fees in respect of issuance and amendment.

(c) The Company shall also pay a commitment fee of $1,000 per month up to a maximum of $2,000 commencing on November 1, 1991 and payable monthly in arrears.

1.3 CHANGE OF CIRCUMSTANCES. In the event that after the date hereof the implementation of or any change in any law or regulation, or any guideline or directive (whether or not having the force of law) or in the interpretation thereof by any court or administrative or governmental authority charged with the administration thereof shall (i) subject the Bank to any tax with respect to this Agreement, the LOC or any amount payable hereunder or shall change the basis of taxation of any such payment to the Bank (other than a change in the rate of tax based on the overall net income of the Bank), (ii) impose, modify or deem applicable any reserve, special deposit or similar requirement against letters of credit issued by the Bank or (iii) impose on the Bank any other condition regarding this Agreement or the LOC and as a result of any of the foregoing the cost to the Bank of issuing or maintaining the LOC is increased or any amounts payable by the Company hereunder are reduced, then and in each such case upon demand from time to time the Company shall pay to the Bank such additional amount or amounts as shall compensate the Bank for such increased cost or reduction in payment. A certificate of the Bank as to any such additional amount or amounts, in the absence of manifest error, shall be final and conclusive.

1.4 MANNER AND PLACE OF PAYMENT. All payments by the Company to the Bank hereunder shall be made not later than 2:00 p.m. (New York time) on the date when due and

shall be made in U.S. dollars and in immediately available funds, without setoff, counterclaim, withholding or deduction of any kind whatsoever, at the Bank's office at 75 Wall Street, New York, New York 10265.

Section 2. AGREEMENT OF THE BANK: CONDITIONS PRECEDENT TO ISSUANCE OF A LETTER OF CREDIT.

2.1 AGREEMENT OF THE BANK. The Bank, subject to the terms and conditions of this Agreement, shall issue the LOC, such LOC to be effective as of January 31, 1992.

2.2 CONDITIONS PRECEDENT TO ISSUING LOC. The Bank shall not issue the LOC hereunder until it receives the following documents, each of which shall be satisfactory to the Bank in form and substance:

(a) Certified copies of the charter and by-laws of the Company and all corporate action taken by the Company approving this Agreement and the reimbursement of the LOC issued pursuant hereto (including, without limitation, a certificate setting forth the resolutions of the Board of Directors of the Company adopted in respect of the transactions contemplated hereby);

(b) A certificate of the Company in respect of each of the officers (i) who is authorized to sign this Agreement on its behalf and (ii) who

will, until replaced by another officer or officers duly authorized for the purpose, act as its representative for the purposes of signing documents and giving notices and other communications in connection with this Agreement and the transactions contemplated hereby (and the Bank may conclusively rely on such certificate until it receives notice in writing from the Company to the contrary) and such other documents as the Bank may reasonably request;

(c) No Event of Default (as hereinafter defined), or event or condition which with notice or lapse of time, or both, would constitute an Event of Default shall have occurred and be continuing either immediately prior to the issuance of the LOC or after giving effect thereto; and

(d) The representations and warranties made by the Company in Section 3 hereof shall be true on and as of the date of issuing the LOC with the same force and effect as if made on and as of such date. The request for the LOC by the Company hereunder shall constitute a

certification by the Company to the effect set forth in the preceding sentence (both as of the date of such request and, unless the Company otherwise notifies the Bank prior to the date of issuance of the LOC, as of the date of issuance).

Section 3. REPRESENTATIONS AND WARRANTIES.

In order to induce the Bank to enter into this Agreement and to issue the LOC, the Company makes the following representations and warranties to the Bank, all of which shall survive the execution and delivery of this Agreement and the issuance of the LOC:

3.1 CORPORATE STATUS. The Company is a duly organized and validly existing corporation in good standing under the laws of Delaware and has the corporate power and authority to own its property and to transact the business in which it is engaged or presently proposes to engage and is duly qualified or licensed as a foreign corporation in good standing in all jurisdictions where the failure to do so would have a material adverse effect.

3.2 CORPORATE POWER AND AUTHORITY. The Company has the corporate power to execute, deliver and carry out the terms and provisions of this Agreement and has taken all necessary corporate action (including, without limitation, obtaining any consent of stockholders required by law or by its constitutive documents) to authorize the execution, delivery and performance of this Agreement. This Agreement is the legal, valid and binding obligation of the Company, enforceable in accordance with its terms.

3.3 COMPLIANCE WITH OTHER INSTRUMENTS. The Company is not in default under any agreement to which it is a party, and neither the execution, delivery

or performance of this Agreement nor the consummation of the transactions herein contemplated, nor compliance with the terms and provision hereof, will contravene any provision of law, statute, rule or regulation to which the Company is subject or any judgment, decree, franchise, order or permit applicable to the Company, or will conflict or will be inconsistent with or will result in any breach of, any of the terms, covenants, conditions or provisions of, or constitute a default under or result in the creation or imposition of (or the obligation to create or impose) any lien, security interest, charge or encumbrance upon any of the property or assets of the Company pursuant to the terms of any indenture, mortgage, deed of trust, agreement or other instrument to which the Company is a party or by which

it is bound or to which it may be subject, or violate any provision of the Certificate of Incorporation or By-Laws of the Company.

3.4 LITIGATION. There are no actions, suits or proceedings pending or threatened against or affecting the Company before any court or tribunal or before any governmental or administrative body or agency which in any one case or in the aggregate if determined adversely to the interest of the Company would have a material adverse effect on the business, properties, condition (financial or otherwise) or operations, present or prospective, of the Company. The Company is not in default with respect to any applicable statute, rule, writ, injunction, decree, order or regulation of any governmental authority having jurisdiction over the Company.

3.5 GOVERNMENTAL APPROVALS No order, permission, consent, approval, license, authorization, registration or validation of, or filing with, or exemption by, any governmental agency, commission, board or public authority is required to authorize, or is required in connection with, the execution, delivery and performance of this Agreement or the taking of any action hereby contemplated.

3.6 FINANCIAL STATEMENTS. The Company has heretofore furnished the Bank the consolidated statement of financial position of the Company as at December 31, 1990, and the related consolidated statement of income and unappropriated retained earnings and changes in financial position for the fiscal year of the Company ended on such date, certified by nationally recognized, independent certified public accountants satisfactory to the Bank. The Company has no significant liabilities, contingent or otherwise, including liabilities for taxes or any unusual forward or long-term commitments which are not disclosed by or reserved against in the financial statements referred to above or in the notes thereto, and there are no unrealized or anticipated losses from any unfavorable commitments of the Company which may materially adversely affect the consolidated operations, business, property or assets or condition (financial or otherwise) of the Company. Such financial statements (including in each case the related schedules and notes) fairly present the consolidated financial condition of the Company as at such date and the results of its

operations for the period ended on such dates, all in accordance with generally accepted accounting principles, consistently applied throughout the periods involved. There has been no material adverse change in the operations, business, property or assets of, or in the

condition (financial or otherwise) of the Company since December 31, 1990.

3.7 INVESTMENT COMPANY ACT. The Company is not an "investment company" or a company controlled by an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

Section 4. COVENANTS.

4.1 FINANCIAL COVENANTS. The Company covenants and agrees that for so long as this Agreement is in effect and until all obligations incurred hereunder are paid in full, the Company will furnish to the Bank (i) within sixty (60) days after the close of each quarterly accounting period in each fiscal year: (A) a consolidated statement of stockholders' equity and a consolidated statement of cash flow of the Company and its subsidiaries for such quarterly period; (B) consolidated income statements of the Company and its subsidiaries for such quarterly period; and (C) consolidated balance sheets of the Company and its subsidiaries as at the end of such quarterly period -- all in reasonable detail, subject to year-end audit adjustments and certified by the Company's chief financial officer or treasurer to have been prepared in accordance with GAAP; (ii) within ninety (90) days after the close of each fiscal year, a copy of the annual audit report for such year for the Company and its subsidiaries, including therein: (A) a consolidated statement of cash flow of the Company and its subsidiaries for such fiscal year; (B) consolidated and consolidating income statements of the Company and its subsidiaries for such fiscal year; and (C) consolidated and consolidating balance sheets of the Company and its subsidiaries as at the end of such fiscal year; the consolidated income statements and balance sheets to be audited by Arthur Andersen and Company, or another independent certified public accountant acceptable to the Bank, and certified by such accountants to have been prepared in accordance with GAAP; (iii) contemporaneous with each quarterly and year-end financial report required by the foregoing clauses (i) and (ii), a copy of the certificate of the president or principal financial officer or the Treasurer produced in accordance with Section 5.01(c)(iii) of the Credit Agreement (as hereinafter defined).

4.2 OTHER DEBT. The Company hereby agrees that its obligations hereunder will rank at least pari passu with all of the Company's obligations under the Credit Agreement (as hereinafter defined) or any facilities replacing such agreement.

Section 5. EVENTS OF DEFAULT.

If any of the following specified events (each herein called an "Event of Default") shall occur:

5.1 PAYMENTS. The Company shall fail to pay to the Bank any amount payable under this Agreement when due; or

5.2 REPRESENTATIONS AND WARRANTIES. Any representation or warranty made by the Company herein or by the Company (or any of its officers) in connection with this Agreement shall prove to have been incorrect in any material respect when made; or

5.3 OTHER COVENANTS. The Company shall fail to perform or observe any other term, covenant or agreement contained in this Agreement on its part to be performed or observed; or

5.4 OTHER INDEBTEDNESS. The Company or any of its subsidiaries shall fail to pay any indebtedness for borrowed money or for the deferred purchase price of property or services in respect of which the Company or such subsidiary (as the case may be) is liable, contingently or otherwise, as obligor, guarantor or otherwise, or any interest or premium thereon, when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise); or the Company shall default in the payment or performance of any obligations under the Credit Agreement dated as of April 29, 1991 by and among the Company, Wells Fargo Bank, N.A., as agent, and the banks party thereto (the "Credit Agreement"); provided, however, that a waiver of an event of default with respect to a breach of a financial covenant under the Credit Agreement shall not operate as a waiver of the default created under this Agreement pursuant to this Section 5.4; further, provided, that in the event the financial covenants in the Credit Agreement are modified or amended or the Credit Agreement is terminated, the financial covenants in the Credit Agreement shall be incorporated herein mutatis mutandis; or any such indebtedness shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment), prior to the stated maturity thereof; or

5.5 INSOLVENCY. The Company or any of its subsidiaries shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay

its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against the Company or any of its subsidiaries seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, or other

similar official for it or for any substantial part of its property; or the Company or any of its subsidiaries shall take any corporate action to authorize any of the actions set forth above in this Section 5.5; or

5.6 GOVERNMENT ACTION. Any governmental authority or any person or entity acting or purporting to act under governmental authority shall have taken any action to condemn, seize or appropriate, or to assume custody or control of, all or any substantial part of the property of the Company, or shall have taken any action to displace the management of the Company or to curtail its authority in the conduct of the business of the Company; or such governmental authority or such person or entity shall declare to be null and void, or shall assert any invalidity or unenforceability of, the Company's obligations under this Agreement;

then, and in any such event, the Bank may, upon notice delivered to the Company, demand payment of the maximum amount remaining available to be drawn under the LOC. Immediately upon the making of such demand by the Bank, the Company shall, without necessity of further act or evidence, be and become thereby unconditionally obligated to pay to the Bank (and the Company hereby unconditionally promises and agrees to pay to the Bank immediately upon such demand) such amount so demanded. Amounts paid to the Bank pursuant to this section shall be applied against, and shall reduce to the extent of such amounts, the obligations of the Company to pay amounts then or thereafter payable pursuant to the first sentence of Section 1.1 hereof; such amounts paid to the Bank shall be so applied against, and shall so reduce, such obligations to pay amounts thereafter payable pursuant to said Section 1.1 at the respective times such amounts shall become so payable (it being understood that such amounts paid to the Bank shall be so applied against, and shall so reduce, such obligations only once).

Section 6 COMPANY.

The Bank hereby agrees that it will, upon the earlier of (i) the date on which either the original counterpart of the LOC shall be returned to the Bank for cancellation or the Bank shall be released by the beneficiary of the LOC from any further obligations in respect of the LOC in a writing in form and substance satisfactory to the Bank, and (ii) the stated expiry date, refund to the Company any excess of the total of the amounts received by the Bank pursuant to Section 5 hereof over the total of the amounts applied pursuant to the last sentence of said Section 5 to reduce the Company's obligations.

Section 7. MISCELLANEOUS.

7.1 FINANCIAL DATA. Financial data required hereby shall be prepared both as to classification of items and as to amount in accordance with generally accepted accounting principles, which principles shall be in conformity with those used in the preparation of the financial statements referred to in Section

3.6.

7.2 PAYMENT OF EXPENSES, ETC. The Company agrees, whether or not the transactions hereby contemplated shall be consummated, upon demand to reimburse and save the Bank harmless against liability for the payment of all out-of-pocket costs and expenses arising in connection with the amendment, modification, waiver and enforcement of, or the preservation of any rights under, this Agreement or the LOCs, including, without limitation, the reasonable fees and expenses of counsel for the Bank, and all stamp taxes (including interest and penalties, if any), recording taxes and fees and filing taxes and fees which may be payable in respect of this Agreement or the LOC or of any modification of this Agreement or any of the LOC.

7.3 AMENDMENT AND WAIVER. Neither this Agreement nor any provision hereof may be amended, changed, waived, discharged or terminated orally, but only by an instrument in writing signed by the party against whom enforcement of the amendment, change, waiver, discharge or termination is sought.

7.4 GOVERNING LAW. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH AND BE GOVERNED BY THE LAW OF THE STATE OF NEW YORK.

7.5 NOTICES. Except as otherwise expressly provided herein, all notices, requests, demands or other communications to or upon the respective parties hereto shall be deemed to have been given or made when dispatched in writing to the party to which such notice, request, demand or other communication is required or permitted to be given or made under this Agreement, addressed to the Company or the Bank, as the case may be, at their respective addresses shown opposite their signatures hereto or at such other address as either party hereto may hereafter specify in writing to the other, except that any communication with respect to a change of address shall be deemed to be given or made when received by the party to whom such communication was sent. No other method of giving notice is hereby precluded.

7.6 WAIVER. ETC. No failure or delay on the part of the Bank in exercising any right, power or privilege under this Agreement and no course of dealing between the Company and the Bank shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein expressly provided are cumulative and not exclusive of any rights or remedies which the Bank would otherwise have pursuant to law or equity. No notice to or demand on the Company in any case shall entitle the Company to any other or further notice or demand in similar or other circumstances or constitute a waiver of the right of the Bank to any other or further action in any circumstances without notice or demand (except in each case where notice is specifically required hereunder).

7.7 DESCRIPTIVE HEADINGS, ETC. The descriptive headings of the

several sections of this Agreement are inserted for convenience only and shall not be deemed to affect the meaning or construction of any of the provisions hereof.

7.8 BENEFIT OF AGREEMENT. This Agreement shall be binding upon the Company, its successors and assigns, and shall inure to the benefit of the Bank and its successors and assigns, except that the Company may not transfer or assign any or all of its rights or obligations hereunder without prior written consent of the Bank.

7.9 CONSENT TO JURISDICTION. The Company hereby irrevocably agrees that any suit, action, proceeding or claim against it arising out of, or relating in any way to,

this Agreement or any judgment entered by any court in respect thereof may be brought and enforced in any court of the State of New York, or in the U.S. District Court for the Southern District of New York, and the Company hereby irrevocably submits to the nonexclusive jurisdiction of such courts for the purpose of any such suit, action, proceeding or claim. The Company hereby irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement brought in the any court of the State of New York, or in the U.S. District Court for the Southern District of New York, and hereby further irrevocably waives any claims that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. The Company irrevocably consents to the service of process out of any of the aforementioned courts in any such suit, action, proceeding or claim by the mailing of copies thereof by certified air mail, postage prepaid, to the Company at its address set forth below. Nothing herein shall affect the right of the Bank to commence legal proceedings or otherwise proceed against the Company in any jurisdiction or to serve process in any manner permitted by applicable law.

7.10 ACTION IN RESPECT OF THE LETTER OF CREDIT. The Company assumes all risks of the acts or omissions of the Beneficiary with respect to its use of the LOC. Neither the Bank nor any participant nor any other payer shall be responsible: for the validity, or genuiness of certificates or other documents delivered under or in connection with the LOC, even if such certificates or other documents should in fact prove to be invalid, fraudulent or forged; for errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable, telegraph, wireless or otherwise, whether or not they be in code; for errors in translation or for errors in interpretation of technical terms; or for any other consequences arising from causes beyond the Bank's control or the control of any other payer; nor shall the Bank be responsible for any error, neglect, or default of any correspondent of the Bank; and none of the above shall affect, impair or prevent the vesting of any of the rights or powers of the Bank and the participants hereunder. The Company agrees

to indemnify and hold the Bank harmless from and against all claims, losses, liabilities, costs and expenses of any kind whatsoever resulting from or incurred in connection with the LOC except for such losses, costs or expenses arising out of the Bank's gross negligence or willful misconduct. The Bank and any other payer shall accept the Beneficiary's signed statement as follows: "I certify that the amount of the draft is

payable pursuant to the authority of the Environmental Cleanup Responsibility Act, N.J.S.A. 13:1K-8 ET SEQ.(P.L. 1983, c.330) ("ECRA") and the ECRA Regulations, N.J.A.C. 7:26B.", without responsibility for further investigation, regardless of any notice or information to the contrary. In furtherance and not in limitation of the foregoing provisions, the Company agrees that any action, inaction or omission taken or suffered by the Bank or any other payer in good faith in connection with an LOC, or the relative drafts, certificates or other documents, shall be binding on the Company and shall not result in any liability of the Bank or such payer to the Company.

7.11 EXECUTION IN COUNTERPART. This Agreement may be executed in two counterparts, each of which when so executed and delivered shall be deemed to be an original and which taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

ADDRESS:

11555 Dublin Boulevard
Dublin, CA 94568

HEXCEL CORPORATION

By /s/

Title: Treasurer
---

75 Wall Street
New York, NY 10265
cc: 388 Market Street
San Francisco, CA 94111
Attn: CLAD Manager

BARCLAYS BANK PLC

By /s/

Title: Assoc. Director

By /s/

Title: Associate Director

EXHIBIT A

LETTER OF CREDIT

Irrevocable Standby Letter of Credit

Richard T. Dowling, Commissioner
New Jersey Department of Environmental Protection
CN 028
Trenton, New Jersey 08625
ATTN: Assistant Director, Industrial Site Evaluation Element

RE: ENVIRONMENTAL CLEANUP RESPONSIBILITY ACT
ECRA CASE #86009

Dear Sir or Madam: We hereby establish our Irrevocable Standby Letter of Credit No. _____ in your favor, at the request and for the account of Hexcel Corporation, 11555 Dublin Boulevard, Dublin, CA 94568 up to the aggregate amount of Four Million U.S. dollars, available upon presentation by you of (1) your sight draft, bearing reference to this Irrevocable Standby Letter of Credit No. _____, and (2) your signed statement reading as follows: "I certify that the amount of the draft is payable pursuant to the authority of the Environmental Cleanup Responsibility Act, N.J.S.A. 13:1K-8 ET SEQ. (P.L. 1983, C. 330) ("ECRA") and the ECRA Regulations, N.J.A.C. 7:26B

This letter of credit is effective as of January 31, 1992 and shall expire on January 30, 1993, but such expiration date shall be automatically extended for a period of at least one (1) year on January 30, 1993 and on each successive expiration date, unless, at least 120 days before the current expiration date, we notify both NJDEP's Industrial Site Evaluation Element, CN-028, Trenton, New Jersey 08625 and Hexcel Corporation by certified mail that we have decided not to extend this letter of credit beyond the current expiration date. In the event you are so notified, any unused portion of the credit shall be available upon presentation of your sight draft for 120 days after date of receipt by both NJDEP and Hexcel Corporation as shown on the signed return receipts.

Whenever this letter of credit is drawn on under and in compliance with the terms of this credit, we shall duly honor such draft upon presentation to us, and we shall deposit the amount of the draft directly into the standby trust fund of Hexcel Corporation in accordance with your instructions.

We certify that the wording of this letter of credit is identical to the wording specified in N.J.A.C. 7:26B (Appendix A), as such regulations were constituted on the date shown immediately below.

Barclays Bank PLC shall not cancel this letter of credit on the basis of a request from Hexcel Corporation until it has received written authorization from NJDEP.

This irrevocable standby letter of credit is subject to the Uniform Customs and Practice for Documentary Credits (1983 Revision), International Chamber of Commerce Publication No. 400, and any revisions thereof, and, to the extent not inconsistent therewith, shall also be subject to the Uniform Commercial Code in effect in the State of New York.

Very truly yours,

BARCLAYS BANK PLC

Joellen Ademski
Associate Director

BARCLAYS BANK PLC

LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT

with

HEXCEL CORPORATION

for the benefit of

BA LEASING and CAPITAL CORPORATION

$4,449,161

LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT

LETTER OF CREDIT REIMBURSEMENT AGREEMENT, dated as of April 28, 1992, between HEXCEL CORPORATION, a corporation organized and existing under the laws of Delaware (the "Company"), and BARCLAYS BANK PLC (the "Bank").

WHEREAS, the Company has requested the Bank to issue an irrevocable stand-by letter of credit for the benefit of BA Leasing and Capital Corporation, substantially in the form of Exhibit A hereto, in aggregate face amount of $4,449,161 (the "LOC Amount"); and

WHEREAS, the Bank has agreed that it will issue the LOC.

NOW, THEREFORE, for good and valuable consideration, the Company and the Bank hereby agree as follows:

Section 1. REIMBURSEMENT AND OTHER PAYMENTS.

1.1 REIMBURSEMENT. The Company hereby agrees to reimburse the Bank, on demand, amounts equal to the amounts paid by the Bank on drafts under the LOC. Such reimbursement obligations shall be absolute and unconditional under any and all circumstances and irrespective of any right of set-off, counterclaim or defense to payment which the Company may have or have had against the Bank or the beneficiary of the LOC, including (without limitation) any defense based on the failure of a drawing to conform to the terms of the LOC or any nonapplication or misapplication by the beneficiary thereof of the proceeds of such drawing; provided, however, that nothing contained herein shall be deemed to constitute a waiver by the Company of any right to recover from the Bank any amounts so reimbursed, or to collect damages from the Bank, in either case on account of any wrongful payment or disbursement made by the Bank resulting from the Bank's gross negligence or willful misconduct. The Bank shall immediately notify the Company of any draft under the LOC.

1.2 PAYMENTS. (a) The Company will immediately and unconditionally pay to the Bank upon demand the amount of each payment made by the Bank on a draft under the LOC with interest at the Base Rate plus 2 percent per annum to the date of payment. "Base Rate" shall mean the greater of the rate designated by the Bank from time to time as its prime rate in the United States of America, and 1/2 of 1

percent plus the overnight federal funds rate as published by the Federal Reserve Bank of New York; the Base Rate to change as and when such rate changes.

(b) In addition, the Company will pay to the Bank a commission of 85 basis points per annum (computed on the basis of a year of 360 days for the actual number of days elapsed) on the undrawn portion of the LOC Amount (the "Fee"), the Fee to be payable quarterly in advance, except that the first quarterly payment of the Fee shall be made on the date of the issuance of the LOC.

1.3 CHANGE OF CIRCUMSTANCES. In the event that after the date hereof the implementation of or any change in any law or regulation, or any guideline or directive (whether or not having the force of law) or in the interpretation thereof by any court or administrative or governmental authority charged with the administration thereof shall (i) subject the Bank to any tax with respect to this Agreement, the LOC or any amount payable hereunder or shall change the basis of taxation of any such payment to the Bank (other than a change in the rate of tax based on the overall net income of the Bank), (ii) impose, modify or deem applicable any reserve, special deposit or similar requirement against letters of credit issued by the Bank or (iii) impose on the Bank any other condition regarding this Agreement or the LOC and as a result of any of the foregoing the cost to the Bank of issuing or maintaining the LOC is increased or

any amounts payable by the Company hereunder are reduced, then and in each such case upon demand from time to time the Company shall pay to the Bank such additional amount or amounts as shall compensate the Bank for such increased cost or reduction in payment. A certificate of the Bank as to any such additional amount or amounts, in the absence of manifest error, shall be final and conclusive.

1.4 MANNER AND PLACE OF PAYMENT. All payments by the Company to the Bank hereunder shall be made not later than 2:00 p.m. (New York time) on the date when due and shall be made in U.S. dollars and in immediately available funds, without setoff, counterclaim, withholding or deduction of any kind whatsoever, at the Bank's office at 75 Wall Street, New York, New York 10265.

Section 2. AGREEMENT OF THE BANK: CONDITIONS PRECEDENT TO ISSUANCE OF A LETTER OF CREDIT.

2.1 AGREEMENT OF THE BANK. The Bank, subject to the terms and conditions of this Agreement including Section 2.2 hereof, shall issue the LOC upon written request from the Company from the date hereof until the date that is 30 days herefrom.

2.2 CONDITIONS PRECEDENT TO ISSUING LOC. The Bank shall not issue the LOC hereunder until it receives the following documents, each of which shall be satisfactory to the Bank in form and substance:

(a) Certified copies of the charter and by-laws of the Company and all corporate action taken by the Company approving this Agreement and the reimbursement of the LOC issued pursuant hereto (including, without limitation, a certificate setting forth the resolutions of the Board of Directors of the Company adopted in respect of the transactions contemplated hereby);

(b) A certificate of the Company in respect of each of the officers (i) who is authorized to sign this Agreement on its behalf and (ii) who will, until replaced by another officer or officers duly authorized for the purpose, act as its representative for the purposes of signing documents and giving notices and other communications in connection with this Agreement and the transactions contemplated hereby (and the Bank may conclusively rely on such certificate until it receives notice in writing from the Company to the contrary) and such other documents as the Bank may reasonably request;

(c) No Event of Default (as hereinafter defined), or event or condition which with notice or lapse of time, or both, would constitute an Event of Default shall have occurred and be continuing either immediately prior to the issuance of the LOC or after giving effect thereto; and

(d) The representations and Warranties made by the Company in Section 3 hereof shall be true on and as of the date of issuing the LOC with the same force and effect as if made on and as of such date. The request for the LOC by the Company hereunder shall constitute a certification by the Company to the effect set forth in the preceding sentence (both as of the date of such

request and, unless the Company otherwise notifies the Bank prior to the date of issuance of the LOC, as of the date of issuance).

Section 3. REPRESENTATIONS AND WARRANTIES.

In order to induce the Bank to enter into this Agreement and to issue the LOC, the Company makes the following representations and warranties to the Bank, all of which shall survive the execution and delivery of this Agreement and the issuance of the LOC.

3.1 CORPORATE STATUS. The Company is a duly organized and validly existing corporation in good standing under the laws of Delaware and has the corporate power and authority to own its property and to transact the business in which it is engaged or presently proposes to engage and is duly qualified or licensed as a foreign corporation in good standing in all jurisdictions where the failure to do so would have a material adverse effect.

3.2 CORPORATE POWER AND AUTHORITY. The Company has the corporate power to execute, deliver and carry out the terms and provisions of this Agreement and has taken all necessary corporate action (including, without limitation, obtaining any consent of stockholders required by law or by its constitutive documents) to authorize the execution, delivery and performance of this Agreement. This Agreement is the legal, valid and binding obligation of the Company, enforceable in accordance with its terms.

3.3 COMPLIANCE WITH OTHER INSTRUMENTS. The Company is not in default under any agreement to which it is a party, and neither the execution, delivery or performance of this Agreement nor the consummation of the transactions herein contemplated, nor compliance with the terms and provision hereof, will contravene any provision of law, statute, rule or regulation to which the Company is subject or any judgment, decree, franchise, order or permit applicable to the Company, or will conflict or will be inconsistent with or will result in any breach of, any of the terms, covenants, conditions or provisions of, or constitute a default under or result in the creation or imposition of (or the obligation to create or impose) any lien, security interest, charge or encumbrance upon any of the property or assets of the Company pursuant to the terms of any indenture, mortgage, deed of trust, agreement or other instrument to which the Company is a party or by which it is bound or to which it may be

subject, or violate any

provision of the Certificate of Incorporation or By-Laws of the Company.

3.4 LITIGATION. There are no actions, suits or proceedings pending or threatened against or affecting the Company before any court or tribunal or before any governmental or administrative body or agency which in any one case or in the aggregate if determined adversely to the interest of the Company would have a material adverse effect on the business, properties, condition (financial or otherwise) or operations, present or prospective, of the Company. The Company is not in default with respect to any applicable statute, rule, writ, injunction, decree, order or regulation of any governmental authority having jurisdiction over the Company.

3.5 GOVERNMENTAL APPROVALS No order, permission, consent, approval, license, authorization, registration or validation of, or filing with, or exemption by, any governmental agency, commission, board or public authority is required to authorize, or is required in connection with, the execution, delivery and performance of this Agreement or the taking of any action hereby contemplated.

3.6 FINANCIAL STATEMENTS. The Company has heretofore furnished the Bank the consolidated statement of financial position of the Company as at [December 31, 1991], and the related consolidated statement of income and unappropriated retained earnings and changes in financial position for the fiscal year of the Company ended on such date, certified by nationally recognized, independent certified public accountants satisfactory to the Bank. The Company has no significant liabilities, contingent or otherwise, including liabilities for taxes or any unusual forward or long-term commitments which are not disclosed by or reserved against in the financial statements referred to above or in the notes thereto, and there are no unrealized or anticipated losses from any unfavorable commitments of the Company which may materially adversely affect the consolidated operations, business, property or assets or condition (financial or otherwise) of the Company. Such financial statements (including in each case the related schedules and notes) fairly present the consolidated financial condition of the Company as at such date and the results of its operations for the period ended on such dates, all in accordance with generally accepted accounting principles, consistently applied throughout the periods involved. There hag been no material adverse change in the operations, business, property or assets of, or in the

condition (financial or otherwise) of the Company since December 31, 1991.

3.7 INVESTMENT COMPANY ACT. The Company is not an "investment company" or a company controlled by an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

Section 4. COVENANTS.

4.1 FINANCIAL COVENANTS. The Company covenants and agrees that for so long as this Agreement is in effect and until all obligations incurred hereunder are paid in full, the Company will furnish to the Bank (i) within sixty (60) days after the close of each quarterly accounting period in each fiscal year: (A) a consolidated statement of stockholders' equity and a consolidated statement of cash flow of the Company and its subsidiaries for such quarterly period; (B) consolidated income statements of the Company and its subsidiaries for such quarterly period; and (C) consolidated balance sheets of the Company and its subsidiaries as at the end of such quarterly period -- all in reasonable detail, subject to year-end audit adjustments and certified by the Company's chief financial officer or treasurer to have been prepared in accordance with GAAP; (ii) within ninety (90) days after the close of each fiscal year, a copy of the annual audit report for such year for the Company and its subsidiaries, including therein: (A) a consolidated statement of cash flow of the Company and its subsidiaries for such fiscal year; (B) consolidated and consolidating income statements of the Company and its subsidiaries for such fiscal year; and (C) consolidated and consolidating balance sheets of the Company and its subsidiaries as at the end of such fiscal year; the consolidated income statements and balance sheets to be audited by Arthur Andersen and Company, or another independent certified public accountant acceptable to the Bank, and certified by such accountants to have been prepared in accordance with GAAP; (iii) contemporaneous with each quarterly and year-end financial report required by the foregoing clauses (i) and (ii), a copy of the certificate of the president or principal financial officer or the Treasurer produced in accordance with Section 5.01(C)(iii) of the Credit Agreement (as hereinafter defined).

4.2 OTHER DEBT. The Company hereby agrees that its obligations hereunder will rank at least pari passu with all of the Company's obligations under the Credit Agreement (as hereinafter defined) or any facilities replacing such agreement.

Section 5. EVENTS OF DEFAULT.

If any of the following specified events (each herein called an "Event of Default") shall occur:

5.1 PAYMENTS. The Company shall fail to pay to the Bank any amount payable under this Agreement when due; or

5.2 REPRESENTATIONS AND WARRANTIES. Any representation or warranty made by the Company herein or by the Company (or any of its officers) in

connection with this Agreement shall prove to have been incorrect in any material respect when made; or

5.3 OTHER COVENANTS. The Company shall fail to perform or observe any other term, covenant or agreement contained in this Agreement on its part to be performed or observed; or

5.4 OTHER INDEBTEDNESS. The Company or any of its subsidiaries shall fail to pay any indebtedness for borrowed money or for the deferred purchase price of property or services in respect of which the Company or such subsidiary (as the case may be) is liable, contingently or otherwise, as obligor, guarantor or otherwise, or any interest or premium thereon, when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise); or the Company shall default in the payment or performance of any obligations under the Credit Agreement dated as of April 29, 1991 by and among the Company, Wells Fargo Bank, N.A., as agent, and the banks party thereto (the "Credit Agreement"); provided, however, that a waiver of an event of default with respect to a breach of a financial covenant under the Credit Agreement shall not operate as a waiver of the default created under this Agreement pursuant to this Section 5.4; further, provided, that in the event the financial covenants in the Credit Agreement are modified or amended or the Credit Agreement is terminated, the financial covenants in the Credit Agreement shall be incorporated herein mutatis mutandis; or any such indebtedness shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment), prior to the stated maturity thereof; or

5.5 INSOLVENCY. The Company or any of its subsidiaries shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay

its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against the Company or any of its subsidiaries seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, or other similar official for it or for any substantial part of its property; or the Company or any of its subsidiaries shall take any corporate action to authorize any of the actions set forth above in this Section 5.5; or

5.6 GOVERNMENT ACTION. Any governmental authority or any person or entity acting or purporting to act under governmental authority shall have taken any action to condemn, seize or appropriate, or to assume custody or control of, all or any substantial part of the property of the Company, or shall have taken any action to displace the management of the Company or to curtail its authority in the conduct of the business of the Company; or such governmental authority or

such person or entity shall declare to be null and void, or shall assert any invalidity or unenforceability of, the Company's obligations under this Agreement;

then, and in any such event, the Bank may, upon notice delivered to the Company, demand payment of the maximum amount remaining available to be drawn under the LOC. Immediately upon the making of such demand by the Bank, the Company shall, without necessity of further act or evidence, be and become thereby unconditionally obligated to pay to the Bank (and the Company hereby unconditionally promises and agrees to pay to the Bank immediately upon such demand) such amount 80 demanded. Amounts paid to the Bank pursuant to this section shall be applied against, and shall reduce to the extent of such amounts, the obligations of the Company to pay amounts then or thereafter payable pursuant to the first sentence of Section 1.1 hereof; such amounts paid to the Bank shall be 50 applied against, and shall so reduce, such obligations to pay amounts thereafter payable pursuant to said Section 1.1 at the respective times such amounts shall become so payable (it being understood that such amounts paid to the Bank shall be 50 applied against, and shall so reduce, such obligations only once).

Section 6. COMPANY.

The Bank hereby agrees that it will, upon the earlier of (i) the date on which either the original counterpart of the LOC shall be returned to the Bank for cancellation or the Bank shall be released by the beneficiary of the LOC from any further obligations in respect of the LOC in a writing in form and substance satisfactory to the Bank, and (ii) the stated expiry date, refund to the Company any excess of the total of the amounts received by the Bank pursuant to Section 5 hereof over the total of the amounts applied pursuant to the last sentence of said Section 5 to reduce the Company's obligations.

Section 7. MISCELLANEOUS.

7.1 FINANCIAL DATA. Financial data required hereby shall be prepared both as to classification of items and as to amount in accordance with generally accepted accounting principles, which principles shall be in conformity with those used in the preparation of the financial statements referred to in Section 3.6.

7.2 PAYMENT OF EXPENSES, ETC. The Company agrees, whether or not the transactions hereby contemplated shall be consummated, upon demand to reimburse and save the Bank harmless against liability for the payment of all out-of-pocket costs and expenses arising in connection with the amendment, modification, waiver and enforcement of, or the preservation of any rights under, this Agreement or the LOCs, including, without limitation, the reasonable

fees and expenses of counsel for the Bank, and all stamp taxes (including interest and penalties, if any), recording taxes and fees and filing taxes and fees which may be payable in respect of this Agreement or the LOC or of any modification of this Agreement or any of the LOC.

7.3 AMENDMENT AND WAIVER. Neither this Agreement nor any provision hereof may be amended, changed, waived, discharged or terminated orally, but only by an instrument in writing signed by the party against whom enforcement of the amendment, change, waiver, discharge or termination is sought.

7.4 GOVERNING LAW. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH AND BE GOVERNED BY THE LAW OF THE STATE OF NEW YORK.

7.5 NOTICES. Except as otherwise expressly provided herein, all notices, requests, demands or other communications to or upon the respective parties hereto shall be deemed to have been given or made when dispatched in writing to the party to which such notice, request, demand or other communication is required or permitted to be given or made under this Agreement, addressed to the Company or the Bank, as the case may be, at their respective addresses shown opposite their signatures hereto or at such other address as either party hereto may hereafter specify in writing to the other, except that any communication with respect to a change of address shall be deemed to be given or made when received by the party to whom such communication was sent. No other method of giving notice is hereby precluded.

7.6 WAIVER, ETC. No failure or delay on the part of the Bank in exercising any right, power or privilege under this Agreement and no course of dealing between the Company and the Bank shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein expressly provided are cumulative and not exclusive of any rights or remedies which the Bank would otherwise have pursuant to law or equity. No notice to or demand on the Company in any case shall entitle the Company to any other or further notice or demand in similar or other circumstances or constitute a waiver of the right of the Bank to any other or further action in any circumstances without notice or demand (except in each case where notice is specifically required hereunder).

7.7 DESCRIPTIVE HEADINGS, ETC. The descriptive headings of the several sections of this Agreement are inserted for convenience only and shall not be deemed to affect the meaning or construction of any of the provisions hereof.

7.8 BENEFIT OF AGREEMENT. This Agreement shall be binding upon the Company, its successors and assigns, and shall inure to the benefit of the Bank and its successors and assigns, except that the Company may not transfer or assign any or all of its rights or obligations hereunder without prior written

consent of the Bank.

7.9 CONSENT TO JURISDICTION. The Company hereby irrevocably agrees that any suit, action, proceeding or claim against it arising out of, or relating in any way to,

this Agreement or any judgment entered by any court in respect thereof may be brought and enforced in any court of the State of New York, or in the U.S. District Court for the Southern District of New York, and the Company hereby irrevocably submits to the nonexclusive jurisdiction of such courts for the purpose of any such suit, action, proceeding or claim. The Company hereby irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement brought in the any court of the State of New York, or in the U.S. District Court for the Southern District of New York, and hereby further irrevocably waives any claims that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. The Company irrevocably consents to the service of process out of any of the aforementioned courts in any such suit, action, proceeding or claim by the mailing of copies thereof by certified air mail, postage prepaid, to the Company at its address set forth below. Nothing herein shall affect the right of the Bank to commence legal proceedings or otherwise proceed against the Company in any jurisdiction or to serve process in any manner permitted by applicable law.

