

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

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FILER

HEXCEL CORP /DE/

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) FEBRUARY 9, 1995

HEXCEL CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of incorporation or organization)

94-1109521

(I.R.S. Employer Identification No.)

1-8472

(Commission File Number)

5794 West Las Positas Boulevard
Pleasanton, California

(Address of principal executive offices)

94588

(Zip Code)

ITEM 5. OTHER EVENTS.

On February 9, 1995 (the "Effective Date"), the First Amended Plan of Reorganization Proposed by Hexcel Corporation (the "Registrant") and the Official Committee of Equity Security Holders of the Registrant (the "Equity Committee"), dated as of November 7, 1994, as modified (the "Plan"), became effective. The Registrant previously described the provisions of the Plan in a report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on January 23, 1995.

The Effective Date was the record date for determining those holders (the "Record Holders") of common stock, par value \$.01 per share, of the Registrant, issued prior to the Effective Date (the "Old Common Stock"), who are entitled under the Plan to receive rights (the "Rights") to subscribe for shares of the Registrant's common stock, par value \$.01 per share, issued on or after the Effective Date (the "New Common Stock"). A copy of the Subscription Rights Plan, which governs the terms of the Rights and the exercise and transfer thereof, is attached hereto as Exhibit 4.1, and is incorporated herein by reference.

Pursuant to the Plan, on the Effective Date all of the Old Common Stock was cancelled and each Record Holder received, in exchange for each share of Old Common Stock held of record on the Effective Date, one share of New Common Stock plus 1.21273 Rights. Stockholders are not required to turn in their stock certificates evidencing the Old Common Stock, and such certificates continue to represent an equal number of shares of New Common Stock. Any stockholder who desires a new stock certificate may, however, surrender his or her old stock certificate to the Company's transfer agent, Chemical Trust Company of California, and receive a new stock certificate in exchange. On the Effective Date, a new Corporate Cusip Number, 428291 10 8, was assigned to the shares of New Common Stock.

The following events, which the Registrant deems of importance to its stockholders, also occurred on the Effective Date:

- (a) The Registrant closed under a \$45 million revolving credit facility provided by a lending group (the "Lenders") consisting of Citicorp USA, Inc.

and Transamerica Business Credit Corporation ("Transamerica"), with Citicorp acting as the agent for the Lenders. In connection therewith, the Registrant entered into a Credit Agreement, dated as of February 8, 1995, among the Registrant, Citicorp, Heller, Transamerica, and Citibank N.A., which is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

(b) The Registrant entered into a Restated and Amended Reimbursement Agreement, dated as of February 1, 1995, between the Registrant and Banque Nationale de Paris ("BNP"), a copy of which is attached hereto as Exhibit 99.2, and is incorporated herein by reference. BNP is the bank which provides letters of credit supporting certain industrial development revenue bonds which benefit the Registrant.

(c) The first closing was held under the Standby Purchase Commitment, dated October 24, 1994 (the "Standby Purchase Commitment"), entered into by Mutual Series Fund Inc. ("Mutual Series"), with the Registrant and the Equity Committee. At the closing, Mutual Series purchased from the Registrant 1,945,946 shares of New Common Stock for a purchase price of \$9,000,000 (\$4.625 per share) and loaned the Registrant \$41,000,000 (the "Advance"). As required by the Standby Purchase Commitment, the Registrant paid Mutual Series a \$500,000 commitment fee and reimbursed Mutual Series for approximately \$506,000 of out-of-pocket expenses. The Advance is secured by the proceeds from the Rights offering.

(d) The Registrant's Board of Directors was reconstituted, and now consists of the following eight persons, all of whom were designated in accordance with the terms of the Plan and the Standby Purchase Commitment: John J. Lee and Peter A. Langerman, who were designated by Mutual Series, Joseph L. Harrosh, Robert L. Witt and Peter D. Wolfson, who were designated by the Equity Committee, and Dr. George S. Springer, Franklin S. Wimer and Marshall S. Geller, who were

designated by joint selection of the Equity Committee and Mutual Series. A ninth seat on the Board is reserved for a new Chief Executive Officer to be selected to succeed John J. Lee, who will join the Board immediately upon commencement of his or her employment. In addition, if upon the consummation of the Rights offering Mutual Series owns more than 50% of the shares of New Common Stock, Mutual Series will designate one additional director; if upon the consummation of the Rights offering Mutual Series owns less than 25% of the shares of New Common Stock, then one additional director will be designated by mutual agreement of those directors

previously designated by the Equity Committee, on the one hand, and those directors previously designated by mutual agreement of the Equity Committee and Mutual Series, on the other hand.

(e) Pursuant to the Plan, the Registrant's Certificate of Incorporation was amended and restated as provided in Exhibit C to the Plan and the Registrant's Bylaws were amended and restated as provided in Exhibit D to the Plan.

These events, as well as other recent events affecting the Registrant, are more fully described in an Information Statement, dated February 15, 1995 (the "Information Statement"), which is being furnished to the Record Holders in connection with the distribution of Rights. The Information Statement is attached hereto as Exhibit 99.3, and is incorporated herein by reference.

ITEM 7. EXHIBITS.

(c) EXHIBITS.

- 2.1 - The First Amended Plan of Reorganization proposed by the Debtor and the Official Committee of Equity Security Holders, dated as of November 7, 1994, which was filed as Exhibit A to Exhibit 2.1 to the report on Form 8-K filed by Registrant with the Securities and Exchange Commission on January 23, 1995, and is incorporated herein by reference.
- 4.1 - Subscription Rights Plan.

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- 99.1 - Credit Agreement, dated as of February 8, 1995, among the Registrant, Citicorp USA, Inc., Heller Financial, Inc., Transamerica Business Credit Corporation, and Citibank N.A.
- 99.2 - Restated and Amended Reimbursement Agreement, dated as of February 1, 1995, between the Registrant and Banque Nationale de Paris.
- 99.3 - Information Statement, dated February 15, 1995.

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SIGNATURE

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

Date: February 22, 1995

HEXCEL CORPORATION
(Registrant)

By: /s/ Rodney P. Jenks, Jr.

Rodney P. Jenks, Jr.
Vice President and General Counsel

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HEXCEL CORPORATION
SUBSCRIPTION RIGHTS PLAN
DATED FEBRUARY 1995
RECITAL

This Subscription Rights Plan (this "Plan") is adopted by Hexcel Corporation ("Hexcel") pursuant to, and as of the Effective Date of, the First Amended Plan of Reorganization proposed by the Debtor and the Official Committee of Equity Security Holders under Chapter 11 of the Bankruptcy Code, dated November 7, 1994 (the "Chapter 11 Plan"), as confirmed by the Bankruptcy Court in Hexcel's Chapter 11 case. Except as otherwise provided herein, capitalized terms used in this Plan have the meanings assigned to them in the Chapter 11 Plan.

TERMS OF PLAN

1. THE SUBSCRIPTION RIGHTS.

1.1 This Plan authorizes the distribution of 1.21273 rights to subscribe for additional shares of Reorganized Hexcel Common Stock as described below ("Subscription Right"), with respect to each share of Hexcel Common Stock, par value \$.01 per share (the "Common Stock"), issued and outstanding as of the close of business on the Effective Date (the "Record Date"), other than shares of Reorganized Hexcel Common Stock issued by Reorganized Hexcel on the Effective Date. Each Subscription Right entitles the holder to purchase one share of Reorganized Hexcel Common Stock for an aggregate of approximately 8,854,143 shares of Reorganized Hexcel Common Stock (the "Offered Shares"), subject to rounding as provided herein. Each holder of record of Common Stock (other than shares of Reorganized Hexcel Common Stock issued by Reorganized Hexcel on the Effective Date) on the Record Date (an "Original Holder") shall be deemed to have received a distribution of such Subscription Rights. Original Holders and transferees of the Basic Subscription Rights of Original Holders are referred to herein as "Holders."

1.2 Each Subscription Right entitles the Holder thereof:

1.2.1

to the right (each, a "Basic Subscription Right") to purchase one Offered Share at a purchase price of \$4.625 per share; plus

1.2.2

in the case of Original Holders, conditioned upon such Original Holder's qualifying as an Eligible Rights Holder (as defined in Section 1.3(c) of this Plan), such Original Holder also has the right to purchase any desired number of Offered Shares from the Stockholder Pool at a purchase price of \$4.625 per share (the "Oversubscription Rights"), subject to Proration as provided herein. OVERSUBSCRIPTION RIGHTS ARE NOT TRANSFERABLE AND MAY NOT BE EXERCISED BY ANY HOLDER OTHER THAN AN ELIGIBLE RIGHTS HOLDER.

The "Oversubscription Pool" consists of all Offered Shares subject to Basic Subscription Rights that expire unexercised. The "Standby Pool" consists of 25% of the Oversubscription Pool remaining after the first 108,108 shares of Reorganized Hexcel Common Stock have been allocated for purchase by John J. Lee pursuant to the Chapter 11 Plan (the "Designated Shares"). The "Stockholder Pool" consists of the Oversubscription Pool remaining after excluding the Standby Pool and the Designated Shares.

1.3 For purposes of this Plan:

(a) "BENEFICIAL RIGHTS HOLDER" means a person or entity who is listed on the records of any Nominee as the beneficial owner of any Common Stock held in the name of such Nominee (either of record or through another Nominee) as of the close of business on the Record Date.

(b) "ELIGIBLE BENEFICIAL RIGHTS HOLDER" means a Beneficial Rights Holder on whose behalf a Nominee has, at such Beneficial Rights Holder's direction, exercised in accordance with the terms of this Plan, all Basic Subscription Rights issued to or for the account of such Nominee by Reorganized Hexcel pursuant to this Plan with respect to Common Stock beneficially owned by such Beneficial Rights Holder.

(c) "ELIGIBLE RIGHTS HOLDER" means (i) an Original Holder, other than a Nominee, who has exercised, in accordance with the terms of this Plan, all Basic Subscription Rights issued to such holder by Reorganized Hexcel pursuant to the Chapter 11 Plan, and (ii) a Nominee to the extent acting on behalf of an Eligible Beneficial Rights Holder, regardless of whether such Nominee has exercised less than all of the Basic Subscription Rights issued to it pursuant to the Chapter 11 Plan.

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(d) "NOMINEE" means any bank, trust company, depository or securities broker or dealer which holds Common Stock, either of record or beneficially through another Nominee, on the Record Date otherwise than as the beneficial owner thereof.

1.4 A Nominee may only exercise Oversubscription Rights on behalf of Eligible Beneficial Rights Holders who beneficially own Basic Subscription Rights registered in that Nominee's name. Hexcel may prescribe the procedures for verifying that Nominees are exercising Oversubscription Rights only on behalf of Eligible Beneficial Rights Holders. All questions concerning the validity of any exercise of Basic Subscription Rights or Oversubscription Rights and the proper Proration of shares in the Stockholder Pool, will be determined by Hexcel or by the Subscription Agent, and such determinations shall be final and binding. For purposes of administering this Plan, including without limitation for purposes of determining whether Oversubscription Rights have been properly exercised and for purposes of Proration, (i) in the event that any person or entity has accounts with more than one Nominee through which such person or entity is listed as the beneficial owner of Common Stock as of the close of business on the Record Date, then each account or group of accounts of

that person or entity with each different Nominee will be treated by Hexcel or by the Subscription Agent as a separate Beneficial Rights Holder, and (ii) in the event that a Beneficial Rights Holder is also a Record Holder of Hexcel Common Stock, then Hexcel and the Subscription Agent will treat that person or entity in its capacity as a Record Holder of Hexcel Common Stock as being separate from that person or entity in its capacity as a Beneficial Rights Holder; accordingly, a person or entity which owns shares of Common Stock either through separate Nominees or both of record and through one or more Nominees may be treated by Hexcel and the Subscription Agent as multiple persons or entities for purposes of Proration and other matters under this Plan.

2. SUBSCRIPTION PRICE.

The Subscription Price for each share of Reorganized Hexcel Common Stock is \$4.625. The aggregate Subscription Price for any subscription shall be rounded up to the nearest whole cent.

3. PRORATION.

3.1 The number of shares of Reorganized Hexcel Common Stock issuable upon the exercise of Basic Subscriptions Rights shall not be subject to proration.

3.2 If the aggregate number of shares of Reorganized Hexcel Common Stock subscribed for through the exercise of Oversubscription Rights is more than the number of shares available in the Stockholder Pool, the available shares will be apportioned among the Eligible Rights Holders who exercised their Oversubscription Rights in proportion to the number of Basic Subscription Rights originally issued by Hexcel to, and exercised by, each Eligible Rights Holder through repeated application of the proration procedure described in the next paragraph, and subject to rounding as provided in Section 6.2 of this Plan.

Each time the following procedure is applied, the "number of shares of Reorganized Hexcel Common Stock remaining in the Stockholder Pool" shall mean the number of shares in the Stockholder Pool not apportioned by prior applications of the procedures described in this paragraph. The number of shares of Reorganized Hexcel Common Stock remaining in the Stockholder Pool shall be apportioned among all those Eligible Rights Holders who have not yet been apportioned (through previous applications of this procedure) the full number of shares subscribed for by them in their respective exercises of Oversubscription Rights. Apportionment among them shall be based on the ratio of the number of Basic Subscription Rights originally issued by Hexcel to, and exercised by, each Eligible Rights Holder; provided, that if the number of shares so apportioned to any Eligible Rights Holder exceeds the number of shares subscribed for by that Eligible Rights Holder's exercise of Oversubscription Rights, then the excess shall not be apportioned, and that Eligible Rights Holder shall thereafter not be apportioned any additional shares should there be further applications of this procedure. This procedure shall be repeated until either (i) all of the shares in the Stockholder Pool shall have been apportioned and there are no shares left in the Stockholder Pool for further apportionment, or (ii) a sufficient number of shares has been apportioned to all Eligible Rights Holders to satisfy all of their exercised Oversubscription Rights, whichever occurs

first.

4. SUBSCRIPTION PERIOD.

The Subscription Rights will be exercisable only during the period (the "Subscription Period") commencing 15 days after the Effective Date and expiring at 5:00 P.M., New York City Time, on the first Business Day that occurs not less than 45 days after the Effective Date (the "Subscription Rights Expiration Date"). After the Subscription Rights Expiration Date, unexercised Subscription Rights will be null and void. Hexcel shall not be obligated to

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honor any purported exercise of Subscription Rights received after the Subscription Rights Expiration Date, regardless of when the documents relating to such exercise were sent, except pursuant to the Guaranteed Delivery Procedures described below.

5. DISTRIBUTION OF CERTIFICATES.

5.1 As soon as practicable after the Effective Date, but not later than 15 days thereafter, Hexcel shall distribute to Original Holders transferable certificates ("Subscription Rights Certificates") substantially in the form attached to and governed by this Plan, representing the Subscription Rights issued to Original Holders pursuant to this Plan.

5.2 As soon as practicable after the Subscription Rights Expiration Date, Hexcel shall distribute to Holders who have duly exercised their Subscription Rights stock certificates representing that number of shares of Reorganized Hexcel Common Stock subscribed for and to be issued in accordance with the terms of this Plan.

5.3 Subscription Rights Certificates shall be executed on behalf of Hexcel by its Chairman, Vice Chairman, Chief Executive Officer or President, under its corporate seal reproduced thereon attested by its Secretary or an Assistant Secretary. The signature of any of these officers on the certificate may be manual or facsimile.

6. NO FRACTIONAL REORGANIZED HEXCEL COMMON STOCK.

6.1 The number of Basic Subscription Rights issuable to any Holder will be rounded to the nearest whole number, with .50 Basic Subscription Right being rounded up to the next whole Basic Subscription Right.

6.2 No fractional shares of Reorganized Hexcel Common Stock will be issued. The number of shares of Reorganized Hexcel Common Stock issuable to any Holder pursuant to the exercise of Oversubscription Rights will be rounded down to the next lowest whole number of shares.

6.3 No Subscription Rights may be divided in such a way as to permit the holder to receive a greater number of shares of Reorganized Hexcel Common Stock

than the number to which such Subscription Rights entitles its Holder, except that a depository, bank, trust company, or securities broker or dealer holding shares of Common Stock on the Record Date for more than one beneficial owner may, upon proper showing to the Subscription Agent, exchange its Subscription Rights Certificate to obtain a replacement Subscription Rights Certificate that reflects the result of rounding computations for individual Beneficial Rights Holders as described in Section 6.1 above.

7. SUBSCRIPTION AND OTHER AGENTS.

7.1 Hexcel shall appoint an agent to act in administering the Subscription Rights (the "Subscription Agent") under this Plan. Hexcel may also appoint an escrow agent for the receipt of funds on exercise of Subscription Rights and a transfer agent for the registration and transfer of the Subscription Rights and Reorganized Hexcel Common Stock. The terms of Hexcel's agreements with such agents, regarding the form of certificates, countersignatures, procedures for assignment or exercise, or the like, shall be deemed adopted by Hexcel as part of this Plan.

7.2 All questions concerning the Subscription Rights will be determined by Hexcel (or the Subscription Agent, as permitted below), whose determinations will be final and binding. Hexcel may waive any defect or irregularity, or permit a defect or irregularity to be corrected within such time as it may determine, or reject the purported exercise of any Subscription Right. The Subscription Agent may exercise all the rights of Hexcel under this Plan, including determination of the timeliness, validity, form and eligibility of any exercise of Subscription Rights, calculation of shares of Reorganized Hexcel Common Stock subscribed for, calculation of any required proration and any other actions required for the orderly distribution of the Subscription Rights and Reorganized Hexcel Common Stock. Subscriptions will not be deemed to have been received or accepted until all irregularities have been waived or cured within such time as Hexcel or the Subscription Agent determines in its sole discretion. Neither Hexcel nor the Subscription Agent will be under any duty to give notification of any defect or irregularity in connection with the submission of Subscription Rights Certificates or incur any liability for failure to give such notification.

8. RESERVATION OF REORGANIZED HEXCEL COMMON STOCK.

Hexcel shall at all times reserve and hold available for issuance the number of shares of Reorganized Hexcel Common Stock required to be issued pursuant to the Subscription Rights.

9. EXERCISE OF SUBSCRIPTION RIGHTS.

9.1 ONCE A HOLDER HAS EXERCISED THE SUBSCRIPTION RIGHTS IN THE MANNER PROVIDED BELOW, THE SUBSCRIPTION IS IRREVOCABLE.

9.2 Subscription Rights may be exercised by delivering to the Subscription Agent during the Subscription Period, the properly completed and executed Subscription Rights Certificate, with any required signature guarantees, together with payment in full of the aggregate Subscription Price for all shares subscribed for pursuant to the Subscription Rights (whether through the exercise of Basic Subscription Rights or Oversubscription Rights). Such payment in full must be by (a) check or bank draft drawn upon a U.S. bank or postal, telegraphic or express money order payable to the Subscription Agent or the Escrow Agent, as set forth in the Instructions, or (b) wire transfer of funds to the account specified for such purpose designated in the Subscription Rights Certificates. The Subscription Agent has the right to deem the Subscription Price to have been received only upon (i) clearance of any uncertified check, (ii) receipt by the Subscription Agent or Escrow Agent of any certified check or bank draft drawn upon a U.S. bank or of any postal, telegraphic or express money order or (iii) receipt of good funds in the account designated in the Subscription Rights Certificates. If paying by uncertified personal check, please note that the funds paid thereby may take at least five Business Days to clear. ACCORDINGLY, HOLDERS WHO WISH TO PAY THE SUBSCRIPTION PRICE BY MEANS OF UNCERTIFIED PERSONAL CHECK ARE URGED TO MAKE PAYMENT SUFFICIENTLY IN ADVANCE OF THE SUBSCRIPTION RIGHTS EXPIRATION DATE TO ENSURE THAT SUCH PAYMENT IS RECEIVED AND CLEARS BY SUCH DATE AND ARE URGED TO CONSIDER PAYMENT BY MEANS OF CERTIFIED OR CASHIER'S CHECK, MONEY ORDER OR WIRE TRANSFER OF FUNDS.

9.3 The Subscription Agent may elect to treat subscriptions accompanied by payment of an insufficient amount as a subscription for the number of shares of Reorganized Hexcel Common Stock whose Subscription Price is paid by the amount received. Payments in an amount greater than the aggregate Subscription Price required by the stated Basic Subscription and Oversubscription shall be treated as subscriptions for the amounts stated on the Subscription Rights Certificate only; excess amounts shall be refunded in due course after the Subscription Rights Expiration Date.

9.4 The permitted methods of delivery and the address to which Subscription Rights Certificates and payment of the Subscription Price should be delivered shall be set forth in the Instructions which will be delivered with the Subscription Rights Certificates.

9.5 If a Holder wishes to exercise Subscription Rights, but time will not permit such Holder to cause the Subscription Rights Certificate to reach the Subscription Agent on or prior to the Subscription Rights Expiration Date, such Subscription Rights may nevertheless be exercised if all of the following conditions (the "Guaranteed Delivery Procedures") are met:

9.5.1

such Holder has caused payment in full of the aggregate Subscription Price for all shares being subscribed for pursuant to the Basic Subscription Rights or Oversubscription Rights to be received (in the manner set forth above) by the Subscription Agent on or prior to the Subscription Rights Expiration Date;

9.5.2

the Subscription Agent receives, on or prior to the Subscription Rights Expiration Date, a guarantee notice (a "Notice of Guaranteed Delivery"), substantially in the form provided with the Instructions, from a member of a registered national securities exchange or a member of the National Association of Securities Dealers, Inc. (the "NASD"), or from a commercial bank or trust company having an office or correspondent in the United States (each, an "Eligible Institution"), stating the name of the exercising Holder, the number of Rights represented by the Subscription Rights Certificate or Subscription Rights Certificates held by such exercising Holder, the number of shares being subscribed for pursuant to the Subscription Rights, and guaranteeing the delivery to the Subscription Agent of any Subscription Rights Certificate evidencing such Subscription Rights within five New York Stock Exchange ("NYSE") trading days following the date of the Notice of Guaranteed Delivery; and

9.5.3

the properly completed Subscription Rights Certificate evidencing the Subscription Rights being exercised, with any required signature guarantees, is received by the Subscription Agent within five NYSE trading days following the date of the Notice of Guaranteed Delivery relating thereto.

The Notice of Guaranteed Delivery may be delivered to the Subscription Agent as set forth in the Instructions, or may be transmitted to the Subscription Agent by telegram or facsimile transmission, as permitted by the Subscription Agent and set forth in the Instructions.

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9.6 Unless a Subscription Rights Certificate (i) provides that the shares to be issued pursuant to the exercise of Subscription Rights represented thereby are to be delivered to the Holder or (ii) is submitted for the account of an Eligible Institution, signatures on such Subscription Rights Certificate must be guaranteed by an Eligible Institution.

9.7 Nominees and others who hold shares of Common Stock for the account of others, should notify the respective beneficial owners of such shares as soon as possible to ascertain such beneficial owners' intentions and to obtain instructions with respect to the Subscription Rights. If the beneficial owner so instructs, the record holder of such Subscription Rights should complete its Subscription Rights Certificate and submit it to the Subscription Agent with the proper payment. Beneficial owners of Common Stock or Subscription Rights held through such a Holder should contact the Holder and request the Holder to effect transactions in accordance with the beneficial owner's instructions.

9.8 The Instructions should be read carefully and followed in detail. DO NOT SEND SUBSCRIPTION CERTIFICATES TO HEXCEL CORPORATION. BENEFICIAL RIGHTS HOLDERS SHOULD PROMPTLY SUBMIT INSTRUCTIONS TO THEIR NOMINEE AS TO THE EXERCISE OF THEIR SUBSCRIPTION RIGHTS WITH APPROPRIATE PAYMENT, AND SHOULD NOT SEND THEM TO HEXCEL OR THE SUBSCRIPTION AGENT.

THE METHOD OF DELIVERY OF SUBSCRIPTION RIGHTS CERTIFICATES AND PAYMENT OF THE SUBSCRIPTION PRICE TO THE SUBSCRIPTION AGENT WILL BE AT THE ELECTION AND RISK OF THE HOLDERS, BUT IF SENT BY MAIL, IT IS RECOMMENDED THAT SUCH CERTIFICATES AND PAYMENTS BE SENT PROPERLY INSURED, WITH RETURN RECEIPT REQUESTED, AND THAT A SUFFICIENT NUMBER OF DAYS BE ALLOWED TO ENSURE DELIVERY TO THE SUBSCRIPTION AGENT AND CLEARANCE OF PAYMENT PRIOR TO 5:00 P.M., NEW YORK CITY TIME, ON THE SUBSCRIPTION RIGHTS EXPIRATION DATE. BECAUSE UNCERTIFIED PERSONAL CHECKS MAY TAKE AT LEAST FIVE BUSINESS DAYS TO CLEAR, HOLDERS ARE STRONGLY URGED TO PAY, OR ARRANGE FOR PAYMENT, BY MEANS OF CERTIFIED OR CASHIER'S CHECK, MONEY ORDER OR WIRE TRANSFER OF FUNDS.

10. METHOD OF TRANSFERRING RIGHTS.

10.1 Basic Subscription Rights and the corresponding Subscription Rights Certificates may be transferred by Holders. Subject to compliance with applicable securities laws, the Basic Subscription Rights evidenced by a Subscription Rights Certificate may be transferred in whole by endorsing the Subscription Rights Certificate for transfer in accordance with the Instructions. A portion of the Basic Subscription Rights evidenced by a single Subscription Rights Certificate (but not fractional Basic Subscription Rights) may be transferred by delivering to the Subscription Agent a Subscription Rights Certificate properly endorsed for transfer, with instructions to register such portion of the Basic Subscription Rights evidenced thereby in the name of the transferee (and to issue a new Subscription Rights Certificate to the transferee evidencing such transferred Basic Subscription Rights). In such event, a new Subscription Rights Certificate evidencing the balance of the Basic Subscription Rights will be issued to the holder or, if the holder so instructs, to an additional transferee. THE OVERSUBSCRIPTION RIGHTS ARE NOT TRANSFERABLE.

10.2 Holders wishing to transfer all or a portion of their Basic Subscription Rights (but not fractional Basic Subscription Rights) should allow a sufficient amount of time prior to the Subscription Rights Expiration Date for (i) the transfer instructions to be received and processed by the Subscription Agent, (ii) a new Subscription Rights Certificate to be issued and transmitted to the transferee or transferees with respect to transferred Basic Subscription Rights, and to the Holder with respect to retained Basic Subscription Rights, if any, and (iii) the Basic Subscription Rights evidenced by such new Subscription Certificates to be exercised or sold by the recipients thereof. Neither Hexcel nor the Subscription Agent shall have any liability to a transferee or transferor of Rights if Subscription Rights Certificates are not received in time for exercise prior to the Subscription Rights Expiration Date.

10.3 Except for the fees charged by the Subscription Agent, the transfer agent and the Escrow Agent, if any (all of which will be paid by Hexcel), all commissions, fees and other expenses (including brokerage commissions and transfer taxes) incurred in connection with the purchase, sale or exercise of Subscription Rights will be for the account of the Holder, and none of such commissions, fees or expenses will be paid by Hexcel or the Subscription Agent.

11. AMENDMENTS TO PLAN.

Hexcel reserves the right to amend the terms, procedures for subscription, form of Subscription Rights Certificate and other provisions of this Plan prior to the distribution of the Subscription Rights Certificates, provided, that such amendment shall not affect the number of shares of Reorganized Hexcel Common Stock purchasable hereunder by the Holders or reduce the Subscription Period below 30 days.

CREDIT AGREEMENT
Dated as of February 8, 1995

among

HEXCEL CORPORATION

THE INSTITUTIONS FROM TIME TO TIME
PARTY HERETO AS LENDERS

THE INSTITUTIONS FROM TIME TO TIME
PARTY HERETO AS ISSUING BANKS

and

CITICORP USA, INC.
as Agent

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EXECUTION COPY

CREDIT AGREEMENT

This Credit Agreement dated as of February 8, 1995 (as amended, supplemented or otherwise modified from time to time, this "AGREEMENT") is entered into among Hexcel Corporation, a Delaware corporation (with its successors and permitted assigns, the "BORROWER"), the institutions from time to time party hereto as Lenders, whether by execution of this Agreement or an Assignment and Acceptance, the institutions from time to time party hereto as Issuing Banks, whether by execution of this Agreement or an Assignment and Acceptance and Citicorp USA, Inc. ("Citicorp"), in its separate capacity as agent for the Lenders and Issuing Banks (with its successors in such capacity, the AGENT").

ARTICLE I
DEFINITIONS

1.01. CERTAIN DEFINED TERMS. In addition to the terms defined above, the following terms used herein shall have the following meanings, applicable both to the singular and the plural forms of the terms defined:

"ACCOMMODATION OBLIGATION" means any Contractual Obligation, contingent or otherwise, of one Person with respect to any Indebtedness, obligation or liability of another, if the primary purpose or intent thereof by the Person incurring the Accommodation Obligation is to provide assurance to the obligee of such Indebtedness, obligation or liability of another that such Indebtedness, obligation or liability shall be paid or discharged, or that any agreements relating thereto shall be complied with, or that the holders thereof shall be protected (in whole or in part) against loss in respect thereof including, without limitation, direct and indirect guarantees, endorsements (except for collection or deposit in the ordinary course of business), notes

co-made or discounted, recourse agreements, take-or-pay agreements, keep-well agreements, agreements to purchase security therefor (other than such agreements to purchase in the ordinary course of business) or to provide funds for the payment or discharge thereof, agreements to maintain solvency, assets, level of income, or other financial condition, and agreements to make payment other than for value received.

"ADVANCE" means advance in the principal amount of \$41,000,000 to be made to the Borrower by Mutual Series pursuant to the terms of the Standby Commitment Documents.

"AFFILIATE" of any specified Person means any other Person (i) which directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common

control with, such specified Person, (ii) which beneficially owns or holds 5% or more of any class of the Voting Stock or other equity interest of such specified Person or (iii) of which 5% or more of the Voting Stock or other equity interest is beneficially owned or held by such specified Person or a Subsidiary of such specified Person; PROVIDED, HOWEVER, that American Body Armor and Equipment, Inc. shall not be deemed an Affiliate of the Borrower for purposes of this definition and PROVIDED, FURTHER, that Hexcel Foundation shall not be deemed an Affiliate of the Borrower for so long as it maintains its status as a not-for-profit corporation for purposes of California law. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person directly or indirectly, whether through the ownership of Voting Stock, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"AGENT" is defined in the preamble hereto and shall include any successor Agent appointed pursuant to SECTION 12.07.

"AGENT'S ACCOUNT" means the Agent's account number 4058-5488 (CUSA funding account re: Hexcel Corporation) maintained at the office of Citibank at 399 Park Avenue, 10th Floor, New York, New York 10043, Attention: Patricia Ellis or such other deposit account as the Agent may from time to time specify in writing to the Borrower and the Lenders.

"ALTERNATIVE CURRENCY" means lawful currency other than Dollars which is freely convertible into Dollars.

"APPLICABLE LENDING OFFICE" means, with respect to a particular Lender, its Eurodollar Lending Office in respect of provisions relating to Eurodollar Rate Loans and its Domestic Lending Office in respect of provisions

relating to Base Rate Loans.

"APPRAISED VALUE" means, with respect to any Equipment, personal property or Real Property of the Borrower or any of the Restricted Subsidiaries, the value of such Property as set forth on (i) the fixed asset appraisal dated January, 1995 prepared by Binswanger with respect to personal property and Equipment and (ii) the fixed asset appraisal dated December, 1994 prepared by Accuval Associates Incorporated with respect to Real Property, or on any subsequent fixed asset appraisals with respect to personal property, Equipment and Real Property delivered to the Agent by the Borrower prepared by such firms or another appraisal firm acceptable to the Agent in form, scope and substance satisfactory to the Agent or as otherwise determined by the Agent in its sole discretion.

"ASSIGNMENT AND ACCEPTANCE" means an Assignment and Acceptance in substantially the form of EXHIBIT A attached hereto

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and made a part hereof (with blanks appropriately completed) delivered to the Agent in connection with an assignment of a Lender's interest hereunder in accordance with the provisions of SECTION 13.01.

"ASSIGNMENT OF CLAIMS ACT" has the meaning ascribed to such term in SECTION 8.16.

"AVAILABILITY RESERVES" means, at any time, as of three days after the date of written notice of any determination thereof to the Borrower by the Agent (or such later date set forth in such notice), such amounts as the Agent, in the exercise of its sole discretion exercised in a commercially reasonable manner, may from time to time establish against the Revolving Credit Availability that are needed to (i) preserve the value of, or the Agent's Lien on, the Collateral or (ii) reflect future liabilities of the Borrower. Availability Reserves shall include (A) at all times an amount equal to the aggregate amount of interest payable with respect to each of the Existing IRDBs on the next interest payment date for each such Existing IRDB as reported to the Agent by the Borrower on or prior to the Closing Date and following each interest payment made with respect thereto at all times after the Closing Date, and (B) an amount (determined in a manner acceptable to the Agent) equal to the lower of (I) the Fair Market Value of any portion of Eligible Real Property or Eligible Equipment purchased with proceeds of the Existing IRDBs (or industrial development bonds refinanced with the Existing IRDBs) and (II) the aggregate amount of outstanding principal and interest payable with respect to the Existing IRDBs issued in connection with Eligible Real Property.

"BANKRUPTCY CODE" means Title 11 of the United States Code (11

U.S.C. Sections 101 ET SEQ.), as amended from time to time, and any successor statute.

"BANKRUPTCY COURT" means the United States Bankruptcy Court for the Northern District of California.