7.10 ACTION IN RESPECT OF THE LETTER OF CREDIT. The Company assumes all risks of the acts or omissions of the Beneficiary with respect to its use of the LOC. Neither the Bank nor any participant nor any other payer shall be responsible: for the validity, or genuiness of certificates or other documents delivered under or in connection with the LOC, even if such certificates or other documents should in fact prove to be invalid, fraudulent or forged; for errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable, telegraph, wireless or otherwise, whether or not they be in code; for errors in translation or for errors in interpretation of technical terms; or for any other consequences arising from causes beyond the Bank's control or the control of any other payer; nor shall the Bank be responsible for any error, neglect, or default of any correspondent of the Bank; and none of the above shall affect, impair or prevent the vesting of any of the rights or powers of the Bank and the participants hereunder. The Company agrees to indemnify and hold the Bank harmless from and against all claims, losses, liabilities, costs and expenses of any kind whatsoever resulting from or incurred in connection with the LOC except for such losses, costs or expenses arising out of the Bank's gross negligence or willful misconduct. The Bank and any other payer shall accept the Beneficiary's signed statement as follows: "Hexcel has defaulted under Section 8.1 of the

Lease intended for security dated as of July 20, 1990, as amended on November 16, 1990 and March 26, 1992, between Hexcel and BA Leasing and Capital Corporation". In furtherance and not in limitation of the foregoing provisions, the Company agrees that any action, inaction or omission taken or suffered by the Bank or any other payer in good faith in connection with an LOC, or the relative drafts, certificates or other documents, shall be binding on the Company and shall not result in any liability of the Bank or such payer to the Company.

7.11 EXECUTION IN COUNTERPARTS. This Agreement may be executed in two counterparts, each of which when so executed and delivered shall be deemed to be an original and which taken together shall constitute one and the same instrument.

7.12 TERM. This Agreement shall be effective as of the date it is executed by the parties hereto and shall terminate as of the earlier of (a) January 21, 1998, (b) the date upon which the LOC is returned to the Bank by the beneficiary, (c) the date upon which the Company has fully reimbursed the Bank for all amounts, if any, drawn by the beneficiary under the LOC and (d) the date upon which the LOC is not renewed pursuant to proper notice; provided, however, that Section 7.9 and 7.10 shall survive any termination hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

ADDRESS:

11555 Dublin Boulevard
Dublin, CA 94568

HEXCEL CORPORATION

By W. Wondolowski

Title: Treasurer
---

75 Wall Street
New York, NY 10265
cc: 388 Market Street
San Francisco, CA 94111
Attn: Linda Balok

BARCLAYS BANK PLC

By /s/

Title: Associate Director

WAIVER AND AMENDMENT AGREEMENT

This WAIVER AND AMENDMENT AGREEMENT, dated as of March 31, 1993 (this "Agreement"), is between HEXCEL CORPORATION, a Delaware corporation (the "Company"), and BARCLAYS BANK PLC (the "Bank") with reference to the Letter of Credit Reimbursement Agreement, dated as of November 1, 1991 (the "1991 Reimbursement Agreement"), between the Company and the Bank and the Letter of Credit Reimbursement Agreement, dated as of April 28, 1992 (the "1992 Reimbursement Agreement" - the 1991 Reimbursement Agreement and the 1992 Reimbursement Agreement are herein collectively called the "Reimbursement Agreements"), between the Company and the Bank.

The parties hereto hereby agree as follows:

Section 1. DEFINITIONS. As used herein (the following definitions to be applicable in both singular and plural forms):

"AMENDED CREDIT AGREEMENT" means the Amended and Restated Credit Agreement, dated as of March 31, 1993, among the Company, the Revolver Banks, and Wells Fargo Bank, National Association, as agent for the Revolver Banks, in the form attached hereto as Exhibit B.

"COVERED ITEM" means the Events of Default under Section 5.4 of each of the Reimbursement Agreements arising solely by reason of the Existing Credit Agreement Defaults.

"EXISTING CREDIT AGREEMENT DEFAULTS" has the meaning set forth in the Revolver Consent.

"LETTER OF CREDIT AMENDMENT" means as to each of the Reimbursement Agreements the Amendment to Letter of Credit, dated as of March 31, 1993, between the Bank, the beneficiary of the Letter of Credit, and the Company respectively in the forms previously delivered by the Bank to the Company with such changes as the Bank shall have approved.

"PROPOSED BASF TRANSACTION" has the meaning set forth in the Revolver Consent.

"REVOLVER CONSENT" means the Consent Agreement, dated as of March 31, 1993, among the Company, the Revolver Banks, and Wells Fargo Bank, National Association, as agent for such Banks, substantially in the form attached hereto as Exhibit A.

"REVOLVER CONSENT CONDITIONS" means the conditions set forth in paragraph 5 of the Revolver Consent including, without

limitation, the conditions incorporated therein by reference and the matters set forth in Schedule I to the Revolver Consent.

Capitalized terms used herein and not otherwise defined have the meaning set forth in the Reimbursement Agreements as amended hereby.

Section 2. TERMS OF WAIVER.

(a) Subject to the conditions to the effectiveness of this Agreement set forth in Section 6 hereof, the Bank waives the Covered Item.

(b) The Company acknowledges and agrees that (i) the waiver granted hereby is a limited waiver relating solely to the Covered Item and does not imply any obligation or undertaking whatsoever by the Bank to grant any future waiver whether relating to any present or future Default under the same provisions of the Reimbursement Agreements as the Covered Item or otherwise, (ii) the Company remains obligated to comply with each and every term and condition of the Reimbursement Agreements except to the extent expressly waived hereby, and (iii) the Bank retains all rights and remedies with respect to any present or future Default other than the Covered Item.

(c) Contemporaneously upon the execution hereof, the Company shall pay to the Bank a waiver fee of $50,000.

Section 3. CONSENT.

(a) Subject to the terms and conditions hereof, and subject to the terms, conditions, and limitations set forth in paragraph 2 of the Revolver Consent, the Bank consents to the Proposed BASF Transaction, but only to the same (and no greater) extent that the Revolver Banks so consent pursuant to the terms of the Revolver Consent.

(b) Subject to the terms and conditions hereof, to the extent, if any, the Bank's consent is required pursuant to the Reimbursement Agreements or the U.K. Guaranty, the Bank consents to the Amended Credit Agreement; PROVIDED that such consent does not constitute a waiver of any Default which may arise as a result of the Company's performance of, or failure to perform, its obligations under the Amended Credit Agreement.

Section 4. AMENDMENTS TO THE REIMBURSEMENT AGREEMENTS. Each of the Reimbursement Agreements is hereby amended:

(a) SECTION 1.2(B). To amend clause (b) of Section 1.2 to add a provision thereto to be inserted at the end thereof before the final period (".") as follows:

> ; PROVIDED that with respect to the period after March 31, 1993, the Company will pay to the Bank a commission of (i) 150 basis points per annum from and including April 1, 1993 through January 31, 1994, (ii) 250 basis points per annum from and including February 1, 1994, through February 28,

1994, and (iii) 350 basis points per annum from and including March 1, 1994, and thereafter so long as the Letter of Credit remains outstanding (computed on the basis of a year of 360 days from the actual number of days elapsed) on the undrawn portion of the LOC Amount (the "Fee" with respect to such post March 31, 1993, period), the Fee continuing to be payable quarterly in advance.

(b) SECTION 1.5 -- DEFINITIONS. To add a Section 1.5 thereto, to be inserted after Section 1.4, as follows:

1.5 DEFINITIONS. As used herein (the following definitions to be applicable in both singular and plural forms):

"AMENDED CREDIT AGREEMENT" has the meaning set forth in the First Amendment. Any reference herein to the "Amended Credit Agreement" is to the forms of such agreement attached as Exhibit B to the First Amendment and does not include any modifications thereof or amendments thereto, whether heretofore or hereafter made, and any reference herein to any provision of the Amended Credit Agreement shall be determined without giving effect to any such modifications or amendments and shall be effective notwithstanding the termination of such agreement.

"CREDIT DOCUMENTS" means this Agreement and the U.K. Guaranty.

"CREDIT OBLIGATIONS" means any and all obligations, indebtedness and liability of the Company of every kind and character, owed to the Bank, arising out of or in connection with this Agreement, the U.K. Guaranty, or the Letter of Credit including any modifications, amendments, extensions, restatements or renewals of, supplements to, or substitutions or replacements for, any one or more of the foregoing, and including all such above described

obligations, indebtedness and liability, whether for principal, interest (including interest that, but for the filing of a petition in bankruptcy with respect to the Company, would have accrued on the Credit Obligations), reimbursement obligations, fees, costs, expenses, premiums, charges, attorneys' fees, indemnity, whether heretofore, now, or hereafter made, incurred or created, whether voluntarily or involuntarily arising, whether or not due, whether absolute or contingent, liquidated or unliquidated, or determined or undetermined and whether the Company may be liable individually or jointly with others.

"DEBT" of any Person means at any date, without duplication and without regard to whether matured or unmatured, absolute or contingent: (i) all obligations of such Person for borrowed money; (ii) all obligations of

such Person evidenced by bonds, debentures, notes, or other similar instruments; (iii) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business; (iv) all obligations of such Person as lessee under capital leases; (v) all obligations of such Person to reimburse or prepay any bank or other Person in respect of amounts paid under a letter of credit, banker's acceptance, or similar instrument, whether drawn or undrawn; (vi) all obligations of such Person to purchase securities which arise out of or in connection with the sale of the same or substantially similar securities; (vii) all obligations of such Person in connection with any agreement to purchase, redeem, exchange, convert or otherwise acquire for value any capital stock of such Person or any warrants, rights or options to acquire such capital stock, now or hereafter outstanding, except to the extent that such obligations remain performable solely at the option of such Person; (viii) all obligations to repurchase assets previously sold (including any obligation to repurchase any accounts or chattel paper under any factoring, receivables purchase, or similar arrangement); (ix) obligations of such Person under Hedging Facilities and foreign exchange or forward sale contracts or similar arrangements; and (x) all Debt of others Guaranteed by such Person.

"DEFAULT" means any condition or event which constitutes an Event of Default or which with the giving of notice or lapse of time or both would, unless cured or waived, become an Event of Default.

"EVENT OF DEFAULT" has the meaning set forth in SECTION 5.

"FIRST AMENDMENT" means the Waiver and Amendment Agreement, dated as of March 31, 1993, between the Company and the Bank.

"GUARANTEE" by any Person means any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing, securing, or otherwise providing assurances of the payment of any Debt of any other Person and includes: (a) any Lien or any asset of such Person securing any such Debt (and without regard to whether such Person has assumed personal liability with respect thereto), and (b) any obligation, direct or indirect, contingent or otherwise, of such Person: (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt (whether arising by virtue of partnership arrangements, by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial condition, or otherwise); or (ii) entered into for the purpose of assuring in any other manner the holder of such Debt of the payment thereof or to protect such holder against loss in respect thereof (in whole or in part); PROVIDED that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"HEDGING FACILITIES" means, with respect to any Person, the obligations of such Person under (i) interest rate swap agreements, interest rate cap agreements or interest rate collar agreements, and (ii) other agreements or arrangements designed to protect such Person against fluctuations in interest rates.

"LETTER OF CREDIT" and "LOC" mean the letter of credit issued pursuant to this Agreement, as amended by the Letter of Credit Amendment.

"LETTER OF CREDIT AMENDMENT" has the meaning set forth in the First Amendment.

"LIEN" means, with respect to any asset, (a) any mortgage, lien, pledge, charge, security interest, cash collateral arrangement or encumbrance of any kind in respect of such asset or (b) any undertaking (whether or not conditional) by a Person to grant any mortgage, lien, pledge, charge, security interest, or encumbrance to another Person at any future date. For the purposes of this Agreement, the Company or any subsidiary of the Company shall be deemed to own an asset subject to a Lien when it has acquired or holds such asset subject to the interest of

a vendor or lessor under any conditional sale agreement, capital lease, or other title retention agreement relating to such asset.

"MATERIAL ADVERSE CHANGE" means a material adverse change in the business, prospects or condition (financial or otherwise), or in the results of operations of the Company and its subsidiaries, taken as a whole. Each determination of whether a Material Adverse Change has occurred shall be made in good faith by the Person or Persons making such determination and shall take into account all relevant facts and circumstances existing as of the date of determination.

"PERSON" means an individual, a corporation, a partnership, an association, a trust, or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"REVOLVER AGREEMENT DEFAULT" means any "Event of Default" as defined in the Amended Credit Agreement or any event or condition which with the lapse of time the giving of notice or both would constitute such an "Event of Default;" PROVIDED that the existence of such an actual or potential "Event of Default" shall be determined without giving effect to any waiver or forbearance granted to the Company under the Amended Credit Agreement.

"REVOLVER BANKS" means Wells Fargo Bank, National Association, Bank of

America National Trust and Savings Association, and Chemical Bank in their capacity as banks under the Existing Credit Agreement and the Amended Credit Agreement.

"U.K. FACILITY" means any credit facility, whether committed or uncommitted, of Hexcel U.K. Limited with the Bank any advances, bonds, guaranties, indemnities, letters of credit, or other financial accommodations now or hereafter made or issued by the Bank for the account of Hexcel U.K. Limited.

"U.K. GUARANTY" means the Continuing Guaranty, dated April 11, 1988, by the Company of the indebtedness and other obligations of Hexcel U.K. Limited to the Bank.

(c) NEW SECTION 4.3. To add a new Section 4.3 as follows:

4.3 LIENS. The Company will not, and will not permit any of its subsidiaries to, create, assume, or suffer to exist any Lien on any of its or their property, except:

(a) Liens identified in clauses (i) through (vii), (ix), and (x) of subsection (c) of section 5.02 of the Amended Credit Agreement;

(b) Liens securing the Credit Obligations; and

(c) any Lien securing Debt of the type described in clauses (i) through (v) of the definition of "Debt" herein; PROVIDED that such Lien also equally and ratably secures the Credit Obligations on terms and conditions acceptable to the Bank.

(d) SECTION 5.4 To amend and restate Section 5.4 in its entirety as follows:

5.4 OTHER INDEBTEDNESS AND RELATED MATTERS. Any of the following events:

(a) A Revolver Agreement Default; or

(b) The U.K. Facility shall not have been terminated and all financial accommodations thereunder shall not have been repaid and/or terminated without loss or continued liability to the Bank by May 31, 1993; or

(c) The Company shall fail to pay to the Bank any amount payable under the U.K. Guaranty when due; or

(d) The Company or any subsidiary of the Company shall fail

to make any payment in respect of Debt (other than under this Agreement or the U.K. Guaranty) the aggregate amount of which is $500,000 or more when due or within any applicable grace period; or

(e) Any event or condition shall occur that (i) results in the acceleration of the maturity of Debt of the Company or any subsidiary of the Company the aggregate amount of which is $500,000 or more, or (ii) permits (or, with the giving of notice or lapse of time or both, would permit) the holder or holders of such Debt (the aggregate principal amount of which is at least $500,000) or any Person acting on behalf of such holder or holders to accelerate the maturity thereof; or

(f) (i) Any Credit Document shall at any time for any reason cease to be valid, binding, or enforceable in any material respect with respect to the Company, or (ii) the Company shall state in writing that any

of the circumstances described in CLAUSE (i) above are true; or

(g) The Bank shall determine that a Material Adverse Change has occurred and is continuing and shall give notice of such determination to the Company; or

(e) SECTION 7.2 To amend and restate Section 7.2 in its entirety as follows:

7.2 EXPENSES: DOCUMENTARY TAXES: INDEMNIFICATION.

(a) The Company shall pay: (i) all reasonable out-of-pocket expenses of the Bank, including fees and disbursements of counsel (including allocated costs for in-house legal services) in connection with the negotiation, preparation, and administration of the Agreement, any waiver, forbearance, or consent thereunder, or any amendment thereof or any Default or alleged Default thereunder, and (ii) all out-of-pocket expenses incurred by the Bank, including reasonable fees and disbursements of counsel (including allocated costs for in-house legal services), in connection with any Default and collection and other enforcement proceedings resulting therefrom or in connection with any refinancing or restructuring of the Credit Obligations in the nature of a "workout."

(b) The Company shall indemnify the Bank against any transfer taxes, documentary taxes, assessments, or charges made by any governmental authority by reason of the execution and delivery of the Agreement or any amendment of waiver with respect thereto.

(c) The Company shall indemnify the Bank and hold the Bank harmless from and against any and all liabilities, losses, damages, costs, and expenses of any kind (including the reasonable fees and disbursements of counsel for the Bank (including allocated costs for in-house legal

services)) in connection with, or arising out of or attributable to any investigative, administrative, or judicial proceeding (including pre-trial discovery), whether or not the Bank shall be designated a party thereto, which may be incurred by the Bank, directly or indirectly relating to or arising out of this Agreement or the Letter of Credit; PROVIDED that the Bank shall not have the right to be indemnified hereunder for its own gross negligence or willful misconduct.

(f) SECTION 7.12 (1992 REIMBURSEMENT AGREEMENT ONLY). As to the 1992 Reimbursement Agreement only, to delete the existing Section 7.12 therefrom in its entirety.

(g) NEW SECTION 7.12. To add a new Section 7.12 as follows:

7.12 TERM. The Bank shall have no obligation to extend the expiration date of the Letter of Credit beyond March 15, 1994, and the Bank may, in its sole and absolute discretion, give such notices of non-renewal to the beneficiary under the Letter of Credit and take such other action as the Bank may deem advisable, so as to prevent any extension of such expiration date beyond March 15, 1994. The Company shall take such action, including but not limited to obtaining a replacement letter of credit acceptable to the beneficiary so as to avoid a drawing on the Letter of Credit upon the Bank giving notice to the beneficiary of such non-renewal.

(h) NEW SECTION 7.13. To add a new Section 7.13 as follows:

7.13 WAIVER OF TRIAL BY JURY. TO THE MAXIMUM EXTENT THEY MAY LEGALLY DO SO, THE PARTIES TO THIS AGREEMENT HEREBY EXPRESSLY WAIVE ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION, CAUSE OF ACTION, OR PROCEEDING ARISING UNDER OR WITH RESPECT TO THIS AGREEMENT, OR IN ANY WAY CONNECTED WITH, OR RELATED TO, OR INCIDENTAL TO, THE DEALINGS OF THE PARTIES HERETO WITH RESPECT TO THIS AGREEMENT, OR THE TRANSACTIONS RELATED HERETO, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND IRRESPECTIVE OF WHETHER SOUNDING IN CONTRACT, TORT, OR OTHERWISE. TO THE EXTENT THEY MAY LEGALLY DO SO, THE PARTIES TO THIS AGREEMENT HEREBY AGREE THAT ANY SUCH CLAIM, DEMAND, ACTION, CAUSE OF ACTION, OR PROCEEDING SHALL BE DECIDED BY A COURT TRIAL WITHOUT A JURY AND THAT ANY PARTY HERETO MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION 7.13 WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE OTHER PARTY OR PARTIES HERETO TO WAIVER OF ITS OR THEIR RIGHT TO TRIAL BY JURY.

Section 5. EFFECT. Except as specifically waived or amended herein, the Reimbursement Agreements and the U.K. Guaranty shall remain in full force and effect and are hereby ratified and confirmed.

Section 6. COUNTERPARTS; EFFECTIVENESS. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which

when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same instrument. Delivery of an executed counterpart of the signature page to this Agreement by telecopier shall be effective as delivery of a manually executed counterpart of this Agreement. Any party delivering an executed counterpart of the signature page to this Agreement by telecopier shall thereafter also promptly deliver a manually executed counterpart of this Agreement, but the failure to deliver such manually executed counterpart shall not affect the validity, enforceability, and binding effect of this Agreement. This Agreement shall become effective as of the date hereof when the Bank shall have received (a) an original or telefacsimile counterpart hereof signed by the Company, (b) the fee to be paid by the Company pursuant to Section 2 (c) hereof, (c) counterparts of the Letter of Credit Amendment for the Letter of Credit issued under each of the Reimbursement Agreements, executed by the Company and the beneficiary under such Letter of Credit, and (d) evidence satisfactory to the Bank that all the Revolver Consent Conditions have been satisfied and that the Revolver Banks have irrevocably waived the Existing Credit Agreement Defaults.

Section 7. REPRESENTATIONS AND WARRANTIES. As part of the consideration for the Bank to enter into this Agreement, the Company represents and warrants to the Bank as follows:

(a) The execution, delivery and performance by the Company of this Agreement are within the Company's corporate powers, have been duly authorized by all necessary corporate action, and require no action by or in respect of, or filing with, any governmental body, agency or official, and the execution, delivery and performance by the Company of this Agreement do not contravene, or constitute a default under, any provision of applicable law or regulations or of the certificate or articles of incorporation or the by-laws of the Company or any of its Subsidiaries or any material agreement, judgment, injunction, order, decree or other instrument binding upon the Company or any of its Subsidiaries.

(b) This Agreement constitutes the valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as enforceability may be subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws now or hereafter in effect relating to creditors' rights, and to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(c) After giving effect to this Agreement, no Event of Default, or event or condition which with the lapse of

time, the giving of notice or both would constitute an Event of Default, has occurred and is continuing, and after giving effect to this Agreement, the representations and warranties of the Company contained in the Reimbursement Agreements are true and correct in all material respects as of the date hereof as if made on the date hereof.

(d) In obtaining any waiver with respect to the Existing Credit Agreement Defaults or any cross-default based on the Existing Credit Agreement Defaults, and without regard to whether such waiver was obtained from the Revolver Banks or from the lenders or other extenders of financial accommodations under other agreements or arrangements, neither the Company or any of its subsidiaries have granted or agreed to grant any Lien, other than Liens permitted by Section 4.3(c) of the Reimbursement Agreements (as amended hereby).

Section 8. COSTS. The Company will pay all costs and expenses of any kind (including the reasonable fees and disbursements of counsel for the Bank (including allocated costs for in-house legal services)) incurred by the Bank in connection with the negotiation or preparation of this Agreement.

Section 9. NO OTHER AGREEMENTS. Except as expressly modified hereby, the Reimbursement Agreements and the other Credit Documents are in all respects ratified and confirmed and shall remain unchanged and in full force and effect.

Section 10. GOVERNING LAW CONSENT TO JURISDICTION, AND WAIVER OF TRIAL BY JURY. THIS AGREEMENT AND THE RIGHTS AND THE OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK AND IS SUBJECT TO SECTIONS 7.9 (CONSENT TO JURISDICTION) AND

SECTIONS 7.13 (WAIVER OF TRIAL BY JURY) OF THE REIMBURSEMENT AGREEMENTS.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective authorized signatories as of the date first above written.

COMPANY: HEXCEL CORPORATION
a Delaware corporation

By

Title:

BANK: BARCLAYS BANK PLC

By

Title:

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective authorized signatories as of the date first above written.

COMPANY: HEXCEL CORPORATION
a Delaware Corporation

By /s/

Title: Treasurer

BANK: BARCLAYS BANK PLC

By /s/

Title: Associate Director

EXHIBIT 10.09

DEBTOR IN POSSESSION
CREDIT AGREEMENT

DEBTOR IN POSSESSION CREDIT AGREEMENT (the "AGREEMENT") dated as of December 8, 1993 by and among HEXCEL CORPORATION, a Delaware corporation, as debtor and debtor in possession (the "BORROWER"), THE CIT GROUP/BUSINESS CREDIT, INC., as lender (the "LENDER").

R E C I T A L S

A. On December 6, 1993 (the "PETITION DATE"), the Borrower commenced Chapter 11 Case No. 93-48535T (the "CHAPTER 11 CASE"), by filing a voluntary petition for relief under the Bankruptcy Code, as hereinafter defined, with the United States Bankruptcy Court for the Northern District of California (the "COURT"). The Borrower continues to operate its business and manage its properties as debtor in possession pursuant to Sections 1107 and 1108 of the Bankruptcy Code.

B. The Borrower has requested the Lender to provide a revolving credit facility of up to $35,000,000. The Borrower intends to utilize such facility to fund its general corporate purposes during the Chapter 11 Case. Under the facility, the Lender will provide revolving advances and provide accommodation for certain letters of credit based upon an advance rate calculated with reference to the aggregate amount of the Eligible Accounts Receivable (as such term and other capitalized terms are defined in Section 1.1 below) and Eligible Inventory as set forth herein. The Lender is willing to extend such post-petition credit to the Borrower in accordance with and on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE 1
DEFINITIONS

SECTION 1.1. DEFINITIONS. The following terms, as used herein, have the following meanings:

"ACCOUNT DEBTOR" means the party who is obligated to the Borrower on or under an Account.

"ACCOUNTS" means all present and future rights of the Borrower to payment for goods sold or leased or for services rendered (except

those evidenced by instruments or chattel paper), whether now existing or hereafter arising and wherever arising, and whether or not they have been earned by performance.

"ACTUAL OBLIGATIONS" means with respect to any day, any payments of principal or interest then due on the Loans, or any unpaid Reimbursement Obligations, or any other amounts due and owing hereunder (including, without limitation, any fees or expenses under Section 2.5, 2.11 or 7.3).

"ADMINISTRATIVE FEE" shall mean the non-refundable fee payable to the Lender in accordance with Section 2.5(c) hereof to offset certain expenses and costs of the Lender.

"AFFILIATE" means, with respect to any Person, any other Person directly or indirectly controlling, controlled by or under common control with such Person. As used in this definition of "Affiliate," the term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise. For purposes of this definition, the term "Affiliate" with respect to any Person shall not include any Subsidiary of such Person.

"ANNIVERSARY DATE" means the date occurring (i) six months after the Closing Date, (ii) one (1) year from the Closing Date or (iii) one (1) year after each of the dates described in the preceding clauses (i) and (ii).

"ASSIGNED AGREEMENT" has the meaning set forth in Section 2.15.

"AVAILABILITY PERIOD" means the period from and including the Closing Date to but not including the Termination Date.

"BANKRUPTCY CODE" means the provisions of Title 11, United States Code, as the same may be amended from time to time.

"BANK" shall mean (i) with respect to matters relating to Letters of Credit, the issuing bank of such Letter of Credit which bank shall be a bank mutually acceptable to the Borrower and the Lender and (ii) as such term is used in other contexts, Bank of America National Trust and Savings Association, its successors or any other bank designated by the Lender to the Borrower from time to time.

"BANK OF AMERICA RATE" means the rate of interest per annum announced by Bank of America National Trust and Savings Association from time to time as its prime rate in effect at in its principal office.

(The prime rate is not intended to be the lowest rate of interest charged by Bank of America National Trust and Savings Association to its borrowers).

"BORROWER" means Hexcel Corporation, a Delaware corporation, as debtor and debtor in possession, and its successors.

"BORROWER'S ACCOUNT" has the meaning set forth in Section 2.10.

"BORROWING BASE" means, as of any date of determination based upon the Borrowing Base Certificate most recently delivered in compliance with Section 5.1(e)(ii), 5.1(r) or 5.1(s), an amount equal to: the sum of (i) 80% of the book value of Eligible Accounts Receivable of the Borrower, (ii) 50% (up to a maximum of $12,000,000) of the book value of the Eligible Inventory of the Borrower and (iii) $10,000,000, PROVIDED HOWEVER that (x) 50% of the Net Cash Proceeds of the sale of any assets by the Borrower, other than Eligible Inventory and Eligible Accounts Receivable, shall be applied, on the date received by the Borrower, to permanently reduce the dollar amount in this clause (iii) by the amount of such proceeds and (y) 50% of the amount of any write-down of the value of any asset (other than Eligible Inventory and Eligible Accounts Receivable) from the values shown in the financial statements of the Borrower as of October 31, 1993 shall be applied, from time to time, to permanently reduce the dollar amount in this clause (iii) by the amount of such write-down and PROVIDED FURTHER that the Borrowing Base shall be limited as set forth in final paragraph of Section 3.2(c). In the event of any dispute about the eligibility of any asset for inclusion in the Borrowing Base or the valuation thereof, the Lender's determination shall control.

"BORROWING BASE CERTIFICATE" means an Officer's Certificate of the Chief Financial Officer, Chief Accounting Officer or Treasurer of the Borrower substantially in the form of Exhibit V hereto.

"BUSINESS DAY" means any day on which the Lender, the Bank and Chemical Bank are open for business.

"CAPITAL EXPENDITURES" means, for any period, the capital expenditures and Capital Lease obligations of the Borrower and its Domestic Operating Subsidiaries for such period, as the same are (or would in accordance with GAAP be) set forth in a consolidated statement of changes in cash flows of the Borrower and its Domestic Operating Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP.

"CAPITAL LEASE", as applied to any Person, means any lease of any property (whether real, personal or mixed) by that Person as lessee

that, in conformity with GAAP, is accounted for as a capital lease on the balance sheet of that Person.

"CARVED OUT FEES" has the meaning set forth in Section 2.13.

"CASH" means money, currency or a credit balance in a Deposit Account, Controlled Deposit Account or any disbursement account.

"CASH COLLATERAL" has the meaning set forth in Section 2.16.

"CASH COLLATERAL AMOUNT" has the meaning set forth in Section 2.8.

"CASH CONCENTRATION ACCOUNT" means the Deposit Account maintained by the Lender at Chemical Bank, which Deposit Account shall be under the sole dominion and control of the Lender.

"CERCLA" means the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended.

"CERCLIS" means the Comprehensive Environmental Response Compensation and Liability and Information System.

"CHAPTER 11 CASE" has the meaning assigned to it in the recital clauses hereof.

"CLOSING DATE" means the date, no later than 31 days after the Petition Date (unless the Lender otherwise agrees in writing), on which the conditions set forth in Section 3.2 have been satisfied or waived.

"CODE" means the Internal Revenue Code of 1986, as heretofore and hereafter amended, or any successor statute.

"COLLATERAL" has the meaning set forth in Section 2.15 hereof.

"COMMITMENT" means the obligation of the Lender to make Loans to the Borrower or issue the Letters of Credit Guaranty with respect to Letters of Credit issued by the Bank for the account of the Borrower in an aggregate principal (or face) amount at any one time outstanding not exceeding $35,000,000 as the same may be reduced or terminated from time to time pursuant to Section 2.6 or 2.7 or Article 6; PROVIDED, HOWEVER, that the Commitment shall not exceed the amount of credit authorized by the Court to be extended to the Borrower by the Lender hereunder and PROVIDED, FURTHER, that the aggregate amount of Loans and Letters of Credit outstanding shall be limited to the Borrowing Base.

"COMMITMENT LETTER" has the meaning set forth in Section 2.5(b).

"COMMONLY CONTROLLED ENTITY" means an entity, whether or not incorporated, which is under common control with the Borrower or any of its Subsidiaries within the meaning of Section 414(b), (c) or (o) of the Code.

"COMPLIANCE CERTIFICATE" means an Officer's Certificate substantially in the form of Exhibit III hereto.

"CONDITION" means, with respect to any Person, the business, prospects, management, ownership, operations, properties, assets or condition (financial or otherwise) of such Person. For the purpose of this definition of Condition, "prospects" refers to events that, in the foreseeable future, will or can reasonably be expected to have a material effect on the other factors included in this definition of Condition.

"CONTROLLED DEPOSITORY ACCOUNTS" means those lock-box or Deposit Accounts owned by, and in the name of, the Lender and designated by the Lender for the deposit of proceeds of Accounts, Inventory and Revenues however generated by the Borrower and its Domestic Subsidiaries.

"COURT" shall have the meaning assigned to it in the recital clauses hereof.

"CREDIT EVENT" means the making of any Loan or the issuance of any Letter of Credit.

"DEBT" of any Person means, at any date, without duplication, (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments and all securities providing for mandatory payments of money, whether or not contingent, (iii) all obligations of such Person pursuant to revolving credit agreements or similar arrangements, (iv) all interest rate and currency swaps and similar agreements under which payments are obligated to be made, whether periodically or upon the happening of a contingency, (v) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable (including trade accounts payable to professionals) arising in the ordinary course of business (including, without limitation, in connection with the Chapter 11 Case), (vi) all obligations of such Person as lessee under capital leases, (vii) all obligations of such Person to reimburse or prepay any bank or other Person in respect of amounts paid under a letter of credit, banker's acceptance or similar instrument, whether drawn or undrawn, (viii) to the extent not included in clause (v) hereof, all obligations of such Person to purchase securities (or other property) which arise out of or in connection with the sale of the same or substantially similar

securities or property, (ix) all capital stock issued by such Person subject to mandatory redemption that is not contingent upon future events or circumstances, (x) all debt, liabilities or obligations of others secured by a Lien on any asset of such Person, whether or not such debt, liabilities or obligations are assumed by such Person, (xi) recourse or repurchase obligations in connection with the sale of receivables, and (xii) all debt of others Guarantied by such Person.

"DEFAULT" means any condition or event which constitutes an Event of Default or which with the giving of notice or lapse of time or both would, unless cured or waived, become an Event of Default.

"DEPOSIT ACCOUNT" means a demand, time, savings, passbook or like account with a bank, thrift, savings and loan association, credit union or like organization, other than an account evidenced by a negotiable certificate of deposit; PROVIDED, HOWEVER, that Deposit Account shall not include any account that is maintained for the purpose of making disbursements and that has a balance of no more than $10,000 at the close of business of each day; provided, further, that the Borrower may maintain a higher balance in any such account if such balance is to be used for the payment of workers

compensation and insured health benefit claims pursuant to a request by the custodian of such account.

"DEPOSITORY BANK" means any financial institution that maintains a Controlled Depository Account in the name of the Lender pursuant to this Agreement.

"DIP LINE OF CREDIT FEE" shall mean the fee payable to the Lender in accordance with Section 2.5(a) hereof.

"DOLLARS" and the sign "$" mean lawful money of the United States of America.

"DOMESTIC NON-OPERATING SUBSIDIARIES" shall mean the Subsidiaries identified as such on Schedule A.

"DOMESTIC OPERATING SUBSIDIARIES" shall mean the Subsidiaries identified as such on Schedule A.

"DOMESTIC SUBSIDIARY" means any Subsidiary of the Borrower which is incorporated under the laws of a state of the United States or of the District of Columbia.

"EBITDA" means, for any period, the sum of the following amounts for such period: (i) Net Income, (ii) provisions for taxes

based on income, (iii) Interest Expense, (iv) total depreciation expense, (v) total amortization expense, (vi) other extraordinary non-cash items (other than restructuring charges and/or charges taken in the writing down of the value of assets) reducing Net Income LESS other extraordinary non-cash items increasing Net Income and (vii) expenses of the Chapter 11 Case as shown on the Borrower's statement of net income for such period not exceeding the aggregate amount of (A) for each fiscal month of the Borrower after November 30, 1993 and up to and including November 30, 1994 (x) an aggregate amount equal to the product of the number of fiscal months of the Borrower after November 30, 1993 and $400,000 and (y) $4,800,000 for the twelve fiscal months ended November 30, 1994 and (B) $400,000 for each fiscal month of the Borrower after the fiscal month ended November 30, 1994, and $4,800,000 in any period of twelve consecutive fiscal months of the Borrower, all of the foregoing as determined on a consolidated basis for the Borrower and its Domestic Operating Subsidiaries in conformity with GAAP.

"EFFECTIVE DATE" shall have the meaning provided in Section 5.01.

"ELIGIBLE ACCOUNTS RECEIVABLE" shall mean the gross amount of the accounts receivable of the Borrower, payable in Dollars, due from customers residing in the United States of America and Canada that conform to the warranties contained herein and at all times continue to be acceptable to the Lender in the exercise of its reasonable business judgment, less, without duplication, the sum of (a) any returns, discounts, claims, credits and allowances of any nature (whether issued, owing, granted or outstanding), and (b) reserves for: (i) sales to the government of the United States of

America or to any agency, department or division thereof; (ii) Accounts that remain unpaid more than ninety (90) days from invoice date; (iii) contras; (iv) sales to any Subsidiary of the Borrower or to any company affiliated with the Borrower in any way; (v) bill and hold (deferred shipment) or consignment sales; (vi) sales to any customer which is (a) insolvent, (b) the debtor in any bankruptcy, insolvency, arrangement, reorganization, receivership or similar proceedings under any federal or state law, (c) negotiating, or has called a meeting of its creditors for purposes of negotiating, a compromise of its debts or (d) in the Lender's reasonable business judgment, financially unacceptable to the Lender or has a credit rating unacceptable to the Lender; (vii) all sales to any customer if fifty percent (50%) by Dollar volume or more of either (x) all outstanding invoices issued to such customer are unpaid sixty (60) days or more after the original due date or (y) all outstanding invoices issued to such customer are unpaid ninety (90) days from invoice date; (viii) all deposits due customers; (ix) the amount by which the then outstanding amount of all invoices due from customers residing in Canada exceeds $2,500,000; (x) the warranty reserve on the books and records of the

Borrower; (xi) any other reasons deemed necessary by the Lender in its reasonable business judgment and which are customary either in the commercial finance industry or in the lending practices of the Lender; (xii) Accounts for which payments are subject to dispute, offset, defense or counterclaim, in each case asserted or threatened, by the customer; (xiii) Accounts that have been terminated or cancelled by customers; (xiv) Accounts which do not comply with all Governmental Rules; (xv) any Account which is not free of all Liens or other claims (other than the Liens in favor of the Lender hereunder); (xvi) any Account for which the customer is located in a jurisdiction which requires creditors to be licensed or hold a permit in order to perform the services or sell the items giving rise to such Account or to receive payments on such Account, and the Borrower is not so licensed or does not hold such permit; and (xvii) Accounts which are not fully transferable or assignable.

"ELIGIBLE ASSIGNEE" shall mean (a) a commercial bank organized under the laws of the United States, or any state thereof, and having a combined capital and surplus of at least $100,000,000; (b) a savings and loan association or savings bank organized under the laws of the United States, or any state thereof, and having a combined capital and surplus of at least $100,000,000; (c) a commercial bank organized under the laws of any other country that is a member of the OECD or has concluded special lending arrangements with the International Monetary Fund associated with its General Arrangements to Borrow or of the Cayman Islands, or a political subdivision of any such country, and having a combined capital and surplus of at least $100,000,000; PROVIDED that such bank is acting through a branch or agency located in the United States; (d) the central bank of any country that is a member of the OECD; and (e) a finance company, insurance company or other financial institution or fund (whether a corporation, partnership or other entity) organized under the laws of the United States, or any state thereof, that is engaged in making, purchasing or otherwise investing in commercial loans in the ordinary course of its business, and having a combined capital and surplus of at least $100,000,000 or, in the case of a fund, having total assets in excess of $100,000,000.

"ELIGIBLE INVENTORY" means, as of any date of determination, the gross Dollar value for the Borrower, using a first-in, first-out method of accounting, all in conformity with GAAP, of all Inventory of the Borrower, that conforms to the warranties contained herein; PROVIDED that in determining the amount of Eligible Inventory for the Borrower, there shall be excluded (to the extent not excluded above):
(i) finished goods which are not held by the Borrower for sale as Inventory in the ordinary course of the Borrower's business as presently conducted by it or which are obsolete, not in good condition, not of merchantable quality or not saleable in the ordinary course of the

Borrower's business or which are subject to defects which would affect their market value; (ii) supplies (other than raw materials); (iii) work in process, as determined by the Lender in its sole discretion; (iv) goods not present in the United States of America; (v) goods returned or rejected by the Borrower's customer (other than goods that are undamaged and resalable in the normal course of business); (vi) goods to be returned to the Borrower's suppliers; (vii) goods in transit to third parties (other than the Borrower's agents or warehouses); (viii) Inventory which the Lender, in its sole discretion, determines to be unacceptable due to age, type, category, or quantity; (ix) Inventory in the possession of any Person other than the Borrower; (x) Inventory which is not free of all Liens or other claims (other than the Liens in favor of the Lender hereunder); and (xi) any reserve required by the Lender in its sole discretion for special order goods, market value declines and bill and hold (deferred payment) or consignment sales.