"BASE RATE" means, for any period, a fluctuating interest rate per annum as shall be in effect from time to time, which rate per annum shall at all times be equal to the highest of:

(i) the rate of interest announced publicly by Citibank in New York, New York from time to time, as Citibank's base rate; and

(ii) the sum (adjusted to the nearest one quarter of one percent (0.25%) or, if there is no nearest one quarter of one percent (0.25%), to the next higher one quarter of one percent (0.25%)) of (A) one half of one percent (0.50%) per annum PLUS (B) the rate per annum obtained by dividing (I) the latest three-week moving average of secondary market

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morning offering rates in the United States for three-month certificates of deposit of major United States money market banks, such three-week moving average (adjusted to the basis of a year of 360 days) being determined weekly on each Monday (or, if such day is not a Business Day, on the next succeeding Business Day) for the three-week period ending on the previous Friday (or, if such day is not a Business Day, on the next preceding Business Day) by Citibank on the basis of such rates reported by certificate of deposit dealers to, and published by, the Federal Reserve Bank of New York, or, if such publication shall be suspended or terminated, on the basis of quotations for such rates received by Citibank from three (3) New York certificate of deposit dealers of recognized standing selected by Citibank, by (II) a percentage equal to 100% minus the average of the daily percentages specified during such three-week period by the Federal Reserve Board (or any successor) for determining the maximum reserve requirement (including, but not limited to, any emergency, supplemental or other marginal reserve requirement) for Citibank in respect of liabilities which consist of or which include (among other liabilities) three-month Dollar nonpersonal time deposits in the United States PLUS (C) the average during such three-week period of the annual assessment rates estimated by Citibank for determining the then current annual assessment payable by Citibank to the Federal Deposit Insurance Corporation (or any successor) for insuring Dollar deposits of Citibank in the United States; and

(iii) the sum of (A) one half of one percent (0.50%) per annum

PLUS (B) the Federal Funds Rate in effect from time to time during such period.

"BASE RATE LOANS" means all Loans which bear interest at a rate determined by reference to the Base Rate as provided in SECTION 4.01(a).

"BASE RATE MARGIN" means one and one-half percent (1.5%) per annum; PROVIDED, HOWEVER, so long as no Event of Default has occurred and is continuing under the Loan Documents, the Base Rate Margin shall be reduced (i) to 1.25% per annum beginning on the first day of the month following the month during which financial statements are required to be delivered pursuant to SECTION 7.01 covering any fiscal period in which the Borrower maintains a Level I Status and ending on the last day of the month during which financial statements are required to be delivered pursuant to SECTION 7.01 covering any fiscal period in which the Borrower no longer maintains a Level I Status and (ii) to one percent (1.0%) per annum beginning on the first day of the month following the month during which financial statements are required to be delivered pursuant to SECTION 7.01 covering any fiscal period in which the Borrower maintains a Level II Status and ending on the last day of the month during which

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financial statements are required to be delivered pursuant to SECTION 7.01 covering any fiscal period in which the Borrower no longer maintains a Level II Status.

"BENEFIT PLAN" means a defined benefit plan as defined in Section 3(35) of ERISA (other than a Multiemployer Plan) in respect of which the Borrower or any ERISA Affiliate is, or within the immediately preceding three (3) years was, an "employer" as defined in Section 3(5) of ERISA.

"BNP" means Banque Nationale de Paris acting through its San Francisco agency and its successors.

"BNP COLLATERAL AGREEMENT" means the Collateral Agreement dated as of the Reorganization Effective Date between the Borrower and BNP as the same may be amended, supplemented or otherwise modified from time to time.

"BNP LETTERS OF CREDIT" means the letters of credit issued by BNP for the account of the Borrower as credit support for the Existing IRDBs, as such letters of credit have been modified or extended through the Closing Date.

"BNP LETTER OF CREDIT REIMBURSEMENT AGREEMENT" means the Restated and Amended Reimbursement Agreement dated as of the Reorganization Effective Date between BNP and the Borrower as the same may be amended, supplemented or

otherwise modified from time to time.

"BNP LETTER OF CREDIT DOCUMENTS" means the BNP Letters of Credit, the BNP Letter of Credit Reimbursement Agreement, the BNP Collateral Agreement, the Escrow Agreement (as defined in the BNP Collateral Agreement) and all other documents or instruments entered into in connection with the BNP Letter of Credit Reimbursement Agreement.

"BORROWER PATENT SECURITY AGREEMENT" means the patent security agreement by and between the Borrower and the Agent substantially in the form of Exhibit M hereto, as such patent security agreement may be amended, supplemented or otherwise modified from time to time.

"BORROWER PLEDGE AGREEMENT" means the pledge agreement by and between the Borrower and the Agent substantially in the form of Exhibit N hereto, as such pledge agreement may be amended, supplemented or otherwise modified from time to time.

"BORROWER SECURITY AGREEMENT" means the security agreement by and between the Borrower and the Agent substantially in the form of Exhibit J hereto, as such security agreement may be amended, supplemented or otherwise modified from time to time.

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"BORROWER TRADEMARK SECURITY AGREEMENT" means the trademark security agreement by and between the Borrower and the Agent substantially in the form of Exhibit L hereto, as such trademark security agreement may be amended, supplemented or otherwise modified from time to time.

"BORROWING" means a borrowing consisting of Loans of the same type made on the same day.

"BORROWING BASE" means, as of any date of determination, an amount equal to the sum of the following:

(i) up to eighty-five percent (85%) of the face amount of Eligible Receivables (net of maximum discounts, allowances, retainage and any other amounts adjusted or deferred with respect thereto) of the Borrower at such time;

(ii) the lesser of (A) \$16,500,000 and (B) up to the percentages set forth opposite each type of Eligible Inventory set forth below:

TYPE OF ELIGIBLE INVENTORY

PERCENTAGE

Eligible Finished Goods	50 %
Eligible Raw Materials	55 %
Eligible Work in Process	10 %;

PROVIDED, HOWEVER, in connection with Eligible Inventory manufactured or used in the manufacturing process at the Borrower's Seguin, Texas plant, such percentages for Eligible Finished Goods, Eligible Raw Materials and Eligible Work in Process shall be up to 55%, 65% and 30%, respectively.

(iii) (A) up to seventy percent (70%) of the Appraised Value of Eligible Equipment owned by the Borrower as of the review date contained in the most recent fixed asset appraisals delivered to the Agent prior to the Closing Date and at such time, PLUS (B) up to seventy percent (70%) of the Appraised Value of Eligible Equipment purchased by the Borrower during the period beginning immediately after the review date contained in the most recent fixed asset appraisals delivered to the Agent prior to the Closing Date and ending 18 months after the Closing Date and owned at such time, PLUS (C) up to fifty percent (50%) of the Appraised Value of Eligible Real Property of the Borrower in which the Borrower has a fee, leasehold or equitable interest on the Closing Date and at such time, PLUS (D) up to the lesser of (a) \$3,000,000 and (b) fifty percent (50%) of (I) EBITDA of Hexcel Lyon for the most recently ended four fiscal quarter period ending on the last day of the second fiscal quarter and the fourth fiscal quarter of each Fiscal Year (or such interim rolling four fiscal quarter

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period as the Agent may select in its sole discretion) MULTIPLIED BY two (2) MINUS (II) the average Indebtedness for borrowed money and any guarantees of Indebtedness for borrowed money outstanding of Hexcel Lyon during the four fiscal quarter period ending on such date, all as calculated by the Agent in its sole discretion based on the average exchange rates in effect during such four fiscal quarter period; PROVIDED, HOWEVER, in no case shall the aggregate amount of this clause (iii) exceed the Maximum Fixed Asset Availability applicable at such time.

For purposes of this definition, Eligible Receivables, Eligible Equipment, Eligible Real Property, each type of Eligible Inventory and the Hexcel Lyon Capital Stock Valuation, as of any date of determination, shall be determined after deduction of all Eligibility Reserves then in effect with respect to such items.

"BORROWING BASE CERTIFICATE" means a certificate, in substantially

the form of Exhibit C attached hereto and made a part hereof, setting forth Eligible Receivables, Eligible Equipment, Eligible Real Property, each type of Eligible Inventory and the Hexcel Lyon Capital Stock Valuation.

"BUSINESS DAY" means a day, in the applicable local time, which is not a Saturday or Sunday or a legal holiday and on which banks are not required or permitted by law or other governmental action to close (i) in New York, New York or (ii) in the case of Eurodollar Rate Loans, in London, England or (iii) in the case of Letter of Credit transactions for a particular Issuing Bank, in the place where its office for issuance or administration of the pertinent Letter of Credit is located.

"CAPITAL EXPENDITURES" means, for any period, the aggregate of all expenditures (whether payable in cash or other Property or accrued as a liability (but without duplication)) during such period that, in conformity with GAAP, are required to be included in or reflected by the Borrower's or any of the Restricted Subsidiaries' fixed asset accounts as reflected in any of their respective balance sheets; PROVIDED, HOWEVER, (i) Capital Expenditures shall include (A) that portion of Capital Leases which is incurred and capitalized during such period on the balance sheet of the Borrower and the Restricted Subsidiaries and (B) expenditures for Equipment which is purchased simultaneously with the trade-in or disposal of existing Equipment owned by the Borrower or any of the Restricted Subsidiaries, to the extent the gross purchase price of the purchased Equipment exceeds the actual value attributed to such Equipment at the time of such trade-in or disposal; and (ii) Capital Expenditures shall exclude expenditures made in connection with the replacement or restoration of Property, to the extent reimbursed or financed from insurance or condemnation proceeds and permitted pursuant to SECTION 8.07.

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"CAPITAL LEASE", as applied to any Person, means any lease of any property (whether real, personal or mixed) by that Person as lessee which, in conformity with GAAP, is accounted for as a capital lease on the balance sheet of that Person.

"CAPITAL STOCK", with respect to any Person, means any capital stock of such Person, regardless of class or designation, and all warrants, options, purchase rights, conversion or exchange rights, voting rights, calls or claims of any character with respect thereto.

"CASE" means the case under Chapter 11 of the Bankruptcy Code commenced by the Borrower in the Bankruptcy Court, styled In re Hexcel Corporation, Case No. 93-48535 T (Chapter 11), in respect of which the Borrower will seek to obtain the Confirmation Order.

"CASH COLLATERAL" means cash or Cash Equivalents held by the Agent, any of the Issuing Banks or any of the Lenders as security for the Obligations.

"CASH COLLATERAL ACCOUNT" means an interest bearing account at Citibank's offices in New York, New York in which Cash Collateral of the Borrower shall be deposited. The Cash Collateral Account shall be under the sole dominion and control of the Agent, PROVIDED that all amounts deposited therein shall be held by the Agent for the benefit of the Agent, the Lenders and the Issuing Banks and shall be subject to the terms of SECTION 11.03.

"CASH EQUIVALENTS" means (i) marketable direct obligations issued or unconditionally guaranteed by the United States government and backed by the full faith and credit of the United States government; (ii) domestic and Eurodollar certificates of deposit and time deposits, bankers' acceptances and floating rate certificates of deposit issued by any commercial bank organized under the laws of the United States, any state thereof, the District of Columbia, any foreign bank, or its branches or agencies (fully protected against currency fluctuations), which, at the time of acquisition, are rated A-1 (or better) by Standard & Poor's Corporation (or its successors) or P-1 (or better) by Moody's Investors Service, Inc. (or its successors); (iii) commercial paper of United States and foreign banks and bank holding companies and their subsidiaries and United States and foreign finance, commercial industrial or utility companies which, at the time of acquisition, are rated A-1 (or better) by Standard & Poor's Corporation (or its successors) or P-1 (or better) by Moody's Investors Service, Inc. (or its successors); (iv) marketable direct obligations of any state of the United States of America or any political subdivision of any such state given on the date of such investment the highest credit rating by Moody's Investor Service, Inc. (or its successors) and Standard & Poor's Corporation (or

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its successors); and (v) reverse purchase agreements covering obligations of the type specified in clause (i); PROVIDED, that the maturities of any such Cash Equivalents referred to in clauses (i) through (v) shall not exceed one hundred eighty (180) days.

"CASH INTEREST EXPENSE" means, for any period on a combined basis for any Person, all of the following as determined in conformity with GAAP, (i) total interest expense, whether paid or accrued (without duplication) (including the interest component of Capital Lease obligations for such period), including, without limitation, all commissions, discounts and other fees and charges owed with respect to letters of credit and net costs under Interest Rate Contracts, but excluding, however, (w) interest accrued prior to the

Reorganization Effective Date and paid on the Reorganization Effective Date in respect of Indebtedness repaid or extinguished on the Reorganization Effective Date, (x) amortization of discount, (y) interest paid in property other than cash and (z) any other interest expense not payable in cash, MINUS (ii) any net payments received during such period under Interest Rate Contracts.

"CERCLA" means the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. Sections 9601 ET SEQ., as amended, any successor statutes, and any regulations or legally enforceable guidelines promulgated thereunder.

"CERCLIS" is defined in SECTION 6.01(o).

"CHANGE OF CONTROL" means (i) a Person or entity or group of Persons or entities (other than Mutual Series) acting in concert, shall, as a result of a tender or exchange offer, open market purchases, privately negotiated purchases or otherwise, have become the beneficial owner (within the meaning of Rule 13d.3 under the Securities Exchange Act of 1934, as amended) of securities of the Borrower representing more than the greater of (a) 20% of the Borrower's Voting Stock and (b) the percentage of the Borrower's Voting Stock beneficially owned by Mutual Series after giving effect to such purchases; or (ii) the Borrower shall cease to own and control 100% of the outstanding Capital Stock of each Guarantor.

"CHANGE OF CONTROL EVENT" means the occurrence and continuance of a Change of Control; PROVIDED, HOWEVER, if a Change of Control of the type described in CLAUSE (i) of the definition of Change of Control shall have occurred and be continuing, such Change of Control shall not constitute a Change of Control Event until the earlier to occur of the following: (i) 60 days after the Agent or the Requisite Lenders shall have given written notice to the Borrower that a Change of Control Event will occur in 60 days and (ii) 90 days after the Borrower knows of such Change of Control.

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"CITIBANK" means Citibank, N.A., a national banking association, and its successors and Subsidiaries.

"CLAIM" means any claim or demand, by any Person, of whatsoever kind or nature for any alleged Liabilities and Costs, whether based in contract, tort, implied or express warranty, strict liability, criminal or civil statute, Permit, ordinance or regulation, common law or otherwise.

"CLASS" shall have the meaning ascribed to such term in the Plan

of Reorganization.

"CLOSING DATE" means the initial Funding Date of the Loans.

"COLLATERAL" means all Property and interests in Property now owned or hereafter acquired by the Borrower or any of its Subsidiaries upon which a Lien is granted under any of the Loan Documents.

"COLLECTION ACCOUNT AGREEMENT" means a collection account agreement executed by each Collection Account Bank, the Borrower and the Agent substantially in the form of EXHIBIT B (with such changes thereto requested by the Collection Account Bank as may be acceptable to the Agent and the Borrower), as such agreement may be amended, supplemented or otherwise modified from time to time.

"COLLECTION ACCOUNT BANK" means each bank identified as such on SCHEDULE 6.01-Z, as such schedule may be modified from time to time pursuant to SECTION 7.10, that has executed a Collection Account Agreement, at which the Borrower deposits proceeds of Collateral.

"COLLECTION ACCOUNTS" means, collectively, the collection accounts established at the Collection Account Banks; and "COLLECTION ACCOUNT" means any one of the Collection Accounts.

"COMMERCIAL LETTER OF CREDIT" means any documentary letter of credit issued by an Issuing Bank pursuant to SECTION 2.03 for the account of the Borrower, which is drawable upon presentation of documents evidencing the sale or shipment of goods purchased by the Borrower in the ordinary course of its business.

"COMPLIANCE CERTIFICATE" is defined in SECTION 7.01(d).

"CONCENTRATION ACCOUNT" means account number 4066-6421 (CUSA-f.a.o. Hexcel Corporation) of the Borrower at the offices of Citibank at 399 Park Avenue, 10th Floor, New York, New York 10043, Attention: Patricia Ellis, into which all funds from the

Collection Accounts shall be transferred on a daily basis in accordance with SECTION 3.05. The Concentration Account shall be under the sole dominion and control of the Agent; PROVIDED that all amounts deposited therein shall be held by the Agent as Cash Collateral for the benefit of the Agent, the Lenders, the Issuing Banks and the other Holders and shall be subject to the terms of this Agreement.

"CONFIRMATION ORDER" means an order of the Bankruptcy Court entered pursuant to Sections 1129 and 1141 of the Bankruptcy Code confirming the Plan of Reorganization.

"CONSTITUENT DOCUMENT" means, with respect to any entity, (i) the articles/certificate of incorporation (or the equivalent organizational documents) of such entity, (ii) the by-laws (or the equivalent governing documents) of such entity and (iii) any document setting forth the designation, amount and/or relative rights, limitations and preferences of any class or series of such entity's Capital Stock.

"CONTAMINANT" means any pollutant, hazardous substance, radioactive substance, toxic substance, hazardous waste, radioactive waste, special waste, petroleum or petroleum-derived substance or waste, asbestos in any form or condition, polychlorinated biphenyls (PCBs), or any hazardous or toxic constituent thereof and includes, but is not limited to, as these terms are defined under Environmental, Health or Safety Requirements of Law.

"CONTRACTUAL OBLIGATION", as applied to any Person, means any provision of any Securities issued by that Person or any indenture, mortgage, deed of trust, security agreement, pledge agreement, guaranty, contract, undertaking, agreement or instrument to which that Person is a party or by which it or any of its properties is bound, or to which it or any of its properties is subject.

"CUMULATIVE CASH FLOW" means, with respect to the Borrower and the Restricted Subsidiaries for any period, (i) EBITDA of the Borrower and the Restricted Subsidiaries for such period, MINUS (ii) current federal, state and local income taxes accrued by the Borrower and the Restricted Subsidiaries during such period, MINUS (iii) increases (or PLUS decreases) in Working Capital of the Borrower and the Restricted Subsidiaries during such period; PROVIDED, that (A) liabilities subject to compromise that are reinstated on the Effective Date and (B) any changes in the classification of liabilities relating to DIC shall not be considered changes in Working Capital, MINUS (iv) cash charges taken by the Borrower and the Restricted Subsidiaries against restructuring reserves during such period, MINUS (v) bankruptcy reorganization charges taken by the Borrower and the Restricted Subsidiaries in connection with the Case during such period,

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MINUS (vi) any extraordinary cash losses of the Borrower and the Restricted Subsidiaries during such period.

"CURE LOANS" is defined in SECTION 3.02(b)(v)(C).

"CURRENCY AGREEMENT" means any foreign exchange contract, currency swap agreement or other similar agreement or arrangement.

"CUSTOMARY PERMITTED LIENS" means Liens (other than Environmental Liens and Liens in favor of the PBGC)

(i) with respect to the payment of taxes, assessments or governmental charges in all cases which are not yet due or which are being contested in good faith by appropriate proceedings and with respect to which adequate reserves or other appropriate provisions are being maintained in accordance with GAAP;

(ii) of landlords arising by statute and Liens of suppliers, mechanics, carriers, materialmen, warehousemen or workmen and other Liens imposed by law created in the ordinary course of business for amounts not yet due or which are being contested in good faith by appropriate proceedings and with respect to which adequate reserves or other appropriate provisions are being maintained in accordance with GAAP;

(iii) incurred or deposits made in the ordinary course of business in connection with worker's compensation, unemployment insurance or other types of social security benefits or to secure the performance of bids, tenders, sales, contracts (other than for the repayment of borrowed money), deposits for utility services and operating Leases, surety, appeal, customs and performance bonds; PROVIDED that all such Liens do not in the aggregate materially detract from the value of the Borrower's or such Subsidiary's assets or Property or materially impair the use thereof in the operation of the Borrower's and its Subsidiaries' businesses;

(iv) arising as a result of progress payments under Government Contracts;

(v) arising with respect to zoning restrictions, easements, licenses, reservations, covenants, rights-of-way, utility easements, building restrictions and other similar charges or encumbrances on the use of Real Property which do not materially interfere with the ordinary conduct of the business of the Borrower or any of its Subsidiaries;

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(vi) arising as a result of leases or subleases of Real Property in effect on the Closing Date and any other leases or subleases of Real Property approved by the Agent, PROVIDED that all such Liens do not in the aggregate materially detract from the value of the Borrower's or such

Subsidiary's assets or Property or materially impair the use thereof in the operation of the businesses; and

(vii) constituting the filing of notice financing statements of a lessor's rights in and to personal property leased to the Borrower in the ordinary course of the Borrower's business.

"DECISION PERIOD" is defined in SECTION 8.07.

"DEFAULT" means an event which, with the giving of notice or the lapse of time, or both, would constitute an Event of Default.

"DIC" means the joint venture entered into between the Borrower and Dainippon Ink & Chemicals, Inc. ("Dainippon"), pursuant to that certain Parent Company Agreement dated as of April 17, 1990 under which the Borrower and Dainippon caused Hexcel Technologies, Inc. and DIC Technologies, Inc., (wholly-owned subsidiaries of the Borrower and Dainippon Ink & Chemicals, Inc., respectively) to enter into that certain Participants Agreement dated as of September 14, 1990 pursuant to which Hexcel Technologies, Inc. and DIC Technologies, Inc. formed Hexcel-DIC Partnership ("HDP") and pursuant to which Hexcel Technologies, Inc. and DIC Technologies Inc., caused HDP to form DIC-Hexcel, Ltd. as a wholly-owned subsidiary of HDP.

"DIP FACILITY" means the Borrower's existing debtor-in-possession facility with The CIT Group/Business Credit, Inc. ("CIT") pursuant to the Debtor in Possession Credit Agreement dated as of December 8, 1993 between the Borrower and CIT, as amended, supplemented or otherwise modified from time to time.

"DISBURSEMENT ACCOUNT" means the disbursement account of the Borrower designated as such by the Borrower by written notice to the Agent.

"DISCLOSURE STATEMENT" means the written statement, dated November 7, 1994, as amended, supplemented, or modified from time to time, describing the Plan of Reorganization (and the transactions and events contemplated thereby) that is prepared and distributed in accordance with Sections 1125 and 1126(b) of the Bankruptcy Code and Rule 3018 promulgated thereunder, as amended.

"DOL" means the United States Department of Labor and any successor department or agency.

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"DOLLARS" and "\$" mean the lawful money of the United States.

"DOLLAR EQUIVALENT" means, with respect to any Alternative

Currency at the time of determination thereof, the equivalent of such currency in Dollars determined at the rate of exchange quoted by the Agent in New York, New York at 11:00 a.m. (New York time) on the date of determination, to prime banks in New York for the spot purchase in the New York foreign exchange market of such amount of Dollars with such Alternative Currency.

"DOMESTIC LENDING OFFICE" means, with respect to any Lender, such Lender's office, located in the United States, specified as the "Domestic Lending Office" under its name on the signature pages hereof or on the Assignment and Acceptance by which it became a Lender or such other United States office of such Lender as it may from time to time specify by written notice to the Borrower and the Agent.

"EBITDA" means, for any period on a combined basis for any Person, (i) the sum of the amounts for such period for such Person of (A) Net Income, (B) depreciation and amortization expense, (C) total interest expense, (D) charges for federal, state, local and foreign income taxes and (E) extraordinary losses (including restructuring charges and bankruptcy reorganization charges in connection with the Case and charges in connection with DIC) which have been deducted in the determination of Net Income, MINUS (ii) the sum of (A) extraordinary gains not already excluded from the determination of Net Income (including, without limitation, gains in connection with the sale of Property and gains based upon market valuation, GAAP valuation or sale of Securities) and (B) interest and other income, including without limitation, equity income from Unrestricted Subsidiaries (or minus equity loss from Unrestricted Subsidiaries).

"EQUITY COMMITTEE" means the Official Committee of Equity Security Holders of Hexcel Corporation.

"ELIGIBILITY RESERVES" means, as of five (5) days after the date of written notice of any determination thereof to the Borrower by the Agent, or to the Borrower and the Agent by the Requisite Lenders, such amounts as the Agent, or the Requisite Lenders, as the case may be, in the exercise of its or their reasonable credit judgment and in accordance with its or their customary criteria, may from time to time establish against the gross amounts of Eligible Receivables, Eligible Equipment, Eligible Real Property and each type of Eligible Inventory or against the Hexcel Lyon Capital Stock Valuation to reflect risks or contingencies arising after the Closing Date which may affect such items and which have not already been taken into account in the determination of Eligible Receivables, Eligible Equipment,

Eligible Real Property, each type of Eligible Inventory, or the Hexcel Lyon Capital Stock Valuation, as the case may be.

"ELIGIBLE ASSIGNEE" means (i) a Lender or any Affiliate thereof; (ii) a commercial bank having total assets in excess of \$500,000,000; (iii) a finance company, insurance company, other financial institution or fund, reasonably acceptable to the Agent, which is regularly engaged in making, purchasing or investing in loans and having total assets in excess of \$500,000,000; (iv) a savings and loan association or savings bank organized under the laws of the United States or any state thereof which has a net worth, determined in accordance with GAAP, in excess of \$350,000,000; or (v) a finance company, insurance company, bank, other financial institution or fund acceptable to the Agent which acceptance shall not be unreasonably withheld.

"ELIGIBLE EQUIPMENT" means any Equipment of the Borrower (i) with respect to which the Agent has a valid and perfected first priority Lien, (ii) with respect to which no warranty contained in any of the Loan Documents has been breached and (iii) which the Agent deems to be Eligible Equipment, based on such credit and collateral considerations as the Agent may deem appropriate.

"ELIGIBLE FINISHED GOODS" means Inventory of the Borrower which is classified, consistent with past practice, on the Borrower's accounting system as Finished Goods, which is otherwise Eligible Inventory.

"ELIGIBLE INVENTORY" means Inventory of the Borrower (other than any Inventory which has been consigned to the Borrower) (i) with respect to which the Agent has a valid and perfected first priority Lien, (ii) with respect to which no warranty contained in any of the Loan Documents has been breached, (iii) which is not in the reasonable opinion of the Agent, obsolete or unmerchantable and (iv) which the Agent deems to be Eligible Inventory, based on such credit and collateral considerations as the Agent may deem appropriate. Eligible Inventory shall be valued at the lower of cost on a first-in, first-out basis or Fair Market Value. No Inventory of the Borrower shall be Eligible Inventory if such Inventory is located, stored, used or held at the premises of a third party unless (A) the Agent shall have received a landlord, bailee or similar letter from such third party in form and substance satisfactory to the Agent and (B) an appropriate UCC-1 financing statement shall have been executed with respect to such location. The Agent reserves the right, in accordance with its customary practices, to create, from time to time, additional categories of ineligible Inventory.

"ELIGIBLE RAW MATERIALS" means Inventory of the Borrower which is classified, consistent with past practice, on

the Borrower's accounting system as Raw Materials, which is otherwise Eligible Inventory.

"ELIGIBLE REAL PROPERTY" means any Real Property of the Borrower (i) with respect to which the Agent has a valid and perfected first priority Lien, (ii) with respect to which no warranty contained in any of the Loan Documents has been breached, (iii) with respect to which the Agent has received a fixed asset appraisal in form, scope and substance satisfactory to the Agent and (iv) which the Agent deems to be Eligible Real Property, based on such credit and collateral considerations as the Agent may deem appropriate.

"ELIGIBLE RECEIVABLE" means each Receivable of the Borrower which, when scheduled to the Agent and at all times thereafter, is not, except as otherwise agreed by the Agent in its sole discretion, of any of the following types:

(i) (A) it arises out of a sale the original terms of which provide for payment more than 90 days after the date of the original invoice issued by the Borrower in connection with such sale or (B) it is more than 60 days past due, according to the original terms of sale; or

(ii) it arises out of a sale not made in the ordinary course of the Borrower's business or a sale to a Person which is an Affiliate of the Borrower or controlled by an Affiliate of the Borrower; PROVIDED, HOWEVER, that directors of the Borrower shall not be deemed to be Affiliates for purposes of this clause (ii); or

(iii) it fails to meet or violates any warranty, representation or covenant contained in this Agreement or any of the other Loan Documents; or

(iv) the account debtor is also the Borrower's supplier or creditor and (A) the Receivable is or may become subject to any right of setoff by the account debtor, if such account debtor has not entered into an agreement, in form and substance satisfactory to the Agent, with the Agent with respect to the waiver of rights of setoff or (B) the account debtor has disputed liability with respect to such Receivable, or made any claim with respect to any other Receivable due from such account debtor to the Borrower in which case the Receivable shall be ineligible to the extent of such dispute, claim or setoff; or

(v) the account debtor has filed a petition for bankruptcy or any other petition for relief under the Bankruptcy Code or any similar statute, made an assignment for the benefit of creditors, or if any

petition or other application for relief under the Bankruptcy Code or any similar statute has been filed against the account debtor, or if the account debtor has failed, suspended its business operations, become insolvent, suffered a receiver or a trustee to be appointed for any of its assets or affairs, or is generally failing to pay its debts as they become due; provided that the Agent may, in its sole discretion, deem any such Receivable to be an Eligible Receivable if the relevant account debtor has entered into postpetition financing arrangements satisfactory to the Agent; or

(vi) it arises in respect of a sale to an account debtor outside the United States, unless the account debtor's obligations (or that portion of such obligations which is acceptable to the Agent) with respect to such sale are secured by a letter of credit, guaranty or eligible bankers' acceptance having terms, and from such issuers and confirming banks, as are reasonably acceptable to the Agent; or

(vii) the sale is on a bill-and-hold, sale conditioned upon future delivery of products, guaranteed sale, sale-and-return, sale on approval, consignment, or any other repurchase or return basis; or

(viii) the Agent determines and advises the Borrower in writing that, in the exercise of the Agent's reasonable credit judgment, that collection of such Receivable is insecure or that such Receivable may not be paid by reason of the account debtor's financial inability to pay; or

(ix) the account debtor is the United States of America or any department, agency or instrumentality thereof, unless the Borrower or its applicable Subsidiary assigns its right to payment of such Receivable to the Agent pursuant to the Assignment of Claims Act; or

(x) the goods, the delivery of which has given rise to such Receivable, have not been delivered to and accepted by the account debtor, or the services, the performance of which has given rise to such Receivable, have not been performed by the Borrower and accepted by the account debtor; or

(xi) the Receivable(s) of the respective account debtor exceed(s) a credit limit determined by the Agent, in the exercise of its reasonable credit judgment, at any time or times hereafter, in which case such Receivable(s) shall be ineligible to the extent such Receivable(s) exceed(s) such limit; or

(xii) the Agent does not have a senior, perfected security interest in such Receivable or such Receivable is subject to a Lien which is not permitted under SECTION 9.03; or

(xiii) the account debtor is located in either of the states of New Jersey or Minnesota and the Borrower has not filed and maintained effective a current Business Activity Report with the appropriate Governmental Authority in the state of New Jersey or Minnesota, as applicable, or, with respect to the State of New Jersey, the Borrower has not received and maintained effective a certificate of authority to do business in such state; or

(xiv) the sale is to an account debtor with respect to which fifty percent (50%) or more of all Receivables owing by such account debtor are ineligible for any reason; or

(xv) it arises out of or in connection with a retainage or similar arrangement; or

(xvi) it is deemed ineligible by the Agent in accordance with the Agent's customary criteria.

"ELIGIBLE WORK IN PROCESS" means Inventory (net of any inventory where progress payments are being received) of the Borrower which is classified, consistent with past practice, on the Borrower's accounting system as Work in Process or Goods in Process, which is otherwise Eligible Inventory.

"EMT SALE" means the sale by the Borrower of its Chandler, Arizona plant and its EMT technology pursuant to the Asset Purchase Agreement dated as of November 3, 1994 by and between the Borrower and Northrop Grumman Corporation.

"ENVIRONMENTAL, HEALTH OR SAFETY REQUIREMENTS OF LAW" means all Requirements of Law derived from or relating to federal, state and local laws or regulations relating to or addressing the environment, health or safety, including but not limited to any law, regulation, or order relating to the use, handling, or disposal of any Contaminant, any law, regulation, or order relating to Remedial Action and any law, regulation, or order relating to workplace or worker safety and health, and such Requirements as are promulgated by the specifically authorized Governmental Authority responsible for administering such Requirements, each as from time to time hereafter in effect.

"ENVIRONMENTAL LIEN" means a Lien in favor of any Governmental Authority for any (i) liabilities under any Environmental, Health or Safety Requirements of Law, or (ii) damages arising from, or costs incurred by such Governmental

Authority in response to, a Release or threatened Release of a Contaminant into the environment.

"ENVIRONMENTAL PROPERTY TRANSFER ACTS" means any applicable Requirement of Law that conditions, restricts, prohibits or requires any notification or disclosure triggered by the closure of any Property or the transfer, sale or lease of any Property or deed or title for any Property for environmental reasons, including, but not limited to, any so-called "Environmental Cleanup Responsibility Acts" or "Responsible Transfer Acts".

"EQUIPMENT" means all of the Borrower's and its Subsidiaries' present and future (i) equipment, including, without limitation, machinery, manufacturing, distribution, selling, data processing and office equipment, assembly systems, tools, molds, dies, fixtures, appliances, furniture, furnishings, vehicles, vessels, aircraft, aircraft engines, and trade fixtures, (ii) other tangible personal Property (other than the Borrower's and its Subsidiaries' Inventory), and (iii) any and all accessions, parts and appurtenances attached to any of the foregoing or used in connection therewith, and any substitutions therefor and replacements, products and proceeds thereof.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and any successor statute.

"ERISA AFFILIATE" means any (i) corporation which is a member of the same controlled group of corporations (within the meaning of Section 414(b) of the Internal Revenue Code) as the Borrower, (ii) partnership or other trade or business (whether or not incorporated) under common control (within the meaning of Section 414(c) of the Internal Revenue Code) with the Borrower, and (iii) member of the same affiliated service group (within the meaning of section 414(m) of the Internal Revenue Code) as the Borrower, any corporation described in clause (i) above or any partnership or trade or business described in clause (ii) above.

"EURODOLLAR AFFILIATE" means, with respect to each Lender, the Affiliate of such Lender (if any) set forth below such Lender's name under the heading "Eurodollar Affiliate" on the signature pages hereof or on the Assignment and Acceptance by which it became a Lender or such Affiliate of a Lender as it may from time to time specify by written notice to the Borrower and the Agent.

"EURODOLLAR INTEREST PAYMENT DATE" means (i) with respect to any Eurodollar Rate Loan, the last day of each Interest Period applicable to such Loan and (ii) with respect to any Eurodollar Rate Loan having an Interest Period in excess of three (3) calendar months, the last day of each three (3) calendar month interval during such Interest Period.

"EURODOLLAR LENDING OFFICE" means, with respect to any Lender, the office or offices of such Lender (if any) set forth below such Lender's name under the heading "Eurodollar Lending Office" on the signature pages hereof or on the Assignment and Acceptance by which it became a Lender or such office or offices of such Lender as it may from time to time specify by written notice to the Borrower and the Agent.

"EURODOLLAR RATE" shall mean, with respect to any Interest Period applicable to a Borrowing of Eurodollar Rate Loans, (a) an interest rate per annum obtained by DIVIDING (i) the interest rate per annum determined by the Agent to be the average (rounded upward to the nearest whole multiple of one-sixteenth of one percent (0.0625%) per annum if such average is not such a multiple) of the rates per annum specified by notice to the Agent by Citibank as the rates per annum at which deposits in Dollars are offered by the principal office of Citibank in London, England to major banks in the London interbank market at approximately 11:00 a.m. (London time) on the Eurodollar Interest Rate Determination Date for such Interest Period for a period equal to such Interest Period and in an amount substantially equal to the amount of the Eurodollar Rate Loan to be outstanding to Citicorp for such Interest Period, BY (ii) a percentage equal to 100% MINUS the Eurodollar Reserve Percentage PLUS (b) the Eurodollar Rate Margin to such Interest Period. The Eurodollar Rate shall be adjusted automatically on and as of the effective date of any change in the Eurodollar Reserve Percentage.

"EURODOLLAR RATE MARGIN" means two and one-half percent (2.50%) per annum; PROVIDED, HOWEVER, so long as no Event of Default has occurred and is continuing, the Eurodollar Rate Margin shall be reduced (i) to two and one-quarter percent (2.25%) per annum beginning on the first day of the month following the month during which financial statements are required to be delivered pursuant to SECTION 7.01 covering any fiscal period in which the Borrower maintains a Level I Status and ending on the last day of the month during which financial statements are delivered pursuant to SECTION 7.01 covering any fiscal period in which the Borrower no longer maintains a Level I Status and (ii) to two percent (2.0%) per annum beginning on the first day of the month following the month during which financial statements are delivered pursuant to SECTION 7.01 covering any fiscal period in which the Borrower maintains a Level II Status and ending on the last day of the month during which financial statements are required to be delivered pursuant to SECTION 7.01 covering any fiscal period in which the Borrower no longer maintains a Level II Status.

"EURODOLLAR RATE LOANS" means those Loans outstanding which bear interest at a rate determined by reference to the Eurodollar Rate and the

"EURODOLLAR RESERVE PERCENTAGE" means, for any day, that percentage which is in effect on such day, as prescribed by the Federal Reserve Board for determining the maximum reserve requirement (including, without limitation, any emergency, supplemental or other marginal reserve requirement) for a member bank of the Federal Reserve System in New York, New York with deposits exceeding five billion Dollars in respect of "Certificate of Deposit Liabilities" (or in respect of any other category of liabilities which includes deposits by reference to which the interest rate on Eurodollar Rate Loans is determined or any category of extensions of credit or other assets which includes loans by a non-United States office of any bank to United States residents).

"EUROPEAN RESINS SALE" means the sale by the Borrower of its resins business in France, Germany, Italy and Spain to an investor group sponsored by management pursuant to the Stock Purchase Agreement dated as of December 27, 1994 by and between the Borrower and Axson S.A.

"EVENT OF DEFAULT" means any of the occurrences set forth in SECTION 11.01 after the expiration of any applicable grace period and the giving of any applicable notice, in each case as expressly provided in SECTION 11.01.

"EXISTING IRDBS" means the industrial revenue development bonds identified on SCHEDULE 1.01.7.

"EXISTING JOINT VENTURE" means (i) Knytex, (ii) DIC and (iii) Fyfe.

"FAIR MARKET VALUE" means, with respect to any asset or group of assets, the value of the consideration obtainable in a sale of such asset in the open market, assuming a sale by a willing seller to a willing purchaser dealing at arm's length and arranged in an orderly manner over a reasonable period of time, each having reasonable knowledge of the nature and characteristics of such asset, neither being under any compulsion to act, determined (a) in good faith by the board of directors of the Borrower, PROVIDED that the value of any asset or group of assets with a book value of less than \$500,000 shall be determined in good faith by the management of the Borrower or (b) in an appraisal of such asset, PROVIDED that such appraisal was performed relatively contemporaneously with such determination of the fair market value by an independent third party appraiser and the basic assumptions underlying such appraisal have not materially changed since the date thereof.

"FEDERAL FUNDS RATE" means, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published for such day (or,

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if such day is not a Business Day in New York, New York, for the next preceding Business Day) in New York, New York by the Federal Reserve Bank of New York, or if such rate is not so published for any day which is a Business Day in New York, New York, the average of the quotations for such day on such transactions received by Citibank from three federal funds brokers of recognized standing selected by the Agent.

"FEDERAL RESERVE BOARD" means the Board of Governors of the Federal Reserve System or any Governmental Authority succeeding to its functions.

"FINAL ORDER" shall have the meaning set forth in the Plan of Reorganization.

"FISCAL YEAR" means the fiscal year of the Borrower, which shall be the four fiscal quarter period ending on the closest Sunday to December 31 of each calendar year.

"FIXED CHARGES" means, for any period for any Person, the sum of the amounts for such period of (i) Cash Interest Expense of such Person, (ii) the higher of scheduled or actual payments of principal on Indebtedness of such Person, including, without limitation, the principal component of Capital Lease obligations, the amount of cash payments or sinking fund deposits made or Letters of Credit issued in connection with the BNP Reimbursement Agreement and the amount of payments made to DIC, but excluding Indebtedness repaid or extinguished on the Reorganization Effective Date and (iii) cash dividends paid by the Borrower.

"FIXED CHARGE COVERAGE RATIO" means, with respect to any period, the ratio of (i) EBITDA of the Borrower and the Restricted Subsidiaries for such period, MINUS Capital Expenditures paid by the Borrower and the Restricted Subsidiaries during such period, MINUS current federal, state and local income taxes accrued by the Borrower and the Restricted Subsidiaries during such period, MINUS Investments made by the Borrower and the Restricted Subsidiaries in Unrestricted Subsidiaries, PLUS Net Cash Proceeds of the type set forth in clause (i) of the definition thereof received after the Closing Date (including, without limitation, Net Cash Proceeds received after the Closing Date in respect of the EMT Sale, the Borrower's domestic resins business and the Graham, Texas

Real Property) received during such period to the extent not included in the calculation of EBITDA for such period to (ii) Fixed Charges of the Borrower and the Restricted Subsidiaries for such period.

"FOREIGN EMPLOYEE BENEFIT PLAN" means any employee benefit plan as defined in Section 3(3) of ERISA which is maintained or contributed to for the benefit of the employees of the Borrower, any of its Subsidiaries or any of its ERISA

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Affiliates, but which is not covered by ERISA pursuant to ERISA Section 4(b)(4).

"FOREIGN PENSION PLAN" means any Foreign Employee Benefit Plan which under applicable local law, is required to be funded through a trust or other funding vehicle other than a trust or funding vehicle maintained by a Governmental Authority.

"FUNDING DATE" means, with respect to any Loan, the date of the funding of such Loan.

"FYFE" means the joint venture entered into between the Borrower and Fyfe Associates pursuant to an Agreement dated as of October 13, 1992 for the sale and installation of high strength architectural wrap.

"GAAP" means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board, the American Institute of Certified Public Accountants and the Financial Accounting Standards Board or in such other statements by such other entity as may be in general use by significant segments of the accounting profession as in effect on the date hereof (unless otherwise specified pursuant to SECTION 13.04).

"GENERAL INTANGIBLES" means all of the Borrower's and its Subsidiaries' present and future choses in action, causes of action, and all other intangible personal property of every kind and nature (other than Receivables), including, without limitation, corporate, partnership and other business records, inventions, designs, patents, patent applications, trademarks, service marks, trademark and service mark applications and registrations, trade names, trade secrets, goodwill, registrations, copyrights and copyright applications, licenses, franchises, customer lists, tax refunds, tax refund claims, rights and claims against carriers, shippers, franchisees, lessors, and lessees, and rights to indemnification.

"GOVERNMENT CONTRACT" means any bid, quotation, proposal, contract, agreement, work authorization, lease, commitment or sale or purchase order of Borrower or its Subsidiaries that is with the United States Government,

or any state, local or foreign government, including, without limitation, all contracts and work authorizations to supply goods and services to the United States Government or its agencies.

"GOVERNMENTAL AUTHORITY" means any nation or government, any federal, state or local government or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to such government or political subdivision.

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"GUARANTOR" means each Restricted Subsidiary party to the Subsidiary Guaranty.

"HEXCEL ALPHA" means Hexcel Alpha Corp., a Delaware corporation.

"HEXCEL BETA" means Hexcel Beta Corp., a Delaware corporation.

"HEXCEL LYON" means Hexcel S.A., a French corporation.

"HEXCEL LYON CAPITAL STOCK VALUATION" means the value attributable to the Capital Stock of Hexcel Lyon based on the calculations set forth in CLAUSE (iii) (D) of the definition of "BORROWING BASE".

"HEXCEL LYON SUBORDINATED NOTE" means the subordinated promissory note substantially in the form of EXHIBIT P hereto in the principal amount of \$2,613,000, dated the Reorganization Effective Date, payable by the Borrower to Hexcel Lyon and subordinated to the payment of the Obligations, to be delivered to Hexcel Lyon pursuant to SECTION 8.19.

"HOLDER" means any Person entitled to enforce any of the Obligations, whether or not such Person holds any evidence of Indebtedness, including, without limitation, the Agent, each Lender and each Issuing Bank.

"INDEBTEDNESS", as applied to any Person, at any time, shall mean any obligation for the payment of money which is a Contractual Obligation, and shall include, without limitation but without duplication, (a) all indebtedness, obligations or other liabilities of such Person (i) for borrowed money or evidenced by debt securities, debentures, acceptances, notes or other similar instruments, and any accrued interest, fees and charges relating thereto, (ii) in respect of obligations to redeem, repurchase or exchange any Securities of such Person or to pay cash dividends in respect of any stock, (iii) with respect to letters of credit issued for such Person's account, (iv) to pay the deferred purchase price of property or services, except accounts payable and accrued

expenses arising in the ordinary course of business, (v) in respect of Capital Leases, (vi) which are Accommodation Obligations, (vii) upon which interest charges are customarily paid (including zero coupon instruments) or (viii) under conditional sale or other title retention agreements relating to property purchased by such Person; (b) all indebtedness, obligations or other liabilities of such Person or others secured by a Lien on any property of such Person, whether or not such indebtedness, obligations or liabilities are assumed by such Person, all as of such time; (c) all indebtedness, obligations or other liabilities of such Person in respect of Interest Rate Contracts and Currency Agreements, net of liabilities owed to

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such Person by the counterparts thereon; and (d) all contingent Contractual Obligations with respect to any of the foregoing.

"INDEMNITEE" is defined in SECTION 13.03.

"INDEMNIFIED MATTER" is defined in SECTION 13.03.

"INITIAL PROJECTIONS" means the financial projections dated as of February 2, 1995 and set forth on SCHEDULE 1.01.1 prepared by the management of the Borrower with respect to the Borrower and the Restricted Subsidiaries on a combined basis and on a quarterly basis for Fiscal Years 1995 through 1997 and supporting materials delivered in connection therewith, delivered by the Borrower to the Lenders prior to the Closing Date.

"INTERCREDITOR AGREEMENT" means the Intercreditor Agreement dated as of the Reorganization Effective Date among Mutual Series, the Lenders and the Agent.

"INTEREST COVERAGE RATIO" means, with respect to any period, the ratio of (i) EBITDA of the Borrower and the Restricted Subsidiaries for such period to (ii) Cash Interest Expense of the Borrower and the Restricted Subsidiaries for such period.

"INTEREST PERIOD" is defined in SECTION 4.02(b).

"INTEREST RATE CONTRACTS" means interest rate exchange, swap, collar or cap or similar agreements providing interest rate protection.

"INTEREST RATE DETERMINATION DATE" is defined in SECTION 4.02(c).

"INTERNAL REVENUE CODE" means the Internal Revenue Code of 1986, as amended to the date hereof and from time to time hereafter, any successor

statute and any regulations or guidance promulgated thereunder.

"INVENTORY" means all of the Borrower's and each of the Restricted Subsidiaries' present and future (i) inventory (including unbilled accounts receivable), (ii) goods, merchandise and other personal Property furnished or to be furnished under any contract of service or intended for sale or lease, and all goods consigned by the Borrower or such Restricted Subsidiary and all other items which have previously constituted Equipment but are then currently being held for sale or lease in the ordinary course of the Borrower's or such Restricted Subsidiary's business, (iii) raw materials, work-in-process and finished goods, (iv) materials and supplies of any kind, nature or description used or consumed in the Borrower's or such Restricted Subsidiary's business or in connection with the manufacture, production, packing, shipping, advertising, finishing or sale of

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any of the Property described in CLAUSES (i) through (iii) above, (v) goods in which the Borrower or such Restricted Subsidiary has a joint or other interest to the extent of the Borrower's or such Restricted Subsidiary's interest therein or right of any kind (including, without limitation, goods in which the Borrower or such Restricted Subsidiary has an interest or right as consignee), and (vi) goods which are returned to or repossessed by the Borrower or such Restricted Subsidiary; in each case whether in the possession of the Borrower or such Restricted Subsidiary, a bailee, a consignee, or any other Person for sale, storage, transit, processing, use or otherwise, and any and all documents for or relating to any of the foregoing.

"INVESTMENT" means, with respect to any Person, (i) any purchase or other acquisition by that Person of Securities, or of a beneficial interest in Securities issued by or other equity ownership interest in any other Person, (ii) any purchase by that Person of all or a significant part of the assets of a business conducted by another Person, (iii) any loan, advance (other than prepaid expenses, accounts receivable, advances to employees and similar items made or incurred in the ordinary course of business as presently conducted), or capital contribution by that Person to any other Person, including all Indebtedness to such Person arising from a sale of property by such Person other than in the ordinary course of its business and (iv) any deposit and cash collateral accounts with financial institutions.

"INVESTMENT ACCOUNT" means account number 4066-7301 of the Borrower at the Citibank's offices in New York, New York into which certain cash proceeds of Collateral may be transferred in accordance with SECTION 3.02(b). The Investment Account shall be under the sole dominion and control of the Agent; PROVIDED that all amounts deposited therein shall be held by the Agent as Cash Collateral for the benefit of the Agent, the Lenders, the Issuing Banks

and the other Holders and shall be subject to the terms of SECTION 11.03.

"ISSUE" means, with respect to any Letter of Credit, either to issue, or to extend the expiry of, or to renew, or to increase the amount of, such Letter of Credit and the terms "ISSUED" and "ISSUANCE" shall have corresponding meanings.

"ISSUING BANKS" means Citibank and each other Lender (or Affiliate of a Lender) approved by the Agent and the Borrower who has agreed to become an Issuing Bank for the purpose of issuing Letters of Credit pursuant to SECTION 2.03.

"KNYTEX" means the joint venture entered into between the Borrower and Owens-Corning Fiberglas Corporation pursuant to a Limited Liability Company Agreement dated as of June 14, 1993 for the production and marketing of stitchbonded fabrics.

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"KNYTEX CREDIT FACILITY" means that certain \$4,500,000 revolving credit facility to be entered into between Knytex and Creekwood Capital Corporation in connection with which the Borrower will agree, among other things, to subordinate certain amounts payable to it by Knytex upon the occurrence of an event of default under the loan documents relating thereto.

"LEASES" means those leases, tenancies or occupancies entered into by the Borrower or one of its Subsidiaries, as tenant, sublessor or sublessee either directly or as the successor in interest to the Borrower or any of the Restricted Subsidiaries.

"LENDER" means, as of the Closing Date, Citicorp and each other institution (other than the Borrower) which is a signatory hereto and, at any other given time, each institution which is a party hereto as a Lender, whether as a signatory hereto or pursuant to an Assignment and Acceptance.

"LETTER AGREEMENT" means the fee letter dated January 6, 1995 from Citicorp and accepted and agreed to by the Borrower.

"LETTER OF CREDIT" means any Commercial Letter of Credit or Standby Letter of Credit.

"LETTER OF CREDIT AVAILABILITY" means, at any particular time, the amount by which the Letter of Credit Sublimit exceeds the Letter of Credit Obligations outstanding at such time.

"LETTER OF CREDIT FEE" is defined in SECTION 4.03(a).

"LETTER OF CREDIT OBLIGATIONS" means, at any particular time, the sum of (i) all outstanding Reimbursement Obligations, PLUS (ii) the aggregate undrawn face amount of all outstanding Letters of Credit, PLUS (iii) the aggregate face amount of all Letters of Credit requested by the Borrower but not yet issued (unless the request for an unissued Letter of Credit has been denied pursuant to SECTION 2.03(c)(i)). For purposes of determining the amount of Letter of Credit Obligations (or any component thereof) in respect of any Letter of Credit which is denominated in an Alternative Currency, such amount shall equal the Dollar Equivalent of the amount of such Alternative Currency at the time of determination thereof.

"LETTER OF CREDIT REIMBURSEMENT AGREEMENT" means, with respect to a Letter of Credit, such form of application therefor and form of reimbursement agreement therefor (whether in a single or several documents, taken together) as the Issuing Bank from which the Letter of Credit is requested may employ in the ordinary course of business for its own account, with such modifications thereto as may be agreed upon by the Issuing Bank and the Borrower and as are not materially adverse (in the

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judgment of the Issuing Bank) to the interests of the Lenders; PROVIDED, HOWEVER, in the event of any conflict between the terms hereof and of any Letter of Credit Reimbursement Agreement, the terms hereof shall control.

"LETTER OF CREDIT SUBLIMIT" means Twenty Million Dollars (\$20,000,000).

"LEVEL I STATUS" means any fiscal quarter during which the Fixed Charge Coverage Ratio as determined as of the last day of such fiscal quarter for the four quarter fiscal period ending on such last day (or if the period from the Closing Date to such last day is less than four full fiscal quarters, such shorter period) is at least 1.3 to 1.

"LEVEL II STATUS" means any fiscal quarter during which the Fixed Charge Coverage Ratio as determined as of the last day of such fiscal quarter for the four quarter fiscal period ending on such last day (or if the period from the Closing Date to such last day is less than four full fiscal quarters, such shorter period) is at least 2 to 1.

"LIABILITIES AND COSTS" means all liabilities, obligations, responsibilities, losses and damages with respect to or arising out of any of the following: personal injury, death, punitive damages, economic damages, consequential damages, treble damages, intentional, willful or wanton injury,

damage or threat to the environment or public health or welfare, costs and expenses (including, without limitation, attorney, expert and consulting fees and costs of investigation, feasibility or Remedial Action studies), fines, penalties and monetary sanctions, voluntary disclosures made to, or settlements with, the United States Government, interest, direct or indirect, known or unknown, absolute or contingent, past, present or future, including interest, if any, thereon.

"LIEN" means any mortgage, deed of trust, pledge, hypothecation, assignment, conditional sale agreement, deposit arrangement, security interest, encumbrance, lien (statutory or other), preference, priority or other security agreement or preferential arrangement (including, without limitation, any negative pledge arrangement and any agreement to provide equal and ratable security) of any kind or nature whatsoever in respect of any property of a Person intended to assure payment of any Indebtedness, obligation or other liability, whether granted voluntarily or imposed by law, and includes the interest of a lessor under a Capital Lease or under any financing lease having substantially the same economic effect as any of the foregoing and the filing of any financing statement or similar notice (other than a financing statement filed by a "true" lessor pursuant to Section 9-408 of the Uniform Commercial naming the owner of such property as debtor, under the Uniform Commercial

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Code or other comparable law of any jurisdiction, but does not include the interest of a lessor under an Operating Lease.

"LOAN ACCOUNT" is defined in SECTION 2.04(b).

"LOAN DOCUMENTS" means this Agreement, the Notes, the Subsidiary Guaranty, the Borrower Security Agreement, the Subsidiary Security Agreement, the Borrower Patent Security Agreement, the Borrower Trademark Security Agreement, the Borrower Pledge Agreement, the Letter Agreement, the Letter of Credit Reimbursement Agreements, the Collection Account Agreements, the other documents executed or delivered pursuant to SECTIONS 5.01(a) by the Borrower, any Guarantor or any other Subsidiary of the Borrower, any Currency Agreements to which the Agent or any Affiliate of the Agent is a party, any Interest Rate Contracts to which the Agent or any Affiliate of the Agent is a party, and all other instruments, agreements and written Contractual Obligations between the Borrower or any Subsidiary of the Borrower, on the one hand, and any of the Agent, the Lenders or the Issuing Banks, on the other hand, in each case delivered to either the Agent, such Lender or such Issuing Bank pursuant to or in connection with the transactions contemplated hereby.

"LOANS" means all the Revolving Loans, the Swing Loans and all Base Rate Loans and Eurodollar Rate Loans.

"LOCKBOXES" means, collectively, the lockboxes established at the Collection Account Banks for collection of payments in respect of Receivables or other Collateral; and "LOCKBOX" means any one of the Lockboxes.

"MARGIN STOCK" means "margin stock" as such term is defined in Regulation U and Regulation G.

"MATERIAL ADVERSE EFFECT" means a material adverse effect upon (i) the business, condition (financial or otherwise), operations, performance, properties or prospects of the Borrower or Hexcel Lyon, individually, or the Borrower and the Guarantors, taken as a whole, or the Borrower and its Subsidiaries, taken as a whole, (ii) the ability of the Borrower and the Guarantors to perform their obligations under the Loan Documents or (iii) the ability of the Lenders, the Issuing Banks, or the Agent to enforce the Loan Documents.

"MAXIMUM FIXED ASSET AVAILABILITY" means, at any time, the lesser of (i) \$12,000,000 less (but not less than zero) the amount of Net Cash Proceeds received by the Borrower resulting in a reduction in the Revolving Credit Commitments pursuant to SECTION 3.01(b)(i) and (ii) an amount equal to (A) \$12,000,000 less (but not less than zero) the amount of Net Cash Proceeds received by the Borrower resulting in a reduction in the Revolving Credit Commitments pursuant to SECTION 3.01(b)(i) MINUS (B) \$250,000 multiplied by the number of full fiscal quarters of

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the Borrower ended prior to such time since the Closing Date PLUS (C) the amount by which the Borrowing Base has been increased as a result of purchases of Eligible Equipment purchased by the Borrower during the period beginning immediately after the review date contained in the most recent fixed asset appraisals delivered to the Agent prior to the Closing Date and ending 18 months after the Closing Date.

"MAXIMUM REVOLVING CREDIT AMOUNT" means, at any particular time, an amount equal to (i) the lesser of (A) the Revolving Credit Commitments and (B) the Borrowing Base at such time MINUS (ii) the amount of any Availability Reserves in effect at such time.

"MULTIEMPLOYER PLAN" means a "multiemployer plan" as defined in Section 4001(a)(3) of ERISA which is, or within the immediately preceding three (3) years was, contributed to by either the Borrower or any ERISA Affiliate.

"MUTUAL SERIES" means Mutual Series Fund Inc.

"NET CASH PROCEEDS" means (i) proceeds received by the Borrower or any of its Restricted Subsidiaries in cash or Cash Equivalents from the sale (including, without limitation, any Sale and Leaseback Transaction but excluding any payments or proceeds received by or for the account of the Borrower with respect to the YIP Transaction to the extent required to be remitted to First Trust of California, as trustee or escrow agent for the Industrial Development Authority of the County of Los Angeles), assignment or other disposition, of any Property, other than sales, assignments and other dispositions of Property between the Borrower and wholly owned Restricted Subsidiaries of the Borrower to the extent permitted hereunder and sales, assignments and other dispositions permitted under CLAUSES (i) through (v) of SECTION 9.02, net of (A) the reasonable cash costs of sale, assignment or other disposition (B) taxes paid or payable as a result thereof and (C) the amount of any Indebtedness (other than the Obligations) secured by such Property (to the extent permitted hereunder) and repaid in connection with such sale; PROVIDED that evidence of each of (A), (B) and (C) are provided to the Agent; (ii) proceeds of insurance on account of the loss of or damage to any such Property or Properties, and payments of compensation for any such Property or Properties taken by condemnation or eminent domain, to the extent such proceeds or payments are required pursuant to SECTION 8.07 to be applied to prepay the Loans, and (iii) proceeds received after the Closing Date by the Borrower or any of the Borrower's Restricted Subsidiaries in cash or Cash Equivalents from (A) the issuance of any Capital Stock by the Borrower (other than any such issuance occurring in the ordinary course of business to any member of the management of the Borrower in connection with such member's employment with the Borrower or in connection with the Rights Offering), or any other additions to the equity of the

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Borrower (other than retained earnings) or any contributions to capital of the Borrower or (B) issuance of any Indebtedness by the Borrower or any Restricted Subsidiary (except for such Indebtedness permitted under SECTION 9.01 and any such Indebtedness incurred in connection with Currency Agreements or Interest Rate Contracts to the extent the Borrower is permitted to enter into such contracts pursuant to the terms hereof), in each case net of reasonable costs incurred in connection with such transaction; PROVIDED that evidence of such costs is provided to the Agent.

"NET INCOME" means, for any period for any Person, the net income (or loss) after taxes for such period taken as a single accounting period, determined in conformity with GAAP.

"NET WORTH" means, with respect to any Person, at any time, (i) total consolidated assets of such Person PLUS (ii) any negative (or MINUS any positive) cumulative foreign currency translation adjustments applicable to

such Person in accordance with GAAP MINUS (iii) total consolidated liabilities of such Person PLUS any negative (or MINUS any positive) in minimum pension obligation adjustment included in the shareholders' equity account of such Person in accordance with GAAP. Assets and liabilities shall be determined in accordance with GAAP.

"NON PRO RATA LOAN" is defined in SECTION 3.02(b)(v).

"NOTE" is defined in SECTION 2.04(a).

"NOTICE OF BORROWING" means a notice substantially in the form of EXHIBIT D.

"NOTICE OF CONTINUATION/CONVERSION" means a notice substantially in the form of EXHIBIT E.

"NPL" is defined in SECTION 6.01(o).

"OBLIGATIONS" means, to the extent arising hereunder, under the Notes or under any other Loan Document, all Loans, advances, debts, liabilities, obligations, covenants and duties owing by the Borrower to the Agent, any Lender, any Issuing Bank, any Affiliate of the Agent, any Lender or any Issuing Bank, or any Person entitled to indemnification pursuant to SECTION 13.03, of any kind or nature, present or future, whether or not evidenced by any note, guaranty or other instrument, whether or not for the payment of money, whether arising (i) under or in connection with (A) a Currency Agreement with the Agent or any Affiliate of the Agent, (B) an Interest Rate Contract with the Agent or any Affiliate of the Agent or (C) any cash management services provided by the Agent or any Affiliate of the Agent, or (ii) by reason of (A) an extension of credit, (B) opening or amendment of a Letter of Credit or payment of any draft drawn thereunder, (C) loan, (D) guaranty or (E) indemnification or

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(iii) in any other manner, whether direct or indirect (including those acquired by assignment), absolute or contingent, due or to become due, now existing or hereafter arising and however acquired. The term includes, without limitation, all interest, charges, expenses, fees, reasonable attorneys' fees and disbursements and any other sum chargeable to the Borrower hereunder or under any other Loan Document.

"OFFICER'S CERTIFICATE" means, as to a corporation, a certificate executed on behalf of such corporation by an officer or director of such corporation.

"OPERATING LEASE" means, as applied to any Person, any lease of

any property (whether real, personal or mixed) by that Person as lessee which is not a Capital Lease.

"PBGC" means the Pension Benefit Guaranty Corporation and any Person succeeding to the functions thereof.

"PERMITS" means any permit, approval, authorization license, variance, or permission required from a Governmental Authority under an applicable Requirement of Law.

"PERMITTED EXISTING ACCOMMODATION OBLIGATIONS" means those Accommodation Obligations of the Borrower and its Subsidiaries identified as such on SCHEDULE 1.01.3.

"PERMITTED EXISTING INDEBTEDNESS" means the Indebtedness of the Borrower and its Subsidiaries identified as such on SCHEDULE 1.01.4.

"PERMITTED EXISTING INVESTMENTS" means those Investments identified as such on SCHEDULE 1.01.5.

"PERMITTED EXISTING LIENS" means the Liens on assets of the Borrower or any of the Restricted Subsidiaries identified as such on SCHEDULE 1.01.6.

"PERMITTED SUBORDINATED INDEBTEDNESS" means Indebtedness evidenced by, or in respect of, principal and interest on (i) the Subordinated Debentures not in excess of a principal amount of \$28,500,000, (ii) the Hexcel Lyon Subordinated Note and (iii) prior to the closing of the Rights Offering, the obligations of the Borrower in respect of the Advance not in excess of a principal amount of \$41,000,000.

"PERSON" means any natural person, corporation, limited partnership, limited liability company, general partnership, joint stock company, joint venture, association, company, trust, bank, trust company, land trust, business trust or other organization, whether or not a legal entity, and any Governmental Authority.

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"PLAN" means an employee benefit plan defined in Section 3(2) of ERISA in respect of which the Borrower or any ERISA Affiliate is, or within the immediately preceding three (3) years was, an "employer" as defined in Section 3(5) of ERISA.

"PLAN OF REORGANIZATION" means the First Amended Plan of

Reorganization Jointly Proposed by the Borrower and certain of its Subsidiaries and the Official Joint Committee of Unsecured Creditors attached as Appendix A to the Disclosure Statement, as amended or modified from time to time.

"PLAN OF REORGANIZATION DOCUMENTS" means the Plan of Reorganization, the Confirmation Order, the Disclosure Statement and all other documents, instruments or agreements distributed, filed or consummated in connection with the Plan of Reorganization, as the same may be amended, supplemented or modified from time to time.

"PRO RATA SHARE" means, with respect to any Lender, the percentage obtained by dividing (a) such Lender's Revolving Credit Commitment at such time by (b) the aggregate amount of all Revolving Credit Commitments at such time; PROVIDED, HOWEVER, if all of the Revolving Credit Commitments are terminated pursuant to the terms hereof, then "PRO RATA SHARE" means the percentage obtained by dividing (x) such Lender's Revolving Credit Obligations by (y) the aggregate amount of all Revolving Credit Obligations.

"PROCESS AGENT" is defined in SECTION 13.17.

"PROPERTY" means any Real Property or personal property, plant, building, facility, structure, underground storage tank or unit, Equipment, Inventory, General Intangible, Receivable, or other asset owned, leased or operated by the Borrower or any of its Subsidiaries, as applicable (including any surface water thereon or adjacent thereto, and soil and groundwater thereunder).

"PROTECTIVE ADVANCE" is defined in SECTION 12.09.

"REAL PROPERTY" means all of the Borrower's and each of its Subsidiaries' respective present and future right, title and interest (including, without limitation, any leasehold estate) in (i) any plots, pieces or parcels of land, (ii) any improvements, buildings, structures and fixtures now or hereafter located or erected thereon or attached thereto of every nature whatsoever (the rights and interests described in CLAUSES (i) and (ii) above being the "Premises"), (iii) all easements, rights of way, gores of land or any lands occupied by streets, ways, alleys, passages, sewer rights, water courses, water and mineral rights and powers, and public places adjoining such land, and any other interests in property constituting appurtenances to the Premises, or which hereafter shall in any way belong, relate or be appurtenant

thereto, (iv) all hereditaments, gas, oil, minerals (with the right to extract, sever and remove such gas, oil and minerals), and easements, of every nature whatsoever, located in or on the Premises and (v) all other rights and

privileges thereunto belonging or appertaining and all extensions, additions, improvements, betterments, renewals, substitutions and replacements to or of any of the rights and interests described in CLAUSES (iii) and (iv) above.

"RECEIVABLES" means all of the Borrower's and its Subsidiaries present and future (i) accounts, (ii) accounts receivable, (iii) rights to payment for goods sold or leased or for services rendered (except those evidenced by instruments or chattel paper), whether or not earned by performance, (iv) all rights in any merchandise or goods which any of the same may represent, and (v) all rights, title, security and guaranties with respect to each of the foregoing, including, without limitation, any right of stoppage in transit.

"REGISTER" is defined in SECTION 13.01(c).

"REGULATION A" means Regulation A of the Federal Reserve Board as in effect from time to time.

"REGULATION D" means Regulation D of the Federal Reserve Board as in effect from time to time.

"REGULATION G" means Regulation G of the Federal Reserve Board as in effect from time to time.

"REGULATION U" means Regulation U of the Federal Reserve Board as in effect from time to time.

"REGULATION X" means Regulation X of the Federal Reserve Board as in effect from time to time.

"REIMBURSEMENT DATE" is defined in SECTION 2.03(d)(i)(A).

"REIMBURSEMENT OBLIGATIONS" means, as to the Borrower, the aggregate non-contingent reimbursement or repayment obligations of the Borrower with respect to amounts drawn under Letters of Credit.

"RELEASE" means release, spill, emission, leaking, pumping, injection, deposit, disposal, discharge, dispersal, leaching or migration into the indoor or outdoor environment or into or out of any Property, including the movement of Contaminants through or in the air, soil, surface water, groundwater or Property.

"REMEDIAL ACTION" means actions required to (i) clean up, remove, treat or in any other way address Contaminants in the

indoor or outdoor environment; (ii) prevent the Release or threat of Release or minimize the further Release of Contaminants; or (iii) investigate and determine if a remedial response is needed and to design such a response and post-remedial investigation, monitoring, operation and maintenance and care.