"ENVIRONMENTAL LAW" means any and all federal, state and local statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or other governmental restrictions (including, without limitation, CERCLA and CERCLIS) relating to the environment or to emissions, discharges, releases or threatened releases of PCBs, pollutants, contaminants, chemicals or industrial, toxic or hazardous substances or wastes into the environment including, without limitation, ambient air, surface water, ground water, or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport, or handling of pollutants, contaminants, chemicals or industrial, toxic or hazardous substances or wastes.

"EQUIPMENT" has the meaning set forth in Section 2.15.

"ERISA" means the Employee Retirement Income Security Act of 1974, as heretofore or hereafter amended, or any successor statute.

"EVENT OF DEFAULT" has the meaning set forth in Section 6.1.

"FINAL BORROWING ORDER" means an order of the Court entered in the Chapter 11 Case after a final hearing under Bankruptcy Rule 4001(c)(2) in the form reasonably approved by the Lender.

"FINANCING DOCUMENTS" means this Agreement, the Note, the Orders and the Bank's reimbursement agreement, application for letter of credit or other like document with respect to Letters of Credit.

"FISCAL YEAR" means a fiscal year of the Borrower, I.E., the twelve month period ending on December 31, 1994 and the fifty two/fifty

three week period ending on December 30, 1995, as the case may be.

"FOREIGN OPERATING SUBSIDIARIES" shall mean the Subsidiaries identified as such on Schedule B.

"FOREIGN SUBSIDIARY" means any Subsidiary of the Borrower which is not incorporated under the laws of a state of the United States or of the District of Columbia.

"GAAP" means the generally accepted accounting principles in the United States of America which are applicable on the date hereof to the circumstances as of the date hereof.

"GOVERNMENTAL BODY" shall mean any Federal, state or local governmental or monetary authority or regulatory body, any subdivision, agency, commission or authority thereof (including, without limitation, environmental protection, planning and zoning), or any quasi-governmental or private body exercising any regulatory authority thereunder and any Person directly or indirectly owned by and subject to the control of any of the foregoing, or any court, arbitrator or other judicial or quasi-judicial tribunal.

"GOVERNMENTAL RULE" means any statute, law, treaty, rule, code, ordinance, regulation, permit, certificate or order of any Governmental Body or any judgment, decree, injunction, writ, order or like action of any Governmental Body (whether or not having the force of law).

"GUARANTY" by any Person means any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing any Debt of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person with respect to the Debt of such other Person.

"HAZARDOUS MATERIAL" has the meaning set forth in Section 4.17(a).

"INTEREST EXPENSE" means, for any period, total interest expense (including that portion attributable to Capital Leases in accordance with GAAP and capitalized interest) of the Borrower and its Domestic Operating Subsidiaries determined on a consolidated basis with respect to all outstanding Debt of the Borrower and its Domestic Operating Subsidiaries.

"INTERIM ORDER" means an order of the Court entered in the Chapter 11 Case after an interim hearing under Bankruptcy Rule 4001(c)(2) in the form attached as Exhibit VI with any modifications approved by the Lender.

"INVENTORY" means, with respect to any Person, all of such Person's present and hereafter acquired or created merchandise, inventory and goods held for sale or lease, and all additions, substitutions and replacements thereof, wherever located, together with all goods and materials used or usable in manufacturing, processing, packaging or shipping same; in all stages of production - from raw materials through work-in-process to finished goods - and all proceeds and products thereof of whatever sort.

"INVESTMENT" means any investment by any Person in any other Person, whether by means of share purchase, capital contribution, loan, time deposit, acquisition of substantially all of the assets or business of such other Person by purchase, merger, consolidation or other form of acquisition of the operating assets or business of such other Person, or otherwise.

"LAWS" means all applicable statutes, laws, ordinances, regulations, orders, judgments, writs, injunctions or decrees of any state, commonwealth, nation, territory, possession, province, county, parish, town, township, village, municipality or tribunal; and "LAW" means each of the foregoing.

"LEASED REAL PROPERTY" means any real property used or occupied by the Borrower and/or any Subsidiary of the Borrower, or which the Borrower and/or any Subsidiary of the Borrower, has the right to use or occupy, now or in the future, pursuant to any Real Property Lease. Any reference to the "assets" and/or "properties" of the Borrower or any Subsidiary of the Borrower shall include without limitation the "Leased Real Property."

"LENDER" means The CIT Group/Business Credit, Inc., as Lender, and its successors and assigns.

"LETTER OF CREDIT" means any standby letter of credit issued with the assistance of the Lender by the Bank for the account of the Borrower in accordance with Section 2.11, for the purpose of supporting (i) workers' compensation liabilities of the Borrower, (ii) the obligations of third party insurers of the Borrower arising by virtue of the laws of any jurisdiction requiring third party insurers, (iii) obligations with respect to Capital Leases or operating leases of the Borrower arising after the Petition Date, and (iv) payment, deposit and surety obligations of the Borrower in any case made in the ordinary course of business. Notwithstanding the foregoing, no Letter of Credit shall be issued to support any Debt or other obligations of the Borrower or any of its Subsidiaries arising prior to the Petition Date or any Debt or other obligations in respect of which the Borrower is prohibited by Section 5.14 from using the proceeds of Borrowings to pay or otherwise satisfy.

"LETTER OF CREDIT LIABILITIES" means, at any time and in respect of any Letter of Credit, the sum, without duplication, of (i) the maximum amount available for drawing at anytime under such Letter of Credit PLUS (ii) the aggregate unpaid amount of all Reimbursement Obligations at the time due and payable in respect of previous drawings made under such Letter of Credit.

"LETTER OF CREDIT NOTICE" means a notice in substantially the form of Exhibit III hereto.

"LETTERS OF CREDIT GUARANTY" shall mean the guaranty delivered by the Lender to the Bank of the Borrower's reimbursement obligation under the Bank's reimbursement agreement, application for letter of credit or other like document with respect to the Letters of Credit.

"LIEN" means, with respect to any asset (including, without limitation, any Real Property), any mortgage, lien (statutory or other), pledge, charge, security interest, claim, Capital Lease, sublease of a Capital Lease, deed of trust, option, right of first refusal, easement, servitude, transfer restriction under any shareholder or similar agreement or encumbrance, restriction or other limitation of any kind in respect of such asset. For the purposes of this Agreement, the Borrower or any Subsidiary shall be deemed to own subject to a Lien any asset which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, Capital Lease or other title retention agreement relating to such asset.

"LOAN" means a loan made by the Lender on or after the Closing Date pursuant to Section 2.1(a).

"LOAN CLOSING FEE" shall mean the non-refundable fee payable to the Lender in accordance with, and pursuant to, the provisions of Section 2.5(b) of this Agreement.

"MATURITY DATE" means the earlier of: (i) the date that is twenty four months after the date of the Petition Date and (ii) the date a plan of reorganization in the Chapter 11 Case becomes effective.

"MULTIEMPLOYER PLAN" means a Plan which is a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"NEGOTIABLE DOCUMENT OF TITLE" has the meaning set forth in Section 2.15.

"NET CASH PROCEEDS" means, with respect to any asset sale, Cash payments (including any Cash received by way of deferred payment pursuant to, or monetization of, a note receivable or otherwise, but only as and when so received) received from such asset sale, net of the

direct costs of such sale and taxes paid with respect to such proceeds.

"NET INCOME" means, for any period, the net income (or loss) of the Borrower and its Domestic Operating Subsidiaries (excluding any extraordinary gains or losses) for such period determined on a consolidated basis in accordance with GAAP.

"NOTE" means the promissory note of the Borrower, substantially in the form of Exhibit I hereto, to the order of the Lender evidencing the obligation of the Borrower to repay the Loans made to it by the Lender.

"NOTICE OF BORROWING" has the meaning set forth in Section 2.2(a).

"OBLIGATIONS" means all amounts (whether for principal, interest, fees, expenses, Reimbursement Obligations or otherwise) owed by the Borrower hereunder or under the other Financing Documents.

"OFFICER'S CERTIFICATE" means a certificate of the Borrower or any of its Subsidiaries, as the case may be, executed by its President, Chief Financial Officer, Chief Accounting Officer or Treasurer as specified herein; PROVIDED that every Officer's Certificate with respect to the compliance with a condition precedent to the making of any Loans hereunder shall include (i) a statement that the officer or officers making or giving such Officer's Certificate have read such condition and any definitions or other provisions contained in this Agreement relating thereto, (ii) a statement that, in the opinion of the signers, they have made or have caused to be made such examination or investigation, if any, as is necessary in the sole judgment of the signers to enable them to express an informed opinion as to whether or not such condition has been complied with, and (iii) a statement as to whether, in the opinion of the signers, such condition has been complied with.

"ORDERS" means the Interim Order and the Final Borrowing Order.

"OSHA" has the meaning set forth in Section 4.8.

"OTHER TAXES" has the meaning set forth in Section 2.12(b).

"OWNED REAL PROPERTY" means all of the real property now owned or hereafter acquired by the Borrower and/or any Domestic Subsidiary of the Borrower. Any reference to the "assets" and/or "properties" of the Borrower or any Domestic Subsidiary of the Borrower shall include without limitation the "Owned Real Property."

"PARTICIPANT" has the meaning set forth in Section 7.6(b).

"PBGC" means the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA or any entity succeeding to any or all of its functions under ERISA.

"PCB" means polychlorinated biphenyls.

"PERIL" means, collectively or individually, fire, lightning, flood, earthquake, windstorm, hail, locusts, brimstone, explosion, riot and civil commotion, vandalism and malicious mischief, damage from aircraft, vehicles and smoke and all other perils covered by the "all-risk" endorsement then in use in the state or country in which the applicable portion of the Real Property is located.

"PERMITTED INVESTMENTS" means, as at any date of determination, (i) marketable securities issued or directly and unconditionally guaranteed by the United States Government or issued by any agency thereof and backed by the full faith and credit of the United States, in each case maturing within thirty (30) days from such date; (ii) marketable direct obligations issued by any state of the United States of America or any political subdivision of any such state or any public instrumentality thereof maturing within thirty (30) days from such date and, at the time of acquisition thereof, having the highest rating obtainable from either Standard & Poor's Corporation or Moody's Investors Service, Inc.; (iii) commercial paper maturing no more than thirty (30) days from such date and, at the time of acquisition thereof, having the highest rating obtainable from either Standard & Poor's Corporation or Moody's Investors Service, Inc.; and (iv) certificates of deposit (whether or not Eurodollar in nature) bankers' acceptances, repurchase agreements, reverse repurchase agreements, Eurodollar time deposits maturing within one month from the date of acquisition thereof issued by (x) the Bank, (y) any other bank mutually acceptable to the Borrower and the Lender or (z) the Lender; PROVIDED that in order to provide the Lender with a perfected security interest therein, each Permitted Investment described above shall be either:

(a) evidenced by negotiable certificates or instruments, or if non-negotiable then issued in the name of the Lender, its nominee, its custodian or the nominee of its custodian, which (together with any appropriate instruments of transfer) are delivered to, and held by, the Lender (or its nominee, its custodian or its custodian's nominee) or any agent thereof (which shall not be the Borrower or any of its Affiliates); or

(b) in book-entry form and issued by the United States and subject to pledge under applicable state law and Treasury regulations and as to which (in the opinion of counsel to the Lender) appropriate measures shall have been taken for perfection of such security

interests.

"PERMITTED LIENS" means the following encumbrances and claims against the Borrower or one of its Subsidiaries in whose assets such Lien has arisen: (i) Liens (other than a Lien imposed pursuant to Sections 401(a)(29) or 412(n) of the Code or by ERISA) for taxes or assessments or other governmental charges or levies, either not yet due and payable or to the extent that nonpayment thereof is permitted by the terms of this Agreement; (ii) pledges or deposits securing obligations under workers' compensation, unemployment insurance, social security or public liability laws or similar legislation; (iii) pledges or deposits securing utility payments, bids, tenders, contracts (other than contracts for the payment of borrowed money) or leases to which the Borrower or any of its Subsidiaries is a party as lessee, made in the ordinary course of business;

(iv) deposits securing public or statutory obligations of the Borrower or any of its Subsidiaries; (v) workers', mechanics', suppliers', carriers', landlords', warehousemen's or other similar liens arising in the ordinary course of business and securing obligations that are either (a) not more than 30 days past the date such obligation first became due and payable or (b) being contested in good faith and, if required according to GAAP, appropriately reserved for on the books of the Borrower or any of its Subsidiaries; (vi) deposits securing or in lieu of surety, appeal or customs bonds in proceedings to which the Borrower or any of its Subsidiaries is a party; (vii) any attachment or judgment Liens securing the payment of money not exceeding $50,000 in the aggregate, unless the judgment it secures shall not (x) within 60 days after the entry thereof, have been discharged, (y) have been stayed pending appeal, or (z) have been discharged within 60 days after the expiration of any such stay; (viii) the Liens in favor of the Lender hereunder with respect to the Collateral; (ix) easements, rights-of-way, restrictions, minor defects or irregularities in title and other similar charges or encumbrances not interfering in any material respect with the ordinary conduct of the business of the Borrower or any of its Subsidiaries; (x) any interest or title of a lessor under any lease permitted by this Agreement and any lease or sublease granted to others (and permitted by this Agreement) to the extent the granting or existence of such lease or sublease would not have a material adverse effect on the Borrower or any of its Subsidiaries or on the ability of the Lender to enforce its rights under the Financing Documents; (xi) Liens arising from UCC financing statements regarding leases permitted by this Agreement; (xii) such other Liens as from time to time may be approved in writing by the Lender; PROVIDED that the amount of any pledges and/or deposits permitted by clauses (ii), (iii), (iv) and (vi) above shall not exceed in the aggregate for all such clauses $2,000,000; PROVIDED, FURTHER, that none of the foregoing (other than, in the case of Inventory only,

Liens in favor of carriers, landlords and warehousemen incurred in the ordinary course of business consistent with past practice which secure obligations not more than 30 days past the date such obligations first become due and payable) shall be a "Permitted Lien" to the extent it constitutes a Lien on any Account or on any Inventory; PROVIDED STILL FURTHER that none of the foregoing Liens shall be senior to the Liens created pursuant to the Orders under Section 364(d) of the Bankruptcy Code in the assets of the Borrower securing the obligations arising under this Agreement and the other Financing Documents.

"PERSON" means an individual, a corporation, a partnership, an association, a trust or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"PETITION DATE" has the meaning assigned to it in the recital clauses hereof.

"PLAN" means any employee benefit plan which is covered by ERISA and in respect of which the Borrower or any of its Subsidiaries or a Commonly Controlled Entity is (or, if such plan were terminated at such time, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA. For purposes of Section 6.1(m), all references to "Plan" shall include any employee benefit

plan maintained by the Borrower or any of its Subsidiaries or any Commonly Controlled Entity in a jurisdiction outside of the United States.

"PLEDGED STOCK" shall mean the shares of stock and/or partnership interests pledged to the Lender under Section 2.14.

"PRE-PETITION INDEBTEDNESS" has the meaning assigned to it in Section 5.6(a)(ii).

"PRINCIPAL REAL PROPERTY LEASES" has the meaning set forth in Section 5.20(b).

"PROHIBITED TRANSACTION" means a prohibited transaction as defined in Section 4975(c) of the Code or within the meaning of Section 406 of ERISA.

"PROJECTIONS" has the meaning set forth in Section 4.4(b).

"PURCHASER" has the meaning set forth in Section 7.6(c).

"QUALIFICATION" means, with respect to any certificate covering financial statements, a qualification to such certificate (such as a

"subject to" or "except for" statement therein) (i) resulting from a limitation on the scope of examination of such financial statements or the underlying data, or (ii) which could be eliminated by changes in financial statements or notes thereto covered by such certificate (such as by the creation of or increase in a reserve or a decrease in the carrying value of assets) and which if so eliminated by the making of any such change and after giving effect thereto would occasion a Default or Event of Default; PROVIDED that, without limitation, none of the following shall constitute a Qualification: (a) a consistency exception relating to a change in accounting principles with which the independent public accountants for the Person whose financial statements are being certified have concurred or (b) a qualification relating to the outcome or disposition of threatened litigation, pending litigation being contested in good faith, pending or threatened claims or other contingencies, the impact of which litigation, claims or contingencies cannot be determined with sufficient certainty to permit quantification in such financial statements or (c) a qualification based solely on the Chapter 11 Case.

"REAL PROPERTY" means the Owned Real Property and the Leased Real Property.

"REAL PROPERTY LEASE" means any lease, sublease, license or other similar agreement now or hereafter entered into by the Borrower or any Subsidiary of the Borrower pursuant to which the Borrower or any Subsidiary of the Borrower uses or occupies, or has the right to use or occupy, now or in the future, any real property.

"REGULATION U" means Regulation U of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"REIMBURSEMENT OBLIGATIONS" means, at any date, the obligations of the Borrower then outstanding, or which may thereafter arise in respect of Letters of Credit then outstanding, under Section 2.11 to reimburse (i) the Bank for the amount paid by the Bank in respect of a drawing under a Letter of Credit or (ii) (without duplication) the Lender for payments made by the Lender pursuant to the Letters of Credit Guaranty in respect of any amount paid by the Bank in respect of a drawing under a Letter of Credit.

"RELATED CONTRACTS" has the meaning set forth in Section 2.15.

"RELEASE" has the meaning set forth in Section 4.17(a).

"REORGANIZATION PLAN" means a plan of reorganization in the Chapter 11 Case providing for the payment in full in cash of all amounts owed under this Agreement on the effective date of such plan of

reorganization or such other treatment of claims approved by the Lender in writing to the extent not paid previously pursuant to the Orders.

"REPORTABLE EVENT" means any of the events set forth in Section 4043(b) of ERISA, other than those events as to which the thirty day notice period is waived under subsections .13, .14, .18, .19, or .20 of PBGC Reg. SECTION 2615.

"RESPONSIBLE OFFICER" shall mean each of the Chairman, the President, the Controller, the Treasurer, the Chief Financial Officer and any Vice President.

"RESTRICTED PAYMENT" means, with respect to the Borrower or any of its Domestic Subsidiaries (i) any dividend or other distribution, whether direct or indirect, on, or payment of cash or other property in respect of, any shares of its capital stock (except dividends payable by a Subsidiary to the Borrower or a Wholly-Owned Subsidiary of the Borrower); (ii) any payment on account of the purchase, redemption, retirement or acquisition of (a) any shares of its capital stock, (b) any option, warrant or other right to acquire shares of its capital stock or subordinated Debt issued by the Borrower or such Subsidiary or (c) any subordinated Debt issued by the Borrower or such Subsidiary (including, without limitation, any payment, prepayment, defeasance, redemption, purchase pursuant to tender offer or other acquisition or retirement for value prior to or at its scheduled maturity); (iii) any principal, interest or premium payment on subordinated Debt issued by the Borrower or such Subsidiary; (iv) any Investment in or Guaranty on behalf of, directly or indirectly, any Foreign Subsidiary except as permitted by Section 5.06 or Section 5.12; or (v) any payment to any officer, director or employee of the Borrower or such Subsidiary that constitutes a "bonus" that is otherwise not required to be paid under the terms of employment of such officer, director or employee, unless such payment does not exceed $2,000,000 in aggregate per year to all such officers, directors and employees; PROVIDED, HOWEVER, that with respect to clause (v) hereof it is understood that any agreement to make payments after confirmation of the Reorganization Plan shall not constitute a declaration in violation of Section 5.10.

"REVENUES" has the meaning set forth in Section 5.24(b).

"SINGLE EMPLOYER PLAN" means any Plan which is covered by Title IV of ERISA, but which is not a Multiemployer Plan.

"SUBSIDIARY" means, as to any Person, any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or

indirectly owned by such Person.

"TAXES" shall have the meaning set forth in Section 2.12(a).

"TERMINATION DATE" means the earliest of: (i) the Maturity Date; (ii) the date that the Lender elects pursuant to Section 6.2 to terminate the Borrower's right to make Borrowings or have Letters of Credit issued for its account; (iii) the date of prepayment in full by the Borrower of the Loans and all other obligations of the Borrower under the Financing Documents, including Letter of Credit Liabilities, and termination of the Commitment in accordance with the provisions of Section 2.6; (iv) the date that is 30 days after the Petition Date, if neither the Interim Order (if interim relief is sought) nor the Final Borrowing Order has been entered by the Court by such date or such later date as is approved in writing by the Lender; and (v) in the event the Interim Order is entered in accordance with the foregoing clause (iv), the date that is 60 days after the Petition Date if the Final Borrowing Order has not been entered by the Court by such date or such later date as is approved in writing by the Lender.

"TRANSFEREE" has the meaning set forth in Section 7.6(d).

"UCC" means the Uniform Commercial Code in effect from time to time in the State of California or in any other applicable state.

"WHOLLY-OWNED SUBSIDIARY" means any Subsidiary all of the shares of capital stock of which (except directors' qualifying shares) are at the time directly or indirectly owned by another Person.

SECTION 1.2. ACCOUNTING TERMS AND DETERMINATIONS. Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared, in accordance with GAAP, applied on a basis consistent (except for changes in accordance with Section 5.13 concurred in by the Borrower's independent public accountants) with the most recent audited financial statements of the Borrower delivered to the Lender.

SECTION 1.3. SINGULAR AND PLURAL TERMS. Defined terms used herein in the singular shall include the plural and vice versa.

ARTICLE 2
THE CREDITS

SECTION 2.1. COMMITMENTS TO LEND.

The Lender agrees, on the terms and conditions set forth in this Agreement, from time to time during the Availability Period, to make Loans to and to guaranty the issuance of Letters of Credit for the account of the Borrower pursuant to the Letters of Credit Guaranty in an aggregate principal amount at any one time outstanding up to but not exceeding the Commitment which amount on the Closing Date shall equal the lesser of (i) $35,000,000, and (ii) the amount authorized in the Interim Order; PROVIDED that no Loan shall be made hereunder if, after giving effect thereto and to the application of proceeds thereof and to any other actual or planned disbursements by the Borrower on the date such Loan is requested to be made (or within the next Business Day), the Borrower and its Domestic Subsidiaries would have available in any of their respective Deposit Accounts or disbursement accounts (including, without limitation, the Controlled Depository Accounts, but only to the extent of the excess of such amounts held in such Controlled Depository Accounts over the amount of Actual Obligations as at such date of determination) cash and cash equivalents, together with Permitted Investments held by the Borrower and its Domestic Subsidiaries, in an aggregate amount in excess of $1,000,000. The aggregate principal amount outstanding at any time of Loans PLUS Letter of Credit Liabilities shall not exceed the lesser of (i) the Commitment then in effect and (ii) the Borrowing Base then in effect.

SECTION 2.2. METHOD OF BORROWING.

(a) The Borrower shall give the Lender notice (a "NOTICE OF BORROWING"), telephonically or in the form attached hereto as Exhibit II, not later than 1:30 P.M. (New York City time) on the Business Day that the Borrower desires the Lender make a Loan specifying:

(i) the date of such Loan, which shall be a Business Day;

(ii) the amount of such Loan; and

(iii) the aggregate principal amount of Loans outstanding after giving effect to the proposed Loan.

(b) Any such telephonic notice shall be confirmed in writing no later than 1:30 P.M. (New York City time) on the applicable funding date if so requested by the Lender.

(c) Such Notice of Borrowing shall not be revocable by the Borrower.

(d) Unless the Lender determines that any applicable condition specified in Article 3 has not been satisfied, the Lender will make funds available to the Borrower by crediting the Borrower's Account with the aggregate amount of the Loan.

(e) The Lender shall not incur any liability to the Borrower in acting upon any telephonic notice referred to above that the Lender believes in good faith to have been given by a duly authorized officer or other person authorized to borrow on behalf of the Borrower or for otherwise acting in good faith under this Section 2.2, and upon funding of Loans by the Lender in accordance with this Agreement pursuant to any such telephonic notice the Lender shall have effected Loans hereunder.

(f) The Borrower shall notify the Lender prior to the funding of any Loans in the event that any of the matters to which the Borrower is required to certify in the applicable Notice of Borrowing is no longer true and correct as of the applicable funding date, and the acceptance by the Borrower of the proceeds of any Loans shall constitute a re-certification by the Borrower, as of the applicable funding date, as to the matters to which the Borrower is required to certify in the applicable Notice of Borrowing.

SECTION 2.3. THE NOTE.

(a) The Loans of the Lender shall be evidenced by a Note in substantially the form of Exhibit I, payable to the order of the Lender in an amount equal to the amount of $35,000,000.

(b) The Lender shall record on its books, and shall endorse on the schedule forming a part thereof appropriate notations to evidence the date and amount of each Loan made by it and the date and amount of each payment of principal made by the Borrower with respect thereto; PROVIDED that the failure of the Lender to make any such recordation or endorsement shall not affect the obligations of the Borrower hereunder or under any other Financing Document. The Lender is hereby irrevocably authorized by the Borrower so to endorse its Note and to attach to and make a part of its Note a continuation of any such schedule as and when required.

SECTION 2.4. INTEREST RATES.

(a) Except as set forth in Subsection 2.4(c), each Loan shall bear interest on the outstanding principal amount thereof, for each day from the date such Loan is made until it becomes due, at a rate per annum equal to the sum of one percent (1%) PLUS the Bank of America Rate. Any change in the Bank of America Rate shall be effective as of the first of the month following any change. Such interest shall be payable in arrears (a) on the last day of each month and (b) on the Termination Date.

(b) The Lender shall determine the interest rate applicable to the Loans hereunder. Interest shall be computed, for all Loans, on the basis of a year of 360 days, in each case for the actual number of days elapsed.

(c) Upon the occurrence and during the continuance of an Event of Default, all unpaid amounts, whether of principal or interest, then outstanding and whether or not then due, shall bear interest, payable on demand, for each day until paid, at a rate per annum equal to the sum

of four percent (4%) PLUS the Bank of America Rate for such day. Such interest shall be in lieu of interest that would otherwise accrue pursuant to Section 2.4(a).

SECTION 2.5. FEES.

(a) Subject to the immediately succeeding sentence, the Borrower shall pay to the Lender a DIP Line of Credit Fee at the rate of 1/2 of 1% per annum computed on the basis of a year of 360 days and paid for the actual number of days elapsed on the unused portion of the Commitment (determined by multiplying the difference between $35,000,000 (or such lower amount as a result of a reduction or reductions pursuant to Section 2.6) and the average daily balance of outstanding Loans and Letter of Credit Liabilities for each month) for the period from and including the Closing Date to but excluding the Termination Date, which shall be payable monthly in arrears (A) on the last day of each month prior to the Termination Date and (B) on the Termination Date. The Borrower agrees that the DIP Line of Credit Fee shall be payable with respect to the unused portion of $35,000,000 (or such lower amount as a result of a reduction or reductions pursuant to Section 2.6) regardless of any conditions precedent set forth herein to the Borrower's ability to borrow or limitations set forth herein on the use of Loan proceeds or on the principal amount of Loans or Letter of Credit Liabilities that may be outstanding at any time or for any particular purpose.

(b) To induce the Lender to enter into this Agreement and to extend to the Company the Loans the Borrower shall pay to the Lender a Loan Closing Fee in the amount of $350,000 payable on the Closing Date. The commitment fee of $175,000 referred to in the Commitment Letter, dated November 22, 1993 between the Borrower and the Lender (the "COMMITMENT LETTER") will, on the Closing Date, be credited to the Loan Closing Fee.

(c) On the Closing Date and on each Anniversary Date the Borrower shall pay to the Lender an Administrative Fee in advance in the amount of $25,000, which Administrative Fee shall be non-refundable.

SECTION 2.6. OPTIONAL REDUCTION OR TERMINATION OF THE COMMITMENT. On or after the Closing Date, the Borrower may, upon at least five Business Days' notice to the Lender, terminate at any time, or ratably reduce from time to time by an aggregate amount of $1,000,000 or any multiple of $1,000,000 in excess thereof the unused portion of the Commitment. Any such reduction or termination shall be irrevocable from and after the date of the Borrower's notice thereof. If the Commitment is terminated in its entirety, any accrued Commitment Fee thereon shall be payable on the effective date of such termination.

SECTION 2.7. MANDATORY REDUCTION OF THE COMMITMENT.

To the extent not theretofore terminated pursuant to the other provisions of this Agreement, the Commitment shall terminate on the Termination Date and all Loans then outstanding shall be due and payable on such date together with accrued interest thereon and all other amounts due and payable hereunder or under any of the other Financing Documents and all outstanding Letters of Credit shall be replaced and returned to the Bank undrawn and marked

cancelled; PROVIDED that the Borrower shall pay to the Lender in respect of any Letter of Credit that is not returned for cancellation an amount equal to all Letter of Credit Liabilities relating to such Letter of Credit or the Borrower shall deposit with the Lender cash as collateral in an amount equal to the maximum amount available for drawing under such Letter of Credit.

SECTION 2.8. MANDATORY PREPAYMENTS AND CASH COLLATERALIZATION OF LETTERS OF CREDIT.

(a) On the date of any reduction of the Commitment pursuant to Section 2.6, the Borrower shall prepay the Loans, together with accrued interest on the principal amount prepaid, and any other fees and expenses due and owing to the extent (if any) required so that the sum of the aggregate principal amount of Loans remaining outstanding immediately after such prepayment PLUS the aggregate Letter of Credit Liabilities not cash collateralized then in effect will not exceed the aggregate amount of the Commitment after giving effect to such reduction. If on any date of determination of the Borrowing Base, the principal amount of Loans and Letter of Credit Liabilities outstanding exceeds the Borrowing Base then in effect, the Borrower shall prepay Loans, together with accrued interest on the principal amount prepaid, and any other fees and expenses due and owing, and cash collateralize Letters of Credit, to the extent required, so that the principal amount of Loans and Letters of Credit Liabilities not so cash collateralized remaining outstanding immediately after such prepayment and cash collateralization will not exceed the Borrowing Base. The Borrower hereby irrevocably instructs the Lender to apply all Revenues transferred to the Lender in accordance with Section 5.24(b) to prepay the Loans, together with accrued interest on the principal amount prepaid, and any fees or expenses to the extent such fees or expenses are due and owing. In the event that all of the obligations arising under this Agreement and the other Financing Documents (including all Letter of Credit Liabilities) have been paid in full in cash or, with respect to Letter of Credit Liabilities, cash collateralized and the Commitment has been terminated, to the extent that any amounts held hereunder as cash collateral for Letters of Credit exceed the aggregate stated amount of all Letters of Credit issued hereunder that remain outstanding PLUS the amount of all unpaid fees that have accrued or would accrue pursuant to Section 2.11(c) in respect of such Letters of Credit through the expiry date thereof, the portion of such cash collateral that exceeds the sum of such stated amounts and unpaid fees shall be paid over to

the Borrower.

(b) If the Commitment reduction described in Section 2.6 would result in the outstanding Commitment being reduced below the then outstanding Letter of Credit Liabilities, and the Loans have been repaid in full in accordance with the provisions of Section 2.8, then, in such event (i) the Borrower shall pay to the Lender on the date such reduction would otherwise occur under Section 2.6, in immediately available funds (which funds shall be held as collateral hereunder), an amount (the "CASH COLLATERAL AMOUNT") equal to one hundred and five percent (105%) of the excess of the aggregate of then outstanding Letter of Credit Liabilities over the Commitment as such Commitment otherwise would be reduced, (ii) such Cash Collateral Amount shall be applied to pay any Reimbursement Obligations with respect to such Letters of Credit as such obligations occur, (iii) on the date or dates such Letters of Credit expire and all Reimbursement Obligations with respect thereto have been paid, so long as no Default shall have occurred and be continuing, an amount equal to the face amount of such

expiring Letters of Credit (less the amount of any Reimbursement Obligations paid with respect thereto) shall be paid from the Cash Collateral Amount to the Borrower's Account and (iv) such reduction of the Commitment shall be deemed to occur on the date or dates such Letters of Credit expire and all Reimbursement Obligations with respect thereto have been paid.

SECTION 2.9. CAPITAL ADEQUACY.

(a) If the Lender shall have reasonably determined that the applicability of any law, rule, regulation or guideline adopted pursuant to or arising out of the July 1988 report on the Basle Committee on Banking Regulations and Supervisory Practices entitled "International Convergence of Capital Measurement and Capital Standards", including ,without limitation, the capital adequacy guidelines adopted by the Federal Reserve Board and the Comptroller of the Currency on January 27, 1989, or the adoption after the date hereof of any other law, rule, regulation or guideline regarding capital adequacy, or any change in any of the foregoing or in the interpretation or administration of any of the foregoing by any Governmental Body, central bank or comparable agency charge with the interpretation or administration thereof, or compliance by the Lender (or any lending office of the Lender) or the Lender's holding company with any request or directive regarding capital adequacy (whether or not having the force of law) of any such Governmental Body, central bank or comparable agency, has or would have the effect of reducing the rate of return on the Lender's capital or on the capital of the Lender's holding company as a consequence of its obligations under this Agreement to a level below that which the Lender or the Lender's holding company could have achieved but for such adoption, change or compliance (taking into consideration the Lender's policies and the policies of the Lender's holding company with respect to capital adequacy) by an amount deemed

by the Lender to be material, then from time to time the Borrower shall pay to the Lender, on demand, such additional amount or amounts as will compensate the Lender or the Lender's holding company for any such reduction suffered.

(b) In the event that any amounts are owing by the Borrower to the Lender pursuant to this Section 2.9, the Lender shall promptly upon determining such amounts deliver to the Borrower a certificate, in reasonable detail, explaining the basis upon which such amounts have been determined to be owing, which determination shall be conclusive absent manifest error, and the Lender's certification that it is using reasonable efforts to collect comparable amounts from similarly situated borrowers having similar credit relationships with the Lender under documentation which gives the Lender substantially the same rights with respect to such increased costs or reductions or payments with respect to capital adequacy as set forth in this Section 2.9.

(c) Failure on the part of the Lender to demand compensation for any reduction in return on capital for any period shall not constitute a waiver of the Lender's rights to demand compensation for any reduction in return on capital during any other period. The protection of this Section shall be available to the Lender regardless of any possible contention of invalidity or inapplicability of the law, regulation or condition which shall have been imposed. The covenants of the Borrower contained in this Section 2.9 shall survive termination of this Agreement and payment in full of its obligations hereunder.

SECTION 2.10. GENERAL PROVISIONS AS TO PAYMENTS AND DISBURSEMENTS.

(a) The Lender shall maintain a separate loan account (the "BORROWER'S ACCOUNT") on its books in the Borrower's name in which the Borrower will be charged with Loans made by the Lender to it hereunder and with any other obligations of the Borrower hereunder. The Borrower hereby authorizes the Lender to, and the Lender may, from time to time charge the Borrower's Account with any interest, fees, expenses or other amounts that are due and payable under this Agreement. The Borrower confirms that any charges which the Lender may so make to the Borrower's Account as herein provided will be made as an accommodation to the Borrower and solely at the Lender's discretion.

(b) All funds in the Controlled Depository Accounts shall be transferred daily into the Cash Concentration Account. The Lender shall apply funds in the Cash Concentration Account daily to pay in full or, if insufficient funds are available in the Cash Concentration Account to pay in full, to pay in part to the extent of such available funds, the balance owed to the Lender in the Borrower's Account.

(c) After the end of each month, the Lender shall promptly send the

Borrower a statement showing the accounting for the charges, Loans, and other transactions occurring between the Lender and the Borrower during that month. The monthly statements shall be deemed correct and binding upon the Borrower absent manifest error and shall constitute an account stated between the Borrower and the Lender unless the Lender receives a written statement of the exceptions within thirty (30) days of the date of the monthly statement.

SECTION 2.11. LETTERS OF CREDIT.

(a) In order to assist the Borrower in establishing or opening Letters of Credit with the Bank, the Borrower has requested the Lender to join in the applications for such Letters of Credit, and/or guarantee payment or performance of such Letters of Credit and any drafts or acceptances thereunder through the issuance of the Letters of Credit Guaranty, thereby lending the Lender's credit to the Borrower, and the Lender has agreed to do so. These arrangements shall be handled by the Lender subject to the terms and conditions set forth below. Subject to the terms and conditions hereof, up to $5,000,000 of the aggregate amount of the Commitment shall be available for the issuance of the Letters of Credit Guaranty with respect to Letters of Credit issued by the Bank for the account of the Borrower for the purposes set forth in the definition of "Letter of Credit," which Letters of Credit shall be issued, upon the request of the Borrower to the Lender, upon the terms and conditions set forth in this Section 2.11.

(b) The Borrower shall give the Lender at least five Business Days' prior notice, in the form of Exhibit III hereto (effective upon receipt), specifying the date each Letter of Credit is to be issued and describing the proposed terms of such Letter of Credit, including, without limitation, the face amount, beneficiary and expiry date and the nature of the transactions proposed to be supported thereby. The issuance by the Bank of each Letter of Credit shall, in addition to the conditions precedent set forth in Article 3, be subject to the conditions precedent that such Letter of Credit shall be for a purpose specified in the definition of "Letter of Credit,"

and in such form, contain such terms and support such transactions as shall be reasonably satisfactory to the Bank and the Lender, and that the Borrower shall have executed and delivered such application and agreement for letter of credit, if any, as the Bank may request and a Letter of Credit Notice to the Lender in the form attached as Exhibit III, and such other instruments and agreements relating to such Letter of Credit as the Bank or the Lender shall have reasonably requested. No Letter of Credit shall have a term extending beyond the earlier of (i) one year after the date of issuance thereof and (ii) 5 Business Days prior to the Maturity Date. The aggregate amount of Letter of Credit Liabilities shall at no time exceed $5,000,000.

(c) In consideration of the Letters of Credit Guaranty of the Lender, the Borrower shall pay the Lender a Letter of Credit fee which shall be an

amount equal to one percent (1%) per annum, on the face amount of each Letter of Credit, payable semi-annually in advance, less the amount of any and all amounts previously drawn under such Letter of Credit. Any charges, fees, commissions, costs and expenses charged to the Lender by the Bank in connection with or arising out of Letters of Credit issued pursuant to this Agreement or out of transactions relating thereto will be charged to the Borrower's Account in full when charged to or paid by the Lender and when made by the Lender shall be conclusive on the Borrower. All fees due under this Section 2.11(c) shall be computed on the basis of a year of 360 days, in each case for the actual number of days elapsed (including the first day but excluding the last day).

(d) On each day during the period commencing with the date of issuance by the Bank of any Letter of Credit and until such Letter of Credit shall have expired, terminated or been fully drawn and reimbursed, the Commitment shall be deemed to be utilized for all purposes hereof in an amount equal to the Letter of Credit Liabilities with respect to such Letter of Credit.

(e) The Lender shall have the right, without notice to the Borrower, to charge the Borrower's Account with the amount of any and all indebtedness, liability or obligation of any kind outstanding under the Letters of Credit upon payment by the Lender under the Letters of Credit Guaranty. Any amount charged to Borrower's Account hereunder shall be deemed a Loan hereunder and shall incur interest at the rate provided in Section 2.4 of this Agreement.

(f) Upon any payments made to the Bank under the Letters of Credit Guaranty, the Lender shall acquire by subrogation any rights, remedies, duties or obligations granted or undertaken by the Borrower to the Bank in any application for a Letter of Credit, any reimbursement agreement relating to Letters of Credit or otherwise, all of which shall be deemed to have been granted to the Lender and apply in all respects to the Lender and shall be in addition to any rights, remedies, duties or obligations contained herein.