"REORGANIZATION EFFECTIVE DATE" means the first date on which (i) the Confirmation Order shall have become a Final Order and the Agent has received a certified copy of such Final Order and (ii) all conditions precedent to the confirmation of the Plan of Reorganization, as set forth in the Plan of Reorganization, shall have occurred or have been waived by the Borrower and the Equity Committee.

"REORGANIZED COMMON STOCK" means the Common Stock, par value \$.01 per share, of the Borrower to be issued on and after the Reorganization Effective Date.

"REPORTABLE EVENT" means any of the events described in Section 4043 of ERISA, the reporting of which has not been waived pursuant to regulations promulgated thereunder.

"REQUIREMENTS OF LAW" means, as to any Person, the charter and by-laws or other organizational or governing documents of such Person, and any law, rule or regulation, or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject including, without limitation, the Securities Act, the Securities Exchange Act, Regulations G, U and X, ERISA, the Fair Labor Standards Act and any certificate of occupancy, zoning ordinance, building, or land use requirement or Permit or labor or employment rule or regulation, including Environmental, Health or Safety Requirements of Law.

"REQUISITE LENDERS" means, at any time, Lenders holding, in the aggregate, at least fifty-five percent (55%) of the then aggregate amount of the Revolving Credit Commitments in effect at such time; PROVIDED, HOWEVER, that, in the event any of the Lenders shall have failed to fund its Pro Rata Share, of any Revolving Loan requested by the Borrower which such Lenders are obligated to fund under the terms hereof and any such failure has not been cured, then for so long as such failure continues, "REQUISITE LENDERS" means Lenders (excluding Lenders whose failure to fund their respective Pro Rata Share of such Loans have not been so cured) whose Pro Rata Shares represent at least fifty-five percent (55%) of the aggregate Pro Rata Shares of such Lenders; PROVIDED, FURTHER, HOWEVER, that, in the event that the Revolving Credit Commitments have been terminated pursuant to the terms hereof, "REQUISITE LENDERS" means Lenders (without regard to such Lenders' performance of their respective obligations hereunder) whose aggregate ratable shares (stated as a percentage) of the aggregate outstanding principal balance of all

Revolving Credit Obligations are at least fifty-five percent (55%).

"RESTRICTED JUNIOR PAYMENT" means (i) any dividend or other distribution, direct or indirect, on account of any shares of any class of Capital Stock of the Borrower or any of its Subsidiaries now or hereafter outstanding, except a dividend payable solely in (y) shares of that class of stock and/or (z) shares of any class of stock which is junior to that class of stock, (ii) any redemption, retirement, sinking fund or similar payment, purchase or other acquisition for value, direct or indirect, of any shares of any class of Capital Stock of the Borrower or any of the Borrower's Subsidiaries now or hereafter outstanding, (iii) any payment made to redeem, purchase, repurchase or retire, or to obtain the surrender of, any outstanding warrants, options or other rights to acquire shares of any class of Capital Stock of the Borrower or any of its Subsidiaries now or hereafter outstanding and (iv) any payment or prepayment of principal of, premium, if any, or interest, fees or other charges on or with respect to, and any redemption, purchase, retirement, defeasance, sinking fund or similar payment and any claim for rescission with respect to Permitted Subordinated Indebtedness.

"RESTRICTED SUBSIDIARY" means a Subsidiary of the Borrower which is organized and existing under the laws of the United States of America, any State thereof, the District of Columbia, Puerto Rico or the United States Virgin Islands.

"REVOLVING CREDIT AVAILABILITY" means, at any particular time, the amount by which the Maximum Revolving Credit Amount exceeds the Revolving Credit Obligations outstanding at such time.

"REVOLVING CREDIT COMMITMENT" means, with respect to any Lender, the obligation of such Lender to make Revolving Loans and to participate in Letters of Credit and Swing Loans pursuant to the terms and conditions hereof, which obligation shall not exceed the principal amount set forth below such Lender's name opposite the heading "Revolving Credit Commitment" on the signature pages hereof or the signature page of the Assignment and Acceptance by which it became a Lender, as modified from time to time pursuant to the terms hereof or to give effect to any applicable Assignment and Acceptance, and "REVOLVING CREDIT COMMITMENTS" means the aggregate principal amount of the Revolving Credit Revolving Credit Commitments of all the Lenders, the maximum aggregate principal amount of which shall not exceed \$45,000,000, as reduced from time to time pursuant to the terms hereof.

"REVOLVING CREDIT NOTES" means notes evidencing the Borrower's Obligation to repay the Revolving Loans.

"REVOLVING CREDIT OBLIGATIONS" means, at any particular time, the sum of (i) the outstanding principal amount of the Swing Loans at such time, PLUS (ii) the outstanding principal amount of the Revolving Loans at such time, PLUS (iii) the Letter of Credit Obligations outstanding at such time PLUS (iv) the aggregate principal amount of Protective Advances outstanding at such time.

"REVOLVING CREDIT TERMINATION DATE" means the earlier to occur of (i) the date of termination of the Revolving Credit Commitments pursuant to the terms hereof and (ii) the third anniversary of the Closing Date.

"REVOLVING LOAN" is defined in SECTION 2.01(a).

"RIGHTS" means the transferable rights offered by the Borrower to its existing shareholders to subscribe for and purchase an aggregate of 8,864,865 shares of Reorganized Common Stock at a price of \$4.625 a share together with certain oversubscription rights to purchase additional shares of Reorganized Common Stock offered to each such shareholder.

"RIGHTS OFFERING" shall have the meaning ascribed to such term in the Plan of Reorganization.

"SALE AND LEASEBACK TRANSACTION" means, with respect to any Person, any direct or indirect arrangement pursuant to which Property is sold or transferred by such Person and is thereafter leased back from the purchaser thereof by such Person.

"SECURITIES" means any stock, shares, voting trust certificates, bonds, debentures, notes or other evidences of indebtedness, secured or unsecured, convertible, subordinated or otherwise, or any certificates of interest, shares, or participation in temporary or interim certificates for the purchase or acquisition of, or any right to subscribe to, purchase or acquire any of the foregoing, but shall not include any evidence of the Obligations.

"SECURITIES ACT" means the Securities Act of 1933, as amended from time to time, and any successor statute.

"SECURITIES EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended from time to time, and any successor statute.

"SETTLEMENT DATE" is defined in SECTION 2.05(a).

"SOLVENT", when used with respect to any Person, means that at the time of determination:

(i) the fair market value of its assets is in excess of the total amount of its liabilities (including, without limitation, contingent liabilities); and

(ii) the present fair saleable value of its assets is greater than its probable liability on its existing debts as such debts become absolute and matured; and

(iii) it is then able and expects to be able to pay its debts (including, without limitation, contingent debts and other commitments) as they mature; and

(iv) it has capital sufficient to carry on its business as conducted and as proposed to be conducted.

"SOURCES AND USES" means SCHEDULE 1.01.2, which specifies the anticipated sources and uses of funds on the Closing Date.

"STANDBY COMMITMENT DOCUMENTS" means the Standby Purchase Commitment dated October 24, 1994 of Mutual Series to purchase all of the shares of Reorganized Common Stock which are offered and not sold in the Rights Offering at a price of \$4.625 per share and all documents and instruments entered into between the Borrower and Mutual Series in connection therewith, including, without limitation, the Note, the Security Agreement and the Registration Rights Agreement (as such terms are defined in such Standby Purchase Commitment).

"STANDBY LETTER OF CREDIT" means any letter of credit issued by an Issuing Bank pursuant to SECTION 2.03 for the account of the Borrower, which is not a Commercial Letter of Credit.

"SUBORDINATED DEBENTURES" means the 7% Convertible Subordinated Debentures due 2011 issued by the Borrower in the aggregate original principal amount of up to \$35,000,000 and governed by the terms of the Subordinated Debenture Indenture.

"SUBORDINATED DEBENTURE INDENTURE" means the Indenture dated as of August 1, 1986 between the Borrower and The Bank of California, N.A., as trustee, as such agreement may be amended, supplemented or otherwise modified from time to time.

"SUBSIDIARY" of a Person means 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 or controlled by such Person, one or more of the other subsidiaries of such Person or any combination thereof; PROVIDED, HOWEVER, that Hexcel Foundation shall not be deemed a Subsidiary of the Borrower for

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so long as it maintains its status as a not-for-profit corporation for purposes of California law.

"SUBSIDIARY GUARANTY" means the guaranty duly executed and delivered to the Agent by the Guarantors substantially in the form of EXHIBIT K hereto, as such guaranty may be amended, supplemented or otherwise modified from time to time.

"SUBSIDIARY SECURITY AGREEMENT" means the security agreement duly executed and delivered to the Agent by the Restricted Subsidiaries substantially in the form of EXHIBIT O hereto, as such agreement may be amended, supplemented or otherwise modified from time to time.

"SURVEY" means a survey of the Real Property owned by the Borrower and the Borrower's Subsidiaries, dated no earlier than ninety (90) days prior to the date of the delivery of mortgage or deed of trust on such property in favor of the Agent pursuant to the terms hereof and reasonably acceptable to the Administrative Agent, showing lot lines and monuments, building lines, easements (both burdening and/or benefitting such Real Property), all Liens permitted by SECTION 9.03 herein (to the extent that such items can be located by the surveyor), access locations, the buildings and improvements thereon (including, but not limited to, roads, streets, driveways and sidewalks), loading docks and parking lots, acreage of such Real Property, and encroachments, if any, onto such Real Property and over onto adjoining properties. The Survey shall contain flood plain designation, if appropriate.

"SWING LOAN" is defined in SECTION 2.02(a).

"SWING LOAN BANK" means Citicorp, in its individual capacity or, in the event Citicorp is not the Agent, the Agent (or any Affiliate of the Agent designated by the Agent), in its individual capacity.

"SWING LOAN NOTE" means one or more notes evidencing the Borrower's Obligation to repay the Swing Loans.

"TAXES" is defined in SECTION 3.03(a).

"TERMINATION EVENT" means (i) a Reportable Event with respect to any Benefit Plan; (ii) the withdrawal of the Borrower or any ERISA Affiliate

from a Benefit Plan during a plan year in which the Borrower or such ERISA Affiliate was a "substantial employer" as defined in Section 4001(a)(2) of ERISA or the cessation of operations which results in the termination of employment of 20% of Benefit Plan participants who are employees of the Borrower or any ERISA Affiliate; (iii) the imposition of an obligation on the Borrower or any ERISA Affiliate under Section 4041 of ERISA to provide affected parties written notice of intent to terminate a Benefit Plan in a distress termination

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described in Section 4041(c) of ERISA; (iv) the institution by the PBGC or any similar foreign Governmental Authority of proceedings to terminate a Benefit Plan or a Foreign Pension Plan; (v) any event or condition which would reasonably constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Benefit Plan; (vi) a foreign Governmental Authority shall appoint or institute proceedings to appoint a trustee to administer any Foreign Pension Plan; or (vii) the partial or complete withdrawal of the Borrower or any ERISA Affiliate from a Multiemployer Plan or a Foreign Pension Plan.

"TITLE COMPANY" means Chicago Title Insurance Company.

"TITLE POLICY" means an ALTA Mortgagee Policy (or equivalent) of title insurance with extended coverage over the standard or general exceptions and such endorsements reasonably required by the Agent issued by the Title Company covering each parcel of Real Property for which the Agent will obtain a Lien, showing title vested in either the Borrower or the Borrower's Subsidiaries subject only to the Liens set forth in SECTION 9.03 herein, which Title Policy shall show the Agent as the proposed insured and an insurance amount equal to the lesser of the Loans or the Appraised Value of the Real Property covered by the Title Policy.

"TRANSACTION COSTS" means the fees, costs and expenses payable by the Borrower in connection with the execution, delivery and performance of the Loan Documents and the Plan of Reorganization.

"TRANSACTION DOCUMENTS" means the Loan Documents, the Plan of Reorganization Documents, the Subordinated Debentures, the Subordinated Debenture Indenture, the Hexcel Lyon Subordinated Note, the Intercreditor Agreement, the Standby Commitment Documents, the BNP Letter of Credit Documents and all other agreements or instruments executed and delivered or to be executed and delivered pursuant hereto or thereto or in connection herewith or therewith or any of the transactions contemplated hereby or thereby.

"UNIFORM COMMERCIAL CODE" means the Uniform Commercial Code as enacted in the State of New York, as it may be amended from time to time.

"UNRESTRICTED SUBSIDIARY" means any Subsidiary of the Borrower other than a Restricted Subsidiary.

"UNUSED COMMITMENT FEE" is defined in SECTION 4.03(b).

"UNUSED COMMITMENT FEE RATE" means, as of any date, one-half of one percent (0.5%) per annum.

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"VOTING STOCK" means, with respect to any Person, securities with respect to any class or classes of Capital Stock of such Person entitling the holders thereof (whether at all times or only so long as no senior class of stock has voting power by reason of any contingency) to vote in the election of members of the board of directors of such Person.

"WORKING CAPITAL" means, as at any date of determination, (i) the Borrower's and the Restricted Subsidiaries' combined current assets (excluding cash and Cash Equivalents and net assets held for sale in connection with the domestic resins business of the Borrower and receivables arising from asset sales that were consummated prior to December 31, 1994) as of such date MINUS (ii) the Borrower's and the Restricted Subsidiaries' combined current liabilities for such period, excluding Revolving Credit Obligations, accrued restructuring charges and current portions of long-term Indebtedness as of such date and all Indebtedness repaid or extinguished on the Reorganization Effective Date.

"YIP TRANSACTION" means the transaction pursuant to which BCY Industrial Enterprises acquired the Borrower's Real Property located in The City of Industry, California by assuming the Borrower's obligation to repay \$2,340,000 in aggregate principal amount of Existing IRDBs issued by the Industrial Development Authority of the County of Los Angeles to finance such Real Property.

1.02. COMPUTATION OF TIME PERIODS. In this Agreement, in the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding". Periods of days referred to in this Agreement shall be counted in calendar days unless Business Days are expressly prescribed. Any period determined hereunder by reference to a month or months or year or years shall end on the day in the relevant calendar month in the relevant year, if applicable, immediately preceding the date numerically corresponding to the first day of such period, PROVIDED that if such period commences on the last day of a calendar month (or on a day for which there is no numerically

corresponding day in the calendar month during which such period is to end), such period shall, unless otherwise expressly required by the other provisions of this Agreement, end on the last day of the calendar month.

1.03. ACCOUNTING TERMS. Subject to SECTION 13.04, for purposes of this Agreement, all accounting terms not otherwise defined herein shall have the meanings assigned to them in conformity with GAAP.

1.04. OTHER DEFINITIONAL PROVISIONS. References to "Articles", "Sections", "subsections", "Schedules" and "Exhibits" shall be to Articles, Sections, subsections, Schedules and

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Exhibits, respectively, of this Agreement unless otherwise specifically provided. The words "hereof", "herein", and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement.

1.05. OTHER TERMS. All other terms contained herein shall, unless the context indicates otherwise, have the meanings assigned to such terms by the Uniform Commercial Code to the extent the same are defined therein.

ARTICLE II AMOUNTS AND TERMS OF LOANS

2.01. REVOLVING CREDIT FACILITY. (a) Subject to the terms and conditions set forth herein, each Lender hereby severally and not jointly agrees to make revolving loans, in Dollars (each individually, a "REVOLVING LOAN" and, collectively, the "REVOLVING LOANS") to the Borrower from time to time during the period from the Closing Date to the Business Day next preceding the Revolving Credit Termination Date, in an amount not to exceed at any time such Lender's Pro Rata Share of the Revolving Credit Availability at such time. All Revolving Loans comprising the same Borrowing hereunder shall be made by such Lenders simultaneously and proportionately to their then respective Revolving Credit Commitments. Subject to the provisions hereof (including, without limitation, SECTION 5.02), the Borrower may repay any outstanding Revolving Loan on any day which is a Business Day and any amounts so repaid may be reborrowed, up to the amount available under this SECTION 2.01(a) at the time of such Borrowing, until the Business Day next preceding the Revolving Credit Termination Date.

(b) NOTICE OF BORROWING. When the Borrower desires to borrow under this SECTION 2.01, it shall deliver to the Agent an irrevocable Notice of Borrowing, signed by it, (x) on the Closing Date, in the case of a Borrowing

of Revolving Loans on the Closing Date and (y) no later than 1:30 p.m. (New York time) (I) on the proposed Funding Date, in the case of a Borrowing of Base Rate Loans after the Closing Date and (II) at least three (3) Business Days in advance of the proposed Funding Date, in the case of a Borrowing of Eurodollar Rate Loans after the Closing Date. Such Notice of Borrowing shall specify (i) the proposed Funding Date (which shall be a Business Day), (ii) the amount of the proposed Borrowing, (iii) the Revolving Credit Availability as of the date of such Notice of Borrowing (it being understood that for purposes of such Notice of Borrowing, Revolving Credit Availability shall be calculated based upon the Borrowing Base set forth in the most recent Borrowing Base Certificate delivered to the Agent pursuant to SECTION 7.02), (iv) whether the proposed Borrowing will be of Base Rate Loans or Eurodollar Rate Loans, (v) in the case of Eurodollar Rate Loans, the requested Interest

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Period, and (vi) instructions for the disbursement of the proceeds of the proposed Borrowing.

(c) MAKING OF REVOLVING LOANS. (i) Promptly after receipt of a Notice of Borrowing under SECTION 2.01(b), the Agent shall notify each Lender by telex or telecopy, or other similar form of transmission, of the proposed Borrowing. Each Lender shall deposit an amount equal to its Pro Rata Share of the amount requested by the Borrower to be made as Revolving Loans with the Agent at its office in New York, New York, in immediately available funds, (A) on the Closing Date specified in the initial Notice of Borrowing and (B) not later than 4:00 p.m. (New York time) on any other Funding Date applicable thereto. Subject to the fulfillment of the conditions precedent set forth in SECTION 5.01 or SECTION 5.02, as applicable, the Agent shall make the proceeds of such amounts received by it available to the Borrower at the Agent's office in New York, New York on such Funding Date (or on the date received if later than such Funding Date) and shall disburse such proceeds to the Disbursement Account. The failure of any Lender to deposit the amount described above with the Agent on the applicable Funding Date shall not relieve any other Lender of its obligations hereunder to make its Revolving Loan on such Funding Date. No Lender shall be responsible for any failure by any other Lender to perform its obligation to make a Revolving Loan hereunder nor shall the Revolving Credit Commitment of any Lender be increased or decreased as a result of any such failure.

(ii) Unless the Agent shall have been notified by any Lender on the applicable Funding Date in respect of any Borrowing of Revolving Loans that such Lender does not intend to fund its Revolving Loan requested to be made on such Funding Date, the Agent may assume that such Lender has funded its Revolving Loan and is depositing the proceeds thereof with the Agent on the Funding Date, and the Agent in its sole discretion may, but shall not be obligated to,

disburse a corresponding amount to the Borrower on the Funding Date. If the Revolving Loan proceeds corresponding to that amount are advanced to the Borrower by the Agent but are not in fact deposited with the Agent by such Lender on or prior to the applicable Funding Date, such Lender agrees to pay, and in addition the Borrower agrees to repay, to the Agent forthwith on demand such corresponding amount, together with interest thereon, for each day from the date such amount is disbursed to or for the benefit of the Borrower until the date such amount is paid or repaid to the Agent, (A) in the case of the Borrower, at the interest rate applicable to such Borrowing and (B) in the case of such Lender, at the Federal Funds Rate for the first Business Day, and thereafter at the interest rate applicable to such Borrowing. If such Lender shall pay to the Agent the corresponding amount, the amount so paid shall constitute such Lender's Revolving Loan, and if both such Lender and the Borrower shall pay and repay such corresponding amount, the Agent shall promptly pay to the Borrower such corresponding

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amount. This SECTION 2.01(C) (II) does not relieve any Lender of its obligation to make its Revolving Loan on any Funding Date.

(d) USE OF PROCEEDS OF REVOLVING LOANS. Proceeds of the Revolving Loans shall be used (i) to fund disbursements to be made on Reorganization Effective Date under the Plan of Reorganization and pay Transaction Costs and (ii) to provide for ongoing working capital needs in the ordinary course of the business of the Borrower and its Subsidiaries and for other lawful general corporate purposes not prohibited hereunder. Notwithstanding the foregoing, Revolving Loans made on the Closing Date shall not exceed \$15,000,000.

(e) REVOLVING CREDIT TERMINATION DATE. The Revolving Credit Commitments shall terminate, and all outstanding Revolving Credit Obligations shall be paid in full (or, in the case of unmatured Letter of Credit Obligations, provision for payment of Cash Collateral shall be made to the satisfaction of the Issuing Banks and the Agent), on the Revolving Credit Termination Date. Each Lender's obligation to make Revolving Loans shall terminate at the close of business in New York City on the Business Day next preceding the Revolving Credit Termination Date.

2.02. SWING LOANS. (a) AVAILABILITY. Subject to the terms and conditions set forth herein, the Swing Loan Bank may, in its sole discretion, make loans (the "SWING LOANS") to the Borrower, from time to time during the period from the Closing Date and at any time up to the Business Day next preceding the Revolving Credit Termination Date, up to an aggregate principal amount at any one time outstanding which shall not exceed an amount equal to the Swing Loan Bank's Pro Rata Share of the Revolving Credit

Availability at such time or, at the Swing Loan Bank's option, up to \$5,000,000. The Swing Loan Bank shall have no duty to make or to continue to make Swing Loans. All Swing Loans shall be payable on demand with accrued interest thereon and shall be secured as part of the Obligations by the Collateral and shall otherwise be subject to all the terms and conditions applicable to Revolving Loans, except that all interest on the Swing Loans made by the Swing Loan Bank shall be payable to the Swing Loan Bank solely for its own account.

(b) NOTICE OF BORROWING. When the Borrower desires to borrow under this SECTION 2.02, it shall deliver to the Agent an irrevocable Notice of Borrowing, signed by it, no later than 1:30 p.m. (New York time) on the day of the proposed Borrowing of a Swing Loan. Such Notice of Borrowing shall specify (i) the proposed Funding Date (which shall be a Business Day), (ii) the amount of the proposed Borrowing, (iii) the Revolving Credit Availability as of the date of such Notice of Borrowing (it being understood that for purposes of such Notice of Borrowing, Revolving Credit Availability shall be calculated based upon the Borrowing Base set forth in the most recent Borrowing Base Certificate delivered to the Agent pursuant to SECTION 7.02) and

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(iv) instructions for the disbursement of the proceeds of the proposed Borrowing. Any Notice of Borrowing delivered pursuant to this SECTION 2.02(b) shall be deemed to constitute a Notice of Borrowing under SECTION 2.01(b) for Base Rate Loans in the event the Agent determines in its sole discretion that a Borrowing of Swing Loans is not possible or feasible. All Swing Loans shall be Base Rate Loans.

(c) MAKING OF SWING LOANS. The Swing Loan Bank shall deposit the amount it intends to fund, if any, in respect of the Swing Loans requested by the Borrower with the Agent at its office in New York, New York not later than 3:00 p.m. (New York time) in immediately available funds on the date of the proposed Borrowing applicable thereto. The Swing Loan Bank shall not make any Swing Loan in the period commencing on the first Business Day after it receives written notice from any Lender that one or more of the conditions precedent contained in SECTION 5.02 shall not on such date be satisfied, and ending when such conditions are satisfied, and the Swing Loan Bank shall not otherwise be required to determine that, or take notice whether, the conditions precedent set forth in SECTION 5.02 hereof have been satisfied in connection with the making of any Swing Loan. Subject to the preceding sentence, the Agent shall make such proceeds of each funding of a Swing Loan available to the Borrower at the Agent's office in New York, New York on the date of the proposed Borrowing and shall disburse such proceeds to the Disbursement Account.

(d) REPAYMENT OF SWING LOANS. Repayment of the outstanding

Swing Loans owing to the Swing Loan Bank shall be made (i) in accordance with SECTION 3.01(b)(iii), on a daily basis, to the extent funds are on deposit in the Concentration Account and, if applicable, the Investment Account, (ii) on each Settlement Date in accordance with SECTION 2.05 and (iii) in any event, on the Revolving Credit Termination Date. In connection with the repayment of Swing Loans pursuant to the preceding clause (i), the Borrower hereby irrevocably authorizes the Agent to apply the withdrawn funds in accordance with such clause.

(e) USE OF PROCEEDS OF SWING LOANS. The proceeds of the Swing Loans may be used to provide for ongoing working capital needs in the ordinary course of the Borrower's business and for lawful corporate purposes of the Borrower not prohibited hereunder.

2.03. LETTERS OF CREDIT. Subject to the terms and conditions set forth herein, each Issuing Bank hereby severally agrees to Issue for the account of the Borrower one or more Letters of Credit, up to an aggregate face amount at any one time outstanding equal to the Letter of Credit Availability, subject to the following provisions:

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(a) TYPES AND AMOUNTS. An Issuing Bank shall not have any obligation to Issue, and shall not, except as otherwise agreed by the Requisite Lenders and Issuing Bank, Issue any Letter of Credit at any time:

(i) if the aggregate Letter of Credit Obligations with respect to such Issuing Bank, after giving effect to the Issuance of the Letter of Credit requested hereunder, shall exceed any limit imposed by law or regulation upon such Issuing Bank;

(ii) if the Issuing Bank receives written notice (A) from the Agent at or before 11:00 a.m. (New York time) on the date of the proposed Issuance of such Letter of Credit that immediately after giving effect to the Issuance of such Letter of Credit, the Revolving Credit Obligations at such time would exceed the Maximum Revolving Credit Amount at such time, or (B) from any of the Lenders at or before 11:00 a.m. (New York time) on the date of the proposed Issuance of such Letter of Credit that one or more of the conditions precedent contained in SECTIONS 5.01 or 5.02, as applicable, would not on such date be satisfied (or waived pursuant to SECTION 13.07), unless such conditions are thereafter satisfied or waived and written notice of such satisfaction or waiver is given to the Issuing Bank by the Agent (and an Issuing Bank shall not otherwise be required to determine that, or take notice whether, the conditions precedent set forth in SECTIONS 5.01 or 5.02, as applicable, have been

satisfied or waived); or

(iii) which has an expiration date later than the earlier of (A) the date one (1) year after the date of issuance (after taking into account any automatic renewal provisions thereof) or (B) the Business Day next preceding the Revolving Credit Termination Date; PROVIDED, HOWEVER, at the request of the Borrower, the Agent may, but shall not be obligated to, cause the Issuing Bank to Issue a Letter of Credit with an expiration date after the date in clause (A) or (B) above; or

(iv) which is in a currency other than Dollars; PROVIDED, HOWEVER, at the request of the Borrower, the Agent may, but shall not be obligated to, cause the Issuing Bank to Issue a Letter of Credit in an Alternative Currency.

If the Agent decides, in its sole discretion, to cause the Issuing Bank to Issue a Letter of Credit pursuant to clause (iii) above, the Borrower agrees that on the Revolving Credit Termination Date it shall deposit with the Agent in the Cash Collateral Account for the benefit of the Lenders and the Issuing

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Banks with respect to each Letter of Credit then outstanding cash or Cash Equivalents equal to 105% of the greatest amount that such Letter of Credit may be drawn. Such deposits shall be held as Cash Collateral by the Agent for the benefit of the Lenders and the Issuing Banks as security for, and to provide for the payment of, the Reimbursement Obligations.

(b) CONDITIONS. In addition to being subject to the satisfaction of the conditions precedent contained in SECTIONS 5.01 and 5.02, as applicable, the obligation of an Issuing Bank to Issue any Letter of Credit is subject to the satisfaction in full of the following conditions:

(i) if the Issuing Bank so requests, the Borrower shall have executed and delivered to such Issuing Bank and the Agent a Letter of Credit Reimbursement Agreement and such other documents and materials as may be required pursuant to the terms thereof; and

(ii) the terms of the proposed Letter of Credit shall conform to the customary terms of letters of credit issued by the Issuing Bank as in existence on the date of such Issuance.

(c) ISSUANCE OF LETTERS OF CREDIT. (i) The Borrower shall give an Issuing Bank and the Agent written notice that it has selected such Issuing Bank to Issue a Letter of Credit not later than 11:00 a.m. (New York time) on the third Business Day preceding the requested date for Issuance thereof

hereunder, or such shorter notice as may be acceptable to such Issuing Bank and the Agent. Such notice shall be irrevocable unless and until such request is denied by the applicable Issuing Bank and shall specify (A) that the requested Letter of Credit is either a Commercial Letter of Credit or a Standby Letter of Credit, (B) the stated amount of the Letter of Credit requested, (C) the effective date (which shall be a Business Day) of Issuance of such Letter of Credit, (D) the date on which such Letter of Credit is to expire, (E) the Person for whose benefit such Letter of Credit is to be Issued, (F) other relevant terms of such Letter of Credit and (G) the amount of the then outstanding Letter of Credit Obligations. Such Issuing Bank shall notify the Agent immediately upon receipt of a written notice from the Borrower requesting that a Letter of Credit be Issued and, upon the Agent's request therefor, send a copy of such notice to the Agent.

(ii) The Issuing Bank shall give the Agent written notice, or telephonic notice confirmed promptly thereafter in writing, of the Issuance of a Letter of Credit (which notice the Agent shall promptly transmit by telegram, telex, telecopy, telephone or similar transmission to each Lender).

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(d) REIMBURSEMENT OBLIGATIONS; DUTIES OF ISSUING BANKS. (i) Notwithstanding any provisions to the contrary in any Letter of Credit Reimbursement Agreement:

(A) the Borrower shall reimburse the Issuing Bank for amounts drawn under such Letter of Credit pursuant to SUBSECTION (e)(ii) below, in Dollars, no later than the date (the "REIMBURSEMENT DATE") which is one (1) Business Day after the Borrower receives written notice from the Issuing Bank that payment has been made under such Letter of Credit by the Issuing Bank; and

(B) all Reimbursement Obligations with respect to any Letter of Credit shall bear interest at the rate applicable in accordance with SECTION 4.01(a) from the date of the relevant drawing under such Letter of Credit until the Reimbursement Date and thereafter at the rate applicable in accordance with SECTION 4.01(d).

(ii) The Issuing Bank shall give the Agent written notice, or telephonic notice confirmed promptly thereafter in writing, of all drawings under a Letter of Credit and the payment (or the failure to pay when due) by the Borrower on account of a Reimbursement Obligation (which notice the Agent shall promptly transmit by telegram, telex, telecopy or similar transmission to each Lender).

(iii) No action taken or omitted in good faith by an Issuing Bank under or in connection with any Letter of Credit shall put such Issuing Bank under any resulting liability to any Lender, the Borrower or, so long as such Letter of Credit is not Issued in violation of SECTION 2.03(a), relieve any Lender of its obligations hereunder to such Issuing Bank. Solely as between the Issuing Banks and such Lenders, in determining whether to pay under any Letter of Credit, the respective Issuing Bank shall have no obligation to the Lenders other than to confirm that any documents required to be delivered under a respective Letter of Credit appear to have been delivered and that they appear on their face to comply with the requirements of such Letter of Credit.

(e) PARTICIPATIONS. (i) Immediately upon Issuance by an Issuing Bank of any Letter of Credit in accordance with the procedures set forth in this SECTION 2.03, each Lender shall be deemed to have irrevocably and unconditionally purchased and received from that Issuing Bank, without recourse or warranty, an undivided interest and participation in such Letter of Credit to the extent of such Lender's Pro Rata Share, including, without limitation, all obligations of the Borrower with respect thereto (other than amounts owing to the Issuing Bank under SECTION 2.03(g)) and any security therefor and guaranty pertaining thereto.

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(ii) If any Issuing Bank makes any payment under any Letter of Credit and the Borrower does not repay such amount to the Issuing Bank on the Reimbursement Date, the Issuing Bank shall promptly notify the Agent, which shall either effect the settlement procedures set forth in SECTION 2.05 or promptly notify each Lender, and each such Lender shall promptly and unconditionally pay to the Agent for the account of such Issuing Bank, in immediately available funds, the amount of such Lender's Pro Rata Share of such payment (net of that portion of such payment, if any, made by such Lender in its capacity as an Issuing Bank), and the Agent shall promptly pay to the Issuing Bank such amounts received by it, and any other amounts received by the Agent for the Issuing Bank's account, pursuant to this SECTION 2.03(e). All such payments shall constitute Revolving Loans made to the Borrower pursuant to SECTION 2.01 (irrespective of the satisfaction of the conditions in SECTION 5.02 or the requirement in SECTION 2.01(b) to deliver a Notice of Borrowing which conditions and requirement, for the purpose of refunding any Reimbursement Obligation owing to any Issuing Bank, the Lenders irrevocably waive) and shall thereupon cease to be unpaid Reimbursement Obligations. If a Lender does not make its Pro Rata Share of the amount of such payment available to the Agent, such Lender agrees to pay to the Agent for the account of the Issuing Bank, forthwith on demand, such amount together with interest thereon, for the first Business Day after the date such payment was first due at the Federal Funds Rate, and thereafter at the interest rate then applicable in accordance with

SECTION 4.01(a). The failure of any such Lender to make available to the Agent for the account of an Issuing Bank its Pro Rata Share of any such payment shall neither relieve any other Lender of its obligation hereunder to make available to the Agent for the account of such Issuing Bank such other Lender's Pro Rata Share of any payment on the date such payment is to be made nor increase the obligation of any other Lender to make such payment to the Agent. This Section does not relieve any Lender of its obligation to purchase Pro Rata Share participations in Letters of Credit; nor does this Section relieve the Borrower of its obligation to pay or repay any Issuing Bank funding its Pro Rata Share of such payment pursuant to this Section interest on the amount of such payment from such date such payment is to be made until the date on which payment is repaid in full.