(g) The Borrower unconditionally indemnifies the Lender and holds the Lender harmless from any and all loss, claim or liability incurred by the Lender arising from any transactions or occurrences relating to Letters of Credit established or opened for the Borrower's account, the Collateral relating thereto and any drafts or acceptances thereunder, and all Obligations thereunder, or any claim arising under the Letters of Credit Guaranty, including any such loss or claim due to any action taken by the Bank, other than for any such loss, claim or

liability arising out of the gross negligence or willful misconduct by the Lender. The Borrower further agrees to indemnify and hold the Lender harmless from any errors or omissions, negligence or misconduct by the Bank. The Borrower's unconditional obligation to the Lender hereunder shall not be modified or diminished for any reason or in any manner whatsoever, other than as

a result of the Lender's gross negligence or willful misconduct. The Borrower agrees that any charges incurred by the Lender for the Borrower's account by the Bank shall be conclusive on the Lender and may be charged to the Borrower's Account.

SECTION 2.12. TAXES ON PAYMENTS.

(a) Any and all payments by the Borrower hereunder and under the Note shall be made free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding, in the case of the Lender, income and franchise taxes based on or measured by the net income of the Lender (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "TAXES"). If the Borrower shall be required by Law to deduct any Taxes from or in respect of any sum payable hereunder or under any Note to any Lender, (i) the Borrower shall increase the sum payable as may be necessary so that after making all required deductions, the Lender receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions, (iii) the Borrower shall pay the full amount deducted to the relevant taxation authority or other authority for the account of the Lender, in accordance with applicable Law, and (iv) as promptly as possible thereafter, the Borrower shall send the Lender evidence showing payment thereof, together with additional documentary evidence as the Lender may from time to time require.

(b) In addition, the Borrower agrees to pay any present or future stamp or documentary or mortgage recording taxes or any other excise or property taxes, recording or other charges or similar levies which arise from any payment made hereunder or under the Note or from the execution, delivery or registration of, or otherwise with respect to, this Agreement or the Note (hereinafter referred to as "OTHER TAXES").

(c) The Borrower will indemnify the Lender for the full amount of Taxes and Other Taxes (including, without limitation, any Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section 2.12) paid by the Lender and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted; PROVIDED, HOWEVER, that in the event such Taxes are incorrectly or illegally assessed or if the Lender contests the assessment of such Taxes, the Lender shall refund, to the extent of any refund made to the Lender, any amounts paid by the Borrower under this Section 2.12(c) in respect of such Taxes. Amounts payable by the Borrower under this Section 2.12(c) shall be paid within 30 days after the date the Lender makes written demand therefor.

SECTION 2.13. SUPERPRIORITY NATURE OF OBLIGATIONS. All obligations of the Borrower under the Financing Documents (including, but not limited to, the obligation to pay principal, interest, fees, costs, charges and expenses, including counsel fees) shall be paid when

due, without defense, offset, reduction or counterclaim, and shall constitute claims to the full extent thereof against the Borrower arising under Section 364(c)(1) of the Bankruptcy Code, with priority for such claims over any and all administrative expenses of the kind specified or ordered pursuant to any provision of the Bankruptcy Code, including, but not limited to, Sections 105, 326, 328, 503(b), 506(c), 507(a), 507(b) and 726 of the Bankruptcy Code, PROVIDED THAT, upon the occurrence and during the continuation of an Event of Default or the exercise by Lender of its remedies after an Event of Default under this Agreement, such claims shall be subject to (i) unpaid professional fees and expenses in an aggregate amount (determined without regard to fees and expenses awarded or otherwise paid on an interim basis) not to exceed $400,000 per month and $2,500,000 in aggregate, and (ii) fees payable to the United States Trustee pursuant to 28 U.S.C. SECTION 1930(a)(6) (the fees and expenses described in clauses (i) and (ii), the "Carved Out Fees"); PROVIDED FURTHER THAT, the Borrower shall be permitted to pay administrative expenses of the kind specified in Section 503(b) of the Bankruptcy Code incurred in the ordinary course of the Borrower's business without disgorgement or any claim for return and FURTHER PROVIDED THAT so long as no Event of Default shall have occurred and be continuing, and the Borrower shall also be permitted to pay those administrative expenses expressly permitted by the Agreement and compensation and reimbursement allowed and payable under Sections 330 and 331 of the Bankruptcy Code.

SECTION 2.14. PLEDGE OF STOCK.

(a) As collateral for the obligations of the Borrower under the Financing Documents, the Borrower hereby pledges and grants to the Lender a security interest in (i) one hundred percent (100%) (or such lesser amount as is owned by the Borrower) of the shares of stock or partnership interests, as the case may be, of the Domestic Operating Subsidiaries now owned and hereafter acquired by the Borrower and (ii) sixty-five percent (65%) of the shares of stock or partnership interests, as the case may be, of the Foreign Operating Subsidiaries (excluding the stock of Hexcel Chemical Products Ltd. and Hexcel do Brasil Servicos S/K Ltda.) now owned directly and hereafter directly acquired by the Borrower. The Lender hereby agrees that the issuance of stock by Hexcel S.A. pursuant to an arms length transaction and the consideration for which is fair market value which issuance results in the percentage of shares of stock of Hexcel S.A. pledged hereunder being less than sixty-five percent (65%) shall not be a violation of this Agreement. The Borrower shall deliver to the Lender on or before the date of the Final Borrowing Order (i) the stock certificates, if any, evidencing the stock so pledged and duly executed stock powers in blank (ii) in the case of Foreign Operating Subsidiaries which have not issued any stock certificates, evidence of the pledge of such shares of stock pursuant to this Section 2.14(a) and (iii) any certificates, documents or instruments evidencing the partnership interests so pledged.

(b) The Borrower hereby agrees that, upon the request of the Lender

and as additional collateral for the obligations of the Borrower under the Financing Documents, the Borrower shall cause its Subsidiaries to pledge and grant to the Lender a first priority, perfected security interest in all of the shares of stock or partnership interests, as the case may be, of the Domestic Operating Subsidiaries then owned and thereafter acquired by any Subsidiary of the Borrower and shall cause its Subsidiaries to execute such certificates, documents and agreements as shall

be necessary in the reasonable opinion of the Lender to evidence, create and perfect such security interest. The Borrower shall cause its Subsidiaries to deliver to the Lender (i) the stock certificates evidencing the stock so pledged and duly executed stock powers in blank and (ii) any certificates, documents or instruments evidencing the partnership interests so pledged.

(c) This Section 2.14 shall create a continuing security interest in the Pledged Stock and shall remain in full force and effect until the indefeasible payment in full in Dollars of the Obligations of the Borrower hereunder and the termination of the Commitment.

SECTION 2.15. GRANT OF SECURITY. As collateral for the Obligations of the Borrower under the Financing Documents, the Borrower hereby assigns to the Lender, and hereby grants to the Lender a security interest in, all of the Borrower's right, title and interest in and to the following, in each case whether now or hereafter existing or in which the Borrower now has or hereafter acquires an interest and wherever the same may be located (together with the Pledged Stock, the "COLLATERAL"):

(a) all equipment in all of its forms, all parts thereof and all accessions thereto (any and all such equipment, parts and accessions being the "EQUIPMENT");

(b) all Inventory and all negotiable documents of title (including without limitation warehouse receipts, dock receipts and bills of lading) issued by any Person covering any Inventory (any such negotiable document of title being a "NEGOTIABLE DOCUMENT OF TITLE");

(c) all Accounts and all rights in, to and under all security agreements, leases and other contracts securing or otherwise relating to any such Accounts, and all such security agreements, leases and other contracts being the "RELATED CONTRACTS");

(d) the agreements listed in Schedules 4.14 and 4.22 hereto and all other agreements to which the Borrower is a party, as each such agreement may be amended, supplemented or otherwise modified from time to time (said agreements, as so amended, supplemented or otherwise modified, being referred to herein individually as an "ASSIGNED AGREEMENT" and collectively as the "ASSIGNED AGREEMENTS"), including

without limitation (i) all rights of the Borrower to receive moneys due or to become due under or pursuant to the Assigned Agreements, (ii) all rights of the Borrower to receive proceeds of any insurance, indemnity, warranty or guaranty with respect to the Assigned Agreements, (iii) all claims of the Borrower for damages arising out of any breach of or default under the Assigned Agreements, and (iv) all rights of the Borrower to terminate, amend, supplement, modify or exercise rights or options under the Assigned Agreements, to perform thereunder and to compel performance and otherwise exercise all remedies thereunder;

(e) all Deposit Accounts, including without limitation the Controlled Deposit Accounts and all disbursement accounts;

(f) all trademarks, tradenames, tradesecrets, business names, patents, patent applications, licenses, copyrights, permits relating to intellectual property, registrations and franchise rights, and all goodwill associated with any of the foregoing;

(g) to the extent not included in any other paragraph of this Section 2.15, all other general intangibles (including without limitation tax refunds, rights to payment or performance, CHOSES IN ACTION and judgments taken on any rights or claims included in the Collateral);

(h) all plant fixtures, business fixtures and other fixtures and storage and office facilities, and all accessions thereto and products thereof;

(i) all books, records, ledger cards, files, correspondence, computer programs, tapes, disks and related data processing software that at any time evidence or contain information relating to any of the Collateral or are otherwise necessary or helpful in the collection thereof or realization thereupon; and

(j) all proceeds, products, rents and profits of or from any and all of the foregoing Collateral and, to the extent not otherwise included, all payments under insurance (whether or not the Lender is the loss payee thereof), or any indemnity, warranty or guaranty, payable by reason of loss or damage to or otherwise with respect to any of the foregoing Collateral. For purposes of this Agreement, the term "PROCEEDS" includes whatever is receivable or received when Collateral or proceeds are sold, exchanged, collected or otherwise disposed of, whether such disposition is voluntary or involuntary.

This Section 2.15 shall create a continuing security interest in the Collateral and shall remain in full force and effect until the indefeasible payment in full in Dollars of the Obligations of the Borrower and the

termination of the Commitment.

SECTION 2.16. CASH COLLATERAL. All cash, negotiable instruments, documents of title, securities, deposit accounts or other cash equivalents of the Borrower whenever acquired and the proceeds, products, rents or profits of property that constitute Collateral constitute the Lender's cash collateral as that term is used in Section 363 of the Bankruptcy Code (the "CASH COLLATERAL").

ARTICLE 3
CONDITIONS

The obligation of the Lender to make any Loan is subject to the performance by the Borrower or of the Bank to issue a Letter of Credit on the occasion of a request therefor by the Borrower of all of its obligations under this Agreement and to the satisfaction of each of the following conditions:

SECTION 3.1. EACH CREDIT EVENT. In the case of each Credit Event consisting of a new Loan or the issuance of a new Letter of Credit:

(a) receipt by the Lender of a Notice of Borrowing as required by Section 2.2, or a request for issuance of a Letter of Credit as required by Section 2.11, as the case may be, and, in the case of a request for issuance of a Letter of Credit, an Officer's Certificate of a Responsible Officer of the Borrower satisfactory in form and substance to the Lender, certifying that (i) the representations and warranties contained herein are true and correct in all material respects on and as of the date hereof and with respect to the representations and warranties contained in Section 4.1, 4.2, 4.3, 4.4, 4.5, 4.6, 4.7, 4.8, 4.9, 4.10, 4.11, 4.15, 4.16, 4.17, 4.19, 4.20, 4.25 and 4.26 hereto are true and correct in all material respects on and as of the date of the request for issuance of a Letter of Credit as if made on such date, unless limited to a prior date; (ii) the Borrower is in compliance with all of the terms and provisions set forth herein; and (iii) no Default, or any event which, with the giving of notice or the passage of time or both would constitute an Event of Default, has occurred;

(b) the date the Loan is to be made or the Letter of Credit is to be issued is a Business Day;

(c) (i) the sum of (w) the principal balance of the outstanding Loans, (x) the aggregate Letter of Credit Liabilities, (y) the amount of the requested Loan and (z) the face amount of all requested Letters of Credit is equal to or less than the Commitment, (ii) the sum of (w) the principal balance of the outstanding Loans, (x) the aggregate Letter of Credit Liabilities, (y) the amount of the requested Loan and (z) the face amount of all requested Letters of Credit is equal to or less than the Borrowing Base

and (iii) the Loan or the Letters of Credit requested shall not cause the sum of the principal balance of the Loans and the aggregate Letters of Credit Liabilities to exceed the amount then authorized by the Interim Order (if any) or the Final Borrowing Order, and either such Order shall be in full force and effect and shall not be stayed;

(d) the fact that, immediately preceding and immediately after giving effect to such Loan or Letter of Credit, no Default or Event of Default shall have occurred and be continuing;

(e) the fact that (i) on the Closing Date all of the representations and warranties of the Borrower in the Financing Documents shall be true and correct (unless waived by the Lender) and (ii) with respect to any Credit Event subsequent to the Closing Date, the representations and warranties of the Borrower contained in Sections 4.1, 4.2, 4.3, 4.4, 4.5, 4.6, 4.7, 4.8, 4.9, 4.10, 4.11, 4.15, 4.16, 4.17, 4.19, 4.20, 4.25 and 4.26 of this Agreement and in the letter of application for any Letter of Credit executed by the Borrower in connection with such Credit Event shall be true and correct in all material respects on and as of the date of such Credit Event as if made on such date, unless limited to a prior date;

(f) (i) no event shall have occurred at any time after the Closing Date, which materially and adversely affects (x) the Condition of the Borrower individually, or of the Borrower and its Subsidiaries taken as a whole, or (y) the ability of the Borrower to perform its obligations under the Financing Documents and (ii) no event shall have occurred at any time

after the Closing Date, which, in the sole discretion of the Lender, materially and adversely affects (x) the Condition of the Borrower, individually, or of the Borrower and its Subsidiaries taken as a whole, or (y) the ability of the Borrower to perform its obligations under the Financing Documents;

(g) no Law shall prohibit, and no order, judgment or decree of any Governmental Body shall enjoin or restrain, the Lender from making the requested Loan or the Bank from issuing any requested Letter of Credit, as the case may be;

(h) receipt by the Lender, of all fees, interest and expenses and other amounts payable, as of the date of such Credit Event, under the terms of any of the Financing Documents and any outstanding Letters of Credit;

(i) the Borrower shall have performed and complied in all material respects with all agreements and conditions herein and in the other Financing Documents required to be performed or complied with by it at or prior to the time of the Loan or issuance of the Letter of Credit, as the case may be;

(j) all necessary authorizations and approvals by or from any

Governmental Body or other third party to the transactions contemplated by this Agreement required of the Borrower shall have been duly obtained and shall be in full force and effect at the date of the Loan or the issuance of the Letter of Credit, as the case may be, except in the case of authorizations and approvals of third parties, where the failure to obtain such authorizations and approvals, individually or in the aggregate, will not have a material adverse affect on the Condition of the Borrower, individually, or the Borrower and its Subsidiaries, taken as a whole;

(k) the Borrower shall use the proceeds of any Loan only for the purposes set forth in Section 5.14 and shall request the issuance of a Letter of Credit only for the purposes set forth in the definition of Letter of Credit;

(l) receipt by the Lender of any other documentation that the Lender may reasonably request; and

(m) in the case of Loans requested during the five (5) Business Day period described in Section 6.2(b)(i), a Borrowing Base Certificate must be delivered prior to each Loan pursuant to Section 5.1(s).

Each Credit Event shall be deemed to be a representation and warranty by the Borrower on the date of such Credit Event as to the facts specified in paragraphs (a), (c) through (f)(i), (g) and (i) through (k), as appropriate, of this Section 3.1.

SECTION 3.2. CONDITIONS TO EFFECTIVENESS. This Agreement shall become effective on the date on which each of the following conditions is satisfied or waived:

(a) PRINCIPAL DOCUMENTS. The Lender shall have received:

(i) counterparts of this Agreement, in form and substance reasonably satisfactory to the Lender, duly executed and by the Borrower; and

(ii) the duly executed Note for the account of the Lender, complying with Section 2.3(a).

(b) CASH BUDGET PROJECTION. The Lender shall have received cash budget projections of the Chief Financial Officer or the Controller of the Borrower for the 12-month period through the first anniversary of the Closing Date, prepared by the Borrower's management in form and substance reasonably satisfactory to the Lender.

(c) GENERAL CORPORATE MATTERS. The Lender shall have received:

(i) a copy of the certificate of incorporation of the Borrower, and all amendments thereto, certified by the Secretary of State of the State of Delaware to the effect that such copies are true, correct and complete as of a date that is no more than ten Business Days before the Closing Date;

(ii) a copy of the by-laws of the Borrower, and all amendments thereto, and evidence of all corporate action taken by the Borrower approving this Agreement, each of the other Financing Documents to which it is a party and the Loans to be made by the Borrower hereunder (including, without limitation, a copy of the resolutions of the Board of Directors and, if required, shareholders of the Borrower adopted, as required by Law, in respect of the transactions contemplated hereby and thereby), with an Officer's Certificate of the Secretary or Assistant Secretary of the Borrower certifying that the documents attached thereto are true, correct, complete and with respect to the resolutions duly adopted, and that the certificate of incorporation delivered pursuant to (i) above, the by-laws and such resolutions have not been amended, modified or revoked in any respect, and are in full force and effect as of the Closing Date;

(iii) copies of the certificate of incorporation (or equivalent document) of each Domestic Operating Subsidiary and Foreign Operating Subsidiary the stock of which is pledged under Section 2.14 (a) hereof, and all amendments thereto, certified by the Secretary of State (or comparable authority) of the relevant jurisdiction of incorporation in the case of any Domestic Operating Subsidiary or the corporate secretary or assistant secretary of the Borrower in the case of any Foreign Operating Subsidiary to the effect that such copies are true, correct and complete as of a date that is no more than ten Business Days before the Closing Date;

(iv) copies of the by-laws (or equivalent document) of each Domestic Operating Subsidiary and Foreign Operating Subsidiary the stock of which is pledged under Section 2.14(a) hereof, and all amendments thereto, with an Officer's Certificate of the secretary or assistant secretary of each such Subsidiary or of the Borrower in the case of any

Foreign Operating Subsidiary certifying that the certificate of incorporation (or equivalent document) delivered pursuant to (iii) above, the by-laws (or equivalent document) have not been amended, modified or revoked in any respect, and are in full force and effect as of the Closing Date;

(v) an Officer's Certificate of the Borrower, dated the Closing Date, in respect of each of the officers (a) who is authorized to execute this Agreement and the other Financing Documents to which it is

a party on its behalf and (b) who will, until replaced by another officer or officers duly authorized for that purpose, act as its representative for the purpose of signing documents and giving notices and other communications in connection with this Agreement, each Financing Document to which it is a party and the transactions contemplated hereby and thereby (and the Lender may conclusively rely on such certificate until it receives notice in writing from the Borrower to the contrary);

(vi) true, correct and complete copies of the certificates of qualification for the Borrower to do business in each jurisdiction set forth on Schedule 4.1 certified by the Secretary of State of such jurisdiction each of a date that is no more than ten Business Days prior to the Closing Date; and

(vii) certificates from the Secretary of State (or comparable authority) of each jurisdiction set forth on Schedule 4.1 effective as of no earlier than ten Business Days immediately preceding the Closing Date, indicating whether the Borrower is in good standing and has filed all requisite tax returns in each such jurisdiction;

PROVIDED THAT, the Borrower shall be required to deliver as a condition to the effectiveness of this Agreement certificates under the foregoing clauses (vi) and (vii) only from the States of California, Arizona and Texas; and PROVIDED, FURTHER, that the Borrowing Base shall exclude Inventory located in, or Accounts owed by any Account Debtor located in, any jurisdiction with respect to which the Borrower would otherwise be required to provide certificates under such clause (vi) or (vii) until such time as such certificate is delivered.

(d) THE SECURITY. The Lender shall receive by the date of the Final Borrowing Order:

(i) any stock certificates with respect to the Pledged Stock accompanied by duly executed undated stock powers in blank as may be requested by the Lender pursuant to Section 5.9 and Section 2.14(a);

(ii) certificates of insurance evidencing the existence of the insurance coverage of the Borrower and its Subsidiaries required pursuant to the provisions of Section 5.3 and showing that the Lender is named as a co-insured or loss payee party under each such insurance policy;

(iii) all documents the Lender may reasonably request relating to the existence of the Domestic Operating Subsidiaries and Foreign Operating Subsidiaries, the issuance

of and the Borrower's title to the Pledged Stock and any other matters relevant hereto or thereto, all in form and substance reasonably satisfactory to the Lender.

(e) PAYMENTS. The Lender shall have received payment by the Borrower of all fees referred to in Section 2.5 and 2.11 and any other amounts which are due and payable to the Lender on the Closing Date.

(f) OPINION OF COUNSEL. The Lender shall have received (i) an opinion of Wendel, Rosen, Black, Dean & Levitan, counsel for the Borrower, substantially in the form of Exhibit VII hereto, and (ii) such other opinions as the Lender may reasonably request.

(g) BORROWING ORDER. The Lender shall have received a certified copy of the Interim Order or Final Borrowing Order, if there is no Interim Order, providing for available credit under this Agreement of not less than $8,000,000, or such lesser amount as is agreed to in writing by the Lender; and the Interim Order or Final Borrowing Order, as the case may be, shall have been entered by the Court and be in full force and effect, and shall not have been stayed, reversed, vacated, modified, amended or rescinded and, if the Interim Order or Final Borrowing Order, as the case may be, is the subject of a pending appeal in any respect, neither the making of Loans nor the issuance of Letters of Credit nor the performance by the Borrower of any of its obligations hereunder or under the other Financing Documents (including the validity, enforceability, or priority of providing the pledge and administrative priority claims described herein) or under any other instrument or agreement referred to herein shall be the subject of a then effective stay pending appeal.

(h) BORROWING BASE. The Lender shall have received an Officer's Certificate of the Chief Financial Officer, Chief Accounting Officer or Treasurer of the Borrower, dated the Closing Date, certifying that the Eligible Accounts Receivable and Eligible Inventory is at such places, in such condition and in such amounts as set forth therein, as verified by management of the Borrower pursuant to diligence performed, which Officer's Certificate shall be in form and substance reasonably satisfactory to the Lender. After giving effect to the issuance of any Letters of Credit or to any Loans made on the Closing Date, there shall be sufficient Borrowing Base remaining to support a Loan of no less than $20,000,000.

(i) NO MATERIAL ADVERSE CHANGE. No event shall have occurred (other than the commencement of the Chapter 11 Case) since October 31, 1993 which, in the opinion of the Lender, could have a material and adverse affect on the Condition of the Borrower individually, or of the Borrower and its Subsidiaries taken as a whole. For purposes hereof, any material change in the terms, conditions, assumptions or Projections supplied to the Lender by the Borrower and on which the Lender based its decision to enter this Agreement shall constitute such an event.

(j) EXAMINATION. The Lender shall have performed, to its satisfaction, an examination of the books and records of the Borrower,

including but not limited to the books and records relating to the Borrower's Inventory and accounts receivable.

(k) CASH BALANCES. The Lender shall have received an Officer's Certificate of the Chief Financial Officer, Chief Accounting Officer, Controller or Treasurer of the Borrower certifying that as of the Closing Date (i) the Borrower has aggregate cash balances of not less than $50,000 and not more than $7,000,000; and (ii) none of such cash balances are in Deposit Accounts or disbursement accounts that, by their terms, would result in such cash balances being temporarily not available to the Borrower.

(l) MISCELLANEOUS DOCUMENTS. The Lender shall receive such other certificates or documents as the Lender may reasonably request.

The documents referred to in this Section 3.2 shall be delivered to the Lender no later than the Closing Date unless otherwise specified. The opinions referred to in this Section 3.2 shall be dated the Closing Date.

ARTICLE 4
REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants that:

SECTION 4.1. CORPORATE EXISTENCE AND POWER. The Borrower and each of its Domestic Operating Subsidiaries is a corporation duly incorporated and validly existing and the Borrower is in good standing under the laws of its jurisdiction of incorporation; the Borrower is duly qualified as a foreign corporation, licensed and in good standing in each jurisdiction where qualification or licensing is required by the nature of its business or the character and location of its property, business or customers, which jurisdictions as of the date hereof are identified on Schedule 4.1; subject to compliance with any applicable provisions of the Bankruptcy Code, the Borrower has the requisite corporate power and authority and all governmental licenses, authorizations, consents and approvals and the legal right to own, pledge, mortgage or otherwise encumber and operate its properties, to lease the property it operates under lease and to conduct its business as now, heretofore and proposed to be conducted; and the Borrower is in compliance with its Certificate of Incorporation and By-Laws.

SECTION 4.2. CORPORATE AND GOVERNMENTAL AUTHORIZATION; NO CONTRAVENTION.

The execution and delivery by the Borrower of each of the Financing Documents and the performance by the Borrower of its obligations thereunder are within the corporate power of the Borrower; have been, or by the Closing Date will be authorized by the Court; have been duly authorized by all

necessary corporate action, require no action by or in respect of, or registration or filing with, or exemption from any Governmental Body that will not have been taken as of the Closing Date; except to the extent the performance of which has been excused by the Bankruptcy Code, will not contravene, or conflict with, or constitute (with or without the giving of notice or lapse of time or both) a default or breach under, or result in a termination event or an acceleration of any obligation arising, existing or created by or under, or result in the creation or imposition or material modification of (or obligation to create or impose) any Lien

(other than the Lien created hereby with respect to the Pledged Stock and the Collateral) on any of the assets or properties of the Borrower under any provision of any applicable Law or regulation or of the charter or by-laws or of any agreement or instrument evidencing or governing Debt for borrowed money of the Borrower or of any judgment, injunction, order, decree, material agreement (including, without limitation, any Real Property Lease to which it is a party), or other material instrument binding upon the Borrower; do not require any approval of stockholders or other equity holders or, except as excused by the Bankruptcy Code, any approval or consent of any Person under any contractual obligation of the Borrower or any of its Subsidiaries, except for such approvals or consents which will be obtained on or before the Closing Date and are disclosed in Schedule 4.2 annexed hereto; are not in contravention of any provision of the Certificate of Incorporation or By-Laws of the Borrower or any of its Subsidiaries; subject to Court approval, will not violate any law or regulation, or any order or decree of any court or governmental instrumentality; and do not require the consent or approval of any Governmental Body, except for the Court.

SECTION 4.3. BINDING EFFECT. Upon entry of the Interim Order (or, if there is no Interim Order, the Final Borrowing Order), the Financing Documents will constitute valid and binding agreements of the Borrower, enforceable in accordance with their terms.

SECTION 4.4. FINANCIAL INFORMATION.

(a) The consolidated balance sheet of the Borrower and its Subsidiaries as of December 31, 1992, and the related consolidated statement of operations, consolidated statement of stockholders' equity and consolidated statement of cash flow for the fiscal year then ended, reported on by Deloitte & Touche, a copy of which has been delivered to the Lender, present fairly in conformity with GAAP the consolidated financial position of the Borrower and its Subsidiaries as of such date and its consolidated results of operations and changes in financial position for such Fiscal Year.

(b) Each of the projections referenced in the cash budget projections provided under Section 3.2(b) hereof (the "PROJECTIONS") is based on the assumptions stated therein, which assumptions the Borrower believes to be

reasonable and fair in light of current conditions, and, as of the Closing Date or, as of the date delivered, as the case may be, reflect the reasonable and most current estimate of the Borrower of the results of operations and other information projected therein, except as disclosed by the Borrower to the Lender in writing prior to the Closing Date or the dates of delivery of such Projections, as the case may be, and except for currently unquantifiable costs incurred in connection with the Chapter 11 Case and complying with this Agreement. Additional projections with respect to such information for future periods contained in information delivered pursuant to Section 5.1(g) or requested by the Lender and delivered by the Borrower shall become "Projections" hereunder and shall be subject to the terms of this Section 4.4(b) and this Agreement.

(c) Since October 31, 1993 there has been no material and adverse change (other than the filing of the Chapter 11 Case) in the Condition of the Borrower and its Subsidiaries taken as a whole.

SECTION 4.5. LITIGATION. Except as set forth in Schedule 4.5, there is no action, suit or proceeding pending against, or to the knowledge of any Responsible Officer of the Borrower threatened against, the Borrower or any of its Domestic Subsidiaries before any court or arbitrator or any governmental body, agency or official which (i) in any manner questions the validity of or impedes the timely consummation of, any Financing Document or (ii) could reasonably be expected to result in the imposition of liabilities upon the Borrower and/or any of its Domestic Subsidiaries in excess of $3,000,000 net of the portion thereof insured as to which the insurance carrier has acknowledged its responsibility. Except as set forth in Schedule 4.5 or as reflected in the financial statements referred to in Section 4.4(a), there is no outstanding judgment or decree for the payment of money against the Borrower or any Domestic Subsidiary of the Borrower which would materially and adversely affect the Condition of the Borrower and its Domestic Subsidiaries, taken as a whole.

SECTION 4.6. COMPLIANCE WITH ERISA. No Reportable Event has occurred and is outstanding on the date on which this representation is made or deemed made with respect to any Plan, and each Plan has complied in all material respects with the applicable provisions of ERISA and the Code. The present value of all benefit liabilities under each Single Employer Plan maintained by the Borrower or any of its Domestic Subsidiaries or any Commonly Controlled Entity set forth as accumulated benefit obligations in the most recent actuarial valuation for each such Plan (based on those assumptions contained in the most recent actuarial valuation of each such Plan so long as such assumptions are reasonable) did not, as of the most recent valuation date for which an actuarial valuation report has been prepared, exceed the value of the assets of such Plan allocable to such benefit liabilities by an amount which in the aggregate for all such Plans (excluding those Plans the assets of which exceed benefit liabilities thereunder exceeds zero). None of the

Borrower, any of its Domestic Subsidiaries or any Commonly Controlled Entity has had a complete or partial withdrawal from any Multiemployer Plan and neither the Borrower, any such Domestic Subsidiary nor any Commonly Controlled Entity would become subject to any liability under ERISA if the Borrower, any such Domestic Subsidiary or any such Commonly Controlled Entity were to withdraw completely from all Multiemployer Plans as of the valuation date most closely preceding the date hereof. No such Multiemployer Plan is in reorganization (within the meaning of Section 4241 of ERISA) or insolvent (within the meaning of Section 4245 of ERISA) or has terminated (within the meaning of Sections 4041A and 4042 of ERISA) and none of the Borrower, any of its Domestic Subsidiaries or any Commonly Controlled Entity has received notice of the pending termination, reorganization or insolvency of a Multiemployer Plan. The expected post-retirement benefit obligation and accumulated post-retirement benefit obligation of the Borrower and its Domestic Subsidiaries for post-retirement benefits to be provided to their current and former employees under Plans which are welfare benefit plans (as defined in Section 3(1) of ERISA) is approximately $13,200,000 in aggregate, according to the December 31, 1992 valuation prepared in accordance with Statement of Financial Accounting Standards 106. No event set forth in clauses (a) through (g) of Section 6.1(m) (disregarding for the purposes of this Section 4.6 the last clause of Section 6.1(m)) has occurred or is reasonably expected to occur.

SECTION 4.7. TAXES. Except with respect to state and local tax returns where the failure to file such returns would not materially and adversely affect the Condition of the

Borrower and its Domestic Subsidiaries, taken as a whole, all federal, state and local tax returns, reports and statements required to be filed by the Borrower and any of its Domestic Subsidiaries have been filed with appropriate Governmental Bodies in all jurisdictions in which such returns, reports and statements are required to be filed, and all taxes and other impositions shown as due and payable have been timely paid prior to the date on which any fine, penalty, interest, late charge or loss may be added thereto for nonpayment thereof except where contested in good faith, by appropriate proceedings and with adequate reserves therefor in accordance with GAAP. Neither the Borrower nor any of its Domestic Subsidiaries has given or has been requested to give a waiver of the statute of limitations relating to the payment of federal, state or local taxes or other impositions except to the extent such payment would not have a material and adverse effect on the Condition of the Borrower and its Domestic Subsidiaries taken as a whole. To the best of the knowledge of any Responsible Officer of the Borrower, proper and accurate amounts have been withheld by the Borrower and its Subsidiaries from their employees for all periods to comply in all material respects with the tax, social security and unemployment withholding provisions of applicable Law. Timely payments of sales and use taxes required by applicable Law have been made by the Borrower and its Domestic Subsidiaries other than a DE MINIMUS amount which in no event

shall exceed $250,000. Proper and accurate federal and state returns have been filed by the Borrower and its Domestic Subsidiaries for all periods for which returns were due with respect to employee income tax withholding, social security and unemployment taxes, and the amounts shown thereon to be due and payable have been paid in full or adequate provision therefor is included on the books of the Borrower and its Domestic Subsidiaries other than a DE MINIMUS amount which in no event shall exceed $50,000.

SECTION 4.8. COMPLIANCE WITH LAWS. Except to the extent compliance is excused by the Bankruptcy Code, the Borrower, and each of its Domestic Subsidiaries, is in compliance with all Laws, rules and regulations applicable to the Borrower and/or any of its Domestic Subsidiaries and/or any of the Real Property (including, without limitation, Environmental Laws (other than as listed or described on Schedule 4.17), the Occupational Health and Safety Act and the rules and regulations thereunder ("OSHA") and other health safety laws, rules and regulations), other than such laws, rules or regulations (i) the validity or applicability of which the Borrower or any of its Subsidiaries is contesting in good faith and with respect to which adequate reserves are maintained therefor in accordance with GAAP or (ii) failure to comply with which, individually or in the aggregate, will not have a material and adverse effect on the Condition of the Borrower and its Subsidiaries, taken as a whole.

SECTION 4.9. NOT AN INVESTMENT COMPANY. Borrower is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

SECTION 4.10. NO DEFAULTS. Neither the Borrower nor any of its Domestic Subsidiaries is in violation of, or in default under, any term or provision of any charter, by-law, mortgage, deed of trust, deed to secure debt or other similar financing agreement, lease (including, without limitation, any Real Property Lease), license, sublease, indenture, credit agreement, instrument, statute, rule, regulation, judgment, decree, order, writ or injunction applicable to it (performance of which has not been excused by the Bankruptcy Code), such that such violations or defaults, individually or in the aggregate, could reasonably be expected to

materially and adversely affect the Condition of the Borrower and its Domestic Subsidiaries, taken as a whole, or the ability of the Borrower to perform its obligations under the Financing Documents.

SECTION 4.11. POSSESSION OF FRANCHISES, LICENSES, ETC. The Borrower and each of its Domestic Subsidiaries either owns or possesses all franchises, patents, trademarks, service marks, trade names, copyrights, leases, licenses, or other rights and governmental permits, certificates, consents and approvals that are necessary for the ownership and operation of their respective properties (including, without limitation, the Owned Real Property and the

interest of each in the applicable Leased Real Property) and businesses, except for any absence of which, individually or in the aggregate, could not reasonably be expected to have a material and adverse effect on the Condition of the Borrower and its Domestic Subsidiaries, taken as a whole; nor is the Borrower or any of its Domestic Subsidiaries in violation of any provision thereof, other than any violation which, individually or in the aggregate, could not reasonably be expected to have a material and adverse effect on the Condition of the Borrower and its Domestic Subsidiaries, taken as a whole and except to the extent violation thereof has been excused by the Bankruptcy Code.

SECTION 4.12. FULL DISCLOSURE. All information heretofore furnished by the Borrower or any Subsidiary of the Borrower or any of their respective agents to the Lender for purposes of or in connection with this Agreement or any transaction contemplated hereby was, and all such information hereafter furnished by the Borrower or any Subsidiary of the Borrower to the Lender will be, true and accurate in all material respects on the date as of which such information is stated or certified and not incomplete by omitting to state any material fact known to any Responsible Officer of the Borrower or, of such Subsidiary necessary to make such information not misleading. To the best of its knowledge, the Borrower has disclosed to the Lender in writing any and all facts known to any officer of the Borrower which, individually or in the aggregate, could reasonably be expected to materially and adversely affect the Condition of the Borrower and its Subsidiaries, taken as a whole.

SECTION 4.13. PUBLIC UTILITY HOLDING COMPANY ACT. Neither the Borrower nor any Domestic Subsidiary is a "holding company," or an "affiliate" of a "holding company" or a "subsidiary company" of a "holding company," within the meaning of the Public Utility Holding Company Act of 1935, as amended.

SECTION 4.14. AGREEMENTS. Schedule 4.14 hereto is a complete and correct list, as of the date of the execution and delivery of this Agreement, of each credit agreement, loan agreement, mortgage, deed of trust, deed to secure debt, capital lease, indenture, purchase agreement, security agreement, guarantee or letter of credit or other arrangement (but excluding all Real Property Leases and any agreement relating to trade payables) providing for or otherwise relating to any extension of credit (or commitment for any extension of credit) to, or guarantee by, either the Borrower or any of its Domestic Subsidiaries (in each case relating to Debt in an amount equal to or greater than $500,000) and the aggregate principal or face amount outstanding or which may become outstanding under each such arrangement is correctly described in said Schedule 4.14.

SECTION 4.15. PATENTS, COPYRIGHTS, PERMITS, TRADEMARKS AND LICENSES.

(a) Schedule 4.15 hereto is a complete list as of the date hereof of all of the material patents, trademarks, copyrights, trade-names, licenses, permits relating to intellectual property, franchises or rights of the Borrower and its Domestic Subsidiaries. The Borrower or one of its Domestic Subsidiaries owns free and clear of all Liens (except Liens in favor of the Lender hereunder) all of the foregoing without any conflict with the rights of others which, individually or in the aggregate, could reasonably be expected to result in a material and adverse effect on the Condition of the Borrower and its Domestic Subsidiaries, taken as a whole. There are no material patents, copyrights, trademarks, trade-names, licenses, franchises or permits relating to intellectual property owned by or in which the Borrower or any of its Domestic Subsidiaries has an interest other than those as to which the Borrower or any of its Domestic Subsidiaries is granting the Lender security interest pursuant to Section 2.15.

(b) The Borrower and its Domestic Subsidiaries have received all assignments, bills of sale and other documents necessary to establish, protect and perfect the Borrower's or such Domestic Subsidiary's right, title and interest in and to all of the property described in paragraph (a), except where the failure to so receive, individually or in the aggregate, does not conflict with the rights of others so as to result in a material and adverse effect on the Condition of the Borrower and its Domestic Subsidiaries, taken as a whole.

(c) Each of the Borrower and its Domestic Subsidiaries has duly effected all filings, recordings and other actions necessary in the reasonable judgment of the Borrower and its Domestic Subsidiaries to establish, protect and perfect its right, title and interest in and to all of the property described in paragraph (a).

SECTION 4.16. LABOR MATTERS. Neither the Borrower nor any of its Domestic Subsidiaries is experiencing any strike, labor dispute, slowdown or work stoppage due to labor disagreements which, individually or in the aggregate, could reasonably be expected to have a material and adverse effect on the Condition of the Borrower and its Domestic Subsidiaries, taken as a whole. Schedule 4.16 sets forth a list and description (including termination dates) of all collective bargaining or similar agreements between or applicable to the Borrower or any of its Domestic Subsidiaries and any union, labor organization or bargaining agent in effect on the date hereof.