(iii) Whenever an Issuing Bank receives a payment on account of a Reimbursement Obligation, including any interest thereon, as to which any Lender has made a Revolving Loan pursuant to clause (ii) of this Section, such Issuing Bank shall promptly pay to the Agent such payment in accordance with SECTION 3.02. Whenever the Agent receives (pursuant to the immediately preceding sentence or otherwise) a payment on account of a Reimbursement Obligation, including any interest thereon, as to which any Lender has made a Revolving Loan pursuant to clause (ii) of this Section, the Agent shall distribute such payment in accordance with Section 3.02. Each such payment shall be made by

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such Issuing Bank or the Agent, as the case may be, on the Business Day on which such Person receives the funds paid to such Person pursuant to the preceding sentence, if received prior to 11:00 a.m. (New York time) on such Business Day, and otherwise on the next succeeding Business Day.

(iv) Upon the request of any Lender, an Issuing Bank shall furnish such Lender copies of any Letter of Credit or Letter of Credit Reimbursement Agreement to which such Issuing Bank is party and such other documentation as reasonably may be requested by such Lender.

(v) The obligations of a Lender to make payments to the Agent for the account of any Issuing Bank with respect to a Letter of Credit shall be irrevocable, shall not be subject to any qualification or exception whatsoever except willful misconduct or gross negligence of such Issuing Bank as determined in a final, non-appealable judgment by a court of competent jurisdiction, and shall be honored in accordance with this ARTICLE II (irrespective of the satisfaction of the conditions described in SECTIONS 5.01 and 5.02, as applicable which conditions, for the purposes of the repayment of Letters of Credit to the Issuing Bank, such Lenders irrevocably waive) under all circumstances, including, without limitation, any of the following circumstances:

(A) any lack of validity or enforceability hereof or of any of the other Loan Documents;

(B) the existence of any claim, setoff, defense or other right which the Borrower may have at any time against a beneficiary named in a Letter of Credit or any transferee of a beneficiary named in a Letter of Credit (or any Person for whom any such transferee may be acting), the Agent, any Issuing Bank, any Lender, or any other Person, whether in connection herewith, with any Letter of Credit, the transactions contemplated herein or any unrelated transactions (including any underlying transactions between the account party and beneficiary named in any Letter of Credit);

(C) any draft, certificate or any other document presented under the Letter of Credit having been determined to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(D) the surrender or impairment of any security for the performance or observance of any of the terms of any of the Loan Documents;

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(E) any failure by such Issuing Bank to make any reports required pursuant to SECTION 2.03(h) or the inaccuracy of any such report; or

(F) the occurrence of any Event of Default or Default.

(f) PAYMENT OF REIMBURSEMENT OBLIGATIONS. (i) The Borrower unconditionally agrees to pay to each Issuing Bank, in Dollars, the amount of all Reimbursement Obligations, interest and other amounts payable to such Issuing Bank under or in connection with the Letters of Credit when such amounts are due and payable, irrespective of any claim, setoff, defense or other right which the Borrower may have at any time against any Issuing Bank or any other Person.

(ii) In the event any payment by the Borrower received by an Issuing Bank with respect to a Letter of Credit and distributed by the Agent to the Lenders on account of their participation is thereafter set aside, avoided or recovered from such Issuing Bank in connection with any receivership, liquidation or bankruptcy proceeding, each such Lender which received such distribution shall, upon demand by such Issuing Bank, contribute such Lender's Pro Rata Share of the amount set aside, avoided or recovered together with

interest at the rate required to be paid by such Issuing Bank upon the amount required to be repaid by it.

(g) ISSUING BANK CHARGES. The Borrower shall pay to each Issuing Bank, solely for its own account, the standard charges assessed by such Issuing Bank in connection with the issuance, administration, amendment and payment or cancellation of Letters of Credit and such compensation in respect of such Letters of Credit for the Borrower's account as may be agreed upon by the Borrower and such Issuing Bank from time to time.

(h) ISSUING BANK REPORTING REQUIREMENTS. Each Issuing Bank shall, no later than the tenth (10th) Business Day following the last day of each calendar month, provide to the Agent and the Borrower separate schedules for Commercial Letters of Credit and Standby Letters of Credit Issued by it, in form and substance reasonably satisfactory to the Agent, setting forth the aggregate Letter of Credit Obligations outstanding to it at the end of each month and any information requested by the Agent or the Borrower relating to the date of issue, account party, amount, expiration date and reference number of each Letter of Credit Issued by it.

(i) INDEMNIFICATION; EXONERATION. (A) In addition to all other amounts payable to an Issuing Bank, the Borrower hereby agrees to defend, indemnify, and save the Agent, each Issuing Bank and each Lender harmless from and against any and all claims, demands, liabilities, penalties, damages, losses (other than loss of profits), costs, charges and expenses (including

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reasonable attorneys' fees but excluding taxes) which the Agent, such Issuing Bank or such Lender may incur or be subject to as a consequence, direct or indirect, of (i) the Issuance of any Letter of Credit other than as a result of the gross negligence or willful misconduct of the Issuing Bank, as determined by a court of competent jurisdiction, or (ii) the failure of the Issuing Bank issuing a Letter of Credit to honor a drawing under such Letter of Credit as a result of any act or omission, whether rightful or wrongful, of any present or future DE JURE or DE FACTO government or Governmental Authority.

(B) As between the Borrower on the one hand and the Agent, the Lenders and the Issuing Banks on the other hand, the Borrower assumes all risks of the acts and omissions of, or misuse of Letters of Credit by, the respective beneficiaries of the Letters of Credit. In furtherance and not in limitation of the foregoing, subject to the provisions of the Letter of Credit Reimbursement Agreements, the Agent, the Issuing Banks and the Lenders shall not be responsible for: (i) the form, validity, legality, sufficiency, accuracy, genuineness or legal effect of any document submitted by any party in connection with the application for and Issuance of the Letters of Credit, even if it

should in fact prove to be in any or all respects invalid, insufficient, inaccurate, fraudulent or forged; (ii) the validity, legality or sufficiency of any instrument transferring or assigning or purporting to transfer or assign a Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason; (iii) failure of the beneficiary of a Letter of Credit to comply duly with conditions required in order to draw upon such Letter of Credit; (iv) errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable, telegraph, telex or otherwise, whether or not they be in cipher; (v) errors in interpretation of technical terms; (vi) any loss or delay in the transmission or otherwise of any document required in order to make a drawing under any Letter of Credit or of the proceeds thereof; (vii) the misapplication by the beneficiary of a Letter of Credit of the proceeds of any drawing under such Letter of Credit; (viii) any litigation, proceeding or charges with respect to such Letter of Credit; and (ix) any consequences arising from causes beyond the control of the Agent, the Issuing Banks or the Lenders.

(j) OBLIGATIONS SEVERAL. The obligations of each Issuing Bank and each Lender under this SECTION 2.03 are several and not joint, and no Issuing Bank or Lender shall be responsible for the obligation to Issue Letters of Credit or participation obligation hereunder, respectively, of any other Issuing Bank or Lender.

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2.04. PROMISE TO REPAY; EVIDENCE OF INDEBTEDNESS.

(a) PROMISE TO REPAY. The Borrower hereby agrees to pay when due the principal amount of each Loan which is made to it, and further agrees to pay when due all unpaid interest accrued thereon, in accordance with the terms hereof and of the Notes. The Borrower shall execute and deliver to each Lender, as applicable on the Closing Date, Swing Loan Notes substantially in the form of EXHIBIT H and Revolving Credit Notes substantially in the form of EXHIBIT I evidencing the Loans and thereafter shall execute and deliver such other promissory notes as are necessary to evidence the Loans owing to the Lenders after giving effect to any assignment thereof pursuant to SECTION 13.01, all in form and substance acceptable to the Agent and the parties to such assignment (all such promissory notes and all amendments thereto, replacements thereof and substitutions therefor being collectively referred to as the "NOTES"; and "NOTE" means any one of the Notes).

(b) LOAN ACCOUNT. Each Lender shall maintain in accordance with its usual practice an account or accounts (a "LOAN ACCOUNT") evidencing the Indebtedness of the Borrower to such Lender resulting from each Loan owing to

such Lender from time to time, including the amount of principal and interest payable and paid to such Lender from time to time hereunder and under each of the Notes.

2.05. SETTLEMENT. (a) The Agent shall from time to time notify each Lender by 12:00 noon (New York time) on a date to be selected weekly or more frequently by the Agent, in its sole discretion, of the aggregate amount of the Revolving Credit Obligations outstanding and such Lender's Pro Rata Share thereof as of the close of business on the Business Day immediately preceding the date of such notice (each such Business Day and the Closing Date being a "SETTLEMENT DATE"). Upon receipt of such notice, each Lender shall, before 3:00 p.m. (New York time) on the date of such notice unconditionally pay by depositing in the Agent's Account immediately available funds the amount by which the net amount of such Lender's Pro Rata Share of the Revolving Credit Obligations outstanding on the Settlement Date referred to in such notice exceeds the net amount of such Lender's Pro Rata Share of the Revolving Credit Obligations on the Settlement Date immediately preceding such Settlement Date, in each case after giving effect to the following adjustments: (i) Revolving Loans if any, to be made by such Lender on such Settlement Date, or the purchase by such Lender of its Pro Rata Share of any outstanding Swing Loans pursuant to SECTION 2.02(d); (ii) any Revolving Loans to be made by such Lender on such date pursuant to SECTION 2.01; (iii) any amount owing by such Lender pursuant to SECTION 2.01(c)(ii) or this SECTION 2.05; (iv) any amount owing by such Lender pursuant to SECTION 2.03(e)(ii) or to such Lender pursuant to SECTION 2.03(e)(iii); and (v) such Lender's Pro Rata Share of the net amount of all prepayments and repayments of Revolving

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Loans made by the Borrower since the Settlement Date immediately preceding such Settlement Date LESS the amounts applied by the Agent to the repayment of the outstanding Swing Loans pursuant to SECTION 2.02(b) and Protective Advances pursuant to SECTION 12.09(a). Upon each such adjustment pursuant to this SECTION 2.05, each Lender shall then be deemed for all purposes under this Agreement, under the Notes and the other Loan Documents to have Revolving Credit Obligations owed to it ratably as provided above.

(b) In the event that the net amount of any Lender's Pro Rata Share of the Revolving Credit Obligations outstanding on such Settlement Date is less than the net amount of such Lender's Pro Rata Share of the Revolving Credit Obligations on the Settlement Date immediately preceding such Settlement Date, in each case after giving effect to the adjustments set forth in clauses (i) through (v) of subsection (a) of this SECTION 2.05, the Agent shall, before 3:00 p.m. (New York time) on such Settlement Date, disburse to each Lender such Lender's Pro Rata Share of the funds remaining in the Agent's Account.

(c) If and to the extent any Lender shall not have made available to the Agent on any Settlement Date any amount payable by such Lender on such Settlement Date pursuant to subsection (a) of this SECTION 2.05, such Lender agrees to pay to the Agent forthwith on demand such amount together with interest thereon, for each day from such Settlement Date until the date such amount is paid to the Agent, for three (3) Business Days at the Federal Funds Rate and thereafter at the interest rate applicable to the Loans hereunder and under the Notes. If such Lender shall pay to the Agent such amount, such amount so paid shall constitute such Lender's Revolving Loan for purposes of this Agreement and such Lender's Note.

(d) The failure of any Lender to make any payment required to be made by it on any Settlement Date shall not relieve any other Lender of its obligation to make any payment required to be made by it on any Settlement Date.

2.06. AUTHORIZED OFFICERS AND AGENTS. On the Closing Date and from time to time thereafter, the Borrower shall deliver to the Agent an Officers' Certificate setting forth the names of the officers, employees and agents authorized to request Revolving Loans, Swing Loans and Letters of Credit and containing a specimen signature of each such officer, employee or agent. The officers, employees and agents so authorized shall also be authorized to act for the Borrower in respect of all other matters relating to the Loan Documents. The Agent shall be entitled to rely conclusively on such officer's or employee's authority to request such Loan or Letter of Credit until the Agent receives written notice to the contrary. In addition, the Agent shall be entitled to rely conclusively on any written notice sent to it by telecopy. The Agent shall have no duty to

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verify the authenticity of the signature appearing on, or any telecopy or facsimile of, any written Notice of Borrowing or any other document, and, with respect to an oral request for such a Loan or Letter of Credit, the Agent shall have no duty to verify the identity of any person representing himself or herself as one of the officers, employees or agents authorized to make such request or otherwise to act on behalf of the Borrower. None of the Agent, any Lender or any Issuing Bank shall incur any liability to the Borrower or any other Person in acting upon any telecopy or facsimile or telephonic notice referred to above which the Agent reasonably believes to have been given by a duly authorized officer or other person authorized to borrow on behalf of the Borrower.

ARTICLE III
PAYMENTS AND PREPAYMENTS

3.01. PREPAYMENTS; REDUCTIONS IN REVOLVING CREDIT COMMITMENTS.

(a) VOLUNTARY PREPAYMENTS/REDUCTIONS. REVOLVING CREDIT COMMITMENT. The Borrower, upon at least five (5) Business Days' (or less at the Agent's sole discretion) prior written notice to the Agent, shall have the right, from time to time, to terminate in whole or permanently reduce in part the Revolving Credit Commitments, provided that the Borrower shall have made whatever payment may be required to reduce the Revolving Credit Obligations to an amount less than or equal to the Maximum Revolving Credit Amount after giving effect to such reduction or termination of the Revolving Credit Commitments. Any partial reduction of the Revolving Credit Commitments shall be in an aggregate minimum amount of \$5,000,000 and integral multiples of \$1,000,000 in excess of that amount, and shall reduce the Revolving Credit Commitment of each Lender proportionately in accordance with its Pro Rata Share. Any notice of termination or reduction given to the Agent under this SECTION 3.01(a) shall specify the date (which shall be a Business Day) of such termination or reduction and, with respect to a partial reduction, the aggregate principal amount thereof. When notice of termination or reduction is delivered as provided herein, the principal amount of the Revolving Loans specified in the notice shall become due and payable on the date specified in such notice. The payments in respect of reductions and terminations described in this SECTION 3.01(a) may be made without premium or penalty (except as provided in SECTION 4.02(f)).

(b) MANDATORY PREPAYMENTS OF LOANS.

(i) Immediately after the Borrower's or any of the Restricted Subsidiaries' receipt of any Net Cash Proceeds, the Borrower shall make or cause to be made a mandatory prepayment of the Loans in an amount equal to one hundred percent (100%) of

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such Net Cash Proceeds. Notwithstanding the preceding sentence, the Borrower shall be entitled to use any Net Cash Proceeds received in respect of the sale of the Borrower's Real Property located in Graham, Texas to repay obligations under the Existing IRDBs issued in connection with such Real Property PROVIDED that any such repayment shall reduce the Borrower's obligation to reduce the contingent liability of BNP on the next Payment Date (as defined in the BNP Reimbursement Agreement) by the amount of such repayment pursuant to the BNP Letter of Credit Documents. On the date any mandatory prepayment is received by the Agent pursuant to this CLAUSE (i), such prepayment shall be applied FIRST to the outstanding principal amount of the Swing Loans, SECOND to any remaining non-contingent Revolving Credit Obligations (with a corresponding reduction in the Revolving Credit Commitments equal to 100% of such prepayment) and THIRD to the extent no Obligations (other than contingent

Obligations) are outstanding, to the Investment Account to be held as Cash Collateral in accordance with this Agreement; PROVIDED (A) that any Net Cash Proceeds received after the Closing Date in respect of the EMT Sale (to the extent up to \$3,000,000), the European Resin Sale, the sale of the Borrower's domestic resins business (to the extent less than \$3,000,000), the sale of the Borrower's Real Property located in Graham, Texas, indemnification obligations owing to the Borrower pursuant to the terms of the YIP Transaction arising from the failure of BCY Industrial Enterprises to make required payments in connection with the Existing IRDBs and up to \$1,000,000 in any Fiscal Year of Net Cash Proceeds arising from the sale of assets in a single transaction or series of related transactions PROVIDED that the Net Cash Proceeds of each such single transaction or series of related transactions do not exceed \$250,000, shall not reduce the Revolving Credit Commitments and (B) after Net Cash Proceeds applied pursuant to this clause (i) shall have caused a reduction in the Revolving Credit Commitments of \$12,000,000, any additional Net Cash Proceeds received by the Borrower shall result in a corresponding reduction in the Revolving Credit Commitments equal to only 50% of such additional Net Cash Proceeds. Any such prepayments shall be applied in accordance with SECTION 3.02(b)(ii) first to Base Rate Loans and then to any Eurodollar Rate Loans with those Loans which have earlier expiring Interest Periods being repaid prior to those which have later expiring Interest Periods; PROVIDED, HOWEVER, so long as no Event of Default has occurred and is continuing, the Borrower may elect to have prepayments that would otherwise be applied to Eurodollar Rate Loans prior to the end of the applicable Interest Period held as Cash Collateral in the Cash Collateral Account and applied to such Loan at the expiration of the relevant Interest Period.

(ii) Immediately, if at any time the Revolving Credit Obligations are greater than the Maximum Revolving Credit Amount, the Borrower shall make a mandatory repayment of the Revolving Credit Obligations in an amount equal to such excess, such amount

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to be applied to the Obligations in accordance with SECTION 3.02. In addition, to the extent the Maximum Revolving Credit Amount is at any time less than the amount of contingent Letter of Credit Obligations outstanding at such time, the Borrower shall deposit Cash Collateral in the Cash Collateral Account in an amount equal to the amount by which such Letter of Credit Obligations exceed such Maximum Revolving Credit Amount.

(iii) On a daily basis from funds on deposit in (x) the Concentration Account and (y) if necessary to repay in full all such Revolving Credit Obligations, the Investment Account, in each case prior to 1:00 p.m. on any Business Day, the Agent shall transfer funds in accordance with SECTION 3.05 and thereby cause the Borrower to make a mandatory repayment of the

Revolving Credit Obligations on such Business Day in an amount equal to: FIRST, any and all Non Pro Rata Loans on a pro rata basis, SECOND, any and all outstanding Swing Loans, and THIRD, the repayment of the Revolving Credit Obligations then outstanding in accordance with the provisions of SECTION 3.02.

(iv) Nothing in this SECTION 3.01(b) shall be construed to constitute the Lenders' consent to any transaction which is not expressly permitted by ARTICLE IX.

3.02. PAYMENTS. (a) MANNER AND TIME OF PAYMENT. All payments of principal of and interest on the Loans and Reimbursement Obligations and other Obligations (including, without limitation, fees and expenses) which are payable to the Agent, the Lenders or any Issuing Bank shall be made without condition or reservation of right, in immediately available funds, delivered to the Agent (or, in the case of Reimbursement Obligations, to the pertinent Issuing Bank) not later than 1:00 p.m. (New York time) on the date and at the place due, to the Agent's Account (or such account of the Issuing Bank, as it may designate, if applicable). Thereafter, payments in respect of any Swing Loans received by the Agent shall be distributed to the Swing Loan Bank and payments in respect of any Revolving Loan received by the Agent shall be distributed to each Lender in accordance with its Pro Rata Share in accordance with the provisions of SECTION 3.02(b) on the date received, if received prior to 1:00 p.m., and (except in the case of repayment of Swing Loans) on the next succeeding Business Day if received thereafter, by the Agent.

(b) APPORTIONMENT OF PAYMENTS. (i) Subject to the provisions of SECTION 3.02(b)(ii) and (v), except as otherwise provided herein (A) all payments of principal and interest in respect of outstanding Revolving Loans, and all payments in respect of Reimbursement Obligations, shall be allocated among such of the Lenders and Issuing Banks as are entitled thereto, in proportion to their respective Pro Rata Shares and (B) all payments of fees and all other payments in respect of any other Obligations shall be allocated among such of the Lenders and

Issuing Banks as are entitled thereto, in proportion to their respective Pro Rata Shares. All such payments and any other amounts received by the Agent from or for the benefit of the Borrower shall be applied FIRST, to pay principal of and interest on any portion of the Loans which the Agent may have advanced pursuant to the express provisions of this Agreement on behalf of any Lender other than the Lender then acting as Agent, for which the Agent has not then been reimbursed by such Lender or the Borrower, SECOND, to pay principal of and interest on any Protective Advance for which the Agent has not then been paid by the Borrower or reimbursed by the Lenders, THIRD, to pay all other

Obligations then due and payable and FOURTH, to the Investment Account to be held as Cash Collateral in accordance with this Agreement; PROVIDED that, notwithstanding anything contained in this Agreement to the contrary, if no Revolving Credit Obligations are then outstanding and no Default shall have occurred and be continuing, all funds remaining in the Concentration Account shall be transferred to the Investment Account and invested in accordance with account instructions applicable thereto agreed to by the Borrower and the Agent. The Borrower hereby grants to the Agent a security interest for the benefit of the Agent, the Lenders and the Issuing Banks in all funds deposited in the Investment Account. Except as set forth in SECTIONS 3.01(a) AND (b) and unless otherwise designated by the Borrower, all principal payments in respect of outstanding Swing Loans or Revolving Loans, as the case may be, shall be applied FIRST, to the outstanding Swing Loans and SECOND, to the outstanding Revolving Loans, in each case, FIRST, to repay outstanding Base Rate Loans, and THEN to repay outstanding Eurodollar Rate Loans with those Loans which have earlier expiring Interest Periods being repaid prior to those which have later expiring Interest Periods.

(ii) After the occurrence and during the continuance of an Event of Default, the Agent may, and shall upon the acceleration of the Obligations pursuant to SECTION 11.02(a), apply all payments in respect of any Obligations and all proceeds of Collateral (including, without limitation, all amounts held as Cash Collateral or in the Investment Account) in the following order:

(A) FIRST, to pay interest on and then principal of any portion of the Revolving Loans which the Agent may have advanced on behalf of any Lender for which the Agent has not then been reimbursed by such Lender or the Borrower;

(B) SECOND, to pay interest on and then principal of first any outstanding Protective Advance and then any Swing Loan;

(C) THIRD, to pay Obligations in respect of any expense reimbursements or indemnities then due to the Agent,

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including, without limitation, fees and expenses in respect of cash management services provided to the Borrower and its Subsidiaries by the Agent;

(D) FOURTH, to pay Obligations in respect of any expense reimbursements or indemnities then due to the Lenders and the Issuing Banks;

(E) FIFTH, to pay Obligations in respect of any fees then due to

the Agent, the Lenders and the Issuing Banks;

(F) SIXTH, to pay interest due in respect of the Loans and Reimbursement Obligations;

(G) SEVENTH, to pay or prepay (or, to the extent such Obligations are contingent, provide Cash Collateral pursuant to SECTION 11.02(b) in respect of) principal outstanding on Loans and all outstanding Letter of Credit Obligations;

(H) EIGHTH, to the ratable payment of Interest Rate Contracts and Currency Agreements to which the Agent or any Affiliate of the Agent is a party;

(I) NINTH, to the ratable payment of all other Obligations;

PROVIDED, HOWEVER, if sufficient funds are not available to fund all payments to be made in respect of any of the Obligations described in any of the foregoing CLAUSES (A) through (H), the available funds being applied with respect to any such Obligations referred to in any one of such clauses (unless otherwise specified in such clause) shall be allocated to the payment of such Obligations ratably, based on the proportion of the Agent's and each Lender's or Issuing Bank's interest in the aggregate outstanding Obligations described in such clauses.

The order of priority set forth in this SECTION 3.02(b) (ii) and the related provisions hereof are set forth solely to determine the rights and priorities of the Agent, the Lenders, the Issuing Banks and other Holders as among themselves. The order of priority set forth in CLAUSES (A) through (H) of this SECTION 3.02(b) (ii) may at any time and from time to time be changed by the agreement of the Requisite Lenders without necessity of notice to or consent of or approval by the Borrower, any Holder which is not a Lender or Issuing Bank, or any other Person; PROVIDED, HOWEVER, the order of priority set forth in CLAUSES (A) through (E) of this SECTION 3.02(b) (ii) may not be changed without the prior written consent of the Agent.

(iii) The Agent, in its sole discretion subject only to the terms of this SECTION 3.02(b) (iii), may pay from the

proceeds of Revolving Loans (which Loans have not been requested by the Borrower pursuant to a Notice of Borrowing) made to the Borrower hereunder, whether made following a request by the Borrower pursuant to SECTION 2.01 or 2.02 or a deemed request as provided in this SECTION 3.20(b) (iii), all amounts then due and payable by the Borrower hereunder, including, without limitation, amounts

payable with respect to payments of principal, interest, Reimbursement Obligations and fees and all reimbursements for expenses pursuant to SECTION 13.02. The Borrower hereby irrevocably authorizes the Swing Loan Bank and the Lenders to make Revolving Loans, which Revolving Loans shall be Base Rate Loans, in each case, upon notice from the Agent as described in the following sentence for the purpose of paying principal, interest, Reimbursement Obligations and fees due from such Borrower, reimbursing expenses pursuant to SECTION 13.02 and paying any and all other amounts due and payable by such Borrower hereunder or under the Notes, and agrees that all such Revolving Loans so made shall be deemed to have been requested by it pursuant to SECTION 2.01 and 2.02 as of the date of the aforementioned notice. The Agent shall request Revolving Loans on behalf of the Borrower as described in the preceding sentence by notifying the Lenders by telex, telecopy, telegram or other similar form of transmission (which notice the Agent shall thereafter promptly transmit to such Borrower), of the amount and Funding Date of the proposed Borrowing and that such Borrowing is being requested on such Borrower's behalf pursuant to this SECTION 3.02(b)(iii). On the proposed Funding Date, the Lenders shall make the requested Loans in accordance with the procedures and subject to the conditions specified in SECTION 2.01 or 2.02 (irrespective of the satisfaction of the conditions described in SECTION 5.02 or the requirement to deliver a Notice of Borrowing in SECTION 2.01(b), which conditions and requirements, for the purposes of the payment of Revolving Loans at the request of the Agent as described in the preceding sentence, the Lenders irrevocably waive).

(v) If any Lender fails to fund its Pro Rata Share of any Revolving Loan Borrowing requested by the Borrower which such Lender is obligated to fund under the terms hereof (the funded portion of such Revolving Loan Borrowing being hereinafter referred to as a "NON PRO RATA LOAN"), excluding any such Lender who has delivered to the Agent written notice that one or more of the conditions precedent contained in SECTION 5.02 shall not on the date of such request be satisfied and until such conditions are satisfied, THEN until the earlier of such Lender's cure of such failure and the termination of the Revolving Credit Commitments, the proceeds of all amounts thereafter repaid to the Agent by the Borrower and otherwise required to be applied to such Lender's share of all other Obligations pursuant to the terms hereof shall be advanced to the Borrower by the Agent on behalf of such Lender to cure, in full or in part, such failure by such Lender, but shall nevertheless be deemed to have been

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paid to such Lender in satisfaction of such other Obligations. Notwithstanding anything contained herein to the contrary:

(A) the foregoing provisions of this SECTION 3.02(b)(v) shall apply only with respect to the proceeds of payments of Obligations;

(B) a Lender shall be deemed to have cured its failure to fund its Pro Rata Share of any Revolving Loan at such time as an amount equal to such Lender's original Pro Rata Share of the requested principal portion of such Revolving Loan is fully funded to the Borrower, whether made by such Lender itself or by operation of the terms of this SECTION 3.02(b)(v), and whether or not the Non Pro Rata Loan with respect thereto has been repaid;

(C) amounts advanced to the Borrower to cure, in full or in part, any such Lender's failure to fund its Pro Rata Share of any Revolving Loan Borrowing ("CURE LOANS") shall bear interest at the rate applicable to the other Revolving Loans comprising such Borrowing and shall be treated as Revolving Loans comprising such Borrowing for all purposes herein;

(D) regardless of whether or not an Event of Default has occurred or is continuing, and notwithstanding the instructions of the Borrower as to its desired application, all repayments of principal which, in accordance with the other terms of this SECTION 3.02, would be applied to the outstanding Revolving Loans shall be applied FIRST, ratably to all Revolving Loans constituting Non Pro Rata Loans, SECOND, ratably to Revolving Loans other than those constituting Non Pro Rata Loans or Cure Loans and, THIRD, ratably to Revolving Loans constituting Cure Loans; and

(E) No Lender shall be relieved of any obligation such Lender may have to the Borrower under the terms of this Agreement as a result of the provisions of this SECTION 3.02(b)(v).

(c) PAYMENTS ON NON-BUSINESS DAYS. Whenever any payment to be made by the Borrower hereunder or under the Notes is stated to be due on a day which is not a Business Day, the payment shall instead be due on the next succeeding Business Day (or, as set forth in SECTION 4.02(b)(iv), the next preceding Business Day), and any such extension of time shall be included in the computation of the payment of interest and fees hereunder.

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3.03. TAXES.

(a) PAYMENT OF TAXES. Any and all payments by the Borrower hereunder or under any Note or other document evidencing any Obligations shall be made free and clear of and without reduction for any and all taxes, levies, imposts, deductions, charges, withholdings, and all stamp or documentary taxes, excise taxes, ad valorem taxes and other taxes imposed on the value of the

Property, charges or levies which arise from the execution, delivery or registration, or from payment or performance under, or otherwise with respect to, any of the Loan Documents or the Revolving Credit Commitments and all other liabilities with respect thereto excluding, in the case of each Lender, each Issuing Bank and the Agent, taxes imposed on its income, capital, profits or gains and franchise taxes imposed on it by (i) the United States, except certain withholding taxes contemplated pursuant to SECTION 3.03(d)(ii)(C), (ii) the Governmental Authority of the jurisdiction in which such Lender's Lending Office is located or any political subdivision thereof, (iii) the Governmental Authority in which such Person is organized, managed and controlled or any political subdivision thereof or (iv) any political subdivision of the United States unless such taxes are imposed solely as a result of such Lender's performance of any of the Loan Documents (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 withhold or deduct any Taxes from or in respect of any sum payable hereunder or under any such Note or document to any Lender, any Issuing Bank or the Agent, (x) the sum payable to such Lender, such Issuing Bank or the Agent shall be increased as may be necessary so that after making all required withholding or deductions (including withholding or deductions applicable to additional sums payable under this SECTION 3.03) such Lender, such Issuing Bank or the Agent (as the case may be) receives an amount equal to the sum it would have received had no such withholding or deductions been made, (y) the Borrower shall make such withholding or deductions, and (z) the Borrower shall pay the full amount withheld or deducted to the relevant taxation authority or other authority in accordance with applicable law.

(b) INDEMNIFICATION. The Borrower will indemnify each Lender, each Issuing Bank and the Agent against, and reimburse each on demand for, the full amount of all Taxes (including, without limitation, any Taxes imposed by any Governmental Authority on amounts payable under this SECTION 3.03 and any additional income or franchise taxes resulting therefrom) incurred or paid by such Lender, such Issuing Bank or the Agent (as the case may be) or any of their respective Affiliates and any liability (including penalties, interest, and out-of-pocket expenses paid to third parties) arising therefrom or with respect thereto, whether or not such Taxes were lawfully payable. A

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certificate as to any additional amount payable to any Person under this SECTION 3.03 submitted by it to the Borrower shall, absent manifest error, be final, conclusive and binding upon all parties hereto. Each Lender, the Agent and each Issuing Bank agrees, within a reasonable time after receiving a written request from the Borrower, to provide the Borrower and the Agent with such certificates as are reasonably required, and take such other actions as are reasonably necessary to claim such exemptions as such Lender, the Agent or such

Issuing Bank or Affiliate may be entitled to claim in respect of all or a portion of any Taxes which are otherwise required to be paid or deducted or withheld pursuant to this SECTION 3.03 in respect of any payments under this Agreement or under the Notes.

(c) RECEIPTS. Within thirty (30) days after the date of any payment of Taxes by the Borrower or any of its Subsidiaries, the Borrower will furnish to the Agent at its request, at its address referred to in SECTION 13.08, the original or a certified copy of a receipt, if any, or other documentation reasonably satisfactory to the Agent, evidencing payment thereof. The Borrower shall furnish to the Agent upon the request of the Agent from time to time an Officer's Certificate stating that all Taxes of which it is aware are due have been paid and that no additional Taxes of which it is aware are due.

(d) FOREIGN BANK CERTIFICATIONS. (i) Each Lender or Issuing Bank that is not created or organized under the laws of the United States or a political subdivision thereof has delivered to the Borrower and the Agent on the date on which such Lender became a Lender or such Issuing Bank became an Issuing Bank or shall deliver to the Borrower on the date such Lender becomes a Lender or such Issuing Bank becomes an Issuing Bank, if such date is after the Closing Date, a true and accurate certificate executed in duplicate by a duly authorized officer of such Lender or Issuing Bank to the effect that such Lender or Issuing Bank is eligible to receive payments hereunder and under the Notes without deduction or withholding of United States federal income tax (I) under the provisions of an applicable tax treaty concluded by the United States (in which case the certificate shall be accompanied by two duly completed copies of IRS Form 1001 (or any successor or substitute form or forms)) or (II) under Section 1441(c)(1) as modified for purposes of Section 1442(a) of the Internal Revenue Code (in which case the certificate shall be accompanied by two duly completed copies of IRS Form 4224 (or any successor or substitute form or forms)).