SECTION 4.17. ENVIRONMENTAL MATTERS. Except as set forth in Schedule 4.17 hereto:

(a) No notice, notification, demand, request for information, citation, summons or order has been issued, no complaint has been filed, no penalty has been assessed and no investigation or review is pending or, to the best of the knowledge of any Responsible Officer of the Borrower or of any of its Domestic Subsidiaries, threatened by any governmental authority or other party with respect to any alleged failure by the Borrower, any of its Domestic Subsidiaries to comply with any Environmental Law or to have any permit, certificate, license, approval, registration or authorization required in connection with the conduct of the business

or with environmental remediation and clean up of the Borrower or any of its Domestic Subsidiaries or with respect to any generation, treatment, storage, recycling, transportation or disposal as defined in 40 C.F.R. SECTION 260.10 or release as defined in 42 U.S.C. SECTION 9601(22) ("RELEASE") of any hazardous or toxic substance (including,without limitation, PCBs and petroleum products) regulated under federal, state or local environmental statutes, ordinances, rules, regulations or orders, including, without limitation, CERCLA and CERCLIS ("HAZARDOUS MATERIALS"), generated, treated, stored, recycled or disposed of by the Borrower, any of its Domestic Subsidiaries, which failure, individually or in the aggregate, could reasonably be expected to have a material and adverse effect on the Condition of the Borrower and its Domestic Subsidiaries, taken as a whole;

(b) Neither the Borrower nor any of its Domestic Subsidiaries has handled, treated, stored or disposed of any Hazardous Material, on any property now or previously owned or leased by the Borrower or any Domestic Subsidiaries, including, without limitation, the Owned Real Property and the Leased Real Property, which handling, treatment, storage or disposal, individually or in the aggregate, could reasonably be expected to have a material and adverse effect on the Condition of the Borrower and the Domestic Subsidiaries, taken as a whole; and

(i) no PCB or any other Hazardous Material is or has been present at any property now or previously owned or leased by the Borrower or any of its Domestic Subsidiaries, including, without limitation, the Owned Real Property and the Leased Real Property;

(ii) no asbestos is or has been present at any property now or previously owned or leased by the Borrower or any of its Domestic Subsidiaries, including, without limitation, the Owned Real Property and the Leased Real Property;

(iii) there are no underground storage tanks for Hazardous Materials, active or abandoned, at any property now or previously owned or leased by the Borrower or any of its Domestic Subsidiaries, including, without limitation, the Owned Real Property and the Leased Real Property; and

(iv) no Hazardous Materials have been released at, on or abut any property now or previously owned or leased by the Borrower or any of its Domestic Subsidiaries, including, without limitation, the Owned Real Property and the Leased Real Property;

in the case of (i), (ii), (iii) and (iv) which, individually or in the aggregate, could reasonably be expected to have a material and adverse effect on the Condition of the Borrower and its Domestic Subsidiaries, taken as a

whole.

(c) Neither the Borrower nor any of its Domestic Subsidiaries has transported or arranged for the transportation of any Hazardous Material to any location which is listed or proposed for listing under CERCLA, on CERCLIS or on any similar state list or which is the subject of federal, state or local or third party enforcement actions which may lead to claims against the Borrower or any of its Domestic Subsidiaries for clean-up costs, remedial work,

damages to natural resources or for personal injury or property damage claims, including, but not limited to, claims under CERCLA, which claims, individually or in the aggregate, could reasonably be expected to have a material and adverse effect on the Condition of the Borrower and its Domestic Subsidiaries, taken as a whole.

(d) No Hazardous Material has been recycled, treated, stored, disposed of or transported or released by the Borrower or any of its Domestic Subsidiaries at any location other than those listed in Schedule 4.17 hereto, except for any of the foregoing which, individually or in the aggregate, could reasonably be expected to not have a material and adverse effect on the Condition of the Borrower and its Domestic Subsidiaries, taken as a whole.

(e) To the best of the knowledge of any Responsible Officer of the Borrower or any of its Domestic Subsidiaries, no oral or written notification of a Release of a Hazardous Material has been filed by or on behalf of the Borrower or any of its Domestic Subsidiaries and no property now or previously owned or leased by the Borrower or any of its Domestic Subsidiaries including, without limitation, the Owned Real Property and the Leased Real Property, is listed on the National Priority List promulgated pursuant to CERCLA, on CERCLIS or on any similar state list of sites requiring investigation or clean-up or that are currently being investigated, except for any of the foregoing which, individually or in the aggregate, could reasonably be expected to not have a material and adverse effect on the Condition of the Borrower and its Domestic Subsidiaries, taken as a whole.

(f) There are no Liens (other than Permitted Liens) arising under Environmental Laws on any of the real property or properties owned or leased, or previously owned or leased, by the Borrower or any of its Domestic Subsidiaries, including, without limitation, the Owned Real Property and the Leased Real Property, and no government actions have been taken or, to the knowledge of any Responsible Officer of the Borrower or of any of its Domestic Subsidiaries, are in process which could subject any of such properties to such Liens, except for any of the foregoing which, individually or in the aggregate, could reasonably be expected to not have a material and adverse effect on the Condition of the Borrower and its Domestic Subsidiaries, taken as a whole.

(g) Neither the Borrower nor any of its Domestic Subsidiaries has been required by any Environmental Law to place any notice or restriction relating to the presence of Hazardous Materials at any property owned or leased, or previously owned or leased, by it, including, without limitation, the Owned Real Property and the Leased Real Property, in any deed to such property or with the county or municipality in which such property is located, except for any of the foregoing which, individually or in the aggregate, could reasonably be expected to not have a material and adverse effect on the Condition of the Borrower and its Domestic Subsidiaries, taken as a whole.

(h) To the best of the knowledge of any Responsible Officer of Borrower or of any of its Domestic Subsidiaries, except as set forth on Schedule 4.17, there have been no investigations, studies, audits, tests, reviews or other analyses in connection with any Environmental Law conducted by or which are in the possession of the Borrower or any of its

Domestic Subsidiaries or to the best of the knowledge of any Responsible Officer of the Borrower or of any of its Domestic Subsidiaries, any third party in relation to any property or facility now or previously owned or leased by the Borrower or any of its Domestic Subsidiaries, including, without limitation, the Owned Real Property and the Leased Real Property, that disclose facts or circumstances described in paragraphs (a), (b), (e), (f) or (g) of this Section 4.17 and which have not been made available to the Lender, except for any of the foregoing which, individually or in the aggregate, could reasonably be expected to not have a material and adverse effect on the Condition of the Borrower and its Domestic Subsidiaries, taken as a whole.

(i) The Borrower has disclosed to the Lender in writing the nature and amount of all actual or projected material capital expenditures necessary to meet the requirements of Environmental Law which affect the Borrower or any of its Domestic Subsidiaries.

SECTION 4.18. EMPLOYMENT ARRANGEMENTS. Other than as disclosed in writing on or prior to the date hereof, there are no employment contracts or consulting agreements in effect between the Borrower or any Domestic Subsidiary and their respective employees (other than union contracts) providing for compensation in excess of $100,000 per year that are not terminable by the Borrower or any Domestic Subsidiary without penalty, payment or notice.

SECTION 4.19. USE OF PROCEEDS; MARGIN STOCK. The proceeds of the Loans will be used by the Borrower solely for the purposes specified in Section 5.14 hereof; PROVIDED that no portion of the Loans shall be used, directly or indirectly, to (i) finance or make any Restricted Payment, (ii) make any payment or prepayment that is prohibited under this Agreement, including any payment or prepayment in respect of Pre-Petition Indebtedness to

the extent prohibited hereunder; PROVIDED, HOWEVER, subject to Section 6.2(b) the Borrower shall be permitted (a) to pay claims for wages, salaries and benefits to the extent approved by the Bankruptcy Court and (b) to make adequate protection payments pursuant to Section 361 of the Bankruptcy Code, cure payments pursuant to Section 365(b)(1)(A) and (B) of the Bankruptcy Code to the extent approved by the Bankruptcy Court and payments made without the knowledge of a Responsible Officer of the Borrower in respect of Pre-Petition Date obligations of the Borrower, so long as the aggregate amount of such adequate protection, cure payments and erroneous payments does not exceed $200,000, or such larger amount consented to by the Lender, which consent shall not be unreasonably withheld or delayed, or (iii) object to or contest in any manner, or raise any defenses to, the validity, perfection, priority or enforceability of the Liens benefitting the Lender pursuant to this Agreement. The Borrower has not taken and will not take any action which might cause the Note or any of the other Financing Documents, including this Agreement, to violate Regulation G, T, U or X, or any other regulations of the Board of Governors of the Federal Reserve System or to violate Section 7 of the Securities Exchange Act of 1934 or any rule or regulation thereunder, in each case as now in effect or as the same may hereinafter be in effect.

SECTION 4.20. OWNERSHIP OF FOREIGN ASSETS. Except as set forth on Schedule 4.20 on the date hereof, neither the Borrower nor any Domestic Subsidiary has an ownership interest in any lease (including, without limitation, any Real Property Lease), assets or other property (other than capital stock of a Foreign Subsidiary) located outside the United States other

than ownership interests acquired after the date hereof in the ordinary course of business and consistent with the Borrower's or such Domestic Subsidiary's past practice, as the case may be.

SECTION 4.21. INSURANCE. Attached hereto as Schedule 4.21 is a list of the insurance policies maintained by each of the Borrower and each of its Domestic Subsidiaries on the date hereof, including a brief description of the type and amount of coverage.

SECTION 4.22. REAL PROPERTY. Schedule 4.22 sets forth a true, correct and complete schedule of each parcel or parcels of Owned Real Property owned by the Borrower or any of its Domestic Subsidiaries on the date hereof and, with respect to each, the Domestic Subsidiary (or, if applicable, the Borrower) which is the record owner thereof. The Domestic Subsidiary (or, if applicable, the Borrower) reflected in Schedule 4.22 as the owner of any Owned Real Property is the owner of good, marketable and insurable fee title to such Owned Real Property, including all of the buildings, structures and other improvements located thereon, free and clear of any Lien other than Permitted Liens. Schedule 4.22 also sets forth a true, correct and complete schedule of all Real Property Leases (other than Leased Real Property with an annual aggregate rental of less than $250,000) on the date hereof and the date of and

parties to each such Real Property Lease, the date of and parties to each amendment, modification and supplement thereto, the rent payable thereunder, the term and renewal terms (whether or not exercised) thereof and a brief description (including the area thereof) of the Leased Real Property covered thereby. Unless rejected by the Borrower pursuant to Section 365 of the Bankruptcy Code, each such Real Property Lease is valid, binding and in full force and effect, all rent and other sums and charges payable by the Borrower or its applicable Domestic Subsidiary, as the case may be, as tenant thereunder are current except to the extent excused by the Bankruptcy Code, no notice of default or termination under any such Real Property Lease is outstanding, no termination event or condition or uncured default on the part of the tenant or the landlord thereunder exists under any such Real Property Lease except to the extent excused by the Bankruptcy Code, and no event has occurred and no condition exists which, with the giving of notice or the lapse of time or both, would constitute such a default or termination event or condition, except for any of the foregoing which, individually or in the aggregate, would not have a material and adverse effect on the Condition of the Borrower and its Domestic Subsidiaries, taken as a whole. Except for the matters listed on Schedule 4.22, the Borrower and the applicable Domestic Subsidiary, as the case may be, hold the leasehold estate under and interest in each such Real Property Lease free and clear of all Liens (other than Permitted Liens). All of the Borrower's and its Domestic Subsidiaries' land, buildings, structures and other improvements used by the Borrower and the Domestic Subsidiaries in the conduct of their business are included in the Owned Real Property and the Leased Real Property.

SECTION 4.23. CORPORATE AND TRADE NAMES. Schedule 4.23 sets forth a complete and accurate list of all corporate and trade names (including, without limitation names under which it is doing business) which the Borrower (as constituted on the date hereof) has utilized or conducted business under during the five year period preceding the Closing Date.

SECTION 4.24. DEPOSIT ACCOUNTS. Attached hereto as Schedule 4.24 is a list of all Deposit Accounts maintained by each of the Borrower and each of its Domestic Subsidiaries

on the date hereof, including the account number and a brief description of each such Deposit Account.

SECTION 4.25. FEDERAL AVIATION ADMINISTRATION. The products manufactured by the Borrower and its Domestic Subsidiaries, including all of the Inventory of the Borrower and its Subsidiaries, have received all necessary certificates from the Federal Aviation Administration and all other Governmental Bodies and comply in all material respects with the Federal Acquisition Regulations of the U.S. Department of Defense and all other Governmental Bodies.

SECTION 4.26. FINANCIAL ACCOUNTING PRACTICES, ETC.

(a) The Borrower and its Subsidiaries make and keep books, records and accounts which, in reasonable detail, accurately and fairly reflect their respective transactions and dispositions of their respective assets and each maintains a system of internal accounting controls sufficient to provide reasonable assurances that (i) transactions are executed in accordance with management's general or specific authorization, (ii) transactions are recorded as necessary (A) to permit preparation of financial statements in conformity with GAAP except as previously disclosed to the Lender and (B) to maintain accountability for assets, and (iii) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(b) The Borrower and its Subsidiaries maintain a system of internal procedures and controls sufficient to provide reasonable assurance that the information required to be set forth in each Borrowing Base Certificate (including, without limitation, information relating to the identification of assets which are Inventory as provided herein and the valuation thereof) is accurate.

SECTION 4.27. SECURITY INTEREST. As of the date of the Final Borrowing Order, there are no issued and outstanding stock certificates with respect to the Pledged Stock of the Foreign Operating Subsidiaries, other than those stock certificates received by the Lender under Section 3.2(d)(i) hereof. As of the date of the Final Borrowing Order, the Borrower and/or the Foreign Operating Subsidiaires, as appropriate, have taken all action under the laws of the jurisdiction of incorporation of each Foreign Operating Subsidiary and of the governing corporate instruments of each Foreign Operating Subsidiary necessary in order to evidence, create and grant the pledge of the Pledged Stock hereunder.

ARTICLE 5
COVENANTS

The Borrower agrees that, from and including the Closing Date and for so long thereafter as the Lender has any Commitment hereunder or any amount owed hereunder or under any Note remains unpaid:

SECTION 5.1. INFORMATION. The Borrower will deliver or cause to be delivered to the Lender (or shall take the action required by clause (p) or (q) hereof):

(a) as soon as reasonably practicable and in any event within 90 days after the end of each Fiscal Year, consolidated balance sheets in reasonable

detail of the Borrower and its Subsidiaries as of the end of such Fiscal Year and the related consolidated statements of operations, of cash flows and of stockholders' equity for such Fiscal Year, setting forth, in each case, in comparative form the figures for the previous Fiscal Year, all in reasonable detail and reported on without Qualification, except for qualification regarding the Chapter 11 Case by either Deloitte & Touche or other independent public accountants of nationally recognized standing selected by the Borrower and approved by the Lender;

(b) as soon as reasonably practicable and in any event within 90 days after the end of each Fiscal Year, a consolidating balance sheet in reasonable detail (consistent with the Borrower's past practice) of the Borrower and its Subsidiaries as of the end of such Fiscal Year and the related consolidating statement of operations for such Fiscal Year, all certified by the Chief Financial Officer of the Borrower as having been used in connection with the preparation of the financial statements referred to in paragraph (a) of this Section 5.1;

(c) as soon as reasonably practicable and in any event within 45 days after the end of each of the first three quarters of each Fiscal Year, an unaudited consolidated and consolidating balance sheet of the Borrower and its Subsidiaries as of the end of such quarter, and the related unaudited consolidated and consolidating statements of operations, of cash flows (only consolidated and only year to date) for such quarter and for the portion of the Fiscal Year ended at the end of such quarter, setting forth, in each case, in comparative form the figures for the budget for the then current Fiscal Year (except consolidating statements), all certified (subject to normal year-end audit adjustments) as to fairness of presentation and consistency by the Chief Financial Officer, Chief Accounting Officer or Treasurer of the Borrower;

(d) as soon as reasonably practicable and in any event within 30 days after the end of each calendar month of each Fiscal Year the unaudited consolidated balance sheet of the Borrower and its Subsidiaries as of the end of such month, and the related unaudited consolidated statements of operations and retained earnings and cash flows for such month and for the portion of the Fiscal Year ended at the end of such month, setting forth, in each case, in comparative form to the figures for the budget for the then current Fiscal Year, prepared by management of the Borrower in form and substance reasonably satisfactory to the Lender;

(e) (i) simultaneously with the delivery of each set of financial statements referred to in paragraphs (a), (c) and (d) of this Section 5.1, a Compliance Certificate (A) setting forth in reasonable detail such calculations as are required to establish whether the Borrower was in compliance with the requirements of Sections 5.8(b)(ii), 5.11 and 5.16 on the date or for the period, as the case may be, of such financial statements, and (B) stating whether there exists on the date of such certificate any Default or Event of Default and, if any Default or Event of Default then exists, setting forth the details thereof and the action that the Borrower is taking or proposes to take with respect thereto and (C) stating whether, to the knowledge of such

Responsible Officer, since the date of the most recent previous delivery of financial statements pursuant to paragraphs (a), (c) or (d) of this Section 5.1, there has been any material adverse change in the Condition of the Borrower and its Subsidiaries, taken as a whole, and, if so, the nature of such material adverse change and (D) stating that the Borrower has complied with the covenants set forth in Sections 5.8(b)(ii), 5.11, and 5.16 and (E) certifying that (i) the representations and warranties contained herein are true and correct in all material respects on and as of the date hereof and with respect to the representations and warranties contained in Section 4.1, 4.2, 4.3, 4.4, 4.5, 4.6, 4.7, 4.8, 4.9, 4.10, 4.11, 4.15, 4.16, 4.17, 4.19, 4.20, 4.25 and 4.26 hereto are true and correct in all material respects on and as of such date, unless limited to a prior date; and (ii) the Borrower is in compliance with all of the terms and provisions set forth herein; and (iii) not later than the date of delivery of each set of financial statements referred to in paragraphs (a), (c) and (d) of this Section 5.1, a Borrowing Base Certificate setting forth the Borrowing Base at the date of such financial statements, together with such calculations as are required to determine such amount;

(f) simultaneously with the delivery of each set of financial statements referred to in paragraph (a) of this Section 5.1, a statement of the firm of independent public accountants that reported on such statements (i) stating that their audit examination has included a review of the terms of this Agreement and the Note as they relate to financial or accounting matters, (ii) stating whether anything has come to their attention to cause them to believe that there existed on the date of such statements any Default or Event of Default and (iii) confirming the calculations set forth in the Officer's Certificate delivered simultaneously therewith pursuant to paragraph (e)(i) of this Section 5.1; PROVIDED, HOWEVER, that this Section 5.1(f) will not require any such statement by such firm of independent public accountants to be furnished or delivered to the extent nationally recognized firms of independent public accountants are not then providing such statements in the ordinary course of their business on behalf of their clients who have borrowed money pursuant to loan or credit agreements;

(g) as soon as reasonably practicable and in any event at least 45 days before the commencement of each Fiscal Year, a PRO FORMA consolidated balance sheet of the Borrower and its Subsidiaries, budgets, business plans and financial projections of the Borrower and its Subsidiaries in reasonable detail for each of the four fiscal quarters of such Fiscal Year, setting forth, with appropriate discussion, the principal assumptions upon which such PRO FORMA balance sheets and budgets are based and any other projection information reasonably requested by the Lender;

(h) forthwith (but no later than two (2) Business Days after) upon any Responsible Officer of the Borrower learning of the occurrence of any Default or Event of Default, an Officer's Certificate of the Borrower setting forth

the details thereof and the action that the Borrower is taking or proposes to take with respect thereto;

(i) promptly upon the mailing thereof to the shareholders of the Borrower generally, copies of all financial statements and reports so mailed;

(j) promptly upon the filing thereof, copies of all registration statements and annual, quarterly or monthly reports that the Borrower or any of its Subsidiaries shall have filed with the Securities and Exchange Commission;

(k) (i) as soon as possible and in any event within three (3) Business Days after the Borrower knows or has reason to know thereof, notice of the following events:

(A) the occurrence or expected occurrence of any Reportable Event with respect to any Plan, or any withdrawal, or the termination, reorganization (within the meaning of Section 4241 of ERISA) or insolvency (within the meaning of Section 4245 of ERISA) of any Multiemployer Plan, or

(B) the institution of proceedings or the taking of any other action by the PBGC or the Borrower or any of its Domestic Subsidiaries, or any Commonly Controlled Entity or any Multiemployer Plan with respect to the withdrawal from, or the termination, or such reorganization or insolvency of, any Single Employer Plan or Multiemployer Plan; and

(ii) promptly upon the filing thereof, copies of each Schedule B (Actuarial Information) to the annual report (Form 5500 Series) filed by the Borrower, any of its Domestic Subsidiaries or any Commonly Controlled Entity with the Internal Revenue Service with respect to each Plan;

(l) as soon as reasonably practicable after any Responsible Officer of the Borrower obtains knowledge of the commencement of, or of a written threat of the commencement of, an action, suit or proceeding against the Borrower or any of its Domestic Subsidiaries before any court or arbitrator or any Governmental Body, which action, suit or proceeding, individually or in the aggregate, could reasonably be expected to have a material adverse effect on the Condition of the Borrower and its Domestic Subsidiaries, taken as a whole, or on the ability of the Borrower to perform any of its agreements under any of the Financing Documents, information as to the nature of such pending or threatened action, suit or proceeding;

(m) promptly upon receipt thereof, copies of each report submitted to

the Board of Directors (or the Audit Committee thereof) of the Borrower by independent public accountants in connection with any annual, interim or special audit made by them of the consolidated financial statements of the Borrower and its Subsidiaries, including, without limitation, each report submitted to the Board of Directors (or the Audit Committee thereof) of the Borrower concerning the Borrower's accounting practices and systems and any final "management letter" submitted by such accountants to management in connection with the annual audit of the Borrower and its Subsidiaries;

(n) promptly upon execution thereof, a copy of (i) each amendment to or modification or waiver of any instrument evidencing Debt for borrowed money, capital leases or letters of

credit of the Borrower or any Domestic Subsidiary and (ii) of each letter or certificate delivered by the Borrower or the relevant Domestic Subsidiary showing the computation of compliance by the Borrower or the relevant Domestic Subsidiary with the requirements of such documents, together, in the case of clause (i), with a certificate from a Responsible Officer of the Borrower to the effect that such modification, amendment or waiver does not violate any of the terms of any of the Financing Documents;

(o) from time to time such additional information regarding the Condition of the Borrower or any of its Domestic Subsidiaries or the Owned Real Property or Leased Real Property as the Lender may reasonably request;

(p) use its best efforts to cause the Lender and its counsel, to be named on all lists for service maintained by the Court of documents, copies of motions, complaints, pleadings or other documentation filed with the Court in the Chapter 11 Case (except where disclosure is prohibited by Court order), and the Borrower agrees to send the Lender and its counsel copies of all emergency motions, complaints, pleadings and other filings at the same time such filings are made by the Borrower with the Court in the Chapter 11 Case;

(q) from time to time as may be necessary (in the event that such information is not otherwise delivered by the Borrower to the Lender pursuant to this Agreement or made available to the Lender in the Chapter 11 Case), so long as there are obligations outstanding hereunder or under the other Financing Documents or the Termination Date has not occurred, the Borrower will disclose to the Lender in writing such Borrower's knowledge of any material matter hereafter arising which, if existing or occurring at the Closing Date, would have been required to be set forth or described in a Schedule or which is necessary to correct any information in any Schedule which has been rendered inaccurate thereby; it being understood that the disclosure of such matter shall not cure any Default or Event of Default or otherwise diminish or otherwise affect the rights and remedies of the Lender under this Agreement and the other Financing Documents;

(r) By 12:00 noon, New York City time three (3) Business Days after the Friday of each week (and on any other date on which the Lender reasonably requests), a Borrowing Base Certificate setting forth the Borrowing Base and the other information required therein as of the Borrower's close of business on the Saturday of the preceding week with respect to Accounts, and as of the end of the most recent month that ended 15 days prior to the date of the Borrowing Base Certificate with respect to Inventory, together with such other information with respect to the Inventory and Accounts of the Borrower as the Lender may reasonably request;

(s) In the case of Loans requested during the five (5) Business Day period described in Section 6.2(b)(i)(y), by 12:00 noon, New York City time on each day during such period, a Borrowing Base Certificate setting forth the Borrowing Base and the other information required therein as of the Borrower's close of business on each preceding day, together with such other information with respect to the Inventory and Receivables of the Borrower as the Lender may reasonably request; and

(t) (i) promptly of any matters materially affecting the value, enforceability or collectibility of any Account in excess of $100,000.00 and of all material customer disputes, offsets, defenses, counterclaims, returns, rejections and reclaimed or repossessed merchandise or goods and (ii) periodically, but no less frequently than monthly, of all matters affecting the value, enforceability or collectibility of any Account in excess of $50,000 and of all customer disputes, offsets, defenses, counterclaims, returns, rejections and reclaimed or repossessed goods.

SECTION 5.2. PAYMENT OF OBLIGATIONS. Except as prohibited by the Orders and this Agreement or except to the extent that nonpayment has been excused by the Bankruptcy Code (it being agreed that no such exception to performance shall apply to repayment of the Loans and other amounts owing under the Financing Documents), the Borrower will, and will cause each of its Domestic Subsidiaries to, pay and discharge, as the same shall become due and payable, all their respective material obligations and liabilities (excluding any obligation to pay any Debt) including, without limitation (i) all claims or demands of materialmen, mechanics, carriers, warehousemen, landlords and other like Persons which, in any such case, if unpaid, might by law give rise to a Lien upon any of its property or assets, and (ii) all taxes, assessments and governmental charges or levies imposed upon it or upon its property or assets, and all lawful claims which, if unpaid, might by law become a Lien upon its property or assets, securing a claim or claims, which individually or in the aggregate, exceeds $50,000; PROVIDED, HOWEVER, that neither the Borrower nor any of such Domestic Subsidiaries shall be required to pay or discharge any such obligations, liabilities, tax, assessment, charge, claim, demands or levies referred to in clause (i) or (ii) of this Section 5.2

(excluding for the purposes of this proviso, any such obligations, liabilities, tax, assessment, charge, claim, demands or levies arising under or in connection with any subordinated Debt) prior to any attachment of any Lien with respect thereto or any event which would permit (after notice or lapse of time or both) the acceleration of the maturity of any such obligations or liabilities, if the same are diligently being contested in good faith and by proper proceedings (including, without limitation, negotiations), and the Borrower maintains and causes each Domestic Subsidiary to maintain, in accordance with GAAP, appropriate reserves for the accrual of any such obligation, liability, tax, assessment, charge, claim, demand or levy.

SECTION 5.3. MAINTENANCE OF PROPERTY; INSURANCE.

(a) The Borrower will keep, and will cause each of its Domestic Subsidiaries to keep, all material property, including, without limitation, the Owned Real Property and the Leased Real Property, useful and necessary in its business in good working order and condition, subject to normal wear and tear.

(b) The Borrower shall maintain, and shall cause each of its Domestic Subsidiaries to maintain, insurance with responsible companies in such amounts and against such risks as is usually carried by owners of similar businesses and properties in the same general areas in which the Borrower and its Subsidiaries operate and where any of the Real Property is located (and with such deductibles and levels of self-insurance as are usually maintained by owners of similar businesses and properties in the same general areas in which the Borrower and its Subsidiaries

operate and where any of the Real Property is located and as are consistent with the Borrower's or such Subsidiary's practices as of the date of the execution and delivery hereof), provided that in any event the Borrower will maintain and will cause its Subsidiaries to maintain:

(1) Property Insurance -- insurance against loss or damage covering all of the tangible real and personal property and improvements of the Borrower and its Subsidiaries (including, without limitation, the Real Property) by reason of any Peril in amounts (i) in the case of the fixed assets, plant and equipment as shall be reasonable and customary but in no event in an amount less than the amount applicable to such property or improvements necessary to avoid the insured named therein from becoming a co-insurer of any loss under such policy; and (ii) in the case of Inventory, not less than the greater of the fair market value thereof and the amounts necessary to avoid the insured named therein from becoming a co-insurer of any loss under such policy.

(2) Automobile Liability Insurance for Bodily Injury and Property Damage -- insurance in respect of all vehicles (whether owned,

hired or rented by the Borrower or any of its Subsidiaries) in such amounts as are then customary for vehicles used in connection with similar property and businesses, but in any event to the extent required by applicable law.

(3) Comprehensive General Liability Insurance -- insurance against claims for bodily injury, death or property damage occurring on, in or about the facilities owned, leased or used by the Borrower and its Subsidiaries (including adjoining streets, sidewalks and waterways), in such amounts as are then customary for the type of business conducted by the Borrower and its Subsidiaries.

(4) Workers' Compensation Insurance -- insurance (including employers' liability insurance) to the extent required by applicable law.

(5) Product Liability Insurance -- insurance against claims for bodily injury, death or property damage resulting from the use of products sold by the Borrower or any of its Subsidiaries in such amounts as are then customarily maintained by responsible persons engaged in businesses similar to that of the Borrower and its Subsidiaries.

Such insurance shall be written by financially responsible companies selected by the Borrower and having an A.M. Best rating of "A-" or better and being in a financial size category of VIII or larger, or by other companies acceptable to the Lender and (other than workers' compensation insurance) shall name the Lender as loss payee (in the case of insurance described in item (1) above) or as an additional insured (in the case of the insurance described in items (2), (3) and (5) above), in each case as its interests may appear. Each policy referred to in this Section 5.3 shall provide that it will not be cancelled or reduced except after not less than 30 days' written notice to the Borrower and the Lender and shall also provide that the interests of the Lender shall not be invalidated by any act or negligence of the Borrower, any of its Subsidiaries or any Person having an interest in any facility owned, leased or used by the Borrower or any of its Subsidiaries or by occupancy or use of any facility owned, leased or used by the Borrower or

any of its Subsidiaries for purposes more hazardous than permitted by such policy or by any foreclosure or other proceedings relating to any facility owned, leased or used by the Borrower or any of its Subsidiaries. The Borrower will advise the Lender promptly of any policy cancellation, reduction or amendment. The Lender shall not be obligated to pay any premiums with respect to any policy.

(c) On the date of the Final Borrowing Order, the Borrower will deliver to the Lender certificates of insurance reasonably satisfactory to the Lender evidencing the existence of all insurance required to be maintained by

the Borrower and its Subsidiaries hereunder.

(d) Neither the Borrower nor any of its Subsidiaries will obtain or carry separate insurance concurrent in form or contributing in the event of loss with that required by this Section 5.3, unless the Lender is the additional insured thereunder, with loss payable as provided herein. The Borrower will immediately notify the Lender whenever any such separate insurance is obtained and shall deliver to the Lender the certificates evidencing the same. The Borrower will furnish to the Lender information describing in reasonable detail the insurance maintained by the Borrower and its Subsidiaries not later than thirty days after the effective date with respect to each policy of such insurance.

SECTION 5.4. INSPECTION OF PROPERTY, BOOKS AND RECORDS. The Borrower will keep, and will cause each of its Subsidiaries to keep, proper books of record and account in which full, true and correct entries shall be made of all dealings and transactions in relation to its business and activities. The Borrower will permit, and will cause each of its Subsidiaries to permit, representatives of the Lender (including, without limitation, any accounting firm, legal counsel, consultant or other professional advisor to the Lender) at the expense of the Borrower to visit and inspect any of their respective properties, to examine their respective corporate, financial and operating records and make copies thereof or abstracts therefrom, and to discuss their respective affairs, finances and accounts with their respective directors, officers, employees and independent public accountants, all at such reasonable times and as often as may reasonably be desired, upon reasonable advance notice to the Borrower. The Borrower will, and will cause each of its Domestic Subsidiaries, to permit the Lender and such professionals or other representatives of the Lender listed in the preceding sentence to conduct a physical Inventory count and/or valuation at the relevant locations of the Borrower and its Domestic Subsidiaries, provided that the Borrower shall cause to be conducted physical Inventory counts for the Borrower and its Domestic Subsidiaries consistent with past practice and in accordance with GAAP and shall promptly after it becomes available provide to the Lender a copy of the written results of such physical Inventory count.

SECTION 5.5. CONDUCT OF BUSINESS AND MAINTENANCE OF SUBSIDIARIES.

(a) The Borrower will continue, and will cause each of its Subsidiaries to continue, to engage in business of the same general type as now conducted by the Borrower and its Subsidiaries, and other lines of business related thereto, and, subject to Section 5.8, will preserve, renew and keep in full force and effect, and will cause each of its Subsidiaries to

preserve, renew and keep in full force and effect, its corporate existence and all material rights, privileges and franchises necessary or desirable in the normal conduct of its business.

(b) The Borrower will not, and will not permit any of its Subsidiaries (other than the issuance by Hexcel S.A. of stock as permitted by Section 2.14(a)) to, issue any shares of its capital stock or any other equity interests, warrants to purchase any of the Borrower's or such Subsidiary's capital stock or other equity interests or securities or other debt instruments convertible into the capital stock or other equity interest of the Borrower or any of its Subsidiaries (except for securities or other debt instruments convertible only upon the effectiveness of the Reorganization Plan).

SECTION 5.6. DEBT; DEBT REPAYMENTS AND CANCELLATIONS.

(a) The Borrower will not, and will not permit any of its Domestic Subsidiaries to, incur or at any time be liable with respect to any Debt (including, without limitation, any other financing under Section 364 of the Bankruptcy Code), or apply to the Court to do so, except:

(i) Debt outstanding under this Agreement (including, without limitation, Debt incurred in connection with the issuance of Letters of Credit by the Bank) and the Note;

(ii) Debt of the Borrower incurred prior to, and outstanding on, the Petition Date without giving effect to any extensions, renewals, refinancings, supplemental borrowings or other incurrences thereof (the "PRE-PETITION INDEBTEDNESS"), it being understood that all such Debt consisting of indebtedness for borrowed money, Capital Lease Obligations in excess of $200,000 or other Debt (other than Capital Lease Obligations) described in clauses (vii) or (xii) of the definition of Debt shall be permitted under this clause (ii) only to the extent listed on Part I of Schedule 5.6 hereto;

(iii) Debt of Domestic Subsidiaries of the Borrower incurred prior to, and outstanding on, the Petition Date to the extent listed in Part II of Schedule 5.6 ("EXISTING SUBSIDIARY DEBT");

(iv) intercompany Debt (but not any Guaranties thereof except contribution agreements in respect thereof in form satisfactory to the Lender) of the Borrower to a Domestic Subsidiary, incurred in the ordinary course of business consistent with their cash management practices in accordance with historic levels and past practice; PROVIDED that any Debt owed to a Domestic Subsidiary that is not a Wholly-Owned Subsidiary shall be pursuant to an arms' length agreement;

(v) Debt incurred on and after the Petition Date by the Borrower and its Domestic Subsidiaries in the ordinary course of business to trade creditors and other Persons that does not constitute Debt for borrowed money;

(vi) Debt (but not any Guaranties thereof) evidenced by foreign currency exchange contracts entered into in the ordinary course of business;

(vii) Debt approved by the Court, not exceeding in the aggregate $200,000, incurred other than in the ordinary course of business;

(viii) Guaranties by the Borrower with respect to the obligations of Knytex Company LLC in an amount not to exceed $3,000,000; and

(ix) Debt incurred in connection with purchasing new Equipment which in no event shall exceed $2,000,000 in the aggregate.

(b) Neither the Borrower nor any of its Subsidiaries shall make any payment or prepayment on or redemption or acquisition for value (including, without limitation, by the way of depositing with the trustee with respect thereto money or securities before due for the purpose of paying when due) of any Pre-Petition Indebtedness or other pre-Petition Date obligations of the Borrower PROVIDED that subject to Section 6.2(b) the Borrower may (i) make regularly scheduled payments of obligations under Capital Leases that were in existence prior to the Petition Date, (ii) pay any interest on any Pre-Petition Indebtedness of the Borrower (whether in cash, in-kind securities or otherwise), (iii) create or permit any Lien on the Collateral pursuant to Section 361 of the Bankruptcy Code; PROVIDED THAT any such Liens are junior to the Liens created for the benefit of the Lender hereunder and under the Orders, (iv) pay claims for wages, salaries and benefits to the extent approved by the Bankruptcy Court and (v) make adequate protection payments pursuant to Section 361 of the Bankruptcy Code, cure payments subject to Section 365(b)(1)(A) and (B) of the Bankruptcy Code to the extent approved by the Bankruptcy Court and payments made without the knowledge of a Responsible Officer of the Borrower in respect of Pre-Petition Date obligations of the Borrower, so long as the aggregate amount of such adequate protection, cure payments and erroneous payments does not exceed $200,000, or such larger amount consented to by the Lender which consent shall not be unreasonably withheld or delayed. Nothing contained herein shall be construed to prevent any Foreign Subsidiary from paying any third-party Pre-Petition Date obligations which were erroneously billed to the Borrower.

(c) Neither Borrower nor any of its Subsidiaries shall cancel any claim or Debt owing to it, except for reasonable consideration and in the ordinary course of business, other than the settlement of intercompany accounts with the Borrower.

SECTION 5.7. LIENS.

(a) The Borrower shall not, and shall not permit any of its Domestic Subsidiaries to, create or permit to exist any Lien on any of its properties or assets (real or personal, tangible or intangible), and it shall not apply to the Court for the authority to do the foregoing, except that the foregoing shall not preclude (i) Permitted Liens in existence on the Petition Date as

set forth in Schedule 5.7 and Permitted Liens arising after the Petition Date which are promptly disclosed in writing to the Lender, (ii) purchase money security interests with respect to new Equipment securing Debt in an aggregate amount not to exceed $2,000,000, which Liens shall attach only to the Equipment so purchased and shall secure amounts equalling no more than 90% of the purchase price of such Equipment and (iii) Liens (other than Permitted Liens) in existence

on the Petition Date and described in Schedule 5.7 attached hereto, without giving effect to any extensions or replacements thereof (other than, in the event the assets subject to such Lien are sold or disposed of by the Borrower or any of its Subsidiaries in accordance with this Agreement, Liens on any replacements therefor) and in each case only to the extent of the Debt secured thereby on the Petition Date and (iv) Liens on Collateral, other than Inventory and Accounts, PARI PASSU with the Liens of the Lender in respect of the obligations arising under this Agreement and the other Financing Documents, securing obligations in an aggregate amount not to exceed $150,000.

(b) Without limiting the provisions of Section 5.7(a) hereof, the Borrower shall not incur, create, assume, suffer or permit to exist any claim (other than in the circumstances specifically referred to in Section 2.13 but only to the extent therein described) or Lien or encumbrance against itself or any of its property or assets in the Chapter 11 Case to be PARI PASSU with or senior to the claim of the Lender against the Borrower in respect of the obligations arising under this Agreement and the other Financing Documents, or apply to the Court for authority so to do, except to the extent permitted herein.

SECTION 5.8. CONSOLIDATIONS, MERGERS, ACQUISITIONS AND DISPOSITIONS OF ASSETS.

(a) The Borrower will not consolidate or merge with or into any other Person. The Borrower will not permit any of its Subsidiaries to consolidate with or merge with or into any Person; PROVIDED that any such Subsidiary may consolidate with or merge with or into the Borrower or another Subsidiary of the Borrower if the corporation surviving such consolidation or merger is a Wholly-Owned Domestic Subsidiary of the Borrower and PROVIDED FURTHER that no Domestic Subsidiary may merge into a Foreign Subsidiary and PROVIDED STILL FURTHER THAT a Subsidiary the stock of which is pledged hereunder may only merge into another Subsidiary if the stock of the corporation surviving such merger is or becomes subject to the pledge hereunder. The Borrower shall not, and shall not permit any of its Subsidiaries to, acquire any asset or property, except (i) as permitted by the terms of Section 5.12 and (ii) in the ordinary course of business.