(ii) Each Lender and each Issuing Bank further agrees to deliver to the Borrower and the Agent from time to time, a true and accurate certificate executed in duplicate by a duly authorized officer of such Lender or such Issuing Bank before or promptly upon the occurrence of any event requiring a change in

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the most recent certificate previously delivered by it to the Borrower and the Agent pursuant to this SECTION 3.03(d) (including, but not limited to, a change in such Lender's or such Issuing Bank's lending office). Each certificate required to be delivered pursuant to this SECTION 3.03(d)(ii) shall certify as to one of the following:

(A) that such Lender or such Issuing Bank can continue to receive payments hereunder and under the Notes without deduction or withholding of United States federal income tax;

(B) that such Lender or such Issuing Bank cannot continue to receive payments hereunder and under the Notes without deduction or withholding of United States federal income tax as specified therein but does not require additional payments pursuant to SECTION 3.03(a) because it is entitled to recover the full amount of any such deduction or withholding from a source other than the Borrower;

(C) that such Lender or Issuing Bank is no longer capable of receiving payments hereunder and under the Notes without deduction or withholding of United States federal income tax as specified therein by reason of a change in law (including the Internal Revenue Code or applicable tax treaty) after the later of the Closing Date or the date on which such Lender became a Lender or such Issuing Bank became an Issuing Bank and that it is not capable of recovering the full amount of the same from a source other than the Borrower; or

(D) that such Lender or such Issuing Bank is no longer capable of receiving payments hereunder without deduction or withholding of United States federal income tax as specified therein other than by reason of a change in law (including the Internal Revenue Code or applicable tax treaty) after the later of the Closing Date or the date on which such Lender became a Lender or such Issuing Bank became an Issuing Bank.

Each Lender and each Issuing Bank agrees to deliver to the Borrower and the Agent further duly completed copies of the above-mentioned IRS forms on or before the earlier of (x) the date that any such form expires or becomes obsolete or otherwise is required to be resubmitted as a condition to obtaining an exemption from withholding from United States federal income tax and (y) fifteen (15) days after the occurrence of any event requiring a change in the most recent form previously delivered by such Lender or such Issuing Bank to the Borrower and the Agent, unless any change in treaty, law, regulation, or official interpretation thereof which would render such form inapplicable or which would prevent the Lender from duly completing and

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delivering such form has occurred prior to the date on which any such delivery would otherwise be required and the Lender or the Issuing Bank promptly advises the Borrower that it is not capable of receiving payments hereunder or under the Notes without any deduction or withholding of United States federal income tax.

3.04. INCREASED CAPITAL. If after the date hereof any Lender or

Issuing Bank determines that (i) the adoption or implementation of or any change in or in the interpretation or administration of any law or regulation or any guideline or request from any central bank or other Governmental Authority or quasi-governmental authority exercising jurisdiction, power or control over any Lender, Issuing Bank or banks or financial institutions generally (whether or not having the force of law), compliance with which affects or would affect the amount of capital required or expected to be maintained by such Lender or Issuing Bank or any corporation controlling such Lender or Issuing Bank and (ii) the amount of such capital is increased by or based upon (A) the making or maintenance by any Lender of its Loans, any Lender's participation in or obligation to participate in the Loans, Letters of Credit or other advances made hereunder or the existence of any Lender's obligation to make Loans or (B) the issuance or maintenance by any Issuing Bank of, or the existence of any Issuing Bank's obligation to Issue, Letters of Credit, then, in any such case, upon written demand by such Lender or Issuing Bank (with a copy of such demand to the Agent), the Borrower shall immediately pay to the Agent for the account of such Lender or Issuing Bank, from time to time as specified by such Lender or Issuing Bank, additional amounts sufficient to compensate such Lender or Issuing Bank or such corporation therefor. Such demand shall be accompanied by a statement as to the amount of such compensation and include a summary of the basis for such demand with detailed calculations. Such statement shall be conclusive and binding for all purposes, absent manifest error.

3.05. CASH MANAGEMENT. (a) The Borrower has established the Lockboxes listed on SCHEDULE 6.01-Z and the Collection Accounts listed on SCHEDULE 6.01-Z. The Borrower has directed all account debtors of the Borrower to remit all monies, checks, notes, drafts or funds received by it including, without limitation, all payments in respect of the Receivables, other Collateral, Net Cash Proceeds and other cash proceeds of operations directly to a Lockbox or Collection Account; PROVIDED, HOWEVER, that nothing contained herein shall require any payments or proceeds of the YIP Transaction to be remitted to a Lockbox or Collection Account to the extent that such payments or proceeds are required to be remitted by the Borrower to First Trust of California, as trustee or escrow agent for the Industrial Development Authority of the County of Los Angeles. The contents of each Lockbox shall automatically be deposited into a Collection Account or be emptied and deposited into a Collection

Account by a representative of the Collection Account Bank at which the applicable Collection Account has been established. Only the Agent and the applicable Collection Account Bank, if any, shall have power of withdrawal from each Lockbox and the related Collection Account and the Borrower acknowledges that the Borrower shall not have any right, title or interest in such Lockbox or Collection Account or any items deposited therein. The Borrower agrees to cause

all collections of Receivables, all proceeds of Collateral and all Net Cash Proceeds now or hereafter received directly or indirectly by the Borrower or any Restricted Subsidiary of the Borrower or in the possession of the Borrower or any such Restricted Subsidiary to be held in trust for the Agent for the benefit of the Lenders and, promptly upon receipt thereof, to be deposited into a Collection Account or the Concentration Account on a daily basis. All of the funds in the Collection Accounts shall be automatically transferred into the Concentration Account. The Agent alone shall have power of withdrawal from the Concentration Account and the Borrower acknowledges that, except as expressly provided in this Agreement, the Borrower shall not have any right, title or interest in the Concentration Account or the amounts at any time appearing to the credit of the Concentration Account. Funds on deposit in the Concentration Account FIRST, shall be applied to the outstanding Obligations in accordance with SECTION 3.01(b)(i) (subject to the applicable provisions of SECTION 3.02); and THEN, to the extent any such funds remain after such application, shall be transferred to the Investment Account in accordance with SECTION 3.02(b)(i). In the event that any payments or proceeds of the YIP Transaction are received by the Agent, such payments or proceeds shall be remitted promptly by the Agent to First Trust of California, as trustee or escrow agent for the Industrial Development Authority of the County of Los Angeles.

(b) The Borrower agrees to pay to the Agent any and all reasonable fees, costs and expenses which the Agent incurs in connection with opening and maintaining the Collection Accounts, lock box or other similar payment collection mechanism for the Borrower and depositing for collection any check or item of payment received by and/or delivered to the Collection Account Banks or the Agent on account of the Obligations. The Borrower agrees to reimburse the Agent for any amounts paid to any Collection Account Bank arising out of any required indemnification by the Agent of such Collection Account Bank against damages incurred by the Collection Account Bank in the operation of a Collection Account.

(c) The Borrower agrees (i) within ninety days after the Closing Date or such longer period as may be acceptable to the Agent, to close each of its Lockboxes and Collection Accounts with Wells Fargo Bank N.A. and The Northern Trust Bank and (ii) within sixty days after the Closing Date, to enter into

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substitute agreements with Collection Account Banks satisfactory to the Agent.

ARTICLE IV INTEREST AND FEES

4.01. INTEREST ON THE LOANS AND OTHER OBLIGATIONS. (a) RATE OF

INTEREST. All Loans and the outstanding principal balance of all other Obligations shall bear interest on the unpaid principal amount thereof from the date such Loans are made and such other Obligations are due and payable until paid in full, except as otherwise provided in SECTION 4.01(d), as follows:

(i) If a Base Rate Loan or such other Obligation, at a rate per annum equal to the sum of (A) the Base Rate as in effect from time to time as interest accrues, PLUS (B) the Base Rate Margin in effect from time to time during such Interest Period;

(ii) If a Eurodollar Rate Loan, at a rate per annum equal to the sum of (A) the Eurodollar Rate determined for the applicable Interest Period, PLUS (B) the Eurodollar Rate Margin in effect from time to time during such Interest Period;

The applicable basis for determining the rate of interest on the Loans shall be selected by the Borrower at the time a Notice of Borrowing or a Notice of Conversion/Continuation is delivered by the Borrower to the Agent; PROVIDED, HOWEVER, the Borrower may not select the Eurodollar Rate as the applicable basis for determining the rate of interest on such a Loan if (x) such Loan is to be made on the Closing Date or (y) at the time of such selection an Event of Default or Default would occur or has occurred and is continuing. If on any day any Loan is outstanding with respect to which notice has not been timely delivered to the Agent in accordance with the terms hereof specifying the basis for determining the rate of interest on that day, then for that day interest on that Loan shall be determined by reference to the Base Rate.

(b) INTEREST PAYMENTS. (i) Interest accrued on each Base Rate Loan shall be payable in arrears (A) on the first day of each calendar month for the preceding calendar month, commencing on the first such day following the making of such Base Rate Loan and (B) if not theretofore paid in full, at maturity (whether by acceleration or otherwise) of such Base Rate Loan and interest accrued on Swing Loans shall be payable in arrears on the first Business Day of the immediately succeeding calendar month.

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(ii) Interest accrued on each Eurodollar Rate Loan shall be payable in arrears (A) on the first day of each calendar month for the preceding calendar month, commencing on the first such day following the making of such Eurodollar Rate Loan and (B) if not theretofore paid in full, at maturity (whether by acceleration or otherwise) of such Eurodollar Rate Loan.

(iii) Interest accrued on the principal balance of all other Obligations shall be payable in arrears (A) on the first day of each month,

commencing on the first such day following the incurrence of such Obligation and (B) if not theretofore paid in full, at the time such other Obligation becomes due and payable (whether by acceleration or otherwise).

(c) CONVERSION OR CONTINUATION. (i) The Borrower shall have the option (A) to convert at any time all or any part of outstanding Base Rate Loans (other than Swing Loans) to Eurodollar Rate Loans; (B) to convert all or any part of outstanding Eurodollar Rate Loans having Interest Periods which expire on the same date to Base Rate Loans on such expiration date; or (C) to continue all or any part of outstanding Eurodollar Rate Loans having Interest Periods which expire on the same date as Eurodollar Rate Loans, and the succeeding Interest Period of such continued Loans shall commence on such expiration date; PROVIDED, HOWEVER, no such outstanding Loan may be continued as, or be converted into, a Eurodollar Rate Loan (i) if the continuation of, or the conversion into, would violate any of the provisions of SECTION 4.02 or (ii) if an Event of Default or Default would occur or has occurred and is continuing. Any conversion into or continuation of Eurodollar Rate Loans under this SECTION 4.01(c) shall be in a minimum amount of \$5,000,000 and in integral multiples of \$1,000,000 in excess of that amount.

(ii) To convert or continue a Loan under SECTION 4.01(c) (i), the Borrower shall deliver a Notice of Conversion/Continuation to the Agent no later than 12:00 noon (New York time) at least three (3) Business Days in advance of the proposed conversion/continuation date. A Notice of Conversion/Continuation shall specify (A) the proposed conversion/continuation date (which shall be a Business Day), (B) the principal amount of the Loan to be converted/continued, (C) whether such Loan shall be converted and/or continued and (D) in the case of a conversion to, or continuation of, a Eurodollar Rate Loan, the requested Interest Period. Promptly after receipt of a Notice of Conversion/Continuation under this SECTION 4.01(c) (ii), the Agent shall notify each Lender by telex or telecopy, or other similar form of transmission, of the proposed conversion/continuation. Any Notice of Conversion/Continuation for conversion to, or continuation of, a Loan shall be irrevocable, and the Borrower shall be bound to convert or continue in accordance therewith.

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(d) DEFAULT INTEREST. Notwithstanding the rates of interest specified in SECTION 4.01(a) or elsewhere herein, effective immediately upon the occurrence of any Event of Default and for as long thereafter as such Event of Default shall be continuing, the principal balance of all Loans and of all other Obligations shall bear interest at a rate which is two percent (2.0%) per annum in excess of the rate of interest applicable to such Loans and Obligations from time to time.

(e) COMPUTATION OF INTEREST. Interest on all Obligations shall be computed on the basis of the actual number of days elapsed in the period during which interest accrues and a year of 360 days. In computing interest on any Loan, the date of the making of the Loan shall be included and the date of payment shall be excluded.

(f) CHANGES; LEGAL RESTRICTIONS. If after the date hereof any Lender or Issuing Bank determines that the adoption or implementation of or any change in or in the interpretation or administration of any law or regulation or any guideline or request from any central bank or other Governmental Authority or quasi-governmental authority exercising jurisdiction, power or control over any Lender, Issuing Bank or over banks or financial institutions generally (whether or not having the force of law), compliance with which, in each case after the date hereof:

(i) subjects a Lender or an Issuing Bank (or its Applicable Lending Office) to charges (other than Taxes) of any kind which is applicable to the Revolving Credit Commitments of the Lenders and/or the Issuing Banks to make Eurodollar Rate Loans or to Issue and/or participate in Letters of Credit; or

(ii) imposes, modifies, or holds applicable, any reserve (other than reserves taken into account in calculating the Eurodollar Rate), special deposit, compulsory loan, FDIC insurance or similar requirement against assets held by, or deposits or other liabilities (including those pertaining to Letters of Credit) in or for the account of, advances or loans by, commitments made, or other credit extended by, or any other acquisition of funds by, a Lender or an Issuing Bank or any Applicable Lending Office or Eurodollar Affiliate of that Lender or Issuing Bank;

and the result of any of the foregoing is to increase the cost to that Lender or Issuing Bank of making, renewing or maintaining the Loans or its Revolving Credit Commitments or issuing or participating in the Letters of Credit or to reduce any amount receivable thereunder; then, in any such case, upon written demand by such Lender or Issuing Bank (with a copy of such demand to the Agent), the Borrower shall immediately pay to the Agent

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for the account of such Lender or Issuing Bank, from time to time as specified by such Lender or Issuing Bank, such amount or amounts as may be necessary to compensate such Lender or Issuing Bank or its Eurodollar Affiliate for any such additional cost incurred or reduced amount received. Such demand shall be accompanied by a statement as to the amount of such compensation and include a summary of the basis for such demand. Such statement shall be conclusive and binding for all purposes, absent manifest error.

(g) CONFIRMATION OF EURODOLLAR RATE. Upon the reasonable request of the Borrower from time to time, the Agent shall promptly provide to the Borrower such information with respect to the applicable Eurodollar Rate as may be so requested.

4.02. SPECIAL PROVISIONS GOVERNING EURODOLLAR RATE LOANS. With respect to Eurodollar Rate Loans:

(a) AMOUNT OF ADVANCE. Each Eurodollar Rate Loan shall be for a minimum amount of \$5,000,000 and in integral multiples of \$1,000,000 in excess of that amount.

(b) DETERMINATION OF INTEREST PERIOD. By giving notice as set forth in SECTION 2.01(b) (with respect to a Borrowing of a Eurodollar Rate Loan) or SECTION 4.01(c) (with respect to a conversion into or continuation of a Eurodollar Rate Loan), the Borrower shall have the option, subject to the other provisions of this SECTION 4.02, to select an interest period (each, an "INTEREST PERIOD") to apply to the Loans described in such notice, subject to the following provisions:

(i) The Borrower may only select, as to a particular Borrowing of Eurodollar Rate Loans, an Interest Period of either one or three months in duration;

(ii) In the case of immediately successive Interest Periods applicable to a Borrowing of Eurodollar Rate Loans, each successive Interest Period shall commence on the day on which the next preceding Interest Period expires;

(iii) If any Interest Period would otherwise expire on a day which is not a Business Day, such Interest Period shall be extended to expire on the next succeeding Business Day if the next succeeding Business Day occurs in the same calendar month, and if there shall be no succeeding Business Day in such calendar month, such Interest Period shall expire on the immediately preceding Business Day;

(iv) The Borrower may not select an Interest Period as to any Loan if such Interest Period

terminates later than the Revolving Credit Termination Date; and

(v) There shall be no more than five (5) Interest Periods in effect at any one time.

(c) DETERMINATION OF INTEREST RATE. As soon as practicable on the second Business Day prior to the first day of each Interest Period (the "INTEREST RATE DETERMINATION DATE"), the Agent shall determine (pursuant to the procedures set forth in the definition of "EURODOLLAR RATE") the interest rate which shall apply to Eurodollar Rate Loans, for which an interest rate is then being determined for the applicable Interest Period and shall promptly give notice thereof (in writing or by telephone confirmed in writing) to the Borrower and to each Lender. The Agent's determination shall be presumed to be correct, absent manifest error, and shall be binding upon the Borrower.

(d) INTEREST RATE UNASCERTAINABLE, INADEQUATE OR UNFAIR. In the event that at least one (1) Business Day before the Interest Rate Determination Date:

(i) the Agent determines that adequate and fair means do not exist for ascertaining the applicable interest rates by reference to which the Eurodollar Rate then being determined is to be fixed;

(ii) the Requisite Lenders advise the Agent that Dollar deposits in the principal amounts of the Eurodollar Rate Loans comprising such Borrowing are not generally available in the London interbank market for a period equal to such Interest Period; or

(iii) the Requisite Lenders advise the Agent that the Eurodollar Rate, as determined by the Agent, after taking into account the adjustments for reserves and increased costs provided for in SECTION 4.01(f), will not adequately and fairly reflect the cost to such Lenders of funding their Eurodollar Rate Loans;

then the Agent shall forthwith give notice thereof to the Borrower, whereupon (until the Agent notifies the Borrower that the circumstances giving rise to such suspension no longer exist) the right of the Borrower to elect to have Loans bear interest based upon the Eurodollar Rate shall be suspended and each outstanding Eurodollar Rate Loan shall be converted into a Base Rate Loan on the last day of the then current Interest Period therefor, and any Notice of Borrowing for which Revolving Loans have not then been made shall be deemed to be a request for Base Rate Loans, notwithstanding any prior election by the Borrower to the contrary.

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(e) ILLEGALITY. (i) If at any time any Lender determines (which determination shall, absent manifest error, be final and conclusive and binding upon all parties) that the making or continuation of any Eurodollar Rate Loan

has become unlawful or impermissible by compliance by that Lender with any law, governmental rule, regulation or order of any Governmental Authority (whether or not having the force of law and whether or not failure to comply therewith would be unlawful or would result in costs or penalties), then, and in any such event, such Lender may give notice of that determination, in writing, to the Borrower and the Agent, and the Agent shall promptly transmit the notice to each other Lender.

(ii) When notice is given by a Lender under SECTION 4.02(e) (i), (A) the Borrower's right to request from such Lender and such Lender's obligation, if any, to make Eurodollar Rate Loans shall be immediately suspended, and such Lender shall make a Base Rate Loan as part of any requested Borrowing of Eurodollar Rate Loans and (B) if the affected Eurodollar Rate Loan or Loans are then outstanding, the Borrower shall immediately, or if permitted by applicable law, no later than the date permitted thereby, upon at least one (1) Business Day's prior written notice to the Agent and the affected Lender, convert each such Loan into a Base Rate Loan.

(iii) If at any time after a Lender gives notice under SECTION 4.02(e) (i) in respect of a Eurodollar Rate Loan such Lender determines that it may lawfully make Eurodollar Rate Loans, such Lender shall promptly give notice of that determination, in writing, to the Borrower and the Agent, and the Agent shall promptly transmit the notice to each other Lender. The Borrower's right to request, and such Lender's obligation, if any, to make Eurodollar Rate Loans shall thereupon be restored.

(f) COMPENSATION. In addition to all amounts required to be paid by the Borrower pursuant to SECTION 4.01, the Borrower shall compensate each Lender, upon demand, for all losses, expenses and liabilities (including, without limitation, any loss or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund or maintain such Lender's Eurodollar Rate Loans to the Borrower but excluding any loss of the Eurodollar Rate Margin on the relevant Loans) which that Lender may sustain (i) if for any reason a Borrowing, conversion into or continuation of Eurodollar Rate Loans does not occur on a date specified therefor in a Notice of Borrowing or a Notice of Conversion/Continuation given by the Borrower or in a telephonic request by it for borrowing or conversion/continuation or a successive Interest Period does not commence after notice therefor is given pursuant to SECTION 4.01(c), including, without limitation, pursuant to SECTION 4.02(d), (ii) if for any reason any Eurodollar Rate Loan is prepaid (including, without limitation, mandatorily pursuant to

SECTION 3.01) on a date which is not the last day of the applicable Interest Period, (iii) as a consequence of a required conversion of a Eurodollar Rate

Loan to a Base Rate Loan as a result of any of the events indicated in SECTION 4.02(d) or (e) or (iv) as a consequence of any failure by the Borrower to repay Eurodollar Rate Loans when required by the terms hereof. The Lender making demand for such compensation shall deliver to the Borrower concurrently with such demand a written statement in reasonable detail as to such losses, expenses and liabilities, and this statement shall be conclusive as to the amount of compensation due to that Lender, absent manifest error.

(g) BOOKING OF EURODOLLAR RATE LOANS. Any Lender may make, carry or transfer Eurodollar Rate Loans at, to, or for the account of, its Eurodollar Lending Office or Eurodollar Affiliate or its other offices or Affiliates. No Lender shall be entitled, however, to receive any greater amount under SECTIONS 3.03, 3.04, 4.01(f) or 4.02(f) as a result of the transfer of any such Eurodollar Rate Loan to any office (other than such Eurodollar Lending Office) or any Affiliate (other than such Eurodollar Affiliate) than such Lender would have been entitled to receive immediately prior thereto, unless (i) the transfer occurred at a time when circumstances giving rise to the claim for such greater amount did not exist and (ii) such claim would have arisen even if such transfer had not occurred.

(h) AFFILIATES NOT OBLIGATED. No Eurodollar Affiliate or other Affiliate of any Lender shall be deemed a party hereto or shall have any liability or obligation hereunder.

4.03. FEES. (a) LETTER OF CREDIT FEE. In addition to any charges paid pursuant to SECTION 2.03(g), the Borrower shall pay to the Agent, for the account of the Lenders as provided in the following sentence, with respect to any Letter of Credit Issued by any Issuing Bank, a fee per annum (the "LETTER OF CREDIT FEE") equal to the Eurodollar Rate Margin (LESS 0.25% per annum) as of the date of each such payment on the undrawn face amount of such Letter of Credit, payable in arrears on the first day of each calendar month for the preceding calendar month and on the date on which such Letter of Credit expires in accordance with its terms; PROVIDED, HOWEVER, effective immediately upon the occurrence of any Default and for so long thereafter as such Default shall be continuing, the rate at which the Letter of Credit Fees shall accrue and be payable shall be equal to two percent (2.0%) per annum PLUS the Eurodollar Rate Margin (less 0.25% per annum). The Agent shall pay each Letter of Credit Fee to the Lenders in accordance with their respective Pro Rata Shares.

(b) UNUSED COMMITMENT FEE. The Borrower shall pay to the Agent, for the account of the Lenders in accordance with their respective Pro Rata Shares, a fee (the "UNUSED COMMITMENT

FEE"), accruing from the Closing Date at the Unused Commitment Fee Rate on the average amount by which the Revolving Credit Commitments exceed the Revolving Credit Obligations for the period commencing on the Closing Date and ending on the Revolving Credit Termination Date, the accrued portion of such fee being payable (A) monthly, in arrears, on the first day of the immediately succeeding calendar month, commencing on the first such day after the Closing Date and (B) on the Revolving Credit Termination Date (whether or not such date occurs on, before or after the Closing Date). Notwithstanding the foregoing, in the event that any Lender fails to fund its Pro Rata Share of any Loan requested by the Borrower which such Lender is obligated to fund under the terms hereof, such Lender shall not be entitled to any Unused Commitment Fees with respect to its Revolving Credit Commitment until such failure has been cured in accordance with SECTION 3.02(b)(v)(B) and the Borrower shall not be required to pay any Unused Commitment Fees to such Lender for such period.

(c) OTHER FEES. The Borrower shall pay to the Agent solely for its own account such other fees as are set forth in the Letter Agreement.

(d) CALCULATION AND PAYMENT OF FEES. All of the above fees shall be calculated on the basis of the actual number of days elapsed in a 360 day year. All such fees shall be payable in addition to, and not in lieu of, interest, expense reimbursements, indemnification and other Obligations. Fees shall be payable to the Agent's Account in accordance with SECTION 3.02. All fees shall be fully earned and nonrefundable when paid. All fees specified or referred to herein due to the Agent, any Issuing Bank or any Lender, including, without limitation, those referred to in this SECTION 4.03, shall bear interest, if not paid when due, at the interest rate for Loans in accordance with SECTION 4.01(d), shall constitute Obligations and shall be secured by the Collateral.

ARTICLE V
CONDITIONS TO LOANS AND LETTERS OF CREDIT

5.01. CONDITIONS PRECEDENT TO THE INITIAL LOANS AND LETTERS OF CREDIT. The obligation of each Lender on the Closing Date to make its Revolving Loan requested to be made by it and the agreement of each Issuing Bank on the Closing Date to Issue Letters of Credit, shall be subject to the satisfaction of all of the following conditions precedent:

(a) DOCUMENTS. The Agent (on behalf of itself and the Lenders) shall have received on or before the Closing Date all of the following:

(i) this Agreement, the Notes, the Borrower Security Agreement, the Subsidiary Guaranty and all other agreements, documents and instruments described in the List of Closing Documents attached hereto and made a part hereof as EXHIBIT F, each duly executed where appropriate and in form and substance satisfactory to the Lenders and in sufficient copies for each of the Lenders; without limiting the foregoing, the Borrower hereby directs its counsel, (A) Kronish, Lieb, Weiner & Hellman and (B) each of its other counsel listed in such List of Closing Documents to prepare and deliver to the Agent, the Lenders, the Issuing Banks and Sidley & Austin, the opinions referred to in such List of Closing Documents with respect to such counsel;

(ii) a PRO FORMA estimated balance sheet of the Borrower and its Subsidiaries as of the Closing Date, as referred to in SECTION 6.01(h) giving effect to the transactions contemplated in the Loan Documents and confirming the flow of funds set forth in the Sources and Uses; and

(iii) such additional documentation as the Agent and the Lenders may reasonably request.

(b) COLLATERAL INFORMATION; PERFECTION OF LIENS. The Agent shall have received complete and accurate information from the Borrower with respect to the name and the location of the principal place of business and chief executive office for the Borrower and each of the Restricted Subsidiaries; all Uniform Commercial Code and other filing and recording fees and taxes shall have been paid or duly provided for; and the Agent shall have received evidence to the satisfaction of the Lenders that all Liens granted to the Agent with respect to all Collateral are valid and effective and, upon the filing of the duly executed Uniform Commercial Code financing statements, which shall have been delivered to the Agent, will be perfected and of first priority, except as otherwise permitted under this Agreement. All certificates representing Capital Stock included in the Collateral (it being understood that the Capital Stock of Hexcel Lyon and Hexcel S.A., a Belgium corporation, is represented by uncertificated securities) shall have been delivered to the Agent (with duly executed stock powers, as appropriate) and all instruments included in the Collateral shall have been delivered to the Agent (duly endorsed to the Agent, as appropriate). The Agent shall have received UCC-1 Financing Statements duly executed that shall, when filed in the appropriate jurisdictions, be sufficient to perfect Liens on all of the Collateral.

(c) NO LEGAL IMPEDIMENTS. No law, regulation, order, judgment or decree of any Governmental Authority shall, and the

Agent shall not have received any notice that any action, suit, investigation, litigation or proceeding is pending or threatened in any court or before any arbitrator or Governmental Authority which (i) purports to enjoin, prohibit, restrain or otherwise affect (A) the making of the Loans on the Closing Date or (B) the consummation of the transactions contemplated pursuant to the Transaction Documents or (ii) would be reasonably expected to impose or result in the imposition of a Material Adverse Effect.

(d) NO CHANGE IN CONDITION. No change deemed material by the Lenders, in their opinion, in the condition (financial or otherwise), business, performance, assets, operations or prospects of the Borrower or any Guarantor, individually, or of the Borrower and its Restricted Subsidiaries, taken as a whole, shall have occurred that would (i) cause the Initial Projections to be unreasonable in light of then current circumstances, (ii) have a material adverse effect on the ability of the Borrower and the Guarantors to perform their obligations under the Loan Documents or (iii) have a material adverse affect on the ability of the Lenders, the Issuing Banks or the Agent to enforce the Loan Documents.

(e) NO DEFAULT. No Event of Default or Default shall have occurred and be continuing or would result from the making of the Loans.

(f) REPRESENTATIONS AND WARRANTIES. All of the representations and warranties contained in SECTION 6.01 and in any of the other Loan Documents shall be true and correct on and as of the Closing Date, both before and after giving effect to the making of the Loans.

(g) FEES AND EXPENSES PAID. There shall have been paid to the Agent, for the account of the Lenders and the Agent, for their respective individual accounts, all fees (including, without limitation, the reasonable legal fees of counsel to the Agent and local counsel to the Agent for the benefit of the Lenders) due and payable on or before the Closing Date (including, without limitation, all such fees described in the Letter Agreement), and all expenses (including, without limitation, legal expenses) due and payable on or before the Closing Date.

(h) CLOSING DATE; REORGANIZATION EFFECTIVE DATE. The Reorganization Effective Date shall have occurred and both the Closing Date and the Reorganization Effective Date shall have occurred prior to February 28, 1995.

(i) CONSENTS, ETC. Except as set forth on SCHEDULE 6.01-E, each of the Borrower and the Restricted Subsidiaries shall have received all consents and authorizations required pursuant to any material Contractual Obligation with any other

Person and shall have obtained all consents and authorizations of, and effected all notices to and filings with, any Governmental Authority as may be necessary to allow each of the Borrower and the Restricted Subsidiaries lawfully (A) to execute, deliver and perform, in all material respects, their respective obligations hereunder, under the other Transaction Documents to which each of them is, or shall be, a party and each other agreement or instrument to be executed and delivered by each of them pursuant thereto or in connection therewith and (B) to create and perfect the Liens on the Collateral to be owned by each of them in the manner and for the purpose contemplated by the Loan Documents. No such consent or authorization shall impose any conditions upon the Borrower or any of its Subsidiaries that are not acceptable to the Lenders.

(j) TERMINATION OF THE DIP FACILITY. The obligations of the Borrower under the DIP Facility shall have been terminated, all non-contingent obligations thereunder shall have been paid in full (except for the outstanding letters of credit set forth on SCHEDULE 6.01-AA hereto to the extent secured by and not replaced with Letters of Credit) and the Liens on the Property of the Borrower securing the DIP Facility shall have been released and terminated on terms satisfactory to the Agent.

(k) CONFIRMATION ORDER. The Agent and the Lenders shall have received and approved the Confirmation Order. The Confirmation Order shall not contain any provision providing or purporting to provide for the retention by the Bankruptcy Court of jurisdiction over the Lenders, the Loan Documents, any securities issued pursuant to the Plan, the Borrower or the Borrower's subsidiaries. No official committee or representative (including a trustee or examiner) shall have any supervisory responsibility over the Borrower or any of its subsidiaries after the Reorganization Effective Date. The Confirmation Order shall have become a Final Order.

(l) PLAN OF REORGANIZATION. The terms and conditions of the Plan of Reorganization shall not have been amended, waived or modified without the prior written consent of the Lenders. All conditions precedent to the effectiveness of the Plan of Reorganization shall have been satisfied (or, with the prior written consent of the Lenders, waived) in the sole judgment of the Lenders. The Plan shall have received sufficient acceptances by each impaired Class to satisfy the confirmation requirements of Section 1129(a)(8) of the Bankruptcy Code.

(m) OTHER AGREEMENTS. The Borrower shall have delivered to the Agent and the Lenders, and the Lenders shall have approved, copies of all documentation implementing the Plan of Reorganization, including, without limitation, all such documents specified in the List of Closing Documents attached hereto as EXHIBIT F, and all such documents shall not have been

modified from the forms set forth in the Plan of Reorganization without the prior written consent of the Lenders.

(n) IMPLEMENTATION OF THE PLAN. Mutual Series shall have (i) invested in the Reorganized Common Stock of the Borrower cash in an amount not less than \$9,000,000 and (ii) made the Advance, the gross proceeds of which shall not be less than \$41,000,000 pursuant to the terms of the Standby Commitment Documents. In accordance with the terms of Plan of Reorganization and pursuant to the Confirmation Order, the Principal Mutual Claims shall have been paid in full. In addition, the Subordinated Debenture Indenture shall have been reinstated and no Event of Default (as defined therein) shall have occurred and be continuing.

(o) SALE OF EMT BUSINESS. The Borrower shall have received not less than \$25,500,000 in Net Cash Proceeds from the EMT Sale.

(p) SALE OF EUROPEAN RESINS BUSINESS. The Borrower shall have received not less than \$7,100,000 in gross proceeds from the European Resins Sale.

(q) ENVIRONMENTAL ISSUES. The environmental review report of Environ Corporation in respect of the Borrower's compliance with Environmental, Health or Safety Requirements of Law and Liabilities and Costs relating thereto shall have been approved by the Lenders. The Lenders shall be satisfied with the status of all Environmental Claims (as defined in the Plan of Reorganization) arising in connection with the Lodi, New Jersey property formerly owned by the Borrower.

(r) CASH PAYMENTS ON THE REORGANIZATION EFFECTIVE DATE. Cash payments required to be made under the Plan of Reorganization at or immediately following the Reorganization Effective Date shall not exceed \$85,000,000.

5.02. CONDITIONS PRECEDENT TO ALL SUBSEQUENT REVOLVING LOANS, SWING LOANS AND LETTERS OF CREDIT. The obligation of each Lender to make any Revolving Loan and of the Swing Loan Bank to make any Swing Loan, requested to be made by it on any date after the Closing Date, and the agreement of each Issuing Bank to Issue any Letter of Credit on any date after the Closing Date is subject to the following conditions precedent as of each such date:

(a) REPRESENTATIONS AND WARRANTIES. As of such date, both before and after giving effect to the Loans to be made or the Letter of Credit to be Issued on such date, all of the representations and warranties of the Borrower and the Borrower's Subsidiaries contained in SECTION 6.01 and in any other Loan Document (other than representations and warranties which

expressly speak as of a different date) shall be true and correct in all material respects.

(b) NO DEFAULT. No Event of Default or Default (other than a Default of the type referred to in SECTION 11.01(p)) shall have occurred and be continuing or would result from the making of the requested Loan or the Issuance of the requested Letter of Credit.