(b) Neither the Borrower nor any of its Subsidiaries will make any Disposition of any of its assets to any other Person; PROVIDED that the

Borrower or any of its Subsidiaries may make Dispositions of (i) Inventory or used, worn-out, surplus or obsolete equipment in the ordinary course of business, (ii) assets (other than the Pledged Stock or other Investments in any Subsidiary, joint venture or partnership) for cash consideration of an aggregate amount not in excess of $10,000,000 during any Fiscal Year in arms-length transactions for not less than the fair market value of the assets disposed of, (iii) property listed on Schedule 5.8 or otherwise disclosed in writing to the Lender prior to the date hereof and (iv) its assets to the Borrower or a Wholly-Owned Domestic Subsidiary of the Borrower.

SECTION 5.9. FURTHER ASSURANCES. The Borrower from time to time shall, or shall cause its Subsidiaries to, execute, deliver, record, register and file all such notices, statements and other documents and take such other steps, including but not limited to the

amendment of the Financing Documents and any financing statements prepared thereunder, as may be reasonably necessary or advisable, or that the Lender may reasonably request, to render fully valid and enforceable under all applicable laws, the rights, liens and priorities of the Lender with respect to all security from time to time furnished under this Agreement, the Orders or intended to be so furnished, in each case in such form and at such times as shall be reasonably satisfactory to the Lender.

SECTION 5.10. RESTRICTED PAYMENTS. The Borrower shall not declare, set aside or make, or permit any of its Domestic Subsidiaries to declare, set aside or make, any Restricted Payment.

SECTION 5.11. FINANCIAL COVENANTS.

(a) MINIMUM EBITDA. The Borrower will not permit EBITDA for each fiscal period set forth below to be less than the amount set forth opposite such period:

<TABLE>
<CAPTION>

Fiscal Period	Amount
<S>	<C>
November 1, 1993 - November 30, 1993	$ (1,000,000)
December 1, 1993 - December 31, 1993	$ (2,500,000)
December 1, 1993 - January 30, 1994	$ (4,500,000)
December 1, 1993 - February 27, 1994	$ (6,000,000)

December 1, 1993 - April 3, 1994	$ (7,000,000)
December 1, 1993 - May 1, 1994	$ (8,500,000)
December 1, 1993 - May 29, 1994	$(10,000,000)
January 1, 1994 - July 3, 1994	$ (9,000,000)
January 31, 1994 - July 31, 1994	$ (8,000,000)
February 28, 1994 - August 28, 1994	$ (7,500,000)
For each consecutive six fiscal month period beginning after February 28, 1994	$ (7,500,000)

</TABLE>

(b) CAPITAL EXPENDITURES. The Borrower and its Domestic Subsidiaries will not permit Capital Expenditures for each fiscal period set forth below to exceed the amount set forth opposite such period;

<TABLE>
<CAPTION>

Fiscal Period	Amount
<S>	<C>
November 1, 1993 - November 30, 1993	$ 500,000
December 1, 1993 - December 31, 1993	$ 750,000
December 1, 1993 - January 30, 1994	$2,000,000
December 1, 1993 - February 27, 1994	$3,000,000
December 1, 1993 - April 3, 1994	$3,750,000
December 1, 1993 - May 1, 1994	$4,500,000
December 1, 1993 - May 29, 1994	$5,200,000
December 1, 1993 - July 3, 1994	$6,900,000
December 1, 1993 - July 31, 1994	$7,500,000

December 1, 1993 - August 28, 1994	$9,150,000
December 1, 1993 - October 2, 1994	$10,000,000
December 1, 1993 - October 30, 1994	$11,000,000
December 1, 1993 - November 27, 1994	$12,000,000
For each consecutive twelve fiscal month period beginning after December 1, 1993	$12,000,000

</TABLE>

SECTION 5.12. LIMITATIONS ON INVESTMENTS. The Borrower will not, and will not permit any of its Domestic Subsidiaries to, make or acquire any Investment in any Person except in the ordinary course and other than:

(a) currency swap agreements which are permitted by Section 5.6(a)(vi);

(b) advances to employees, officers or agents of the Borrower or any of its Subsidiaries for travel, relocation and other reasonable and ordinary business expenses in an aggregate amount from time to time outstanding not to exceed $75,000;

(c) intercompany advances permitted under Section 5.6(a)(iv); PROVIDED HOWEVER that with respect to advances to the Foreign Subsidiaries and Investments in Hexcel DIC through Hexcel Technologies in no event shall such amounts together with amounts paid under Section 5.17 in respect of indemnification of officers and directors of Foreign Subsidiaries and amounts guaranteed under Section 5.6(a)(viii) exceed $7,500,000 and with respect to advances to the Domestic Subsidiaries in no event shall such amount exceed $600,000; PROVIDED, HOWEVER, that the Borrower may make Investments in Hexcel Knytex LLC pursuant to the Guaranty permitted by Section 5.6(a)(viii) in an amount not to exceed $3,000,000 and such amount shall not be included in determining compliance with the foregoing proviso;

(d) Investments, with the consent of the Lender, received by the Borrower as a result of or as part of any disposition of assets permitted under Section 5.8 which consent shall not be unreasonably withheld or delayed;

(e) Investments required pursuant to the terms of any joint venture agreement in existence as of the date hereof, PROVIDED, HOWEVER, that in no event shall such amount exceed $600,000;

(f) Investments in Hexcel DIC through Hexcel Technologies in amount

not to exceed $200,000;

(G) At any time when the amount of Loans outstanding is equal to zero, Permitted Investments; and

(H) Investments by the Borrower in the Foreign Subsidiaries representing accounts receivable from such Foreign Subsidiaries in an amount not to exceed $7,000,000.

SECTION 5.13. FISCAL YEAR; ACCOUNTING PRACTICES. The Borrower shall not change its fiscal year from that set forth in the definition of Fiscal Year. The Borrower will not, except as may be required by reason of a change in GAAP, change the accounting principles and practices reflected in the financial statements referred to in Section 4.4(a) in any manner which would materially affect any accounting determination contemplated by this Agreement.

SECTION 5.14. USE OF PROCEEDS AND CASH COLLATERAL.

(a) The proceeds of the Borrowings consisting of Loans under this Agreement shall be applied to the Borrower's general corporate purposes, subject to the restrictions and permissions contained in Section 4.19 and Section 5.6; PROVIDED HOWEVER that with respect to the Foreign Subsidiaries in no event shall such amount exceed $7,500,000.

(b) None of such proceeds will be used in violation of any applicable Law or regulation, and no use of such proceeds for general corporate purposes will include any use thereof, directly or indirectly, for the purpose, whether immediate, incidental or ultimate, of buying or carrying any "margin stock" within the meaning of Regulation U.

(c) So long as no Event of Default shall have occurred and be continuing, the Borrower is authorized to use the Lender's Cash Collateral for general corporate purposes subject to the permissions and restrictions contained in this Agreement regarding the use of proceeds of Loans under this Agreement. Upon the occurrence and during the continuance of an Event of Default under this Agreement, the Borrower shall be authorized to use the Lender's Cash Collateral (i) to pay the Carved Out Fees as provided in Section 2.13 and (ii) otherwise only on the limited terms and conditions contained in Section 6.2.

SECTION 5.15. AMENDMENT OF DEBT AND CORPORATE DOCUMENTS. The Borrower will not permit any of its Domestic Subsidiaries to, consent to any amendment, modification,

supplement, waiver or termination of any of the documentation governing any of the Pre-Petition Indebtedness without the prior written consent of the Lender if such amendment, supplement, waiver or termination would have a materially

adverse effect on the Condition of the Borrower and its Domestic Subsidiaries, taken as a whole. The Borrower will not, and will not permit any of its Subsidiaries to, amend or modify its Certificate of Incorporation or Bylaws to amend any provisions with respect to its capital stock without the approval of the Lender.

SECTION 5.16. LEASE PAYMENTS. Neither the Borrower nor any of its Domestic Subsidiaries will incur or assume (whether pursuant to a Guaranty or otherwise) any liability for rental payments (exclusive of any liabilities pursuant to "capital leases" as defined in accordance with GAAP) under a Real Property Lease or other lease or sublease of personal or intangible property with a lease term (as defined in Financial Accounting Standards Board Statement No. 13, as in effect on the date hereof) of more than one year if, after giving effect thereto, the aggregate amount of minimum lease and sublease payments that the Borrower and its Domestic Subsidiaries have so incurred or assumed exceeds the amounts set forth in the table below:

<TABLE>
<CAPTION>

Fiscal Year	Lease Payments
<S>	<C>
1994	$5,000,000
1995	$5,000,000

</TABLE>

SECTION 5.17. TRANSACTIONS WITH AFFILIATES. The Borrower will not, and will not permit any of its Subsidiaries to, directly or indirectly: (i) make any Investment in an Affiliate except as permitted by Section 5.12; (ii) sell, lease or otherwise transfer any assets to an Affiliate; (iii) purchase or acquire assets from an Affiliate; or (iv) enter into any other transaction directly or indirectly with or for the benefit of an Affiliate (including, without limitation, Guaranties and assumptions of obligations of an Affiliate); PROVIDED that the Borrower or a Subsidiary of the Borrower may, unless otherwise prohibited by this Agreement, enter into any such transaction with an Affiliate in the ordinary course of business if the monetary or business consideration arising therefrom would be substantially as advantageous to the Borrower or such Subsidiary as the monetary or business consideration which would be obtained in a comparable arm's length transaction with a Person not an Affiliate and PROVIDED FURTHER that the Borrower or a Subsidiary may indemnify any officer and director for liability incurred in their capacity as officer or director of the Borrower or a Subsidiary other than liability resulting from their gross negligence or willful misconduct but in no event shall any payment hereunder with respect to officers and directors of Foreign Subsidiaries together with amounts paid under Sections 5.12(c), Section 5.6(a)(viii) and Section 5.12(f) exceed $7,500,000. In addition to those Persons included within the definition of Affiliate set forth in Section 1.1 hereof, for purposes of this Section 5.17,

an "Affiliate" of a Person shall also be deemed to include any 5% or more stockholder of such Person.

SECTION 5.18. COMPLIANCE WITH ERISA. The Borrower will not, and will cause each of its Domestic Subsidiaries not to (a) terminate any Plan so as to result in any material liability to the PBGC, (b) engage in any Prohibited Transaction or permit the occurrence of any other act or omission involving any Plan which collectively could result in a material liability

for an excise tax or civil penalty in connection therewith or result in the imposition of a Lien under Section 412(n) of the Code, (c) incur or suffer to exist any material "Accumulated Funding Deficiency" (as defined in Section 302 of ERISA) whether or not waived, involving any Plan or fail to make any required contribution or installment thereof, (d) adopt any Plan or amend any existing Plan, except as required by law, which could result in a material and adverse effect on the Condition of the Borrower or any of its Subsidiaries or which could result in the imposition of a Lien under Section 401(a)(29) of the Code or (e) allow or suffer to exist any event or condition which, individually or in the aggregate, presents a risk of incurring a material liability to the PBGC or to a Multiemployer Plan by reason of the termination of or withdrawal from any such Plan.

SECTION 5.19. SALES AND LEASEBACKS. The Borrower shall not, and shall not permit any of its Domestic Subsidiaries to, enter into any arrangement with any Person or to which such Person is a party providing for the leasing by the Borrower or any of its Domestic Subsidiaries of any Owned Real Property and/or Leased Real Property and/or personal property that has been or is to be sold or transferred by the Borrower or any of its Domestic Subsidiaries to such Person (or an entity with which such Person has an interest, directly or indirectly, with such Person as investor or lender) to whom funds have been or are to be advanced by a lender, investor or any other Person on the security of such property or rental obligations of the Borrower or any of its Domestic Subsidiaries.

SECTION 5.20. REAL ESTATE.

(a) The Borrower and its Domestic Subsidiaries covenant and agree that, to the extent not excused by the Bankruptcy Code, with respect to any Principal Real Property Lease (i) except to the extent the Borrower determines to reject such Lease or is considering such rejection pursuant to Section 365 of the Bankruptcy Code, promptly to perform and observe all of the material terms, covenants, agreements and conditions required to be performed and observed by the Borrower or its Domestic Subsidiary under any Principal Real Property Lease and do all things necessary to preserve and to keep unimpaired its rights thereunder and (ii) promptly to notify the Lender of any default by the Borrower or its Domestic Subsidiary under any Principal Real Property

Lease in the performance or observance of any of the material terms, covenants, agreements or conditions on the part of the Borrower or its Domestic Subsidiary to be performed or observed thereunder or of the giving of any notice by the lessor under any Principal Real Property Lease to the Borrower or its Domestic Subsidiary (x) claiming such a default or (y) of such lessor's intention to exercise any remedy reserved to the lessor thereunder. Upon the failure by the Borrower or any applicable Domestic Subsidiary of the Borrower so to perform, observe or comply with any of the foregoing, the Lender, may, after 10 days' notice to the Borrower (except in emergencies), effect or pay the same to the extent necessary or advisable to protect the Lender's interests in the Collateral; but the same shall in no event be deemed a waiver of the obligations and liabilities of the Borrower or any Domestic Subsidiary of the Borrower hereunder. All sums, including reasonable attorneys' fees, so expended by the Lender, or to protect or enforce any of the rights of the Lender hereunder, shall be paid by the Borrower to the Lender within five days after demand.

(b) "Principal Real Property Leases" as used herein means those Real Property Leases set forth on Schedule 4.22 which are so indicated thereon as constituting Principal Real Property Leases.

(c) The Borrower shall, or shall cause its appropriate Domestic Subsidiary to, notify the Lender prior to assuming or rejecting any Real Property Lease in the Chapter 11 Case.

SECTION 5.21. LIMITATION ON DIVIDENDS AND OTHER PAYMENT RESTRICTIONS AFFECTING SUBSIDIARIES.

The Borrower will not, and will not permit any of its Subsidiaries to, create, assume or otherwise cause or suffer to exist or to become effective any consensual encumbrance or restriction on the ability of any Subsidiary to make payments in respect of any Debt or trade payable owed to the Borrower or any of its Subsidiaries (other than as permitted or required by any of the Financing Documents or the Court and other than the promissory note owed by Hexcel S.A. to the Borrower); PROVIDED, HOWEVER, that the following restrictions shall not be prohibited pursuant to this Section 5.21: consensual encumbrances or restrictions binding upon any Person at the time such Person becomes a Subsidiary of the Borrower so long as such encumbrances or restrictions are not created, incurred or assumed in contemplation of such Person becoming a Subsidiary of the Borrower.

SECTION 5.22. COMPLIANCE WITH LAWS. Except to the extent compliance is excused by the Bankruptcy Code, the Borrower and each of its Subsidiaries will comply with all Laws, rules and regulations applicable to the Borrower and/or any of its Subsidiaries and/or any of the Real Property or any material amount of the Collateral (including, without limitation, Environmental Laws, OSHA and other health safety laws, rules and regulations), except for any

absence of compliance which, individually or in the aggregate, could not reasonably be expected to have a material and adverse effect on the Condition of the Borrower and its Subsidiaries, taken as a whole.

SECTION 5.23. CHARTER AMENDMENTS. Neither the Borrower nor any of its Subsidiaries whose shares pledged hereunder shall amend or modify its charter, by-laws or any other constituent documents in a manner so as to restrict the transfer of its shares or the voting or dividend rights of its shareholders or in any other manner which could adversely affect the Lender's rights in, or the value of, the Pledged Stock.

SECTION 5.24. MAINTENANCE OF DEPOSIT ACCOUNTS; TRANSFER OF DEPOSITS, FOREIGN DEPOSIT ACCOUNTS.

(a) Neither the Borrower nor any of its Domestic Subsidiaries shall establish or maintain any Deposit Account with any financial institution other than Chemical Bank or the Lender; PROVIDED that the Borrower and its Subsidiaries may maintain Controlled Depository Accounts.

(b) As soon as possible and in no event later than three (3) Business Days following the Closing Date, the Borrower shall establish, or cause to be established, and maintain, until the Commitment has been terminated and all obligations hereunder have been paid in full in cash, a cash management system in all respects satisfactory to the Lender and reasonably consistent with this Section 5.24(b). The Borrower agrees that such cash management system shall result in the Lender having dominion and control over the Borrower's Deposit Accounts, and the Borrower shall take all action necessary or advisable to do so. The Borrower agrees that the cash management system established pursuant to the first sentence in this Section 5.24(b) will require, among other things, that the Borrower and its Domestic Subsidiaries cause all payments and proceeds received or derived from or in connection with the operation or business of the Borrower or any of its Domestic Subsidiaries, together with all payments constituting proceeds of any asset and all other amounts received by the Borrower or any of its Domestic Subsidiaries from any source whatsoever (the "Revenues") to be deposited into Controlled Depository Accounts in the ordinary course of business. Any checks, cash, notes or other instruments or property received by the Borrower with respect to any Accounts shall be held by the Borrower in trust for the Lender, separate from the Borrower's own property and funds, and immediately turned over to the Lender with proper assignments or endorsements by deposit to Controlled Depository Accounts. Funds shall be transferred daily from the Controlled Depository Accounts to the Cash Concentration Account as set forth in Section 2.10 above. All amounts received by the Lender in the Cash Concentration Account shall be credited to the Borrower's Account upon the Lender's receipt of "collected funds" in Dollars on the Business Day of receipt if received no later than 2:00 p.m. (New York Time) or on the next succeeding Business Day if received after 2:00 p.m. (New York Time). No checks, drafts or other instrument

received by the Lender shall constitute final payment to the Lender unless and until such instruments have actually been collected. It is understood and agreed that the Borrower shall (i) assume the risk of foreign currency fluctuations and (ii) assume all costs in converting foreign currency into Dollars. Promptly after a request by the Lender, the Borrower agrees to enter into such amendments to this Agreement as the Lender may reasonably require to incorporate the terms of the cash management system into this Agreement.

(c) None of the Borrower nor any of its Domestic Subsidiaries shall maintain at any time Revenues in Deposit Accounts located outside the United States aggregating in excess of $50,000 for all such foreign Deposit Accounts.

(d) Neither the Borrower nor any of its Domestic Subsidiaries shall maintain a balance at the close of business of each day in excess of $10,000 in any disbursement account.

ARTICLE 6
DEFAULTS

SECTION 6.1. DEFAULTS. Notwithstanding the provisions of Section 362 of the Bankruptcy Code and without application or motion to, or order from, the Court, the occurrence of any one or more of the following events, regardless of the reason therefor, shall constitute an "EVENT OF DEFAULT" hereunder:

(a) the Borrower shall fail to pay when due any principal of any Loan or Note or any Reimbursement Obligation, or shall fail to pay within two days of the due date thereof any fees, expenses or other amount payable hereunder or under the Note; or

(b) the Borrower shall fail (i) to deposit into the Controlled Deposit Accounts, any payments or proceeds received by the Borrower or its Subsidiaries as required by Section 5.24 or (ii) to observe or perform any other covenant or obligation contained in Article 5, other than Sections 5.1 (except for 5.1(h)), 5.2, 5.3, 5.4, 5.5(a), 5.13 and 5.17, inclusive; or

(c) the Borrower shall fail to observe or perform any of its covenants or agreements contained herein or in any of the other Financing Documents (other than those covered by paragraph (a) or (b) above or (e) or (f) below) for 15 days after notice from the Lender; or

(d) any representation, warranty, certification or statement made by the Lender in any of the Financing Documents or in any certificate, financial statement or other document delivered pursuant thereto shall have been incorrect in any material respect when made (or deemed made); or

(e) the entry of an order appointing an interim or permanent trustee in the Chapter 11 Case or the appointment of an examiner in the Chapter 11 Case with expanded powers to operate or manage the financial affairs, the business, or reorganization of the Borrower; or

(f) the entry of an order dismissing the Chapter 11 Case or converting the Chapter 11 Case to a case under Chapter 7 of the Bankruptcy Code; or

(g) the entry of an order granting relief from or modifying the automatic stay of Section 362 of the Bankruptcy Code (i) to allow any creditor to execute upon or enforce a Lien on any other property or assets of the Borrower or (ii) with respect to any Lien on any property or assets of the Borrower to, any state or local environmental or regulatory agency or authority, if, in the case of either clause (i) or (ii), the fair market value of the properties or other assets subject to such Lien exceeds $500,000 or the fair market value of all such properties or assets subject to Liens with respect to which relief from or modification of the automatic stay has been granted since the Petition Date exceeds $1,000,000 in the aggregate; or

(h) the entry of an order without the prior written consent of the Lender (i) granting any administrative expense claim (other than those specifically referred to in Sections 2.13 and 5.7) or Lien having an priority over or being PARI PASSU with the administrative expense claim priority of the Obligations hereunder or the Liens securing such Obligations or (ii) otherwise amending, supplementing, staying for a period in excess of 10 days, vacating or otherwise modifying any of the Orders or this Agreement or any other Financing Document or any of the Lender's other rights, benefits, privileges or remedies under the Orders, this Agreement or any other Financing Document, or staying any of the Orders for a period in excess of 10 days, or substantively consolidating the Borrower with any Person; or

(i) the Borrower shall file an application for the approval of any other administrative expense claim (other than those specifically referred to in Sections 2.13 and 5.7) or Lien having any priority over, or being PARI PASSU with, the administrative expense priority of the obligations arising under this Agreement and the other Financing Documents or Liens securing such obligations; PROVIDED, HOWEVER, that this Section 6.1(i) shall not apply to a subsequent debtor in possession financing or exit financing that will, in either such case, provide for the payment in full in cash of all obligations under this Agreement and the other Financing Documents, including, without limitation, the cash collateralization or replacement of any outstanding Letters of Credit; or

(j) any Subsidiary of the Borrower shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a

trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay, or shall admit in writing its general inability to pay, its debts as they become due, or shall take any corporate action to authorize any of the foregoing; or

(k) an involuntary case or other proceeding shall be commenced against any Subsidiary seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 60 days; or an order for relief shall be entered against a Subsidiary under the federal bankruptcy laws as now or hereafter in effect; or

(l) (a) any Person shall engage in any Prohibited Transaction involving any Plan, (b) any "accumulated funding deficiency" (as defined in Section 302 of ERISA), whether or not waived, shall exist with respect to any Plan, or any Person shall fail to make any required contribution or installment to any Plan, (c) a Reportable Event shall occur with respect to, or proceedings shall have commenced to have a trustee appointed, or a trustee shall be appointed or any event described in Section 4042 of ERISA shall have occurred, which Reportable Event or commencement of proceedings or appointment of a trustee or event is likely to result in the termination of such Plan for purposes of Title IV of ERISA, (d) any Single Employer Plan shall terminate for purposes of Title IV of ERISA or any notice of intent to terminate any Single Employer Plan filed with the PBGC or shall have been received from the PBGC, (e) the Borrower, any Domestic Subsidiary or any Commonly Controlled Entity shall incur any liability in connection with a withdrawal from, or the reorganization (within the meaning of Section 4241 of ERISA) or termination (within the meaning of Sections 4041A and 4042 of ERISA) or insolvency (within the meaning of Section 4245 of ERISA) of, a Multiemployer Plan, (f) any material claim (other than routine claims for benefits) shall be asserted against any Plan (other than a Multiemployer Plan) or its assets or against the Borrower, any Domestic Subsidiaries or any Commonly Controlled Entity in connection with any such Plan, (g) any Single Employer

Plan shall be disqualified or (h) any other event or condition shall exist with respect to a Plan; and in each case in clauses (a) through (h) above, such event or condition, together with all other such events or conditions, if any, would subject any of the Borrower or its Domestic Subsidiaries or any Commonly Controlled Entity to any tax, penalty or other liabilities that in the aggregate would result in a material adverse effect on the Condition of the

Borrower, its Domestic Subsidiaries or any Commonly Controlled Entity; or

(m) any non-monetary judgment or order with respect to a post-Petition Date event shall be rendered against the Borrower which could reasonably be expected to result in a Condition that could have a material adverse effect on the ability of the Borrower to perform any of its prepayment or other obligations hereunder or under any other Financing Document and there shall be any period of 30 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(n) any event which results in the Lender failing to have the security interest which purports to be created by Section 2.14 or Section 2.15; or

(o) other than as permitted by Sections 2.14(a) or 5.5(b), if the Borrower ceases to own the percentage of the outstanding capital stock of any Subsidiary that it owns in each such case on the Closing Date; or

(p) any judgment, writ, warrant of attachment or any similar process of a nature which would require inclusion on Schedule 4.5 (had it arisen and been known on the Closing Date) is entered or filed against the Borrower or any Subsidiary or against any of their respective assets, and remains unvacated, unbonded or unstayed for thirty (30) days or is unvacated, unbonded or unstayed at any time which is within ten (10) days prior to the date on which such assets may be lawfully sold to satisfy such judgment and the amount of which, when considered with all such events occurring subsequent to the Closing Date and remaining unvacated, unbonded and unstayed, exceeds $500,000 in the aggregate outstanding at any one time.

SECTION 6.2. REMEDIES UPON AN EVENT OF DEFAULT.

(a) In the case of an Event of Default specified in Section 6.1(b)(i), 6.1(h)(i), 6.1(i) and 6.1(n) then in any such event (notwithstanding the provisions of Section 362 of the Bankruptcy Code and without application or motion to, or receipt of an order from, the Court) the Lender may (unless prior thereto such event has been cured) by notice to the Borrower (i) terminate the Commitments of the Lender to honor any further requests for Loans or incur any additional Letter of Credit Liabilities and the Commitment shall thereupon terminate, (ii) declare the Note and the Loans (together with accrued interest thereon) and all other amounts payable hereunder or under any other Financing Document to be, and such Note, Loans (together with accrued interest thereon) and all other amounts payable hereunder or under any other Financing Document (including, without limitation, the maximum amount that may be payable under any and all outstanding Letter of Credit Liabilities (which may be satisfied either by such Letters of Credit being returned for cancellation or being prepaid or cash collateralized in an amount equal to (x) one hundred and five percent (105%) of such Letter of Credit

Liabilities plus (y) an amount equal to future fees through the expiry dates thereof in accordance with Sections 2.7(c) and 2.11(c)) and other amounts shall thereupon become, immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower, (iii) exercise in respect of the Collateral any all of the rights and remedies of a secured party on default under the UCC including the right to dispose of the same at a public or private sale and with respect to Accounts, to notify any and all Account Debtors to direct all payments due to the Borrower to the Lender or to a Controlled Deposit Account, and (iv) exercise any or all rights of set-off, banker's lien or counter-claim provided in Section 7.4, and the Borrower shall be authorized to use Lender's Cash Collateral only (a) to pay the Carved Out Fees as provided in Section 2.13 and (b) for the repayment of the Obligations arising under this Agreement or the other Financing Documents and shall not be authorized to use the Lender's Cash Collateral for any other purpose without the consent of the Lender or pursuant to an order of the Court; PROVIDED, THAT, notwithstanding any other notice requirements contained in the Bankruptcy Code or applicable rules, upon the giving or receipt of a Termination Notice, as the case may be, (a) the Borrower may seek an order of the Bankruptcy Court on not less than two (2) Business Days' written notice to the Lender to seek to stay the Lender's exercise of its remedies after the date of such order and/or for the use of the Lender's Cash Collateral pursuant to Section 363 of the Bankruptcy Code and (b) the Lender may seek an order of the Bankruptcy Court on not less than two (2) Business Days' notice to the Borrower for such relief as Lender may request. At any hearing before the Bankruptcy Court on a motion filed and noticed by the Borrower or the Lender in accordance with the preceding sentence, the other party may be heard on any motion filed by it in accordance with the preceding sentence prior to such hearing.

(b) (i) In the case of an Event of Default other than as specified in Section 6.1(b)(i), 6.1(h)(i), 6.1(i), 6.1(n), 6.1(e), 6.1(f) or 6.1(h)(ii), then (notwithstanding the provisions of Section 362 of the Bankruptcy Code and without application or notice to, or receipt of an order from, the Court) unless prior thereto such event has been cured (i) Lender may, pursuant to a Termination Notice given to Borrower, terminate the Commitment of the Lender to incur any additional Letter of Credit Liabilities and (ii) Lender's obligations to make Loans hereunder shall be deemed modified for a period of five (5) Business Days after delivery of such notice by the Lender, so that (x) the aggregate principal amount of Loans and Letter of Credit Liabilities outstanding as of the date of the Termination Notice shall not increase and (y) the amount by which the Borrowing Base exceeds the aggregate principal amount of Loans and Letter of Credit Liabilities outstanding on any subsequent date shall not be less than the excess of the Borrowing Base over the aggregate amount of Loans and Letter of Credit Liabilities on the date of the Termination Notice. After the expiration of such five (5) Business Day period, the Lender's Commitment to make Loans hereunder shall be terminated.

(ii) If an Event of Default described in Section 6.1(b)(i) has not been cured within five (5) Business Days or upon the occurrence of an Event of Default specified in Sections 6.1(e), 6.1(f) or 6.1(h)(ii), then (notwithstanding the provisions of Section 362 of the Bankruptcy Code and

without application or motion to, or receipt of an order form, the Court) the Lender may, pursuant to a Termination Notice given to the Borrower, (i) terminate the Commitments of the Lender to honor any further requests for Loans or incur any additional

Letter of Credit Liabilities and the Commitment shall thereupon terminate and (ii) declare the Note and the Loans (together with accrued interest thereon) and all other amounts payable hereunder or under any other Financing Document to be, and such Note, Loans (together with accrued interest thereon) and all other amounts payable hereunder or under any other Financing Document (including, without limitation, the maximum amount that may be payable under any and all outstanding Letter of Credit Liabilities (which may be satisfied either by such Letters of Credit being returned for cancellation or being prepaid or cash collateralized in an amount equal to (x) one hundred and five percent (105%) of such Letter of Credit Liabilities plus (y) an amount equal to future fees through the expiry dates thereof in accordance with Sections 2.7(c) and 2.11(c)) and other amounts shall thereupon become, immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower and the Borrower shall be authorized to use Lender's Cash Collateral only (a) to pay the Carved Out Fees as provided in 2.13 and (b) for the repayment of the Obligations arising under this Agreement or the other Financing Documents and shall not be authorized to use the Lender's Cash Collateral for any other purpose without the consent of the Lender or pursuant to an order of the Court; PROVIDED, THAT, notwithstanding any other notice requirements contained in the Bankruptcy Code or applicable rules, upon giving or receiving of a Termination Notice, as the case may be, (a) the Borrower may seek an order of the Bankruptcy Court on not less than two (2) Business Days' written notice to Lender for the use of the Lender's Cash Collateral pursuant to Section 363 of the Bankruptcy Code and (b) the Lender may seek an order of the Bankruptcy Court on not less than two (2) Business Days' notice to the Borrower for relief from the automatic stay in accordance with Section 362 of the Bankruptcy Code to exercise in respect of the Collateral any and all remedies of a secured party on default under the UCC including the right to dispose of the same at a public or private sale and with respect to Accounts, to notify any and all Account Debtors to direct all payments due to the Borrower to the Lender or to a Controlled Deposit Account and to exercise any and all rights of set-off, banker's lien or counter-claim provided in Section 7.4 and any other such relief as Lender may request; PROVIDED FURTHER THAT no Termination Notice shall be required under this Section 6.2(b)(ii) if a Termination Notice shall have been delivered pursuant to Section 6.2(b)(i) and five (5) Business Days have elapsed after the Lender's giving of such notice. At any hearing before the Bankruptcy Court on a motion filed and noticed by the Borrower or the Lender in accordance with the preceding sentence, the other party may be heard on any motion filed by it in accordance with the preceding sentence prior to such hearing.

(c) To the extent that such relief would be in any way inconsistent

with the rights and remedies of the Borrower or the Lender under Section 6.2(a) or (b), the Borrower waives its right to seek relief under Bankruptcy Code Section 105 or any other provision of the Bankruptcy Code. The enumeration of the foregoing rights and remedies is not intended to be exhaustive and the exercise of any right or remedy shall not preclude the exercise of any other rights or remedies, all of which shall be cumulative and not alternative.

SECTION 6.3. CASH COVER. The Borrower hereby agrees, in addition to the provisions of Section 6.1 hereof, that upon the occurrence and during the continuance of any Event of Default, it shall, if requested by the Lender (and in the case of any Event of Default specified in paragraph (h) of Section 6.1, forthwith, without any demand or the taking of any

other action by the Lender), it shall return to the Bank undrawn and marked cancelled all outstanding Letters of Credit or pay to the Bank an amount in immediately available funds (which funds shall be held as collateral hereunder) equal to (y) one hundred and five percent (105%) of the then aggregate amount of Letter of Credit Liabilities, PLUS (z) an amount equal to the amount of all fees that would accrue pursuant to Section 2.11(c) in respect of such Letters of Credit through the expiry thereof.

SECTION 6.4. NOTICE OF DEFAULT. The Lender shall give notice to the Borrower of any intention to terminate or modify its Commitment (the "Termination Notice") under Section 6.2.

ARTICLE 7
MISCELLANEOUS

SECTION 7.1. NOTICES. All notices, requests and other communications to any party under this Agreement shall be in writing or, in the case of a Notice of Borrowing, by telephone confirmed the same day in writing (including bank wire, telex or similar writing) and shall be given to such party at its address, telecopy or telex number set forth below its name on the signature pages hereto or such other address, telecopy or telex number as such party may hereafter specify for the purpose by notice to the Lender and the Borrower; PROVIDED HOWEVER that the Borrower is not obligated to send copies of notices under Section 5.1(a), (b), (c), (d), (e), (f), (g), (i), (j), (k)(ii), (m), (n), (r), (s) or (t) to the counsel listed on the signature pages thereto. Each such notice, request or other communication shall be effective (i) if given by telex, when such telex is transmitted to the telex number specified pursuant to this Section 7.1 and the appropriate answerback is received, (ii) if given by telecopy, when such telecopy is transmitted to the telecopy number specified pursuant to this Section 7.1, (iii) if given by registered or certified mail, return receipt requested, 72 hours after such communication is deposited in the mails with postage prepaid, addressed as

aforesaid or (iv) if given by any other means, when delivered at the address specified pursuant to this Section 7.1; PROVIDED that notices to the Lender under Article 2 shall not be effective until received.

SECTION 7.2. NO WAIVERS. No failure or delay by the Lender in exercising any right, power or privilege under any Financing Document shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies provided in the Financing Documents shall be cumulative and not exclusive of any rights or remedies provided by law.

SECTION 7.3. EXPENSES; DOCUMENTARY TAXES; INDEMNIFICATION.

(a) The Borrower shall pay (i) all of the Lender's fees (as agreed upon by the Lender and the Borrower) and all out-of-pocket expenses of the Lender, including, without limitation, recording taxes, fees and other charges, travel expenses and all reasonable fees, disbursements and other charges of accountants, counsel and other consultants and professional advisors to the

Lender and the costs of auditing the Inventory and Accounts that comprise the Borrowing Base, including, without limitation, O'Melveny & Myers, local counsel, foreign counsel, environmental and trademark and patent counsel and consultants, in connection with the preparation of the Financing Documents, any waiver or consent thereunder or any amendment thereof or any Default or Event of Default or alleged Default or Event of Default thereunder and the Chapter 11 Case (including, without limitation, the on-going monitoring by the Lender and its counsel of the Chapter 11 Case, including attendance by the Lender and its counsel at hearings or other proceedings and the on-going review of documents filed with the Court in respect thereof) and the Lender's interests with respect to the Borrower (including, without limitation, the on-going review of the Borrower's business, assets, operations, prospects or financial condition as the Lender shall deem necessary), the Pledged Stock or the obligations owed to the Lender arising under the Financing Documents; and (ii) if any Event of Default occurs, all reasonable out-of-pocket expenses incurred by the Lender, including reasonable fees and disbursements and other charges of counsel, in connection with the such Event of Default and collection and other enforcement proceedings resulting therefrom. All amounts payable by the Borrower pursuant to this Section 7.3 shall be paid promptly upon receipt by the Borrower of an invoice relating to such amounts and in any event shall be due within the meaning of Section 6.1(a) on the 30th day following the date of such invoice, without further demand or other action. The Borrower shall indemnify the Lender against any transfer taxes, documentary taxes, assessment or charges (other than income and franchise taxes based on or measured by the net income of the Lender) made by any governmental authority by reason of the execution and delivery of the Financing Documents.

(b) In addition to the payment of expenses pursuant to Section 7.3(a), whether or not the transactions contemplated hereby shall be consummated, the Borrower agrees to defend, indemnify, pay and hold the Lender, and the officers, directors, employees, agents and affiliates of the Lender (collectively called the "INDEMNITEES") from and against any and all other liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, costs, expenses and disbursements of any kind or nature whatsoever (including without limitation the reasonable fees and disbursements of counsel for such Indemnitees in connection with any investigative, administrative or judicial proceeding commenced or threatened by any Person, whether or not any such Indemnitee shall be designated as a party or a potential party thereto), whether direct, indirect or consequential and whether based on any federal, state or foreign laws, statutes, rules or regulations (including without limitation securities and commercial laws, statutes, rules or regulations and Environmental Laws), on common law or equitable cause or on contract or otherwise, that may be imposed on, incurred by, or asserted against any such Indemnitee, in any manner relating to or arising out of this Agreement or the other Financing Documents or the transactions contemplated hereby or thereby (including without limitation Lender's agreement to make the Loans hereunder or the use or intended use of the proceeds of any of the Loans) or the statements contained in the Commitment Letter delivered by the Lender to the Borrower with respect thereto (collectively called the "INDEMNIFIED LIABILITIES"); PROVIDED that the Borrower shall not have any obligation to any Indemnitee hereunder with respect to any Indemnified Liabilities to the extent such Indemnified Liabilities arise solely from the gross negligence or willful misconduct of that Indemnitee as determined by a final judgment of a court of competent jurisdiction. To the extent that the undertaking to defend, indemnify,

pay and hold harmless set forth in the preceding sentence may be unenforceable because it is violative of any law or public policy, the Borrower shall contribute the maximum portion that it is permitted to pay and satisfy under applicable law to the payment and satisfaction of all Indemnified Liabilities incurred by the Indemnitees or any of them. Neither the making of the Loans hereunder nor the exercise of the rights or duties of the Lender (including, without limitation, pursuant to the provisions of Sections 3.1(f)(ii) and 5.24) shall impose, or be deemed to impose, upon the Lender any liability to the Borrower or any other Person and the Lender shall not be deemed to be in control of the operations of the Borrower as a result of any action taken pursuant to or in connection with this Agreement or the other Financing Documents.

(c) In furtherance and not in limitation of the foregoing, it is agreed by the parties hereto that the indemnification and reimbursement obligations of the Borrower contained in this Section 7.3 include, without limitation, all liabilities, loss, damages, costs and expenses arising as a result of the exercise by the Lender of any right or remedy, including any

claim, action, suit, proceeding, loss, cost, damage, liability, deficiency, fine, penalty, punitive damage or expense (including reasonable attorneys' and consultants' fees, investigation and laboratory fees, court costs and litigation expenses), directly or indirectly resulting from, arising out of, or based upon (y) the presence, release, use, manufacture, installation, generation, discharge, storage or disposal, at any time, of any Hazardous Materials on, under, in or about, or the transportation of any such materials to or from, any Owned Real Property or Leased Real Property; or (z) the violation or alleged violation by any Borrower or any of its Subsidiaries or Affiliates of any law, statute, ordinance, order, rule, regulation, permit, judgment or license relating to the use, generation, manufacture, installation, release, discharge, storage or disposal of Hazardous Materials to or from the Owned Real Property or Leased Real Property; which indemnity shall include, without limitation (A) any damage, liability, fine, penalty, punitive damage, cost or expense arising from or out of any claim, action, suit or proceeding for personal injury (including sickness, disease, death, pain or suffering), tangible or intangible property damage, compensation for lost wages, business income, profits or other economic loss, damage to the natural resources or the environment, nuisance, pollution, contamination, leak, spill, release or other effect on the environment, and (B) the cost of any required or necessary repair, cleanup, treatment, remediation or detoxification of the Owned Real Property or Leased Real Property and the preparation and implementation of any closure, disposal, remedial or other required actions in connection with the Owned Real Property or Leased Real Property. To the extent that the undertaking to indemnify, pay and hold harmless set forth in the preceding sentence shall be unenforceable under law, the Borrower shall contribute the maximum portion that it is permitted to pay and satisfy under the applicable law, to the payment and satisfaction of all indemnified liabilities incurred by the Lender.