(c) NO LEGAL IMPEDIMENTS. No law, regulation, order, judgment or decree of any Governmental Authority shall, and the Agent shall not have received from any Lender, the Swing Loan Bank or Issuing Bank, as the case may be, notice that, in the judgment of such Person, any action, suit, investigation, litigation or proceeding is pending or threatened in any court or before any arbitrator or Governmental Authority which is likely to enjoin, prohibit or restrain, or impose or result in the imposition of any material adverse condition upon, (i) such Lender's making of the requested Loan or participation in the requested Letter of Credit, (ii) the Swing Loan Bank's making of the requested Swing Loan or (iii) such Issuing Bank's issuance of the requested Letter of Credit.

(d) NO MATERIAL ADVERSE CHANGE. No change deemed material by the Lenders, in their opinion, in the condition (financial or otherwise), business, performance, assets, operations or prospects of the Borrower or any Guarantor, individually, or of the Borrower and its Restricted Subsidiaries, taken as a whole, shall have occurred since the Closing Date, which change has had or is reasonably likely to have a Material Adverse Effect.

Each submission by the Borrower to the Agent of a Notice of Borrowing with respect to a Revolving Loan or Swing Loan, each acceptance by the Borrower of the proceeds of each such Loan so made, each submission by the Borrower to an Issuing Bank of a request for issuance of a Letter of Credit and the issuance of such Letter of Credit, shall constitute a representation and warranty by the Borrower as of the Funding Date in respect of such Revolving Loan, as of the Swing Loan Funding Date in respect of such Swing Loan, and as of the date of issuance of such Letter of Credit, that all the conditions contained in subsections (a), (b) and (c) of this SECTION 5.02 have been satisfied or waived in accordance with SECTION 13.07.

ARTICLE VI
REPRESENTATIONS AND WARRANTIES

6.01. REPRESENTATIONS AND WARRANTIES OF THE BORROWER. In order to induce the Lenders and the Issuing Banks to enter into this Agreement and to make the Loans and the other financial accommodations to the Borrower and to Issue the Letters of Credit described herein, the Borrower represents and warrants to each Lender, each Issuing Bank and the Agent as of the Closing Date and thereafter on each date as required by SECTION 5.02(a) that the following statements are true, correct and complete:

(a) ORGANIZATION; CORPORATE POWERS. Each of the Borrower and the Borrower's Subsidiaries (i) is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, (ii) is duly qualified to do business as a foreign corporation and is in good standing (or, with respect to the Unrestricted Subsidiaries, has maintained the equivalent status) under the laws of each jurisdiction in which failure to be so qualified and in good standing (or, with respect to the Unrestricted Subsidiaries, maintain equivalent status) has or is reasonably likely to have a Material Adverse Effect and (iii) has all requisite corporate power and authority to own, operate and encumber its Property and to conduct its business as presently conducted.

(b) AUTHORITY. (i) Each of the Borrower and the Restricted Subsidiaries has the requisite corporate power and authority to execute, deliver and perform each of the Transaction Documents to which it is a party.

(ii) The execution, delivery and performance, as the case may be, of each of the Transaction Documents which have been executed and to which any of the Borrower or the Restricted Subsidiaries is a party and the consummation of the transactions contemplated thereby, have been duly approved by each of the boards of directors and (to the extent required by law) the shareholders of the Borrower and the Restricted Subsidiaries, respectively, and such approvals have not been rescinded, revoked or modified in any manner. No other corporate action or proceedings on the part of the Borrower or the Restricted Subsidiaries is necessary to consummate such transactions.

(iii) Each of the Transaction Documents to which the Borrower or the Restricted Subsidiaries is a party has been duly executed, or delivered on behalf of the Borrower or the Restricted Subsidiaries, as the case may be, and constitutes its legal, valid and binding obligation, enforceable against such Person in accordance with its terms, is in full force and effect and no term or condition thereof has been amended, modified or waived from the terms and conditions contained in the Transaction Documents delivered to the Agent pursuant to Sections 5.01(a)

without the prior written consent of the Requisite Lenders. No default, event of default or breach of any covenant by any of the Borrower or the Restricted Subsidiaries that is a party to the Transaction Documents or, to the best knowledge of the Borrower, any other party thereto, exists thereunder.

(c) SUBSIDIARIES; OWNERSHIP OF CAPITAL STOCK. SCHEDULE 6.01-C

(i) contains a diagram indicating the corporate structure of the Borrower, the Borrower's Subsidiaries and the Existing Joint Ventures as of the Closing Date; and (ii) accurately sets forth as of the Closing Date, (A) the correct legal name, the jurisdiction of incorporation, and Employer Identification Number of each of the Borrower and the Borrower's Subsidiaries, and the jurisdictions in which each of the Borrower and the Borrower's Subsidiaries is qualified to transact business as a foreign corporation, (B) the authorized, issued and outstanding shares of each class of Capital Stock of the Borrower and each of the Borrower's Subsidiaries and, with respect to the Borrower's Subsidiaries, the owners of such shares and (C) a summary of the direct and indirect partnership, joint venture, or other equity interests, if any, of the Borrower and each Subsidiary of the Borrower in any Person that is not a corporation. Except as set forth on SCHEDULE 6.01-C, none of the issued and outstanding Capital Stock of the Borrower or the Borrower's Subsidiaries is subject to any vesting, redemption, or repurchase agreement, and there are no warrants or options outstanding with respect to such Capital Stock other than the Rights. The outstanding Capital Stock of the Borrower and each of its Subsidiaries is duly authorized, validly issued, fully paid and nonassessable and the outstanding Capital Stock of the Borrower's Subsidiaries is not Margin Stock. The Reorganized Common Stock has been duly authorized, and when issued and delivered pursuant to the Rights Offering and the Standby Commitment Documents, will be validly issued and outstanding, fully paid and nonassessable and free of any preemptive rights.

(d) NO CONFLICT. The execution, delivery and performance of each of the Transaction Documents to which the Borrower or any of the Restricted Subsidiaries is a party do not and shall not (i) conflict with the Constituent Documents of the Borrower or any Subsidiary of the Borrower, (ii) constitute a tortious interference with any Contractual Obligation of any Person, (iii) except as set forth on SCHEDULE 6.01-D, conflict with, result in a breach of or constitute (with or without notice or lapse of time or both) a default under any material Requirement of Law or under any of the Transaction Documents or any other material Contractual Obligation of the Borrower or any Subsidiary of the Borrower, or require the termination of any material Contractual Obligation, (iv) result in or require the creation or imposition of any Lien whatsoever upon any of the Property or assets of the Borrower or any Restricted Subsidiary, other than Liens contemplated by the Loan Documents, or (v) require any approval

of the Borrower's or any such Restricted Subsidiary's shareholders that has not been obtained.

(e) GOVERNMENTAL CONSENTS, ETC. Except as set forth on SCHEDULE 6.01-E, the execution, delivery and performance of each of the Transaction Documents to which the Borrower or any of the Restricted Subsidiaries is a party do not and shall not require any registration with, consent or approval of, or notice to, or other action to, with or by any Governmental Authority, except (i) filings, consents or notices which have been made, obtained or given, or, in a timely manner, shall be made, obtained, or given and (ii) filings necessary to perfect security interests in the Collateral. The Borrower is not subject to regulation under the Public Utility Holding Company Act of 1935, the Federal Power Act, the Interstate Commerce Act, or the Investment Company Act of 1940, or any other federal or state statute or regulation which limits its ability to incur indebtedness or its ability to consummate the transactions contemplated in the Transaction Documents.

(f) ACCOMMODATION OBLIGATIONS; CONTINGENCIES. Except as set forth on SCHEDULE 1.01.3, none of the Borrower or any of the Borrower's Subsidiaries has any Accommodation Obligation, contingent liability or liability for any Taxes, long-term lease or commitment, not reflected in its financial statements delivered to the Agent on or prior to the Closing Date or otherwise disclosed to the Agent and the Lenders in the other Schedules hereto, which has or is reasonably likely to have a Material Adverse Effect, except as permitted pursuant to SECTION 9.05.

(g) RESTRICTED JUNIOR PAYMENTS. Neither the Borrower nor any Restricted Subsidiary nor Hexcel Lyon has directly or indirectly declared, ordered, paid or made or set apart any sum or Property for any Restricted Junior Payment or agreed to do so, except as permitted pursuant to SECTION 9.06 hereof.

(h) FINANCIAL POSITION. (i) Borrower's PRO FORMA estimated balance sheet referred to in SECTION 5.01(a)(ii) and each of Borrower's business plans and all other financial projections and related materials and documents delivered to the Lenders pursuant hereto were prepared in good faith and are based upon facts and assumptions that were reasonable in light of the then current and foreseeable business conditions and prospects of the Borrower and represented management's opinion of the Borrower's projected financial performance based on the information available to the Borrower at the time so furnished.

(ii) The Initial Projections were prepared in good faith and are based upon facts and assumptions that were reasonable in light of the then current and foreseeable business conditions and prospects of the Borrower and represented

management's opinion of the projected financial performance of the Borrower, the Restricted Subsidiaries and the Existing Joint Ventures based on the information available to the Borrower at the time so furnished.

(i) LITIGATION; ADVERSE EFFECTS. Except as set forth in SCHEDULE 6.01-I, (A) there is no action, suit, audit, proceeding, investigation or arbitration (or series of related actions, suits, proceedings, investigations or arbitrations) before or by any Governmental Authority or private arbitrator pending or, to the knowledge of the Borrower, threatened against the Borrower, any of the Restricted Subsidiaries or Hexcel Lyon or any Property of any of them (i) challenging the validity or the enforceability of any of the Transaction Documents, (ii) which has a reasonable possibility of resulting in or, if instituted after the Closing Date, is reasonably likely to result in the suspension or debarment of the Borrower or any of the Restricted Subsidiaries from any federal government contracting program or (iii) which has had, shall have or is reasonably likely to have a Material Adverse Effect and (B) none of the Borrower or any of the Borrower's Subsidiaries is (i) in violation of any applicable Requirements of Law which violation shall have or is reasonably likely to result in a Material Adverse Effect, or (ii) subject to or in default with respect to any final judgment, writ, injunction, restraining order or order of any nature, decree, rule or regulation of any court or Governmental Authority, in each case which shall have or is reasonably likely to have a Material Adverse Effect.

(j) NO MATERIAL ADVERSE CHANGE. As of the Closing Date, no material change in the condition (financial or otherwise), business, performance, assets, operations or prospects of the Borrower or any Guarantor, individually, or of the Borrower and its Subsidiaries, taken as a whole, shall have occurred that would (i) cause the Initial Projections to be unreasonable in light of then current circumstances, (ii) have a material adverse effect on the ability of the Borrower and the Guarantors to perform their obligations under the Loan Documents or (iii) have a material adverse affect on the ability of the Lenders, the Issuing Banks or the Agent to enforce the Loan Documents. After the Closing Date, no change in the condition (financial or otherwise), business, performance, assets, operations or prospects of the Borrower or any Guarantor, individually, or of the Borrower and its Subsidiaries, taken as a whole, shall have occurred since the Closing Date, which change has had or is reasonably likely to have a Material Adverse Effect.

(k) PAYMENT OF TAXES. All tax returns and reports of each of the Borrower, the Restricted Subsidiaries and Hexcel Lyon required to be filed have been timely filed, and, except as otherwise provided under the Plan of Reorganization and set forth

on SCHEDULE 6.01-K hereto, all taxes, assessments, fees and other governmental charges thereupon and upon their respective Property, assets, income and franchises which are shown in such returns or reports to be due and payable have been paid, other than such taxes, assessments, fees and other governmental charges (i) which are being contested in good faith by the Borrower, such Restricted Subsidiary or Hexcel Lyon, as the case may be, by appropriate proceedings diligently instituted and conducted and without danger of any material risk to the Collateral and

(ii) with respect to which a reserve or other appropriate provision, if any, as is required in conformity with GAAP shall have been made. The Borrower has no knowledge of any proposed tax assessment against the Borrower, any of the Restricted Subsidiaries or Hexcel Lyon that shall have or is reasonably likely to have a Material Adverse Effect.

(l) PERFORMANCE. None of the Borrower, any of Restricted Subsidiaries or Hexcel Lyon has received notice or has actual knowledge that (i) it is in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any Contractual Obligation applicable to it or (ii) any condition exists which, with the giving of notice or the lapse of time or both, would constitute a default with respect to any such Contractual Obligation, in each case, except where such default or defaults, if any, shall not have or are not reasonably likely to have a Material Adverse Effect.

(m) DISCLOSURE. The representations and warranties of each of the Borrower and the Restricted Subsidiaries contained in the Transaction Documents, and all schedules, certificates and documents delivered to the Agent and the Lenders pursuant to the terms hereof and the other Transaction Documents do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained herein or therein, in light of the circumstances under which they were made, not misleading. The Borrower has not intentionally withheld any fact from the Agent, any Issuing Bank or any Lender in regard to any matter which shall have or is reasonably likely to have a Material Adverse Effect.

(n) REQUIREMENTS OF LAW. Each of the Borrower, the Restricted Subsidiaries and Hexcel Lyon is in compliance with all Requirements of Law applicable to it and its business, in each case where the failure to so comply individually or in the aggregate shall have or is reasonably likely to have a Material Adverse Effect.

(o) ENVIRONMENTAL MATTERS. (i) Except as set forth in SCHEDULE 6.01-0, and, solely with respect to the Unrestricted Subsidiaries, to the extent the Borrower knows or reasonably should know:

(A) the operations of the Borrower and the Borrower's Subsidiaries comply in all material respects with all applicable Environmental, Health or Safety Requirements of Law;

(B) the Borrower and each of the Borrower's Subsidiaries have obtained or have taken appropriate steps, as required by Environmental, Health or Safety Requirements of Law, to obtain all material environmental, health and safety Permits necessary for their respective operations, and all such Permits are in good standing and each of the Borrower and each of the Borrower's Subsidiaries are currently in compliance in all material respects with all terms and conditions of such Permits;

(C) none of the Borrower or the Borrower's Subsidiaries or any of their respective operations or present or past Property are subject to any investigation by, or any judicial or administrative proceeding, order, judgment, settlement, decree, or other agreement alleging or addressing (i) a material violation of any Environmental, Health or Safety Requirement of Law; (ii) any Remedial Action; or (iii) any material Claims or Liabilities and Costs arising from the Release or threatened Release of a Contaminant into the environment nor has the Borrower or the Borrower's Subsidiaries received any notice of the foregoing;

(D) none of the Borrower or the Borrower's Subsidiaries is the owner or operator of any Property which has any of the following which could result in a material liability:

(i) any past or present on-site generation, treatment, recycling, storage or disposal of any hazardous waste, as that term is defined under 40 C.F.R. Part 261 or any state or local equivalent;

(ii) any past or present landfill, waste-pile, underground storage tank or surface impoundment;

(iii) any asbestos-containing material; or

(iv) any polychlorinated biphenyls (PCBs) used in hydraulic oils, electrical transformers or other Equipment;

(E) no Environmental Lien has attached to any Property of the Borrower or any of the Borrower's Subsidiaries;

(F) there have been no Releases of any Contaminants into the environment in reportable quantities by the

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Borrower or the Borrower's Subsidiaries that could result in a material liability of the Borrower or any of the Borrower's Subsidiaries;

(G) the Borrower and the Borrower's Subsidiaries have no material contingent liability in connection with any Release or threatened Release of any Contaminants into the environment;

(H) the Borrower and the Borrower's Subsidiaries have not sent or directly arranged for the transport of any waste to any site listed or proposed for listing on the National Priorities List ("NPL") pursuant to CERCLA or on the Comprehensive Environmental Response Compensation Liability Information System List ("CERCLIS"), or any similar state list;

(I) none of the Borrower's or the Borrower's Subsidiaries' present or past Property is listed or proposed for listing on the NPL pursuant to CERCLA or on the CERCLIS or any similar state list of sites requiring Remedial Action, and the Borrower and the Borrower's Subsidiaries are unaware of any conditions on such Property which would qualify such Property for inclusion on any such list.

(J) none of the Borrower or the Borrower's Subsidiaries is subject to any Environmental Property Transfer Act as a result of the transactions contemplated by the Loan Documents or to the extent such acts are applicable to any such property, the Borrower has fully complied with the requirements of such acts.

(ii) the Borrower and its Subsidiaries, taken as a whole, have not been, and have no reason to believe that they shall be, subject to Liabilities and Costs arising out of or relating to environmental, health or safety matters (including, but not limited to, any Release of Contaminants) that have or will result in cash expenditures (A) by the Borrower and the Restricted Subsidiaries in excess of \$4,000,000 in the aggregate in Fiscal Year 1995, \$1,900,000 in the aggregate in Fiscal Year 1996, and \$1,300,000 in Fiscal Year 1997 and (B) by Hexcel Lyon in excess of the Dollar Equivalent of \$1,000,000 in the aggregate in Fiscal Year 1995, the Dollar Equivalent of \$500,000 in the aggregate in Fiscal Year 1996, and the Dollar Equivalent of \$500,000 in Fiscal Year 1997.

(p) ERISA MATTERS. Neither the Borrower nor any ERISA Affiliate maintains or contributes to any Plan other than those listed on SCHEDULE 6.01-P

hereto. With respect to each Plan which is intended to be qualified under Section 401(a) of the Internal Revenue Code as currently in effect, the Borrower or an ERISA Affiliate has received or is in the process of seeking, a

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favorable determination letter that the Plan is so qualified and that each trust related to any such Plan is exempt from federal income tax under Section 501(a) of the Internal Revenue Code as currently in effect. Neither Borrower nor any ERISA Affiliate knows of any reason why such Plans or trusts are not qualified. Except as disclosed in SCHEDULE 6.01-P, neither the Borrower nor any of its Subsidiaries maintains or contributes to any employee welfare benefit plan within the meaning of Section 3(1) of ERISA which provides benefits to employees after termination of employment other than as required by Section 601 of ERISA. To the extent the Borrower knows or reasonably should know, the Borrower and all of its ERISA Affiliates are in compliance in all material respects with the responsibilities, obligations or duties imposed on them by ERISA, the Internal Revenue Code and regulations promulgated thereunder with respect to all Plans. No Benefit Plan has incurred any accumulated funding deficiency (as defined in Sections 302(a)(2) of ERISA and 412(a) of the Internal Revenue Code) whether or not waived which would subject the Borrower or any ERISA Affiliate to a liability in excess of \$1,000,000. Except as disclosed in SCHEDULE 6.01-P, neither the Borrower nor any ERISA Affiliate nor, to the knowledge of the Borrower, any fiduciary of any Plan which is not a Multiemployer Plan (i) has engaged in a nonexempt prohibited transaction described in Sections 406 of ERISA or 4975 of the Internal Revenue Code or (ii) has taken or failed to take any action which would constitute or result in a Termination Event which would be subject to the Borrower or any ERISA Affiliate to a liability in excess of \$1,000,000. Neither the Borrower nor any ERISA Affiliate has incurred any potential liability under Sections 4063, 4064, 4069, 4204 or 4212(c) of ERISA in excess of \$1,000,000. Neither the Borrower nor any ERISA Affiliate has incurred any liability to the PBGC which remains outstanding which would subject the Borrower or any ERISA Affiliate to a liability in excess of \$1,000,000. There are no premium payments which have become due to the PBGC which are unpaid. Schedule B to the most recent annual report filed with the IRS with respect to each Benefit Plan and furnished to the Agent is complete and accurate. Since the date of each such Schedule B, there has been no material adverse change in the funding status or financial condition of the Benefit Plan relating to such Schedule B. Neither the Borrower nor any ERISA Affiliate has (i) failed to make a required contribution or payment to a Multiemployer Plan or (ii) made a complete or partial withdrawal under Sections 4203 or 4205 of ERISA from a Multiemployer Plan. Except as disclosed in SCHEDULE 6.01-P, neither the Borrower nor any ERISA Affiliate has failed to make a required installment or any other required payment under Section 412 of the Internal Revenue Code on or before the due date for such installment or other payment. Neither the Borrower nor any ERISA Affiliate is required to provide security to a Benefit Plan under

Section 401(a)(29) of the Internal Revenue Code due to a Plan amendment that results in an increase in current liability for the plan year. Except as

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disclosed on SCHEDULE 6.01-P and to the extent the Borrower knows or reasonably should know, the Borrower does not have, by reason of the transactions contemplated hereby any obligation to make any payment to any employee pursuant to any Plan or existing contract or arrangement. The Borrower has made available to the Agent copies of all of the following: each Benefit Plan and related trust agreement (including all amendments to such Plan and trust) in existence, or for which the Borrower or any ERISA Affiliate has taken any corporate action to authorize the adoption thereof, as of the Closing Date and in respect of which the Borrower or any ERISA Affiliate is currently an "employer" as defined in section 3(5) of ERISA, and the most recent summary plan description, actuarial report, determination letter issued by the IRS and Form 5500 filed in respect of each such Benefit Plan in existence; a listing of all of the Multiemployer Plans currently contributed to by the Borrower or any ERISA Affiliate with the aggregate amount of the most recent annual contributions required to be made by the Borrower and all ERISA Affiliates to each such Multiemployer Plan, any information which has been provided to the Borrower or an ERISA Affiliate regarding withdrawal liability under any Multiemployer Plan and the collective bargaining agreement pursuant to which such contribution is required to be made; each employee welfare benefit plan within the meaning of Section 3(1) of ERISA which provides benefits to employees of the Borrower or any of its Subsidiaries after termination of employment other than as required by Section 601 of ERISA, the most recent summary plan description for such plan and the aggregate amount of the most recent annual payments made to terminated employees under each such plan.

(q) FOREIGN EMPLOYEE BENEFIT MATTERS. To the extent the Borrower knows or should reasonably know, each Foreign Employee Benefit Plan is in compliance in all material respects with all Requirements of Law applicable thereto and the respective requirements of the governing documents for such Plan. The aggregate of the liabilities to provide all of the accrued benefits under any Foreign Pension Plan does not exceed the current fair market value of the assets held in the trust or other funding vehicle for such Plan by an amount in excess of \$1,000,000. With respect to any Foreign Employee Benefit Plan maintained by the Borrower, any of its subsidiaries or any ERISA Affiliate (other than a Foreign Pension Plan), reasonable reserves have been established in accordance with prudent business practice or where required by ordinary accounting practices in the jurisdiction in which such Plan is maintained. The aggregate unfunded liabilities, after giving effect to any reserves for such liabilities, with respect to such Plans are not material. There are no actions, suits or claims (other than routine claims for benefits) pending or threatened against the Borrower, any of its subsidiaries or any ERISA Affiliate with

the Borrower or an ERISA Affiliate to a liability in excess of \$1,000,000.

(r) LABOR MATTERS. (i) Except as set forth in SCHEDULE 6.01-R, as of the Closing Date there is no collective bargaining agreement covering any of the employees of the Borrower or any Restricted Subsidiary. To the knowledge of the Borrower, except as set forth on SCHEDULE 6.01-R, as of the Closing Date no attempt to organize the employees of Borrower or any Restricted Subsidiary is pending, threatened, planned or contemplated.

(ii) Set forth in SCHEDULE 6.01-R or SCHEDULE 6.01-P, as the case may be, is a list, as of the Closing Date, of all material consulting agreements, executive employment agreements, executive compensation plans, deferred compensation agreements, employee pension plans or retirement plans, employee profit sharing plans, employee stock purchase and stock option plans, severance plans, group life insurance, hospitalization insurance or other employee benefit plans of Borrower and its Restricted Subsidiaries providing for benefits for employees of Borrower and its Subsidiaries.

(s) SECURITIES ACTIVITIES. None of the Borrower or any of the Borrower's Subsidiaries is engaged in the business of extending credit for the purpose of purchasing or carrying Margin Stock.

(t) SOLVENCY. After giving effect to the transactions contemplated in the Transaction Documents, the payment and accrual of all Transaction Costs payable on the Closing Date, the Loans to be made on the Closing Date or such other date as Loans requested hereunder are made and the disbursement of the proceeds of such Loans pursuant to the Borrower's instructions, each of the Borrower and the Borrower's Subsidiaries is Solvent.

(u) PATENTS, TRADEMARKS, PERMITS, ETC.; GOVERNMENT APPROVALS.

(i) The Borrower, each of the Restricted Subsidiaries and Hexcel Lyon own, are licensed or otherwise have the lawful right to use, or have all permits and other governmental approvals, patents, trademarks, service marks, trade names, copyrights, technology, know-how and processes used in or necessary for the conduct of their businesses as currently conducted except where the failure to do so would not have or be reasonably likely to have a Material Adverse Effect. Except as set forth on SCHEDULE 6.01-U, no claims are pending or, to the best of Borrower's knowledge following diligent inquiry, threatened that the Borrower, any of the Restricted Subsidiaries or Hexcel Lyon is infringing upon the rights of any Person with respect to such permits and other governmental approvals, patents, trademarks, service marks, trade names, copyrights, technology, know-how and processes. Except as set forth on

SCHEDULE 6.01-U, the Borrower has no knowledge after diligent inquiry of any use by any Person that infringes upon the rights of the Borrower, any of the Restricted Subsidiaries or Hexcel Lyon in such patents, trademarks, service marks, trade names, copyrights, technology, know-how and processes.

(ii) Except for Liens granted to the Agent for the benefit of the Agent, the Issuing Banks, the Lenders and the other Holders, the transactions contemplated by the Loan Documents shall not impair the ownership of or rights under (or the license or other right to use, as the case may be) any permits and governmental approvals, patents, trademarks, trade names, copyrights, technology, know-how or processes by the Borrower, any of the Restricted Subsidiaries or Hexcel Lyon in any manner which shall have or is reasonably likely to have a Material Adverse Effect.

(v) ASSETS AND PROPERTIES. Each of the Borrower, the Restricted Subsidiaries and Hexcel Lyon has good, and in the case of Real Property, marketable title to all of its assets and Property (tangible and intangible) owned by it (other than the Real Property located in Schuylkill County, Pennsylvania with respect to which Borrower has an equitable interest pursuant to that certain Installment Sale Agreement dated June 13, 1980 between Borrower and Schuylkill County Industrial Development Authority ("SCIDA"), as amended by that certain Amendment to Installment Sale Agreement dated March 15, 1988 among SCIDA, Schuylkill Economic Development Corporation and Borrower) or a valid leasehold interest in all of its leased assets (except insofar as marketability may be limited by any laws or regulations of any Governmental Authority affecting such assets), and all such assets and Property are free and clear of all Liens, except Liens securing the Obligations and Liens permitted under SECTION 9.03. SCHEDULE 6.01-V contains a true and complete list of all of the Real Property owned in fee simple by each of the Borrower and the Restricted Subsidiaries as of the Closing Date with an Appraised Value in excess of \$250,000, and a true and complete list of all Leases in effect on the Closing Date with respect to which the annual rental payments thereunder are in excess of \$250,000. All material assets and Property owned by or leased to the Borrower and/or each such Restricted Subsidiary or Hexcel Lyon and required to be used by the Borrower and/or each such Restricted Subsidiary or Hexcel Lyon in their normal operations are in adequate operating condition and repair or in the process of being repaired, reasonable and ordinary wear and tear excepted, and are free and clear of any known defects except such defects that do not substantially interfere with the continued use thereof in the conduct of normal operations. Except for Liens granted to the Agent for the benefit of the Agent, the Issuing Banks, the Lenders and the other Holders, neither this Agreement nor any other Transaction Document, nor any transaction contemplated herein or therein, shall affect any

right, title or interest of the Borrower, any Restricted Subsidiary or Hexcel Lyon in and to any of such assets in a manner that has or is reasonably likely to have a Material Adverse Effect.

(w) INSURANCE. SCHEDULE 6.01-W accurately sets forth as of the Closing Date all insurance policies and programs (including self-insurance programs) currently in effect with respect to the respective assets and business of the Borrower and the Restricted Subsidiaries, specifying for each such policy and program, (i) the amount thereof, (ii) the risks insured against thereby, (iii) the name of the insurer, if any, and each insured party thereunder, (iv) the policy or other identification number thereof, (v) the expiration date thereof and (vi) the annual premium, if any, with respect thereto. Such insurance policies and programs are, except as disclosed on SCHEDULE 6.01-W, in amounts sufficient to cover the replacement value of the respective assets of the Borrower and the Restricted Subsidiaries subject to applicable deductibles and co-payment amounts and self-insurance.

(x) PLEDGE OF COLLATERAL. The grant and perfection of the security interests in the Capital Stock of each of the Borrower's Subsidiaries constituting a portion of the Collateral for the benefit of the Agent, the Issuing Banks, the Lenders and the other Holders, as contemplated by the terms of the Loan Documents, is not made in violation of the registration provisions of the Securities Act, any applicable provisions of other federal securities laws, state securities or "Blue Sky" law, foreign securities law, or applicable general corporation law or in violation of any other Requirement of Law.

(y) TRANSACTIONS WITH AFFILIATES. SCHEDULE 6.01-Y lists as of the Closing Date each and every existing agreement and arrangement that any of the Borrower or the Borrower's Subsidiaries has entered into with any of their respective Affiliates.

(z) BANK ACCOUNTS. SCHEDULE 6.01-Z sets forth as of the date hereof (i) all of the Borrower's and the Restricted Subsidiaries' Collection Account Banks and (ii) all other banks where funds are from time to time deposited, including the Lockboxes, their addresses and the relevant account numbers, and with respect to the banks referred to in clause (ii) the Borrower has disclosed all additions, subtractions and modifications to such Schedule to the Agent and the Lenders.

(aa) TERMINATION OF THE DIP FACILITY. The obligations of the Borrower and its Subsidiaries under the DIP Facility have been terminated, all non-contingent obligations thereunder have been paid in full (except for the outstanding letters of credit set forth on SCHEDULE 5.01-J hereto to the

not replaced with Letters of Credit) and the Liens on the Property of the Borrower and its Subsidiaries securing the DIP Facility have been terminated.

(bb) GOVERNMENT CONTRACTS. (i) None of the Borrower or any of the Restricted Subsidiaries or any of their respective Affiliates is party to any Contractual Obligation or subject to any Requirement of Law as a result of any conflict of interest by, between or among the Borrower, such Restricted Subsidiaries or such Affiliates or otherwise that would result in the termination of any Government Contract or that would impose any material limitation on the Borrower's or such Restricted Subsidiary's ability to perform such contract or to continue its business as presently conducted and proposed to be conducted.

(ii) No payment has been made by the Borrower or any of the Restricted Subsidiaries, or by any Person authorized to act on their behalf, to any Person in connection with any Government Contract of the Borrower or any such Restricted Subsidiary, which payment would be a material violation of applicable procurement laws or regulations or of the Foreign Corrupt Practices Act or of any other material Requirement of Law.

(iii) With respect to each Government Contract to which the Borrower or any of the Restricted Subsidiaries is a party: (A) all representations and certifications executed, acknowledged or set forth in or pertaining to such Government Contract were complete and correct in all material respects as of their effective date, and the Borrower and each such Restricted Subsidiary have complied in all material respects with all such representations and certifications; (B) except as set forth on SCHEDULE 6.01-BB, neither the United States Government nor any prime contractor, subcontractor or other Person has notified Borrower or any such Restricted Subsidiary, either orally or in writing, that Borrower or such Restricted Subsidiary has breached or violated any material Requirement of Law, or any material certificate, representation, clause, provision or requirement pertaining to such Government Contract; and (C) no termination for convenience, termination for default, cure notice or show cause notice is currently in effect pertaining to any such Government Contract.

(iv) Except as set forth on SCHEDULE 6.01-BB, (A) none of the Borrower or any of the Restricted Subsidiaries or any of their respective directors, officers or employees is (or during the last three (3) years has been) under administrative, civil or criminal investigation or indictment by any Governmental Authority, with respect to any alleged irregularity, misstatement or omission arising under or relating to any Government Contract; and (B) during the last three (3) years, none of the Borrower or any of the Restricted

Subsidiaries has conducted or initiated any internal investigation or made a voluntary disclosure to the

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United States Government, with respect to any alleged irregularity, misstatement or omission arising under or relating to a Government Contract, in each case except (with respect to such matters occurring after the Closing Date) as disclosed to the Lenders.

(v) Except as set forth on SCHEDULE 6.01-BB, there exist (A) no outstanding material claims against the Borrower or any of the Restricted Subsidiaries, either by the United States Government or by any prime contractor, subcontractor, vendor or other third party, arising under or relating to any Government Contract; and (B) no material disputes between the Borrower or any of the Restricted Subsidiaries and the United States Government under the Contract Disputes Act or any other Federal statute or between the Borrower or any of the Restricted Subsidiaries and any prime contractor, subcontractor or vendor arising under or relating to any such Government Contract.

(vi) None of the Borrower or any of the Restricted Subsidiaries or any of their respective directors, officers or employees is (or during the last three (3) years has been) suspended or debarred from doing business with the United States Government or is (or during such period was) the subject of a finding of nonresponsibility or ineligibility for United States Government contracting.

(cc) PLAN OF REORGANIZATION. The Borrower has received the Confirmation Order and the Confirmation Order has become a Final Order, unless receipt of the Final Order has been waived with the consent of the Lenders. All other conditions precedent to the Plan of Reorganization have been satisfied or, with the consent of the Lenders, waived by the Borrower and the Equity Committee, and the Plan of Reorganization has become effective in accordance with its terms.

(dd) RIGHTS OFFERING. The Rights Offering has been duly authorized by all necessary corporate action of the Borrower, and, when issued in accordance with such authorization and delivered by the Borrower, the Rights will constitute legal, valid, binding obligations of the Borrower, enforceable in accordance with their terms.

(ee) FINANCIAL STATEMENTS. The (i) audited consolidated balance sheets of the Borrower and its Subsidiaries as at December 31, 1993 and December 31, 1992 and the related audited consolidated statements of income and of cash flows for the years then ended and (ii) unaudited consolidated balance sheet of the Borrower and its Subsidiaries as at July 3, 1994 and the related

consolidated statements of income and cash flows for the periods then ended, including the related notes and schedules thereto, are complete and correct in all material respects, have been prepared in accordance with GAAP, and present fairly the

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consolidated financial position, results of operations and cash flows of the Borrower and its Subsidiaries as at the dates and for the periods indicated.