The Borrower, for itself and on behalf of its successors and assigns, hereby waives, releases and forever discharges any now existing or hereafter created or arising right to claim against the Lender and its assigns for contribution, reimbursement, indemnity or other similar rights against the Lender and its assigns in any way related to the use, storage, disposal, treatment or presence of any Hazardous Materials on, in or about the Owned Real Property or Leased Real Property, including any right to contribution that may exist in the Borrower's favor

pursuant to CERCLA or any other similar law, statute or regulation under any applicable federal or state law, or under any common law theory.

The Borrower hereby acknowledges and agrees that (i) the Lender is not now, and has not ever been, in control of the Owned Real Property or Leased Real Property or of the Borrower's affairs; and (ii) the Lender does not have the capacity to influence the Borrower's conduct with respect to the ownership, operation or management of the Owned Real Property or Leased Real

Property.

SECTION 7.4. SET-OFF. Notwithstanding the provisions of Section 362 of the Bankruptcy Code and any other applicable law and without application or motion to, or order from, the Court, each of the Lender, the Bank, Chemical Bank (in each case, for the benefit of the Lender) and each Depository Bank (for the benefit of the Lender) is hereby authorized at any time and from time to time, to the fullest extent permitted by applicable law, to set off and apply any and all funds in the possession of the Lender, the Bank, Chemical Bank or such Depository Bank, as the case may be, all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by the Lender, the Bank, Chemical Bank or such Depository Bank, to or for the credit or the account of the Borrower, against any and all of the obligations of the Borrower and its Subsidiaries now or hereafter existing under this Agreement, the Note and the other Financing Documents that are then due and payable, whether by maturity or acceleration or otherwise. Nothing in this Section 7.4 shall impair the right of the Lender, the Bank, Chemical Bank or any Depository Bank to exercise any right of set-off or counterclaim it may have and to apply the amount subject to such exercise to the payment of indebtedness of the Borrower other than its indebtedness under the Note. The Borrower agrees, to the fullest extent it may effectively do so under applicable Law, that any holder of a participation in the Note, whether or not acquired pursuant to the foregoing arrangement, may exercise rights of set-off or counterclaim and other rights with respect to such participation as fully as if such holder of a participation were a direct creditor of the Borrower in the amount of such participation.

SECTION 7.5. AMENDMENTS AND WAIVERS. Any provision of the Financing Documents may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by the Borrower and the Lender.

SECTION 7.6. SUCCESSORS AND ASSIGNS; PARTICIPATIONS; NOVATION.

(a) This Agreement shall be binding upon, and inure to the benefit of the parties hereto and their respective successors and assigns, except that (i) the Borrower may not assign or transfer any of its rights or obligations under this Agreement without the consent of the Lender and (ii) unless otherwise permitted under this Section 7.6, the Lender may not transfer, pledge, assign, sell participations in or otherwise encumber the Commitment or the Loans or interests in Letters of Credit.

(b) Subject to the provisions of this Section 7.6, the Lender may in the ordinary course of its business and in accordance with applicable Law, at any time sell to one or more

banks or other financial institutions (each, a "PARTICIPANT") participating

interests in a PRO RATA portion of any Loan owing to the Lender, the Note or any interest in a Letter of Credit, or all or a portion of the Commitment hereunder or any other interest of the Lender hereunder. Any sale of a participating interest shall be of an equal PRO RATA portion of the Lender's Commitment and Loans and interests in Letters of Credit. In the event of any such sale by the Lender of a participating interest to a Participant, (i) the Lender shall remain a "Lender" under this Agreement and the Participant shall not constitute a "Lender" hereunder, (ii) the Lender's obligations under this Agreement shall remain unchanged, (iii) the Lender shall remain solely responsible for the performance thereof, (iv) the Lender shall remain the holder of the Note for all purposes under this Agreement, and (v) the Borrower shall continue to deal solely and directly with the Lender in connection with such Lender's rights and obligations under this Agreement and the Financing Documents. Participants shall have no rights under this Agreement or any of the Financing Documents, other than certain voting rights as provided below. The Lender shall not sell any participating interest under which the Participant shall have any rights to approve any amendment, modification or waiver of this Agreement or any other Financing Document, except to the extent such amendment, modification, or waiver (i) extends the due date for payment of any amount in respect of the Loans or fees or (ii) reduces the interest rate or the amount of principal or fees applicable to the Loans; PROVIDED, HOWEVER, that in those cases where the Lender grants rights to its Participants to approve amendments to or waivers of this Agreement or any other Financing Documents respecting the matters described in clauses (i) and (ii), the Lender must include a voting mechanism in the relevant participation agreement whereby a majority of the Loans (whether held by the Lender or participated) shall control the vote for all of such Lender's Loans. The relevant participation agreement shall not permit the Participant to transfer, pledge, assign, sell participations in or otherwise encumber its portion of the Commitment or the Loans.

(c) Subject to the provisions of this Section 7.6 the Lender may, in the ordinary course of its business and in accordance with applicable law, sell to one or more banks or financial institutions (each a "PURCHASER") all, or a proportionate part of all, of its rights and obligations under any of the Financing Documents, and such Purchaser shall assume all such rights and obligations, pursuant to an assignment agreement executed by such Purchaser and the Lender. The Lender shall be permitted to enter into such a transaction with a Purchaser which is an Eligible Assignee without obtaining the consent of the Borrower and shall be permitted to enter into such a transaction with a Purchaser other than an Eligible Assignee with the consent of the Borrower, which consent shall not be unreasonably withheld or delayed. Upon (i) execution of such an instrument, (ii) delivery by the transferor Lender of an executed copy thereof, together with notice that the payment referred to in clause (iii) shall have been made, to the Borrower and (iii) payment by such Purchaser to such transferor Lender of an amount equal to the purchase price agreed between such transferor Lender and such Purchaser, from and after the Effective Date, as specified in such assignment agreement (which shall be at least three calendar days after such delivery), such Purchaser shall for all purposes be the Lender party to this Agreement and shall have all the rights and obligations of the Lender under this Agreement to the same extent as if it were an original party hereto, and the transferor Lender shall be released from its obligations hereunder to a

corresponding extent, and no further consent or action by the Borrower or the Lender shall be required. Upon the consummation of any

transfer to a Purchaser pursuant to this clause (c), the transferor Lender and the Borrower shall make appropriate arrangements, at the Borrower's cost and expense, so that, if required, new Notes are issued to such Purchaser and, if applicable, to the transferor Lender.

A Purchaser may not transfer, pledge, assign, sell participations in or otherwise encumber its portion of the Commitment or the Loans.

(d) Subject to the provisions of Section 7.15, the Borrower authorizes the Lender to disclose to any Participant or Purchaser (each a "TRANSFEREE") and any prospective Transferee any and all financial information in the Lender's possession concerning the Borrower or any of the Borrower's Subsidiaries which has been delivered to the Lender by or on behalf of them pursuant to this Agreement or which has been delivered to such Lender by them in connection with the Lender's credit evaluation prior to entering into this Agreement.

SECTION 7.7. GOVERNING LAW; BANKRUPTCY COURT JURISDICTION; WAIVER OF JURY TRIAL; OTHER WAIVERS.

THIS AGREEMENT AND EACH NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA (WITHOUT REGARD TO ANY PRINCIPLES GOVERNING CHOICE OF LAW PROVISIONS). THE BORROWER HEREBY SUBMITS TO THE NONEXCLUSIVE JURISDICTION OF THE UNITED STATES BANKRUPTCY COURT FOR THE NORTHERN DISTRICT OF CALIFORNIA FOR PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THE FINANCING DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED THEREBY. EACH OF THE BORROWER AND THE LENDER AGREE THAT THE UNITED STATES BANKRUPTCY COURT FOR THE NORTHERN DISTRICT OF CALIFORNIA SHALL HAVE JURISDICTION FOR ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT. EACH OF THE BORROWER AND THE LENDER HEREBY, TO THE FULLEST EXTENT PERMITTED BY LAW, IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANS-ACTIONS CONTEMPLATED HEREBY. Each of the Borrower and the Lender irrevocably consent to the service of process out of the aforementioned court in any such action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to the respective party at its address for notices pursuant to Section 7.1 in accordance with the rules of the Court. Nothing herein shall affect the right of the Lender to serve process in any other manner permitted by law or to commence legal proceedings or otherwise proceed against the Borrower in any other jurisdiction.

SECTION 7.8. COUNTERPARTS; EFFECTIVENESS. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same

instrument. This Agreement shall be come effective when the Lender shall have received counterparts hereof signed by all of the parties hereto.

SECTION 7.9. COLLATERAL. The security interests and Liens created by this Agreement shall be and remain valid and perfected, and the claims, rights and remedies of the Lender hereunder valid and enforceable in accordance with the terms hereof, notwithstanding the discharge of the Borrower pursuant to 11 U.S.C. SECTION 1141, the conversion of the Chapter 11 Case or any other bankruptcy case of the Borrower to a case under Chapter 7 of the Bankruptcy Code, the dismissal of the Chapter 11 Case or any subsequent Chapter 7 case or the release of any collateral granted hereunder from the property of the Borrower. Further, the security interests and Liens created by this Agreement in the Pledged Stock shall be and remain valid and perfected without the necessity that financing statements be filed or any other action be taken under applicable law to perfect the security interests or Liens granted hereby or thereby.

SECTION 7.10. INDEPENDENCE OF COVENANTS. All covenants of the Borrower hereunder shall be given independent effect so that, if a particular action or condition is prohibited by any of such covenants, the fact that it would be permitted by an exception to, or be otherwise within the limitations of, another covenant shall not avoid the occurrence of a Default or Event of Default if such action is taken or such condition exists.

SECTION 7.11. SURVIVAL. The obligations of the Borrower under Sections 2.12 and 7.3 shall survive the repayment of the Loans and the termination of the Commitment.

SECTION 7.12. CAPTIONS. The table of contents and captions and section headings appearing herein are included solely for convenience of reference and are not intended to affect the interpretation of any provision of this Agreement.

SECTION 7.13. INVESTIGATION. Notwithstanding any right of the Lender to investigate the affairs of the Borrower and notwithstanding any knowledge of facts determined or determinable by the Lender pursuant to such investigation or right of investigation, the Lender has the right to rely fully upon the representations, warranties, covenants and agreements of the Borrower contained herein.

SECTION 7.14. CONFIDENTIALITY. The Lender agrees to keep confidential any financial information delivered by the Borrower hereunder which the Borrower clearly indicates in writing to be confidential information; PROVIDED that nothing herein shall prevent the Lender from disclosing such information (i) in connection with any litigation between the Lender and the Borrower, (ii) to any Affiliate of the Lender or any actual or potential purchaser, participant, assignee or transferee of any Lender's

rights or obligations hereunder or under any Note that agrees to be bound by this Section 7.15, (iii) upon order of any court or administrative agency, (iv) upon the request or demand of any regulatory agency or authority having jurisdiction over such party, (v) which has been publicly disclosed by someone other than the Lender and its Affiliates, (vi) which has been obtained from any Person that is not a party hereto or an Affiliate of any such party and, to Lender's knowledge, not in violation of a duty owed to Borrower or its Subsidiaries by such Person, (vii) in connection with the exercise of any remedy hereunder or under any Financing Document, (viii) to the attorneys or certified public accountants for the Lender or (ix) as otherwise expressly contemplated by this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be duly executed by their respective authorized signatories as of the day and year first above written.

HEXCEL CORPORATION

By_____
Name:
Title:

Address for Notices:

Hexcel Corporation
5794 Las Positas Boulevard
Pleasanton, CA 94588
Fax No.: (510) 734-8865
Tel No.: (510) 847-9500, ext. 4235
Attention: William P. Meehan
Vice President - Finance

With a copy to:

Hexcel Corporation
5794 Las Positas Boulevard
Pleasanton, CA 94588
Fax No.: (510) 734-8611
Tel No.: (510) 847-9500, ext. 4396
Attention: Robert D. Krumme, Esq.
General Counsel

Hexcel Corporation
5794 Las Positas Boulevard
Pleasanton, CA 94588

Fax No.: (510) 734-8865
Tel No.: (510) 847-9500, ext. 4608
Attention: William W. Wondolowski
Treasurer

Goldberg, Stinnett, Meyers & Davis
44 Montgomery Street, Ste. 2900
San Francisco, CA 94104
Attention: Merle C. Meyers, Esq.
Fax No.: (415) 362-2392
Tel No.: (415) 362-5045

S-1

Wendel, Rosen, Black, Dean & Levitan
1221 Broadway, Ste. 2000
P.O. Box 2047
Oakland, CA 94604-2047
Attention: Rodney P. Jenks, Jr., Esq.
Fax No.: (510) 834-1928
Tel No.: (510) 834-6600

S-2

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be duly executed by their respective authorized signatories as of the day and year first above written.

THE CIT GROUP/BUSINESS CREDIT INC.

By_____
Name:
Title:

Address for Notices:

The CIT Group/Business Credit, Inc.
300 South Grand Avenue, Third Floor
Los Angeles, CA 90071
Fax No.: (213) 613-2588
Tel. No.: (213) 613-2500

Attention: Regional Manager

The CIT Group/Business Credit, Inc.
1211 Avenue of the Americas, 21st Floor
New York, NY 10036
Fax No.: (212) 536-1296
Tel. No.: (212) 536-1277
Attention: General Counsel

With a copy to:

O'Melveny & Myers
400 South Hope Street
Los Angeles, CA 90071
Fax No.: (213) 669-6407
Tel. No.: (213) 669-6585
Attention: Kathleen G. McGuinness, Attorney at Law

S-3

AMENDMENT NO. 1

January
3rd
1 9 9 4

126,290-004
350222

VIA TELECOPY

Hexcel Corporation
5794 Las Positas Boulevard
Pleasanton, California 94588
Attention: Mr. Robert D. Krumme, Esq.

Re: Debtor in Possession Credit Agreement, dated as of December 8, 1993 (the "Agreement") by and between Hexcel Corporation and The CIT Group/Business Credit, Inc.

Dear Bill:

All capitalized terms used herein unless otherwise defined herein shall have the meanings set forth in the Agreement. The CIT Group/Business Credit, Inc., as lender ("Lender") and Hexcel Corporation, as debtor and debtor in possession (the "Borrower") hereby agree to the following with respect to the above-referenced Agreement:

(i) all references to "Subsidiary" in Sections 6.1(j), (k) and (p) of the Agreement shall be deemed modified, amended and revised to refer only to "Domestic Subsidiary";

(ii) the Lender waives the condition set forth in Section 3.2(d)(i) and (iii) of the Agreement regarding receipt by the Lender of the documentation evidencing the Pledged Stock of the Foreign Subsidiaries (other than Hexcel UK Ltd. and Hexcel Italia S.r.L.), provided, however, that, the Borrower covenants and agrees to deliver such documentation to the Lender by the date that is 30 days after the date of the Final Borrowing Order and failure to do so shall constitute an Event of Default;

(iii) the Lender waives the condition set forth in Section 3.2(d)(i) and (iii) of the Agreement regarding receipt by the Lender of the stock certificate and related documents with respect to the Pledged Stock of Hexcel U.K. Ltd. provided,

however, that the Borrower covenants and agrees to deliver such certificate and documentation to the Lender by the date that is 180 days after the date of the Final Borrowing Order and, if the Borrower has not delivered such certificate and documentation to the Lender by such date the Borrower shall pay a fee of $25,000 to the Lender on such date;

(iv) the Lender waives the condition set forth in Section 3.2(d)(i) and (iii) of the Agreement regarding receipt of the documentation with respect to the Pledged Stock of Italia S.r.L. until such date as the pledge can be perfected in such a manner as to result in no obligation to pay taxes under the laws of Italy or in an obligation to pay no material amount of taxes under such laws; and

(v) the Borrower hereby confirms that all obligations of Italia S.r.L. to the Borrower for the payment of money, including any note evidencing such obligations, constitute Collateral and agrees, pursuant to Section 5.9 of the Agreement, to deliver to the Lender a note or notes evidencing all such amounts payable by Hexcel Italia S.r.L. to the Borrower by the date that is 30 days after the date of the Final Borrowing Order.

If you are in agreement with the foregoing, please execute and return to us a counterpart of this letter.

THE CIT GROUP/BUSINESS CREDIT INC.

By: _____

Name:

Title:

Agreed to by

HEXCEL CORPORATION

By: _____

Name:

Title:

AMENDMENT NO. 2

March
25th
1 9 9 4

126,290-004
LA1-356602.V9

VIA TELECOPY

Hexcel Corporation
5794 Las Positas Boulevard
Pleasanton, California 94588
Attention: Mr. William Meehan

Re: Debtor in Possession Credit Agreement, dated as of December 8, 1993 (the "Agreement") by and between Hexcel Corporation and The CIT Group/Business Credit, Inc.

Dear Bill:

All capitalized terms used herein unless otherwise defined herein shall have the meanings set forth in the Agreement. The CIT Group/Business Credit, Inc., as lender ("Lender") and Hexcel Corporation, as debtor and debtor in possession (the "Borrower") hereby agree to the following with respect to the above-referenced Agreement:

(i) The definition of "Deposit Account" in Section 1.1 of the Agreement is hereby amended by the amendment and restatement of the final proviso thereto to read as follows:

> "; provided, further, that the Borrower may maintain a higher balance in any such account if such balance is to be used for the payment of workers compensation, insured or self-insured health benefit claims or claims for benefits related to a flexible spending plan, in each case, pursuant to a request by the custodian of such account."

(ii) all references to "Subsidiary" in Sections 3.1(f) and 3.1(j) of the Agreement and in paragraph (v) of Exhibit III to the Agreement shall be deemed modified, amended and revised to refer only to "Domestic Subsidiary";

(iii) Section 4.1 of the Agreement is hereby amended by the addition of the following clause after the semicolon in the third line thereof;

> ", other than, for the period from the date hereof through April 30, 1994, the State of Washington and Commonwealth of Pennsylvania,"

(iv) the following clause is hereby added to the beginning of Section 4.4(c) of the Agreement:

> "As of the date set forth in the first sentence of Section 3.2 hereof,".

(v) the figure "$200,000" in Sections 4.19(ii) and 5.6(b)(v) of the Agreement shall be deemed deleted and the figure "$400,000" substituted therefor in each such Section;

(vi) the word "calendar" in the second line of Section 5.1(d) of the Agreement shall be deemed deleted and the word "fiscal" substituted therefor in such Section;

(vii) the word "Saturday" in the fourth line of Section 5.1(r) of the Agreement shall be deemed deleted and the word "Sunday" substituted therefor in such Section;

(viii) the figure "$75,000" in Section 5.12(b) of the Agreement shall be deemed deleted and the figure "$500,000" substituted therefor in such Section;

(ix) the figure "$7,000,000" in Section 5.12(h) shall be deemed deleted and the figure "$9,000,000" substituted therefor in such Section;

(x) effective March 31, 1994, Section 5.24(a) of the Agreement shall be deemed amended and restated as follows:

> "Neither the Borrower nor any of its Domestic Subsidiaries shall establish or maintain any Deposit Account, other than as set forth on Schedule 5.24(a) hereof, with any financial institution other than Chemical Bank or the Lender; provided, however, that the Borrower and its Subsidiaries may maintain Controlled Depository Accounts and, provided, further, that no financial institution may be included on Schedule 5.24(a) unless such institution has delivered to the Lender an acknowledgement of security interest and a waiver of right of set-off satisfactory to the Lender with respect to the Deposit Account to be maintained at such financial institution".

(xi) effective March 31, 1994, Section 5.24(d) of the Agreement shall be deemed amended and restated as follows:

> "Except as set forth on Schedule 5.24(d) hereof, neither the Borrower nor any of its Domestic Subsidiaries shall maintain a balance at the close of business of each day in excess of $10,000 in any disbursement account; provided, however, that no such disbursement account may be included on Schedule 5.24(d) unless the applicable financial institution has delivered to the Lender an acknowledgement of security interest and a waiver of right of set-off satisfactory to the Lender with respect to the disbursement account to be maintained at such financial institution".

(xii) the following clause is hereby added to the end of the penultimate sentence of Section 7.3(a) of the Agreement;

> "PROVIDED, HOWEVER that, if the Borrower, in good faith, determines that any portion of the fees and disbursements of Lender's counsel in any invoice are not reasonable (the "Disputed Portion") and Lender and Borrower are unable to resolve such dispute prior to the 30th day following the date of such invoice, then the parties shall continue to attempt to resolve such dispute and notwithstanding anything to the contrary contained herein the Disputed Portion shall be due within the meaning of Section 6.1(a) on the 60th day following the date of such invoice."

(xiii) effective March 31, 1994, Schedules 5.24(a) and 5.24(d) shall be deemed added to the list of Schedules to the Agreement;

(xiv) effective as of the date hereof, the Lender hereby waives, for the period from the date of the Agreement through March 31, 1994, the requirement set forth in Section 5.24(d) of the Agreement regarding the maximum

balance permitted to be maintained by the Borrower and its Domestic Subsidiaries in any disbursement account and further waives, for the period from the date of the Agreement through March 31, 1994, any Default or Event of Default caused by the failure of the Borrower or any of its Domestic Subsidiaries to comply with such Section 5.24(d) PROVIDED, HOWEVER that the waivers granted by this clause (xiv) shall not be deemed to waive any other Default or Event of Default under the Agreement; and

(xv) effective as of the date hereof, the Lender hereby waives, for the period from the date of the Agreement through March 31, 1994 or, if the Lender consents, with respect to the Deposit Accounts listed below through April 30, 1994, the requirement set forth in Section 5.24(a) of the Agreement

regarding the maintenance of Deposit Accounts only with Chemical Bank or the Lender; provided, however, that the balance at any time in each Deposit Account listed shall not exceed the amount indicated below:

BANK NAME	ACCOUNT NUMBER	MAXIMUM AMOUNT
Union Bank	0709008007	$215,630
Bank of California	12132569	410,725
First Trust Bank	95407821	489,000

Furthermore, effective as of the date hereof, the Lender hereby waives, for the period from the date of the Agreement through March 31, 1994 or, if applicable with respect to the Deposit Accounts listed above through April 30, 1994, any Default or Event of Default caused by the failure of the Borrower or any of its Domestic Subsidiaries to comply with such Section 5.24(a); PROVIDED, HOWEVER, that the waivers granted by this clause (xv) shall not be deemed to waive any other Default or Event of Default under the Agreement.

If you are in agreement with the foregoing, please execute and return to us a counterpart of this letter.

THE CIT GROUP/BUSINESS CREDIT INC.

By: _____

Name:
Title:

Agreed to by

HEXCEL CORPORATION

By: _____

Name:
Title:

Approved as to form and content

OFFICIAL COMMITTEE OF UNSECURED CREDITORS OF HEXCEL, INC.

By: _____

Pillsbury Madison & Sutro
Counsel to the Committee

April
11
1 9 9 4

Exhibit 10-9
Amendment No. 3

VIA TELECOPY

Hexcel Corporation
5794 W. Las Positas Boulevard
Pleasanton, California 94588
Attention: Mr. William Meehan

Re: Debtor in Possession Credit Agreement, dated as of December 8, 1993 (the "Agreement") by and between Hexcel Corporation and The CIT Group/Business Credit, Inc.

Dear Bill:

All capitalized terms used herein unless otherwise defined herein shall have the meanings set forth in the Agreement. The CIT Group/Business Credit, Inc., as lender ("Lender") and Hexcel Corporation, as debtor and debtor in possession (the "Borrower") hereby agree to the following with respect to the above-referenced Agreement.

(i) Effective March 31, 1994, the Lender hereby waives, for the period from March 31, 1994 through April 30, 1994, with respect to A/C No. 2028-6499 maintained at Bank One, Casa Grande, Arizona, the requirement set forth in Section 5.24(d) of the Agreement regarding the maximum balance permitted to be maintained by the Borrower and its Domestic Subsidiaries in any disbursement account; PROVIDED HOWEVER that in no event may the balance in such account exceed $16,170 at any one time. Furthermore, effective March 31, 1994, the Lender hereby waives, for the period from March 31, 1994 through April 30, 1994, any Default or Event of Defaults caused by the failure of the Borrower or any of its Domestic Subsidiaries to comply with the above referenced provision of Section 5.24(d) with respect to such account; PROVIDED HOWEVER that the waiver granted by this clause (i) shall not be deemed to waive any other Default or Event of Default under the Agreement;

(ii) Effective March 31, 1994, the Lender hereby extends the deadline for delivery of the financial statements relating to Fiscal Year 1993 referred to in Section 5.1(a) and 5.1(b) of the Agreement and the report of Deloitte & Touche referred to in Section 5.1(a) from 90 days to 105 days after the end of Fiscal Year 1993. Furthermore, effective as of the date hereof, the Lender hereby waives, for the period from March 31, 1994 through April 15, 1994, any Default or Event of Default caused by the failure of the Borrower to comply with the deadline for delivery set forth in Section 5.1(a) and 5.1(b); PROVIDED, HOWEVER that the waiver granted by this clause (ii) shall not be deemed to waive any other Default or Event of Default under the Agreement;

(iii) The Lender hereby agrees that (a) the report of Deloitte & Touche attached hereto as Exhibit A satisfies the requirements for such report set forth in Section 5.1(a) of the Agreement and (b) the statement of Deloitte & Touche attached hereto as Exhibit B satisfies the requirements for such report set forth in Section 5.1(f) of the Agreement;

(iv) The Lender hereby agrees that the Lender may change its method of accounting for valuing its domestic honeycomb and fabrics inventory from the LIFO method to the FIFO method and such change shall not be deemed to materially affect any accounting determination contemplated by the Agreement within the meaning of Section 5.13 of the Agreement; and

(v) The Lender hereby agrees to extend the effective period of the waiver granted pursuant to clause (xv) of the letter from the Lender to the Borrower dated March 25, 1994, with respect to the Deposit Accounts listed in such clause (xv) through April 30, 1994, all in accordance with the terms of such letter.

In consideration of our agreement to grant the foregoing waivers, the Borrower will pay to the Lender an Accommodation Fee of $10,000, which will be

due and payable upon your execution of this letter and which shall be charged to your loan account with the Lender.

If you are in agreement with the foregoing, please execute and return to us a counterpart of this letter.

THE CIT GROUP/BUSINESS CREDIT INC.

By:_____
Name: Guy Fuchs
Title: Vice President

Agreed to by

HEXCEL CORPORATION

By:_____
Name: Rodney P. Jenks, Jr.
Title: Vice President & General Counsel

Approved as to form and content

OFFICIAL COMMITTEE OF UNSECURED CREDITORS OF HEXCEL, INC.

By:_____

Pillsbury Madison & Sutro
Counsel to the Committee

EXHIBIT 10.10(b)

EXECUTIVE DEFERRED COMPENSATION AGREEMENT

The Executive Deferred Compensation and Consulting Agreement, better known as EDCA, is a non-qualified, unfunded, supplemental pension plan for key executives.

Each year benefits are accrued at one and one-half percent of that year's base salary plus bonus payment and added to the prior year accrual balance. That accumulated benefit is then given a present value based on group annuity mortality tables and the current PBGC immediate interest rate. At retirement the monthly accrued present value benefit is payable as a 10-year certain and life annuity. The Plan also provides for the continuation of life, medical and dental benefits at retirement based on certain criteria as outlined in the Agreement.

EXECUTIVE DEFERRED COMPENSATION AND CONSULTING AGREEMENT

THIS AGREEMENT is entered into as of _____, 199_, at Pleasanton, California, between HEXCEL CORPORATION, a Delaware corporation ("HEXCEL"), and _____ ("Employee"), on the basis of the following facts and understandings:

R E C I T A L S :

A. Employee is a key executive of Hexcel and has made substantial contributions to its success.

B. Hexcel wishes to provide certain retirement, death and similar benefits for Employee in the expectation that such benefits will serve as an incentive to Employee to continue in the employ of Hexcel until his retirement or death. Hexcel also wishes to receive the benefits of Employee's advice and consultation following retirement, which will be compensated for by the payments to be made hereunder.

C. Hexcel's Board of Directors has authorized it to enter into this Executive Deferred Compensation Agreement with Employee.

AGREEMENT

NOW, THEREFORE, in consideration of the services rendered in the past and to be rendered in the future by Employee, the parties hereto agree as follows:

1. RETIREMENT AND CONSULTING INCOME.

1.1 NORMAL RETIREMENT. If Employee retires or otherwise ceases to be employed by Hexcel on or after his 65th birthday, Employee shall receive a monthly

amount of consulting and retirement income payments, without any specification as to the amount allocated to either, computed pursuant to Exhibit "A" which has been initialled by the parties and attached hereto. Such payments shall commence the calendar month following Employee's retirement or termination of employment and shall continue for one hundred twenty (120) such payments or until payment for the month in which Employee dies, whichever is the last to occur.

1.2 RETIREMENT BEFORE AGE 65. If Employee retires or otherwise ceases to be employed by Hexcel after his 40th birthday but prior to his 65th birthday, his consulting and retirement income payments, without any specification as to the amount allocated to either, computed pursuant to said Exhibit "A", shall commence the calendar month following his 65th birthday and shall continue for one hundred twenty (120) such payments or until payment for the month in which Employee dies, whichever is the last to occur. Should the Employee request that such payments commence at an earlier date and Hexcel, in its sole and absolute discretion, consents thereto in writing, the monthly amounts payable shall be the amount reflected on Exhibit "B", which has been initialled by the parties and attached hereto.

If Employee retires or otherwise ceases to be employed by Hexcel after his 40th birthday but prior to his 58th birthday, his consulting and retirement income payments shall be the same as under Section 1.2 except that until Employee attains the age of 58, the obligation of Hexcel under Section 6.2 (i.e., medical and dental insurance) shall be in effect only if Employee promptly reimburses Hexcel on its written demand for its costs of such medical and dental insurance under the group plan.

Employee shall not be entitled to any benefits under this Agreement if Employee ceases to be employed by Hexcel prior to attaining his 40th birthday.

1.3 POSSIBLE LUMP SUM, ETC., BENEFITS. In lieu of the payments described in Sections 1.1 and 1.2, and provided that Hexcel, in its sole and absolute discretion, consents thereto in writing, Employee may elect either (a) the applicable lump sum benefit reflected on Exhibit "B", or (b) any other form of retirement benefit actuarially equivalent thereto. Employee's election of benefits under this Section 1.3 shall not relieve Employee of his obligations under Paragraph 3.

2. DEATH BENEFITS. If Employee dies after his 40th birthday but prior to commencement of payments to him pursuant to Sections 1.1 or 1.2, there will be payable to his designated beneficiary in lieu of any amount specified in Paragraph 1, a monthly pension for the balance of such beneficiary's lifetime which is actuarially equivalent to the lump sum death benefit reflected in Exhibit "B". In lieu of said monthly pension, on the condition that Hexcel, in its sole discretion, consents thereto in writing, such beneficiary may elect either (a) the applicable lump sum death benefit reflected on Exhibit "B" or (b) any other form of pension benefit actuarially equivalent thereto, based on the actuarial assumptions used in constructing Exhibit "B", such election to be made by written notice to Hexcel, in form satisfactory to Hexcel, within sixty (60) days following the Employee's death.

If Employee dies after commencement of payments to him pursuant to Sections 1.1 or 1.2, but prior to the receipt of 120 such payments or, should Employee retire after this 65th birthday but has not as yet received the first payment

under Section 1.1, his designated beneficiaries shall receive such payments until the aggregate number of payments

to Employee and his beneficiary totals 120.

3. AGREEMENTS OF EMPLOYEE. As a material part of the consideration for this Agreement and as a condition precedent to Hexcel's obligation to make payments to Employee or Employee's successors hereunder, Employee agrees as follows:

3.1 CONSULTATION SERVICES. For a period of ten years following the effective date of retirement or termination of employment, Employee shall render consultation services to Hexcel from time to time upon request of Hexcel, in all areas of Hexcel's business; provided, however, that Hexcel shall only make such requests at reasonable times and locations in light of Employee's other commitments, and upon reasonable prior notice; and provided further that the extent of said consultation services shall be limited to not more than ten (10) man days (on the basis of seven-hour work days) per year unless agreed to by Employee. The parties acknowledge that Employee, while providing consultation services hereunder, will be acting in the capacity of an independent contractor and not an employee, and Hexcel shall not have the power to direct or control the manner in which Employee performs his duties as consultant. Hexcel shall reimburse Employee for any expenses incurred by Employee in carrying out his obligations, provided such expenses were approved in advance by Hexcel in writing.

3.2 COMPETITIVE ACTIVITY. In order to protect Hexcel's benefits under Section 3.1 and its trade secrets in the field of engineered materials (e.g., high technology, lightweight structural materials and specialty chemicals and resins) and other products being manufactured or marketed by Hexcel or developed for manufacture or marketing at the

time of Employee's retirement or termination of employment, or the trade secrets of any business acquired by Hexcel within six months after retirement or termination of such employment if said acquisition was in the process of negotiation at the time of such retirement or termination (hereinafter collectively designated "Hexcel's Business"), Employee agrees that at all times prior to his retirement or termination of employment and during so much of the ten-year period following such retirement or termination that Hexcel, or any of its successors, assigns or affiliated companies carries on any portion of Hexcel's business, Employee shall not directly or indirectly, as a partner, substantial owner, employee, associate, consultant, agent or otherwise, engage in any activity related to or competitive with Hexcel's business in any county in the State of California, or in any other state, territory or foreign country within which Hexcel carries on Hexcel's Business or in which any of its products are sold either prior or subsequent to the date hereof.

4. CONDITIONS TO PAYMENT OF COMPENSATION.

4.1 NO VESTED BENEFIT. The parties acknowledge that the sums payable to Employee hereunder increase pursuant to the formula set forth in Exhibit "A"

based upon the length of Employee's employment with Hexcel - i.e., Employee receives credit in such formulas over the period of his employment. Hexcel may at any time upon thirty (30) days' prior written notice to Employee, terminate Employee's right to receive such credit for future employment with Hexcel, which shall not, however, affect such credit accrued up to the effective date of such termination. Notwithstanding such employment credit, the amounts computed in accordance with such formulas are only payable to Employee on the terms and subject to the conditions contained in this Agreement, including,

without limitation, the conditions specified in Sections 4.2 and 4.3.

4.2 TERMINATION OF EMPLOYMENT, CAUSES. Hexcel's obligation to make payments to Employee hereunder is subject to the condition precedent that Hexcel has not terminated Employee's employment by reason of Employee's theft, fraud, embezzlement or felony, provided that the foregoing is directly connected with his employment and Hexcel determines, in its sole and absolute discretion, that such act in inimical to its best interests, or by reason of violation of Section 3.2 hereof, or for wrongfully disclosing any secret process or imparting any confidential information, or intentionally doing any other act materially inimical to the best interests of Hexcel. In case of any such termination of Employee's employment by Hexcel, all of Employee's rights and benefits hereunder shall terminate.

4.3 BREACHES OF AGREEMENT. Hexcel's obligation to make payments to Employee hereunder is subject to the further conditions precedent (a) that Employee has not breached or violated any term, covenant or provision of this Agreement, including, without limitation, those set forth in Section 3.2, and (b) Employee has not engaged in any of the acts mentioned in Section 4.2 while an employee of Hexcel, which acts are discovered subsequent to Employee's retirement or termination of employment. In case of any such breach or violation under clause (a) or if Employee has engaged in the acts referred to in clause (b) all of Employee's rights and benefits hereunder shall terminate.

4.4 PRESERVATION OF REMEDIES. In addition to the conditions precedent to Hexcel's obligations hereunder for any payments or benefits, Hexcel shall also be entitled to all of its legal and equitable remedies resulting from any breach or violation

of this Agreement by Employee, including, without limitation, recovery from Employee of all damages resulting from such breach or violation.

5. MINIMUM PAYMENT.

5.1 PRIOR AGREEMENT. If Employee was a party to a prior agreement with Hexcel concerning executive deferred compensation and consulting payments, and Employee becomes entitled to receive payments hereunder, Employee shall be entitled to receive, at a minimum, the amount payable to him as of December 31, 1981 under the terms of such prior agreement, which amounts are set forth in Exhibit "C" which has been initialled by the parties and attached hereto.

5.2 CHANGE IN CONTROL. If there is a change in control of Hexcel and

Employee becomes entitled to receive payments hereunder, Employee shall be entitled to receive, at a minimum, the amounts payable to him as of December 31, 1981, under the terms of such prior agreement, which amounts are set forth in Exhibit "C".

For purposes of this Section 5.2, there shall be deemed to have occurred a change in control of Hexcel if either:

(a) any person or group acting in concert has become a "parent" of Hexcel, as the term "parent" is defined by the rules and regulations promulgated under Securities Act of 1933 (reference is made to Rule 405, Regulation C); or

(b) Hexcel is merged into another entity or another entity is merged into Hexcel and, in either case, the shareholders of Hexcel immediately prior to the merger do not own a majority of the voting shares of the surviving entity in the merger, after its consummation.

The provisions of subsections (a) and (b) above shall each be considered separately even though they may overlap in particular circumstances.

6. INSURANCE BENEFITS.

6.1 LIFE INSURANCE. Hexcel shall keep in force and pay for life insurance for Employee should Employee retire or otherwise cease to be employed by Hexcel ("termination") in the following amounts so long as (subject to Section 6.3) Employee has not received all of the payments to which Employee is entitled under this Agreement:

(a) For the period prior to the time Employee has received any payments under this Agreement and prior to the Employee's 65th birthday, an amount equal to two (2) times the present value of Employee's potential payments hereunder (in accordance with Exhibits "A", "B" and "C") at the time of termination, provided such insurance shall not exceed the amount of life insurance on Employee in effect at the time of termination.

Example:

Salary $80,000

Employee Insurance $240,000

Present Value of Potential Payments $200,000

Then lesser of:

2 X $200,000 = $400,000

Insurance at term = $240,000

Therefore, $240,000 life insurance.

(b) After Employee's 65th birthday, but only while Employee

is receiving payments under this Agreement, an amount equal to one (1) times the present value of Employee's potential payments hereunder (in accordance with Exhibits "A", "B" and "C") at the time of termination, provided such insurance shall not exceed the amount of life insurance on Employee in effect at the time of termination.

Example:

Salary $80,000

Employee Insurance $240,000

Present Value of Potential Payments $200,000

Then lesser of:

1 X $200,000 = $200,000

Employee Insurance = $240,000

Therefore, $200,000 life insurance.

6.2 MEDICAL AND DENTAL INSURANCE. Hexcel, at its expense, shall continue to cover Employee in its group medical and dental insurance plan during those periods life insurance is maintained for Employee pursuant to Section 6.1.

6.3 TERMINATION OF BENEFITS. Notwithstanding anything set forth herein, Employee shall not be entitled to any benefits under Sections 6.1 and 6.2 should Employee receive a lump sum benefit hereunder or after Employee's 75th birthday.

7. RIGHTS OF PARTIES.

7.1 CHANGE OF BENEFICIARY. Employee shall have the right at any time to change the person or persons designated as beneficiary or contingent beneficiary on Exhibit "D" attached hereto, by written notice to Hexcel in form satisfactory to Hexcel. Such

change of beneficiary shall become effective upon receipt and approval by Hexcel.

7.2 NO EMPLOYMENT AGREEMENT. Nothing contained in this Agreement shall be construed as giving to Employee the right to continued employment with Hexcel.

7.3 OTHER RETIREMENT PLANS. Nothing in this Agreement shall affect any right the Employee may otherwise have to participate in or under any retirement plan of Hexcel or other entity.

8. NOTICES. Any notice required or permitted to be given under this Agreement shall be sufficient if in writing and sent by prepaid certified or

registered mail to his last known residence in the case of Employee, or its principal office in the case of Hexcel.

9. TRANSFER OF INTEREST. Except as otherwise expressly provided herein, Employee agrees, on behalf of his heirs, legatees, personal representatives and designated beneficiaries, that this Agreement and the rights, interests and benefits hereunder shall not be sold, assigned, conveyed, hypothecated, or otherwise transferred, and no such interest shall be subject to any liabilities or obligations of any bankruptcy proceedings, claims or creditors, attachment, garnishment, execution, levy or other legal process against any such person or his property; provided, however, that if Employee is indebted to Hexcel for any reason whatsoever at the time of any distribution or distributions, Hexcel shall have the right to apply so much of such distribution as may be necessary to satisfy Employee's indebtedness to Hexcel.

10. MISCELLANEOUS. This Agreement replaces any former agreements

between Employee and Hexcel relating to executive deferred compensation and consulting. All payments received pursuant to this Agreement shall be subject to applicable payroll taxes and taxes withholding. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of Hexcel and the heirs, legatees, personal representatives and designated beneficiaries of Employee.

Notwithstanding anything to the contrary contained in this Agreement, if any provisions hereof, or the application thereof to any circumstance, is held invalid for any reason whatsoever, such invalid provision shall be severable and shall not affect any other provision hereof or the application thereof to any other circumstances which can be given effect without such invalid provisions or application. This Agreement is entered into in contemplation of and shall be interpreted and enforced in accordance with California law applicable to contracts made and to be performed within the State of California. For convenience, references to the Employee herein are masculine, but shall be deemed to include the feminine gender if Employee is female. Paragraph and section headings have been inserted for convenience only, and in no way shall be used to interpret or otherwise affect the terms of this Agreement.

TO EVIDENCE THEIR AGREEMENT to the foregoing, the parties have executed this Agreement the day and year first above written.

HEXCEL CORPORATION
a Delaware corporation

_____ By _____
Employee's Signature Vice President

EXHIBIT A

Monthly amount of consulting and retirement income payments shall be equal to One-twelfth (1/12th) of the sum of the following: One and one-half percent (1 1/2%) of the aggregate base salary and incentive cash bonuses paid to Employee by Hexcel subsequent to May 4, 1993 (the "initial date"), multiplied by a fraction, the numerator of which shall be the total number of whole calendar months of Employee's employment by Hexcel subsequent to the initial date and the denominator of which will be 67. In no event shall such fraction exceed 1 (67/67).

EXHIBIT B

HEXCEL CORPORATION

EXECUTIVE DEFERRED COMPENSATION AGREEMENT

NAME:

DATE OF BIRTH:

DATE OF HIRE:

DATE OF TERMINATION:

For Service After:

<TABLE>
<CAPTION>

			Accrued Benefit			Expected Benefit at Age 65 (3)		
Year	Age	Salary (4)	Accrued This Year	Accrued To Date	Present Value To Date (3)	Annual	Monthly	Present Value @ Age 65 (3)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>

<FN>
(1) Annual Benefit accrued to date, payable at age 65.
(2) Projected at present salary rate to age 65.
(3) Present values are based on 1971 Group Annuity Mortality table, discounted at year.
(4) Includes incentive.
</TABLE>

EXHIBIT D

DESIGNATION OF BENEFICIARY

Primary Beneficiary(ies):

Secondary Beneficiary(ies) in event Primary Beneficiary(ies) dies prior to receipt of all payments due:

Employee shall have the right to change the above beneficiary designations by written notice in accordance with the provisions of Section 7.1 of this Agreement.

To be signed ONLY in the event a primary beneficiary other than Employee's spouse is named:

Designation of beneficiary approved this ____ day of _____, 199_.

_____
Spouse of Employee

AMENDMENT TO

EXECUTIVE DEFERRED COMPENSATION AND CONSULTING AGREEMENT

This Agreement is entered into as of _____, 199_, between HEXCEL CORPORATION ("Hexcel") and _____ ("Employee").

WHEREAS, Employee and Hexcel have entered into an Executive Deferred Compensation and Consulting Agreement dated _____, 199_; and

WHEREAS Employee and Hexcel wish to amend said Agreement relating to Change in Control;

NOW THEREFORE, it is agreed to amend Section 5.2 "Change in Control" as follows:

5.2 CHANGE IN CONTROL. If there is a change in control of Hexcel and Employee becomes entitled to receive payments hereunder, Employee shall be entitled to receive, at a minimum, the amounts payable to him as of December 31, 1981, under the terms of such prior agreement, which amounts are set forth in Exhibit "C".

For purposes of this Section 5.2, a "change in control of Hexcel"

shall mean a change in control of a nature that would be required to be reported in response to Item 5(f) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934 ("Exchange Act"); provided that, without limitation, such a change in control shall be deemed to have occurred if (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act is or becomes the beneficial owner, directly or indirectly, of securities of Hexcel representing thirty percent (30%) or more of the combined voting

power of the Company's then outstanding securities; or (ii) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board of Directors of Hexcel cease for any reason to constitute at least a majority thereof unless the election of each director, who was not a director at the beginning of the period, was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period.

HEXCEL CORPORATION

_____ _____

Employee's Signature

EXHIBIT 10.10(d)

CONTINGENCY EMPLOYMENT AGREEMENT

THIS AGREEMENT is entered into on _____, 199_, between HEXCEL CORPORATION, a California corporation ("Hexcel") and the undersigned "Employee" on the basis of the following facts and understandings:

R E C I T A L S:

A. Employee is presently an employee of Hexcel and is considered by Hexcel to be a key employee.

B. There is no written employment contract between Hexcel and Employee and both parties acknowledge that this allows Hexcel to discharge Employee at any time and also allows Employee to terminate employment at any time. In the context of Hexcel's current management and policies, both parties are satisfied to continue in this fashion.

C. Employee is concerned that, should a Change in Control (as defined in Section 2.6) of Hexcel occur, Employee's future could be adversely affected. In order to induce Employee to continue the existing employment relationship, Hexcel has agreed to provide Employee with some security if there should be a Change in Control. The purpose of this document is to set forth that agreement.

THEREFORE, in consideration of the foregoing and of Employee's continuing employment with Hexcel, and intending to be legally bound hereby, the parties agree as follows:

A G R E E M E N T :

1. CURRENT EMPLOYMENT. Employee shall continue as an employee of Hexcel on the same terms and conditions as are presently in effect. Employee acknowledges that, prior to a Change in Control, Hexcel may change such terms and conditions or terminate Employee's employment at any time in its own and sole discretion.

2. CONTINGENT EMPLOYMENT. If there should be a Change in Control, the following terms shall apply:

2.1 EMPLOYMENT FOR FOUR YEARS. Hexcel hereby employs Employee and Employee hereby accepts employment with Hexcel for a period of four (4) years beginning on the day that a Change in Control occurs. Said four-year period shall hereafter be called the "Employment Period." However, Hexcel shall have

the right to terminate this Agreement prior to the expiration of the Employment Period (i) for "Cause" (as defined in Section 5.5) or (ii) at any time after Employee reaches age 65, for any reason and in its own sole discretion, upon (in the case of this clause (ii) only) payment to Employee of a termination payment equal to one (1) year's base salary (salary based upon the greater of Employee's rate of base salary in effect on the date of termination of this Agreement or Employee's rate of base salary in effect on the day immediately preceding commencement of the Employment Period) plus one (1) year of Employee's average annual incentive bonus calculated pursuant to Section 5.2(c) of this Agreement.

2.2 GENERAL DUTIES. Employee shall serve Hexcel during the Employment Period in the same general level of capacity as immediately prior to the commencement of the Employment Period, or at some higher level for which he is suited if so directed by Hexcel's President or Board of Directors (the "Board"). Employee shall at all times be subject to the direction of Hexcel's President and to the policies established by the Board,

consistent with the foregoing. Employee shall, to the best of his ability and experience, at all times loyally and conscientiously perform all duties and obligations required of him hereunder, provided, however, that Employee may terminate his employment hereunder for Good Reason (as defined in Section 5.6).

2.3 SALARY. During the Employment period, Employee shall receive a basic salary at a rate of not less than the rate in effect on the day immediately preceding commencement of the Employment Period, and shall receive annual increases consistent with Hexcel's salary increase policy, but in no event less than five percent (5%) annually. Said salary shall be payable not less often than monthly, in accordance with Hexcel's general payroll policies.

2.4 BONUS. Hexcel's incentive bonus plan, as in effect immediately prior to commencement of the Employment Period, shall continue to apply to Employee during the Employment Period, and the target level of earnings and bonus potential applicable to Employee during each year of the Employment Period shall be the target level of earnings and bonus potential applicable to Employee for the year in which the Employment Period commences. Notwithstanding the preceding sentence, Hexcel may, during the Employment Period, adopt a new, substitute bonus arrangement in which Employee participates. However, neither under Hexcel's then existing bonus plan nor any later adopted substitute shall Employee's bonus, during the Employment Period, be reduced below the average annual bonus earned by Employee for the five (5) years immediately preceding the year in which the Employment Period commences. Said bonus shall accrue during any partial year preceding the Employment Period and shall be paid within a reasonable time following the

end of the year in which the Employment Period commences.

2.5 FRINGE BENEFITS. During the Employment Period, Employee shall be entitled to fringe benefits (including without limitation the use of a company car, reimbursable expenses, health and dental benefits, group health, disability and life insurance, etc.) accorded to other employees of Hexcel at the same level of employment classification (I.E., position) as Employee.

2.6 CHANGE IN CONTROL DEFINED. For purposes of this Agreement, Change in Control shall mean a change in control of Hexcel of a nature that would be required to be reported in response to Item 5(f) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934 ("Exchange Act"); provided that, without limitation, a Change in Control shall be deemed to have occurred if the conditions set forth in any one of the following paragraphs shall have been satisfied:

(I) any Person (as defined in this Section 2.6) is or becomes the beneficial owner, directly or indirectly, of securities of Hexcel representing thirty percent (30%) or more of the combined voting power of Hexcel's then outstanding securities;

(II) during any period of two consecutive years (not including any period prior to the execution of this Agreement), individuals who at the beginning of such period constitute the Board and any new director (other than a director designated by a Person who has entered into an agreement with Hexcel to effect a transaction described in clause (I), (III) or (IV) of this paragraph) whose election by the Board or nomination for election by Hexcel's stockholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election

or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; or

(III) the shareholders of Hexcel approve a merger or consolidation of Hexcel with any other corporation, other than (i) a merger or consolidation which would result in the voting securities of Hexcel outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity), in combination with the ownership of any trustee or other fiduciary holding securities under an employee benefit plan of Hexcel, at least seventy percent (70%) of the combined

voting power of the voting securities of Hexcel or such surviving entity outstanding immediately after such merger or consolidation, or (ii) a merger or consolidation effected to implement a recapitalization of Hexcel (or similar transaction) in which no Person acquires more than fifty percent (50%) of the combined voting power of Hexcel's then outstanding securities; or

(IV) the shareholders of Hexcel approve a plan of complete liquidation of Hexcel or an agreement for the sale or disposition by Hexcel of all or substantially all of Hexcel's assets.

"Person" shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof; however, Person shall not include (i) Hexcel or any of its subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of Hexcel or any of its subsidiaries, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities, or (iv) a corporation owned, directly or indirectly, by the stockholders of Hexcel in substantially the same

proportions as their ownership of stock of Hexcel.

3. OBLIGATIONS OF HEXCEL. During the Employment Period, Hexcel shall provide Employee with an office, stenographic help, office equipment and supplies, and such other facilities and services as are suitable to Employee's position and adequate for the performance of his or her duties.

4. OBLIGATIONS OF EMPLOYEE. During the term of this contract Employee shall not, directly or indirectly, either as employee, employer, consultant, agent, principal, partner, shareholder, corporate officer, director, or in any other individual or representative capacity, engage or participate in any business that is in competition in any manner whatsoever with the business of Hexcel.

5. DAMAGES.

5.1 INTENT TO LIQUIDATE DAMAGES. The employment provisions in this Agreement are a material inducement to Employee in continuing to render services to Hexcel until commencement of the Employment Period and thereafter. The parties acknowledge that, if during the Employment Period, Hexcel should terminate Employee's employment without Cause or Employee should terminate his employment for Good Reason, Employee would be required to bring legal action for damages and that questions of mitigation of damages would be presented which would be difficult to resolve prior to expiration of the Employment Period. For the sake of certainty and to avoid the cost, difficulty and delay of proving damages in such circumstances, both parties wish to agree upon a liquidated measure of damages in the event of such termination or in the event Hexcel

breaches Section 6.3 of this Agreement.

5.2 LIQUIDATION AMOUNT. If during the Employment Period, Hexcel fails to comply with Section 6.3 or the Employee's employment terminates, unless such termination is (i) by Hexcel for Cause, (ii) by Hexcel pursuant to Section 2.1(ii) or (iii) by Employee without Good Reason (as defined in Section 5.6), Hexcel shall pay to Employee not later than ten (10) days after the Date of Termination (as defined in Section 5.7(b) a lump sum termination payment, as liquidated damages, equal to (a) seventy-five percent (75%) of Employee's base salary for the remainder of the Employment Period or until the Employee would reach the age of 66, whichever is less, plus (b) an additional fifteen percent (15%) of such base salary for the remainder of the Employment Period to compensate for loss of fringe benefits, plus (c) one hundred percent (100%) of the average annual incentive bonus actually paid to Employee for the last five full fiscal years preceding such termination (or the period of Employee's participation in Hexcel's bonus program, if shorter) multiplied by the number of years from the Date of Termination to the end of the Employment Period or until Employee would reach the age of 66, whichever is less, any partial year to be prorated by multiplying such average annual incentive bonus by a fraction with the number of days in such partial year as the numerator and the 360 as the denominator. Employee shall not be required to mitigate the amount of any payment provided for in this Section 5.2 by seeking other employment or otherwise; nor shall Employee's income from any source after such termination be deducted for any reason from the sum computed under this Section 5.2. A failure by Hexcel to comply with Section 6.3 shall entitle Employee to compensation from Hexcel in the same amount and on the same terms as Employee would be entitled to hereunder if Employee were to terminate employment for Good Reason

during the Employment Period, except that for purposes of implementing the foregoing, the date on which any succession described in Section 6.3 becomes effective shall be deemed the Date of Termination.

5.3 CONTINUATION OF COMPENSATION. If during the Employment Period, Employee's employment is terminated other than for Cause (as defined in Section 5.5) or upon Employee reaching age 65, or a dispute arises as to whether Hexcel had Cause for termination, or Employee terminates this Agreement for Good Reason and Hexcel disputes the grounds for such termination, then Hexcel shall continue to provide to Employee the salary, bonus and fringe benefits (or, with the consent of Employee, a money payment equivalent to the value of the fringe benefits) for the remainder of the Employment Period or until the dispute is

settled or adjudicated. The parties acknowledge that if Hexcel should fail to honor its obligations under this Section 5.3, Employee could be irreparably injured by, among other things, not being able to support himself or herself and also support the enforcement of his or her rights under this Agreement, and accordingly the eventual award of damages would under the circumstances not be an adequate remedy. Both parties therefore agree that Hexcel's obligations under this Section 5.3 shall be enforceable by issuance from a court exercising equitable jurisdiction of a mandatory injunction directing Hexcel to make the payments in question during the pendency of any such dispute, unless the court determines by clear and convincing evidence that such an order is manifestly inequitable.

5.4 ENFORCEMENT COSTS. Hexcel shall pay to Employee all legal fees and expenses incurred by Employee as a result of a termination of employment during the

Employment Period, including all such fees and expenses, if any, incurred in contesting or disputing any such termination or in seeking in good faith to obtain or enforce any benefit or right provided by this Agreement. Such payments shall be made within five (5) business days after delivery of Employee's written requests for payment accompanied with such evidence of fees and expenses incurred as Hexcel reasonably may require.

5.5 CAUSE DEFINED. "Cause" for termination of employment shall consist of the following:

(a) Gross misconduct specifically intended to insure or cause financial loss to Hexcel, and failure to discontinue same within thirty (30) days after written notice thereof;

(b) Habitual disregard of duties and failure to cure such disregard within thirty (30) days after written notice thereof;

(c) Habitual drunkenness or habitual use of illegal drugs;

(d) Conviction of a felony or the pleading of nolo contendere to a felony, provided such conviction or pleading results in incarceration in a state prison;

(e) Conviction of, or the pleading of nolo contendere to, a crime involving dishonesty in dealing with company property, such as theft, embezzlement, etc.

Hexcel's termination of Employee's employment for Cause shall be its sole remedy arising from such Cause.

5.6 GOOD REASON DEFINED. "Good Reason" for termination by Employee of Employee's employment shall mean the occurrence (without Employee's express written consent) during the Employment Period of any one of the following acts by Hexcel, or

failures by Hexcel to act, unless, in the case of any act or failure to act described in paragraph (I), (V), (VI), (VII), or (VIII) below, such act or failure to act is corrected prior to the Date of Termination specified in the Notice of Termination given in respect thereof:

(I) a substantial adverse alteration in the nature or status of Employee's responsibilities from those in effect immediately prior to the commencement of the Employment Period;

(II) reduction by Hexcel in Employee's annual base salary as in effect on the date hereof or as the same may be increased from time to time;

(III) Hexcel's requiring Employee to be based anywhere other than the metropolitan area in which Employee was based immediately prior to the commencement of the Employment Period except for required travel on Hexcel's business to an extent substantially consistent with Employee's present business travel obligations;

(IV) the failure by Hexcel without Employee's consent, to pay to Employee any portion of Employee's current compensation or to pay to Employee any portion of an installment of deferred compensation under any deferred compensation program of Hexcel, within seven (7) days of the date such compensation is due;

(V) the failure by Hexcel to continue in effect any compensation plan in which Employee participates immediately prior to the commencement of the Employment Period which is material to Employee's total compensation, or any substitute plans adopted prior to the commencement of the Employment Period, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan, or the failure by Hexcel to continue Employee's participation therein (or in such

substitute or alternative plan on a basis not materially less favorable, both in terms of the amount of benefits provided and the level of Employee's

participation relative to other participants, as existed at the time of the commencement of the Employment Period;

(VI) the failure by the Company to continue to provide Employee with benefits substantially similar to those enjoyed by Employee under any of Hexcel's pension, life insurance, medical, health and accident, or disability plans in which Employee was participating at the time of the commencement of the Employment Period, the taking of any action by Hexcel which would directly or indirectly materially reduce any of such benefits or deprive Employee of any material fringe benefit enjoyed by Employee at the time of the commencement of the Employment Period, or the failure by Hexcel to provide Employee with the number of paid vacation days to which Employee is entitled on the basis of years of service with Hexcel in accordance with Hexcel's normal vacation policy in effect at the time of the commencement of the Employment Period; or

(VII) any purported termination of Employee's employment which is not effected pursuant to a Notice of Termination satisfying the requirements of Section 5.7; for purposes of this Agreement, no such purported termination shall be effective.

Employee's right to terminate Employee's employment for Good Reason shall not be affected by Employee's incapacity due to physical or mental illness. Employee's continued employment shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder.

5.7 TERMINATION PROCEDURES AND COMPENSATION DURING DISPUTE.

a. NOTICE OF TERMINATION. During the Employment Period, any purported

termination of Employee's employment (other than by reason of death) shall be communicated by written Notice of Termination from one party hereto to the other party hereto in accordance with Section 6.1. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Employee's employment under the provision so indicated. Further, a Notice of Termination for Cause is required to include a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters (3/4) of the entire membership of the Board at a meeting of the Board which was called and held for the purpose of considering such termination (after reasonable notice to Employee and an opportunity for Employee, together with Employee's counsel, to be heard before the Board) finding that, in the good faith opinion

of the Board, Employee was guilty of conduct within the definition of Cause herein, and specifying the particulars thereof in detail.

(b) DATE OF TERMINATION. "Date of Termination", with respect to any purported termination of Employee's employment during the Employment Period, shall mean the date specified in the Notice of Termination (which, in the case of a termination by Hexcel, shall not be less than thirty (30) days (except in the case of a termination for Cause) and, in the case of a termination by Employee, shall not be less than fifteen (15) days nor more than sixty (60) days, respectively, from the date such Notice of Termination is given).

(c) DISPUTE CONCERNING TERMINATION. If within fifteen (15) days after any Notice of Termination is given, or, if later, prior to the Date of Termination (as determined

without regard to this Section 5.7), the party receiving such Notice of Termination notifies the other party that a dispute exists concerning the termination, the Date of Termination shall be the date on which the dispute is finally resolved, either by mutual written agreement of the parties or by a binding and final arbitration award; provided further that the Date of Termination shall be extended by a notice of dispute only if such notice is given in good faith and the party giving such notice pursues the resolution of such dispute with reasonable diligence.

5.8 Notwithstanding any other provisions of this Agreement, in the event that any payment or benefit received or to be received by Employee in connection with a Change in Control or the termination of Employee's employment (whether pursuant to the terms of this Agreement ("Severance Payments") or any other plan, arrangement or agreement with Hexcel, any Person whose actions result in a Change in Control or any Person affiliated with Hexcel or such person) (collectively with the Severance Payments, "Total Payments") would not be deductible (in whole or part) as a result of section 280G of the Code by Hexcel, an affiliate or other Person making such payment or providing such benefit, then, to the extent necessary to make such portion of the Total Payments deductible (and after taking into account any reduction in the Total Payments provided by reason of Section 280G of the Code in such other plan, arrangement or agreement), the cash Severance Payments shall first be reduced (if necessary, to zero), and all other non-cash Severance Payments shall next be reduced (if necessary, to zero). For purposes of this limitation (a) no portion of the Total Payments, the receipt or enjoyment of which Employee shall have effectively waived in writing prior to the date of payment of the Severance Payments shall be taken

into account, (b) no portion of the Total Payments shall be taken into account which in the opinion of tax counsel selected by Hexcel's independent auditors and reasonably acceptable to Employee does not constitute a "parachute payment" within the meaning of section 280G(b)(2) of the Code, including by reason of Section 280G(b)(4)(A) of the Code, (c) the Severance Payments shall be reduced only to the extent necessary so that the Total Payments (other than those referred to in clauses (a) or (b)) in their entirety constitute reasonable compensation for services actually rendered within the meaning of section 280(b)(4)(B) of the Code or are otherwise not subject to disallowance as deductions, in the opinion of the tax counsel referred to in clause (b); and (d) the value of any non-cash benefit or any deferred payment or benefit included in the Total Payments shall be determined by Hexcel's independent auditors in accordance with the principles of sections 280G(d)(3) and (4) of the Code.

6. GENERAL PROVISIONS.

6.1 NOTICES. All notices, requests, demands, consents and other communications hereunder shall be transmitted in writing and shall be deemed to have been given within twenty-four (24) hours after being sent by certified mail, postage prepaid, return receipt requested and addressed to Hexcel at its principal executive office, to the attention of its President, with a copy to its Vice President for personnel and to Employee at the address set forth below his or her signature or at any other address which a party shall give notice of pursuant to this Section.

6.2 INTERPRETATION. The Paragraph and Section headings in this Agreement are inserted only as a matter of convenience and in no way define, limit, extend, or describe

the scope or intent of this Agreement or any provisions thereof, or in any way affect this Agreement. When the context in which words are used in this Agreement indicates that such is the intent, words in the singular number shall include the plural and vice versa. All questions with respect to the construction of this Agreement and the rights and liabilities of the parties shall be determined in accordance with the provisions of the laws of the State of California applicable to Agreements entered into in California and to be performed entirely within that state.

6.3 SUCCESSORS; BINDING EFFECT.

(a) Hexcel shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or

substantially all of the business and/or assets of Hexcel, by agreement in form and substance satisfactory to the Employee, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that Hexcel would be required to perform it if no such succession had taken place. As used in this Agreement, "Hexcel" shall mean Hexcel Corporation and any successor to its business and/or assets as aforesaid which executes and delivers the agreement provided for in this Section 6.3(a) or which otherwise becomes bound by the terms and provisions of this Agreement by operation of law.

(b) This Agreement and all rights of Employee hereunder shall inure to the benefit of and be enforceable by Employee's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If Employee should die while any amounts are payable to him or her hereunder, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to

Employee's devisee, legatee, or other designee or, if there be no such designee, to Employee's estate.

6.4 SETTLEMENT OF DISPUTES, ARBITRATION. All claims by Employee for benefits under this Agreement shall be directed to and determined the Board and shall be in writing. Any denial by the Board of a claim for benefits under this Agreement shall be delivered to Employee in writing and shall set forth the specific reasons for the denial and the specific provisions of this Agreement relied upon. The Board shall afford a reasonable opportunity to Employee for a review of the decision denying a claim and shall further allow Employee to appeal to the Board a decision of the Board within sixty (60) days after notification by the Board that Employee's claim has been denied. Any further dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in California in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction; provided, however, that Employee shall be entitled to seek specific performance of Employee's right to be paid until the Date of Termination during the pendency of any dispute or controversy arising under or in connection with this Agreement.

6.5 WAIVER. No waiver by either party hereto with respect to performance of any of the provisions of this Agreement shall be binding unless expressed in writing and signed by Employee and such officer as designated by the Board nor be deemed a waiver of any preceding or succeeding required performance hereunder.

6.6 MODIFICATION. No provision of this Agreement may be modified unless such modification is agreed to in writing by and signed by Employee and such officer as

designated by the Board.

6.7 WITHHOLDING. Any payments provided for hereunder shall be paid net of any applicable withholding required under federal, state or local law and any additional withholding to which Employee has agreed.

6.8 SURVIVAL OF OBLIGATIONS. The obligations of Hexcel and Employee under Paragraph 5 shall survive the expiration of the term of this Agreement.

6.9 SEVERABILITY. In the event that any provision of this Agreement shall be held to be invalid, the same shall not affect in any respect whatsoever the validity of the remainder of this Agreement.

6.10 COUNTERPARTS. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all or which together will constitute one and the same instrument.

6.11 ENTIRE AGREEMENT. This Agreement contains the entire understanding between the parties and supersedes any prior or contemporaneous written or oral agreements between them respecting the subject matter, including without limitation any "Contingency Employment Agreement" having an earlier date from that set forth in the introduction to this Agreement.

TO EVIDENCE THEIR AGREEMENT to the foregoing, the parties have executed this Agreement the day and year first above written.

EMPLOYEE

HEXCEL CORPORATION, a California corporation

_____

By_____

Address:

_____

_____

EXHIBIT 10.10(f)

EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT made this 28th day of September, 1993, between Hexcel Corporation, a Delaware corporation (the "Company"), and John J. Lee (the "Executive").

WHEREAS, in recognition of the Executive's experience and abilities the Company desires to induce Executive to become Chairman and Co-Chief Executive Officer to bring leadership and senior level experience to the Company's management team; and

WHEREAS, Executive has agreed to accept such responsibility on the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants herein contained, the parties agree as follows:

1. POSITION. During the Employment Term (as hereinafter defined), Executive shall service as Co-Chief Executive Officer of the Company with such functions, duties and responsibilities commensurate with such position including those set forth in the bylaws or otherwise determined by the Board of Directors of the Company (the "Board") from time to time. During the Employment Term, the Executive agrees to serve, without additional compensation, as a director of the Company; provided that the Executive is indemnified for serving in such capacity on a basis no less favorable than is currently provided by the Company to any other director of the Company; and further provided that, the Executive shall be credited for service during the Employment Term for purposes of the Directors' Retirement Plan.

2. TERM OF EMPLOYMENT. Executive's term of employment under this Agreement (the "Employment Term") shall begin as of September 1, 1993 and shall continue for a period of one year, ending on August 31, 1994.

3. COMPENSATION AND RELATED MATTERS.

(a) SALARY. During the Employment Term, the Company shall pay to the Executive an annual base salary of $480,000 or such higher rate as may from time to time be determined by the Board (the "Base Salary"). The Base Salary shall be paid in the form of (a) $200,000 in cash compensation to be paid to the Executive periodically during the Employment Term in conformity with the Company's payroll policies relating to senior executive, and (b) $280,000 in deferred compensation ("Deferred Compensation"), accrued on the books of account

of the Company ratably over the Employee Term, and paid out to the Executive in a lump sum on the last day of the Employment Period; provided that, the payment of such Deferred Compensation shall be subject to the following:

(i) In the event of the consummation during the Employment Term of a restructuring of the debt of the Company (the "Restructuring"), as determined by the Executive Compensation Committee of the Board (the "Committee") with the concurrence of the Executive, the Executive shall be granted, in lieu of the Deferred Compensation (which shall, subject to the provisions hereof, be cancelled), a stock option (the "Option") to purchase 70,000 shares of Common Stock, par value $0.01 per share of the Company (the "Shares") under the 1988 Management Stock Program of the Company (or such subsequent stock option plan as may be approved by the Company's shareholders in 1994). The Option shall (A) be granted by the Committee at the market price per Share on the date of grant subsequent to the public disclosure of financing arrangements supporting the Restructuring, (B) become fully exercisable one year from the date of grant or such other date as is established by the Committee in accordance with the terms of the Company's Management Stock Program under which the grant is authorized, and (C) remain exercisable for a period of five years from the date of full vesting (the "Exercise Period"); provided that, the Option shall cease to be exercisable if the Executive ceases to remain in an executive capacity during the Employment Term (other than by reason of death, disability or involuntary termination of employment for cause only) or if the Executive, during the period commencing at the expiration of the Employment Term and ending at the end of the Exercise Period, ceases to serve in such capacities or to perform such specific assignments as the Committee and the Executive may mutually agree (other than by reason of death, disability or a material change in the terms of such arrangement proposed by the Committee and accepted by the Executive). It is understood that any such capacities or assignments, if requested, of Executive would require no material disruption of his other business and personal affairs subsequent to the Employment Term and that such activities would be fully compensation for on a basis mutually agreeable to the parties. Notwithstanding the foregoing, in the event that the Option shall be granted under a plan for which shareholder approval is required but not obtained, the Deferred Compensation shall promptly be paid to the Executive in cash.

(ii) If, during the Employment Term there occurs a merger or sale of the Company, then the Deferred Compensation award and the Option shall be cancelled and in lieu thereof the Executive shall receive a cash bonus (the "Merger Bonus") in an amount equal to 1/2% of the total value of the transaction (including interest bearing debt and equity). If the Deferred Compensation award has been paid to the Executive prior to the date of such merger or sale, the amount of the Merger Bonus shall be reduced (but not

below zero) by the amount of the Deferred Compensation previously paid.

(b) BONUS. If, during the Employment Term, there occurs an equity or equity equivalent investment in the Company (in any form), the Executive shall receive a cash bonus in an amount equal to 1% of such investment (i) upon approval of the transaction by the Board (if required) or (ii) if Board approval is not required, on the date that such investment is made in the Company.

(c) OTHER BENEFITS. The Executive shall not participate in the Company bonus plan and has waived his right to many of the employee benefits normally available to senior executives of the Company.

4. NOTICE. For the purposes of this Agreement, notices, demands and all other communications provided for in this Agreement shall be writing and shall be deemed to have been duly given when delivered or (unless otherwise specified) mailed by United States certified or registered mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive:

John J. Lee
72 Cummings Point Road
Stamford, CT 06902

If to the Company:

Hexcel Corporation
5794 W. Las Positas Boulevard
Pleasanton, CA 94588-8781
Attn: Corporate Secretary

or to such other address as any party may have furnished to the others in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

5. MISCELLANEOUS. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of any other provisions hereof. This Agreement constitutes the entire understanding between the parties with respect to the subject matter set forth herein, including all prior and contemporaneous written and verbal agreements. Except as otherwise provided herein, no provision of this Agreement may be modified, waived or discharged unless such modification, waiver or discharge is agreed to in writing and signed by both parties. No waiver by either party hereto at any time of any breach by the other party of, or compliance with, any condition or provision of this Agreement

to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior to subsequent time. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of California without reference to rules relating to conflicts of law.

6. BINDING AGREEMENT. This Agreement and all rights of the Executive hereunder shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive should die while any amounts would still be payable to him hereunder if he had continued to live, all such amounts unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the Executive's devisee, legatee, or other designee or, if there be no such designee, to the Executive's estate.

7. COUNTERPARTS. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have executed this Agreement on the date and year first above written.

HEXCEL CORPORATION

By: /s/ Robert D. Krumme

Name: Robert D. Krumme
Title: Vice President, General, Counsel and Secretary

EXECUTIVE

/s/ John J. Lee

John J. Lee

EXHIBIT 10.10(g)

EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT made this 28th day of September, 1993, between Hexcel Corporation, a Delaware corporation (the "Company"), and John L. Doyle (the "Executive").

WHEREAS, in recognition of the Executive's experience and abilities the Company desires to induce Executive to become Vice-Chairman and Co-Chief Executive Officer to bring leadership and senior level experience to the Company's management team; and

WHEREAS, Executive has agreed to accept such responsibility on the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants herein contained, the parties agree as follows:

1. POSITION. During the Employment Term (as hereinafter defined), Executive shall service as Co-Chief Executive Officer of the Company with such functions, duties and responsibilities commensurate with such position including those set forth in the bylaws or otherwise determined by the Board of Directors of the Company (the "Board") from time to time. During the Employment Term, the Executive agrees to serve, without additional compensation, as a director of the Company; provided that the Executive is indemnified for serving in such capacity on a basis no less favorable than is currently provided by the Company to any other director of the Company; and further provided that, the Executive shall be credited for service during the Employment Term for purposes of the Directors' Retirement Plan.

2. TERM OF EMPLOYMENT. Executive's term of employment under this Agreement (the "Employment Term") shall begin as of September 1, 1993 and shall continue for a period of one year, ending on August 31, 1994.

3. COMPENSATION AND RELATED MATTERS.

(a) SALARY. During the Employment Term, the Company shall pay to the Executive an annual base salary of $480,000 or such higher rate as may from time to time be determined by the Board (the "Base Salary"). The Base Salary shall be paid in the form of (a) $200,000 in cash compensation to be paid to the Executive periodically during the Employment Term in conformity with the Company's payroll policies relating to senior executive, and (b) $280,000 in deferred compensation ("Deferred Compensation"), accrued on the books of account

of the Company ratably over the Employee Term, and paid out to the Executive in a lump sum on the last day of the Employment Period; provided that, the payment of such Deferred Compensation shall be subject to the following:

(i) In the event of the consummation during the Employment Term of a restructuring of the debt of the Company (the "Restructuring"), as determined by the Executive Compensation Committee of the Board (the "Committee") with the concurrence of the Executive, the Executive shall be granted, in lieu of the Deferred Compensation (which shall, subject to the provisions hereof, be cancelled), a stock option (the "Option") to purchase 70,000 shares of Common Stock, par value $0.01 per share of the Company (the "Shares") under the 1988 Management Stock Program of the Company (or such subsequent stock option plan as may be approved by the Company's shareholders in 1994). The Option shall (A) be granted by the Committee at the market price per Share on the date of grant subsequent to the public disclosure of financing arrangements supporting the Restructuring, (B) become fully exercisable within one year from the date of grant or such other date as is established by the Committee in accordance with the terms of the Management Stock Program under which the grant is authorized, and (C) remain exercisable for a period of five years from the date of full vesting (the "Exercise Period"); provided that, the Option shall cease to be exercisable if the Executive ceases to remain in an executive capacity during the Employment Term (other than by reason of death, disability or involuntary termination of employment for cause only) or if the Executive, during the period commencing at the expiration of the Employment Term and ending at the end of the Exercise Period, ceases to serve in such capacities or to perform such specific assignments as the Committee and the Executive may mutually agree (other than by reason of death, disability or a material change in the terms of such arrangement proposed by the Committee and accepted by the Executive). It is understood that any such capacities or assignments, if requested, of Executive would require no material disruption of his other business and personal affairs subsequent to the Employment Term and that such activities would be fully compensation for on a basis mutually agreeable to the parties. Notwithstanding the foregoing, in the event that the Option shall be granted under a plan for which shareholder approval is required but not obtained, the Deferred Compensation shall promptly be paid to the Executive in cash.

(ii) If, during the Employment Term there occurs a merger or sale of the Company, then the Deferred Compensation award and the Option shall be cancelled and in lieu thereof the Executive shall receive a cash bonus (the "Merger Bonus") in an amount equal to 1/2% of the total value of the transaction (including interest bearing debt and equity). If the Deferred Compensation award has been paid to the Executive prior to the date of such

merger or sale, the amount of the

Merger Bonus shall be reduced (but not below zero) by the amount of the Deferred Compensation previously paid.

(b) BONUS. If, during the Employment Term, there occurs an equity or equity equivalent investment in the Company (in any form), the Executive shall receive a cash bonus in an amount equal to 1% of such investment (i) upon approval of the transaction by the Board (if required) or (ii) if Board approval is not required, on the date that such investment is made in the Company.

(c) OTHER BENEFITS. The Executive shall not participate in the Company bonus plan and has waived his right to many of the employee benefits normally available to senior executives of the Company.

4. NOTICE. For the purposes of this Agreement, notices, demands and all other communications provided for in this Agreement shall be writing and shall be deemed to have been duly given when delivered or (unless otherwise specified) mailed by United States certified or registered mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive:

John L. Doyle
177 Ramoso Road
Portola Valley, CA 94028

If to the Company:

Hexcel Corporation
5794 W. Las Positas Boulevard
Pleasanton, CA 94588-8781
Attn: Corporate Secretary

or to such other address as any party may have furnished to the others in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

5. MISCELLANEOUS. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of any other provisions hereof. This Agreement constitutes the entire understanding between the parties with respect to the subject matter set forth herein, including all prior and contemporaneous written and verbal agreements. Except as otherwise provided herein, no provision of this Agreement may be modified, waived or discharged unless such

modification, waiver or discharge is agreed to in writing and signed by both parties. No waiver by either party hereto at any time of any breach by the other party of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior to subsequent time.

The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of California without reference to rules relating to conflicts of law.

6. BINDING AGREEMENT. This Agreement and all rights of the Executive hereunder shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive should die while any amounts would still be payable to him hereunder if he had continued to live, all such amounts unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the Executive's devisee, legatee, or other designee or, if there be no such designee, to the Executive's estate.

7. COUNTERPARTS. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have executed this Agreement on the date and year first above written.

HEXCEL CORPORATION

By: /s/ Robert D. Krumme

Name: Robert D. Krumme
Title: Vice President, General, Counsel and Secretary

EXECUTIVE

/s/ John L. Doyle

John L. Doyle

EXHIBIT 21

SUBSIDIARIES OF HEXCEL

Hexcel Centre de Coordination, S.A.

Hexcel Chemical Products Ltd.

Hexcel do Brasil Servicos S/D Ltda.

Hexcel Espana

Hexcel Far East

Hexcel Foreign Sales Corporation

Hexcel Foundation

Hexcel France S.A.

Hexcel GmbH

Hexcel International

Hexcel Italia, S.r.l.

Hexcel S.A.

Hexcel S.A. - Belgium

Hexcel U.K., Ltd.