(ff) SEC FILINGS. As of their respective dates, the Borrower's annual Report on Form 10-K for its fiscal year ended December 31, 1993 and its quarterly reports on Form 10-Q for quarterly periods ending after that date (collectively, the "SEC Documents") were complete and correct in all material respects and complied in all material respect with the requirements of the Securities Exchange Act, and the rules and regulations of the Securities and Exchange Commission (the "SEC") promulgated thereunder applicable to such SEC Documents. None of the SEC Documents contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading at the date such SEC Documents were filed with the SEC.

(gg) STANDBY COMMITMENT DOCUMENTS. All of the representations and warranties of the Borrower contained in the Standby Commitment Documents are true and correct as of the Closing Date.

(hh) PAYMENTS ON THE REORGANIZATION EFFECTIVE DATE. The amounts set forth in the Sources and Uses are the only payments required to be made by the Borrower on the Reorganization Effective Date.

ARTICLE VII REPORTING COVENANTS

The Borrower covenants and agrees that so long as any Revolving Credit Commitment is outstanding and thereafter until payment in full of all of the Obligations, unless the Requisite Lenders shall otherwise give prior written consent thereto:

7.01. FINANCIAL STATEMENTS. The Borrower shall maintain, and shall cause each of the Borrower's Subsidiaries to maintain, a system of accounting established and administered in accordance with sound business practices to permit preparation of consolidated and consolidating financial statements in conformity with GAAP, and each of the financial statements described below shall be prepared from such system and records. The Borrower

shall deliver or cause to be delivered to the Agent and the Lenders:

(a) MONTHLY REPORTS. As soon as available and in any event within thirty (30) days after the end of each fiscal month in each Fiscal Year (except for the monthly reports for January,

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1995 which shall be delivered within forty-five (45) days after the end of such fiscal month), (i) balance sheets of each of (A) the Borrower and the Restricted Subsidiaries and (B) the Unrestricted Subsidiaries and (ii) consolidating balance sheet of the Borrower and its Subsidiaries as at the end of such period and the related statements of income and cash flow of each of the Persons described in clauses (i) and (ii) above for such fiscal month and for the period from the beginning of the then current Fiscal Year to the end of such fiscal month, and for the corresponding period during the previous Fiscal Year together with the comparison to the current annual budget for such period, all certified by the chief financial officer, treasurer or controller of the Borrower as fairly presenting the financial position of such Persons as at the dates indicated, the results of their operations and cash flow for the periods indicated in accordance with GAAP, subject to normal year end adjustments.

(b) QUARTERLY REPORTS. As soon as available and in any event within forty-five (45) days after the end of each of the first three fiscal quarters of each Fiscal Year, (i) balance sheets of each of (A) the Borrower and Restricted Subsidiaries, (B) the Unrestricted Subsidiaries and (C) Hexcel Lyon and (ii) the consolidating balance sheets of the Borrower and its Subsidiaries as at the end of such period and the related statements of income and cash flow of each of the Persons described in clauses (i) and (ii) above for such fiscal quarter and for the period from the beginning of the then current Fiscal Year to the end of such fiscal quarter, and for the corresponding period during the previous Fiscal Year together with the comparison to the current annual budget for such period, all certified by the chief financial officer, treasurer or controller of the Borrower as fairly presenting the financial position of such Persons as at the dates indicated and the results of their operations and cash flow for the periods indicated in accordance with GAAP (except with respect to Hexcel Lyon, which shall be in conformity with general French accounting standards), subject to normal year end adjustments.

(c) ANNUAL REPORTS. As soon as available and in any event within ninety (90) days after the end of each Fiscal Year, (i) audited financial statements of each of (A) the Borrower and the Restricted Subsidiaries, (B) Hexcel Lyon and (C) the Borrower and its Subsidiaries certified by independent certified public accountants of recognized national standing acceptable to the Lenders, which report shall be certified without qualification or modification

as to the scope of the audit and as to the Borrower being a going concern and shall state that such financial statements fairly present the financial position of the Persons described in clauses (A) through (C) above as at the dates indicated and the results of their operations and cash flow for the periods indicated in conformity with GAAP (except with respect to Hexcel Lyon, which shall be in conformity with general French

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accounting standards) applied on a basis consistent with prior years (except for changes with which such independent certified public accountants shall concur and which shall have been disclosed in the notes to the financial statements) and that the examination by such accountants in connection with such consolidated and combined financial statements has been made in accordance with generally accepted auditing standards and (ii) annual consolidating financial statements of the Borrower and its Subsidiaries prepared by the Company.

(d) OFFICER'S CERTIFICATE. Together with each delivery of any financial statement pursuant to PARAGRAPHS (b) AND (c) of this SECTION 7.01, an Officer's Certificate of the Borrower substantially in the form of EXHIBIT G (the "COMPLIANCE CERTIFICATE"), signed by the Borrower's chief financial officer, treasurer or controller and setting forth calculations for the period then ended for SECTION 3.01(b) (including, without limitation, calculations of Net Cash Proceeds and Mandatory Prepayments), the negative covenants of ARTICLE IX and the financial covenants of ARTICLE X.

(e) BUSINESS PLANS; FINANCIAL PROJECTIONS. As soon as available and in any event within thirty (30) days prior to the end of each Fiscal Year, a combined annual budget (in the format customarily utilized by the Borrower for making financial projections) of (A) the Borrower and the Restricted Subsidiaries, (B) the Unrestricted Subsidiaries and (C) the Borrower and its Subsidiaries for the succeeding Fiscal Year, displaying on a monthly basis anticipated balance sheets as at the end of such period and the related statements of income and cash flow of each of the Persons described in clauses (A) through (C), and on a monthly basis availability forecasts for each of the Borrower and the Restricted Subsidiaries.

(f) ACCOUNTANT'S STATEMENT. Together with each delivery of the financial statements referred to in SECTION 7.01(c), a written statement of the firm of independent certified public accountants of recognized national standing acceptable to the Lenders giving the report stating (i) that their audit examination has included a review of the terms hereof as it relates to accounting matters and (ii) whether, in connection with their audit examination, any condition or event which constitutes an Event of Default or Default has come to their attention, and if such condition or event has come to their attention, specifying the nature and period of existence thereof. The statement referred

to above shall be accompanied by a copy of the management letter or any similar report delivered to the Borrower or to any officer or employee thereof by such accountants in connection with such financial statements.

(g) OPENING BALANCE SHEET. As soon as available and in any event within sixty (60) days after the Closing Date,

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balance sheets of each of (A) the Borrower and Restricted Subsidiaries, (B) the Unrestricted Subsidiaries and (C) the Borrower and its Subsidiaries as at January 29, 1995 giving effect to the transactions contemplated by the Sources and Uses.

7.02. BORROWING BASE CERTIFICATE. Promptly and in any event within five (5) days (or up to an additional five (5) days with the consent of the Agent) after the close of each fiscal week the Borrower shall provide the Agent and the Lenders with a Borrowing Base Certificate, together with such supporting documents as the Agent requests (including weekly updated information concerning Receivables of the Borrower and monthly Inventory reports of the Borrower by the fifteenth day of each month for the preceding month or more frequently at the Agent's discretion), all certified as being true, accurate and complete by the chief financial officer, treasurer or controller of the Borrower.

7.03. EVENTS OF DEFAULT. Promptly upon (and, in any event, within five (5) Business Days of) any of the chief executive officer, chief operating officer, chief financial officer, treasurer or controller of the Borrower obtaining knowledge (i) of any condition or event which constitutes an Event of Default or Default, or becoming aware that any Lender, any Issuing Bank or the Agent has given any written notice with respect to a claimed Event of Default or Default, (ii) that any Person has given any written notice to the Borrower or any Subsidiary of the Borrower or taken any other action with respect to a claimed default or event or condition of the type referred to in SECTION 11.01(e), (iii) of any condition or event which has or is reasonably likely to have a Material Adverse Effect or materially and adversely affect the value of, or the Agent's interest in, the Collateral, the Borrower shall deliver to the Agent and the Lenders an Officer's Certificate specifying (A) the nature and period of existence of any such claimed default, Event of Default, Default, condition or event, (B) the notice given or action taken by such Person in connection therewith, and (C) the remedial action the Borrower has taken, is taking and proposes to take with respect thereto or (iv) the occurrence of an event (other than the consummation of the Rights Offering) which is likely to result in a Change of Control.

7.04. LAWSUITS. (i) Promptly upon (and in any event, within ten

(10) Business Days of) the Borrower obtaining knowledge of the institution of, or written threat of, any action, suit, proceeding, governmental investigation or arbitration against or affecting the Borrower or any of the Restricted Subsidiaries or any Property of the Borrower or any of the Borrower's Subsidiaries not previously disclosed pursuant to SECTION 6.01(i), which action, suit, proceeding, governmental investigation or arbitration exposes, or in the case of multiple actions, suits, proceedings, governmental investigations or

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arbitrations arising out of the same general allegations or circumstances which expose, in the Borrower's reasonable judgment, the Borrower or any of the Restricted Subsidiaries to liability in an amount aggregating \$1,000,000 or more in excess of applicable insurance coverage, the Borrower shall give written notice thereof to the Agent, the Issuing Banks and the Lenders and provide such other information as may be reasonably available to enable each Lender, the Issuing Banks and Agent and its counsel to evaluate such matters; and (ii) in addition to the requirements set forth in clause (i) of this SECTION 7.04, the Borrower upon request of the Agent or the Requisite Lenders shall promptly give written notice of the status of any action, suit, proceeding, governmental investigation or arbitration covered by a report delivered pursuant to clause (i) above and provide such other information as may be reasonably available to it (subject to applicable attorney-client privilege) to enable each Lender, each Issuing Bank and the Agent and its counsel to evaluate such matters.

7.05. INSURANCE. As soon as practicable and in any event within thirty (30) days after the end of each Fiscal Year ending after the Closing Date and within thirty (30) days of the renewal of any insurance policy, the Borrower shall deliver to the Agent, and the Lenders (i) a report in form and substance satisfactory to the Agent, and the Lenders outlining all material insurance coverage (including any self-insurance provided by the Borrower) maintained as of the date of such report by the Borrower and the Restricted Subsidiaries and the duration of such coverage, (ii) to the extent such insurance coverage is not provided by the Borrower, an insurance broker's statement that all premiums then due and payable with respect to such coverage have been paid and (iii) evidence that the Agent is named as loss payee or additional insured under each insurance policy to the extent required pursuant to SECTION 8.07.

7.06. ERISA NOTICES. The Borrower shall deliver or cause to be delivered to the Agent, at the Borrower's expense, the following information and notices as soon as reasonably possible, and in any event:

(i) within ten (10) Business Days after the Borrower or any ERISA Affiliate knows or reasonably should know that a Termination Event has occurred, a written statement of the chief financial

officer of the Borrower describing such Termination Event and the action, if any, which the Borrower or any ERISA Affiliate has taken, is taking or proposes to take with respect thereto, and when known, any action taken or threatened by the IRS, DOL or PBGC with respect thereto;

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(ii) within ten (10) Business Days after the Borrower or any ERISA Affiliate knows or reasonably should know that a prohibited transaction (defined in Sections 406 of ERISA and 4975 of the Internal Revenue Code) has occurred for which a statutory or class exemption is not available or a private exemption has not been previously obtained from the DOL, a statement of the chief financial officer of the Borrower describing such transaction and the action which the Borrower or any ERISA Affiliate has taken, is taking or proposes to take with respect thereto;

(iii) within ten (10) Business Days after the filing thereof with the DOL, IRS or PBGC, copies of each annual report (form 5500 series), including Schedule B thereto, filed with respect to each Benefit Plan;

(iv) within ten (10) Business Days after receipt by the Borrower or any ERISA Affiliate of each actuarial report for any Benefit Plan or Multiemployer Plan and each annual report for any Multiemployer Plan, copies of each such report;

(v) within ten (10) Business Days after the filing thereof with the IRS, a copy of each funding waiver request filed with respect to any Benefit Plan and, if requested by the Agent, all communications received by the Borrower or any ERISA Affiliate with respect to such request;

(vi) within ten (10) Business Days upon the occurrence thereof, notification of any material increase in the benefits of any existing Benefit Plan or the establishment of any new Benefit Plan or the commencement of contributions to any Benefit Plan to which the Borrower or any ERISA Affiliate was not previously contributing;

(vii) within ten (10) Business Days after receipt by the Borrower or any ERISA Affiliate of the PBGC's intention to terminate a Benefit Plan or to have a trustee appointed to administer a Benefit Plan, copies of each such notice;

(viii) within ten (10) Business Days after receipt by the Borrower or any ERISA Affiliate of any unfavorable determination letter from the IRS regarding the qualification of a Plan under Section 401(a) of the Internal Revenue Code, copies of each such letter;

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(ix) within ten (10) Business Days after receipt by the Borrower or any ERISA Affiliate of a notice from a Multiemployer Plan regarding the imposition of withdrawal liability, copies of each such notice;

(x) within ten (10) Business Days after the Borrower or any ERISA Affiliate fails to make a required installment or any other required payment under Section 412 of the Internal Revenue Code on or before the due date for such installment or payment, a notification of such failure;

(xi) within ten (10) Business Days after the Borrower or any ERISA Affiliate knows or reasonably should know (a) a Multiemployer Plan has been terminated, (b) the administrator or plan sponsor of a Multiemployer Plan intends to terminate a Multiemployer Plan, or (c) the PBGC has instituted or will institute proceedings under Section 4042 of ERISA to terminate a Multiemployer Plan; and

(xii) within ten (10) Business Days after receipt by the Borrower of a written notice from the Agent, copies of any Foreign Employee Benefit Plan and related documents, reports and correspondence as requested by the Agent in such notice.

For purposes of this SECTION 7.06, the Borrower and any ERISA Affiliate shall be deemed to know all facts known by the administrator of any Plan of which the Borrower or any ERISA Affiliate is the plan sponsor.

7.07. ENVIRONMENTAL NOTICES. (a) The Borrower shall notify the Agent and the Lenders in writing, promptly and in any event within 10 Business Days upon the Borrower's learning thereof, of any:

(i) notice or claim by a Governmental Authority or any third party to the effect that the Borrower or any of the Borrower's Subsidiaries is or may be liable to any Person, or is subject to an investigation by a Governmental Authority, relating to a material Release or threatened Release of any Contaminant into the environment;

(ii) notice that any Property of the Borrower or any of the Borrower's Subsidiaries is subject to an Environmental Lien;

(iii) commencement or threat of any judicial or administrative proceeding alleging a material violation by the Borrower or any of the Borrower's Subsidiaries of any Environmental, Health or Safety Requirement of Law;

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(iv) new and material changes to any existing Environmental, Health or Safety Requirement of Law that would or could reasonably be expected to have a Material Adverse Effect; or

(v) any intent to execute an agreement, letter of intent or commitment to acquire stock, assets or real estate, or to lease property, or to take any other action by the Borrower or any of its Subsidiaries that would subject the Borrower or any of the Borrower's Subsidiaries to environmental, health or safety Liabilities and Costs that would or could reasonably be expected to have a Material Adverse Effect.

(b) The Borrower shall notify the Agent and the Lenders in writing, promptly and in any event within 25 Business Days upon any filing or report made by the Borrower or any of its Subsidiaries with any Governmental Authority with respect to (i) the material violation of any Environmental, Health or Safety Requirement of Law, (ii) any material unpermitted Release or threatened Release of a Contaminant or (iii) any material unsafe or unhealthful condition at any Property of the Borrower or its Subsidiaries;

(c) On March 31 of each calendar year, commencing on March 31, 1996, the Borrower shall submit to the Agent and the Lenders a report prepared by the appropriate officers of the Borrower summarizing the status of any environmental, health or safety non-compliance, hazard or liability issues identified in notices required pursuant to SECTION 7.07(A), disclosed on SCHEDULE 6.01-0 or identified in any notice or report required herein. Such report shall identify the cash expenditures for Liabilities and Costs arising out of or relating to environmental health or safety matters made by the Borrower and its Subsidiaries during the previous calendar year.

7.08. LABOR MATTERS. The Borrower shall notify the Agent and the Lenders in writing, promptly after the Borrower knows thereof, of (i) any material labor dispute to which the Borrower or any of the Restricted Subsidiaries is or may become a party, including, without limitation, any

strikes, lockouts or other disputes relating to such Persons' plants and other facilities and (ii) any Worker Adjustment and Retraining Notification Act or related liability incurred with respect to the closing of any plant or other facility of such Persons.

7.09. PUBLIC FILINGS AND REPORTS. Promptly upon the filing thereof with any Governmental Authority (including, without limitation, the Securities and Exchange Commission) or the mailing thereof to the public shareholders or debtholders of the Borrower generally, the Borrower shall deliver to the Agent and the Lenders copies of all filings or reports made in

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connection with outstanding Indebtedness and Capital Stock of the Borrower.

7.10. BANK ACCOUNTS. The Borrower shall (a) promptly notify the Agent in writing of all additions, deletions and modifications to the Borrower's collection accounts with banks other than the Collection Account Banks listed on SCHEDULE 6.01-Z and (b) together with the financial statements delivered pursuant to SECTION 7.01(B) and (c), deliver to the Agent a list of all banks (other than Collection Account Banks) where funds of the Borrower are deposited, including the Lockboxes, their addresses and the relevant account numbers.

7.11. GOVERNMENT CONTRACTS. (i) The Borrower shall notify the Agent and the Lenders in writing promptly after the Borrower knows thereof, of any loss or threatened loss of the security clearances referenced in SECTION 8.16 unless disclosure thereof is prohibited by any Requirement of Law; and (ii) the Borrower shall notify the Agent in writing promptly upon (and, in any event, within five (5) Business Days of) the Borrower obtaining knowledge of any material change in the status of any action, suit, proceeding, governmental investigation or other matter disclosed on or arising out of the matters disclosed on SCHEDULE 6.01-BB and shall provide such other information as may be reasonably available to it to enable each Lender and the Agent and its counsel to evaluate such matters.

7.12. OTHER INFORMATION. Promptly upon receipt of a request therefor from the Agent, the Borrower shall prepare and deliver to the Agent and the Lenders such other information with respect to the Borrower, any of the Borrower's Subsidiaries or the Collateral including, without limitation, schedules identifying and describing the Collateral and any dispositions thereof and copies of each existing written agreement or arrangement set forth on SCHEDULE 6.01-Y, as from time to time may be reasonably requested by the Agent.

ARTICLE VIII
AFFIRMATIVE COVENANTS

The Borrower covenants and agrees that so long as any Commitment is outstanding and thereafter until payment in full of all of the Obligations, unless the Requisite Lenders shall otherwise give prior written consent:

8.01. CORPORATE EXISTENCE, ETC. The Borrower shall, and shall cause each of its Subsidiaries to, at all times maintain its respective corporate existence and preserve and keep, or cause to be preserved and kept, in full force and effect their respective rights and franchises material to their respective businesses except for actions in the ordinary course

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of business where the Board of Directors of such Person or such Subsidiary (as applicable) determines that the maintenance or preservation of such rights and franchises is not in the best interest of such Person or such Subsidiary (as applicable) and the failure to so maintain or preserve would not have or be reasonably likely to have a Material Adverse Effect.

8.02. CORPORATE POWERS; CONDUCT OF BUSINESS, ETC. The Borrower shall, and shall cause each of its Subsidiaries to, qualify and remain qualified to do business in each jurisdiction in which the nature of its business requires it to be so qualified, except where the failure to be so qualified would not have or be reasonably likely to have a Material Adverse Effect.

8.03. COMPLIANCE WITH LAWS, ETC. The Borrower shall, and shall cause each of its Subsidiaries to, (a) comply with all Requirements of Law and all restrictive covenants affecting such Person or the business, Property or operations of such Person, and (b) obtain as needed all Permits necessary for such Person's operations and maintain such Permits in good standing, except, in each case, where the failure to do so would not have or be reasonably likely to have a Material Adverse Effect.

8.04. PAYMENT OF TAXES AND CLAIMS; TAX CONSOLIDATION. The Borrower shall, and shall cause each of its Subsidiaries to, pay (a) all taxes, assessments and other governmental charges imposed upon it or on any of its Property or in respect of any of its franchises, business, income or Property before any penalty or interest for late payment (except as such penalty or interest relates to underpayment of estimated tax payments) accrues thereon, and (b) all claims (including, without limitation, claims for labor, services, materials and supplies) for sums which have become due and payable and which by law have or may become a Lien (other than a Lien permitted by SECTION 9.03) upon any of the Borrower's or such Subsidiary's Property, prior to the time when any penalty or fine shall be incurred with respect thereto; PROVIDED,

HOWEVER, that no such taxes, assessments and governmental charges referred to in CLAUSE (A) above or claims referred to in CLAUSE (B) above are required to be paid if being contested in good faith by the Borrower or such Subsidiary, as the case may be, by appropriate proceedings diligently instituted and conducted and without danger of any material risk to the Collateral and if such reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made therefor. The Borrower shall not permit any of its Subsidiaries to, file or consent to the filing of any consolidated income tax return with any Person (other than the Borrower and its Subsidiaries).

8.05. INSURANCE. The Borrower shall maintain for itself and the Restricted Subsidiaries, or shall cause each of the Restricted Subsidiaries to maintain, in full force and effect

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the insurance policies and programs listed on SCHEDULE 6.01-W or substantially similar policies and programs or other policies and programs as are acceptable to the Agent. Each certificate and policy relating to Property damage, boiler and machinery and/or business interruption coverage of the Borrower and the Restricted Subsidiaries shall contain an endorsement, in form and substance acceptable to the Agent, showing loss payable to the Agent, for the benefit of the Agent, the Issuing Banks and the Lenders and naming the Agent as an additional insured under such policy and providing that no act, whether willful or negligent, or default of the Borrower, any of the Restricted Subsidiaries or any other Person shall affect the right of the Agent to recover under such policy or policies of insurance in case of loss or damage. Each certificate and policy relating to general liability, umbrella and excess insurance coverages other than the foregoing shall contain an endorsement naming the Agent as an additional insured under such policy. Such endorsement or an independent instrument furnished to the Agent shall provide that the insurance companies shall give the Agent at least thirty (30) days' written notice before any such policy or policies of insurance shall be cancelled or altered adversely to the interests of the Agent, the Issuing Banks and the Lenders. In the event that the Borrower or any of the Restricted Subsidiaries, at any time or times hereafter, shall fail to obtain or maintain any of the policies or insurance required herein or to pay any premium in whole or in part relating thereto, then the Agent, without waiving or releasing any obligations or resulting Event of Default hereunder, may at any time or times thereafter (but shall be under no obligation to do so) obtain and maintain such policies of insurance and pay such premiums and take any other action with respect thereto which the Agent deems advisable. All sums so disbursed by the Agent shall constitute Protective Advances and be part of the Obligations, payable as provided herein.

8.06. INSPECTION OF PROPERTY; BOOKS AND RECORDS; DISCUSSIONS.

(a) The Borrower shall permit, and shall cause each of its respective Subsidiaries to permit, subject to applicable federal Requirements of Law concerning classified information, any authorized representative(s) designated by the Agent to visit and inspect any of the Properties of such Person or such Subsidiary, to examine, audit, check and make copies of their respective financial and accounting records, books, journals, orders, receipts and any correspondence and other data relating to their respective businesses or the transactions contemplated hereby and by the Transaction Documents (including, in connection with environmental compliance, hazard or liability), and to discuss their affairs, finances and accounts with their officers and independent certified public accountants, upon reasonable notice and at such times during normal business hours, as often as may be reasonably requested. All costs and expenses incurred by the Agent as a result of such inspection,

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audit or examination conducted pursuant to this SECTION 8.06 shall be paid by the Borrower.

(b) The Borrower shall keep and maintain, and shall cause its respective Subsidiaries to keep and maintain, in all material respects proper books of record and account in which entries in conformity with GAAP shall be made of all dealings and transactions in relation to their respective businesses and activities, including, without limitation, transactions and other dealings with respect to the Collateral. If an Event of Default has occurred and is continuing, the Borrower, upon the Agent's request, shall promptly turn over true, correct and complete copies of all such records to the Agent or any of its representatives.

8.07. INSURANCE AND CONDEMNATION PROCEEDS. The Borrower hereby directs (and, if applicable, shall cause its Restricted Subsidiaries to direct) all insurers under policies of Property damage, boiler and machinery and business interruption insurance and payors of any condemnation claim or award relating to the Property to pay all proceeds payable under such policies or with respect to such claim or award for any loss directly to the Agent, for the benefit of the Agent, the Issuing Banks, the Lenders and the other Holders, and in no case to the Borrower or one or more of its Subsidiaries. The Agent shall, upon receipt of such proceeds hold such proceeds in the Investment Account as Cash Collateral for the Obligations; PROVIDED, HOWEVER, that any proceeds received by the Agent relating to Property of any Unrestricted Subsidiary shall be released to the Borrower to the extent such proceeds are to be released to such Unrestricted Subsidiary. For up to 180 days from the date of any loss (the "Decision Period"), the Borrower may notify the Agent that it intends to restore, rebuild or replace the Property subject to the receipt of any insurance payment or condemnation award and shall, as soon as practicable thereafter, provide the Agent detailed information, including a construction schedule and

cost estimates. Should the Borrower notify the Agent that it has decided not to rebuild or replace such Property during the Decision Period, or should the Borrower fail to notify the Agent of the Borrower's decision during the Decision Period, then the amounts held as Cash Collateral shall automatically be applied as a mandatory prepayment of the Loans pursuant to SECTION 3.01(b) (i). Proceeds held as Collateral shall be disbursed as construction payments become due; PROVIDED, HOWEVER, should an Event of Default occur after the Borrower has notified the Agent that it intends to rebuild or replace the Property, the Collateral may, at the Agent's discretion, or shall, upon the direction of Requisite Lenders, be applied as a mandatory prepayment of the Loans pursuant to SECTION 3.01(b) (i). Upon completion of the restoration, rebuilding or replacement of such Property, the unused proceeds held as Collateral shall constitute

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Net Cash Proceeds and shall be applied as a mandatory prepayment of the Loans pursuant to SECTION 3.01(b) (i).

8.08. ERISA COMPLIANCE. The Borrower shall, and shall cause each of its Subsidiaries and ERISA Affiliates to, establish, maintain and operate all Plans to comply in all material respects with the provisions of ERISA, the Internal Revenue Code, all other applicable laws, and the regulations and interpretations thereunder and the respective requirements of the governing documents for such Plans.

8.09. FOREIGN EMPLOYEE BENEFIT PLAN COMPLIANCE. The Borrower shall, and shall cause each of its Subsidiaries and ERISA Affiliates to establish, maintain and operate all Foreign Employee Benefit Plans to comply in all material respects with all laws, regulations and rules applicable thereto and the respective requirements of the governing documents for such Plans.

8.10. MAINTENANCE OF PROPERTY. The Borrower shall cause all Property used or useful in the conduct of its business or the business of any Restricted Subsidiary to be maintained and kept in good condition, repair and working order and supplied with all necessary equipment and shall cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof; PROVIDED, HOWEVER, that nothing in this Section shall prevent the Borrower from discontinuing the operation or maintenance of any of such Property if such discontinuance is, in the judgment of the Borrower, necessary or appropriate in the conduct of its business or the business of any Restricted Subsidiary and not disadvantageous to the Agent, the Issuing Banks or the Lenders.

8.11. CONDEMNATION. Immediately upon learning of the institution of any proceeding for the condemnation or other taking of any of the owned or

leased Real Property of the Borrower or any of the Restricted Subsidiaries, the Borrower shall notify the Agent (who shall in turn forward such notice to the Lenders) of the pendency of such proceeding, and permit the Agent to participate in any such proceeding, and from time to time shall deliver to the Agent all instruments reasonably requested by the Agent to permit such participation.

8.12. FUTURE LIENS ON REAL PROPERTY. At least fifteen (15) Business Days prior to the entering into of any Lease with respect to which the annual rental payments thereunder are anticipated to equal or exceed \$250,000 or the acquisition of any Real Property acquired by the Borrower or any of its Restricted Subsidiaries after the date hereof and located in the United States with a book value in excess of \$500,000, the Borrower shall, and shall cause its Restricted Subsidiaries to, provide the Agent written notice thereof (which notice the Agent shall

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forward to each Lender). Upon written request of the Agent, the Borrower shall, and shall cause its Restricted Subsidiaries to, execute and deliver to the Agent, for the benefit of the Agent, the Issuing Banks, the Lenders and the other Holders, (i) immediately upon the acquisition of any Real Property (other than Real Property acquired with the proceeds of Indebtedness permitted by SECTION 9.01(vi) and subject to a Lien permitted by SECTION 9.03(iv)) and (ii) if the Borrower's Chatsworth, California property has not been sold within 180 days from the Closing Date, at any time thereafter, a mortgage, deed of trust, assignment or other appropriate instrument evidencing a Lien upon any such Real Property, together with such Title Policies, certified Surveys, and local counsel opinions with respect thereto and such other agreements, documents and instruments which the Agent deems necessary or desirable, the same to be in form and substance substantially the same as the mortgages and other Loan Documents relating to Real Property executed and delivered on the Closing Date, and to be subject only to (A) Liens permitted under SECTION 9.03 and (B) such other Liens as the Agent may reasonably approve, it being understood that the granting of such additional security for the Obligations is a material inducement to the execution and delivery of this Agreement by each Lender.

8.13. FUTURE LIENS ON PERSONAL PROPERTY. Upon written request of the Agent, (a) the Borrower shall, and shall cause its Restricted Subsidiaries (including, without limitation, Hexcel Foundation, to the extent it becomes a Subsidiary of the Borrower and applicable law does not otherwise prohibit) to, execute and deliver to the Agent, for the benefit of the Agent, the Issuing Banks, the Lenders and the other Holders a Lien upon the assets of each Restricted Subsidiary, the same to be in form and substance substantially the same as the Loan Documents relating to personal Property executed and delivered on the Closing Date, together with such other agreements, documents and instruments which the Agent deems necessary or desirable and to be subject only

to such Liens as the Agent may reasonably approve and (b) the Borrower shall cause any wholly owned Restricted Subsidiary (including, without limitation, Hexcel Foundation, to the extent it becomes a Subsidiary of the Borrower and applicable law does not otherwise prohibit) to, unless otherwise prohibited by applicable law, become a Guarantor pursuant to the terms of the Subsidiary Guaranty, it being understood that the granting of the additional security for the Obligations pursuant to this SECTION 8.13 is a material inducement to the execution and delivery of this Agreement by each Lender.

8.14. RIGHTS OFFERING. Within sixty days of the Closing Date, the Rights Offering shall be consummated in accordance with the terms thereof.

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8.15. LANDLORD WAIVERS. On or prior to the Closing Date, the Borrower shall obtain and deliver to the Agent landlord waivers (with copies of the relevant leases attached) in form and substance satisfactory to the Agent relating to the Borrower's Leases which are located in the locations set forth on SCHEDULE 6.01-V. The Borrower shall use its best efforts to obtain and deliver to the Agent landlord waivers (with copies of the relevant Lease attached) with respect to any Lease not listed on SCHEDULE 6.01-V or any Lease entered into after the Closing Date which relates to a location in which there is, or is reasonably expected to be, Collateral with a Fair Market Value of \$250,000 or more.

8.16. GOVERNMENT CONTRACTS. The Borrower shall apply for and maintain all facility security clearances and personnel security clearances required of the Borrower or any of the Restricted Subsidiaries under all Requirements of Law to perform and deliver under any and all Government Contracts and as otherwise may be necessary to continue to perform the Borrower's business.

8.17. ENVIRONMENTAL COMPLIANCE. The Borrower and the Borrower's Subsidiaries shall comply in all material respects with all Environmental, Health or Safety Requirements of Law other than with respect to those matters set forth on SCHEDULE 6.01-O with respect to which (i) the Borrower or the Borrower's Subsidiaries are making good faith efforts to remedy or (ii) that the Borrower or the Borrower's Subsidiaries are appealing in good faith and with respect to which the Borrower or the Borrower's Subsidiaries have a reasonable basis to believe that they would prevail on appeal.

8.18. INTEREST RATE CONTRACTS. Upon the request of the Agent, the Borrower shall take all steps necessary to arrange that payments owing to such Loan Party from any counterparty under any Interest Rate Contract shall be paid directly to the Agent to be applied to the Obligations and to take all such

other action with respect to each such Interest Rate Contract as the Agent may request, including, without limitation, executing an assignment of such Interest Rate Contract in a form satisfactory to the Agent.

8.19. HEXCEL LYON SUBORDINATED NOTE. Within 30 days after the Closing Date, the Borrower shall cause Hexcel Lyon to substitute the \$2,613,000 promissory note made by the Borrower in favor of Hexcel Lyon prior to the Closing Date with the Hexcel Lyon Subordinated Note.

8.20. POST-CLOSING DELIVERIES. (a) Within 30 days after the Closing Date, (i) the Borrower shall (A) pledge and deliver 100% of the issued and outstanding stock of Hexcel Alpha and Hexcel Beta to the Agent for the benefit of the Agent, the

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Lenders and the Issuing Banks in accordance with the terms of the Borrower Pledge Agreement together with necessary stock powers and acknowledgements and an opinion to the Agent, the Lenders and the Issuing Banks in connection therewith in form and substance satisfactory to the Agent, (B) contribute 49% of the limited liability company interests of Knytex to Hexcel Beta and deliver an opinion to the Agent, the Lenders and the Issuing Banks in connection therewith in form and substance satisfactory to the Agent and (C) contribute all of the limited liability company interests of Fyfe owned by the Borrower to Hexcel Beta and deliver an opinion to the Agent, the Lenders and the Issuing Banks in connection therewith in form and substance satisfactory to the Agent, (ii) Hexcel Alpha shall (A) execute and deliver to the Agent a security agreement substantially in the form of EXHIBIT O, (B) become a Guarantor pursuant to the terms of the Subsidiary Guaranty and (C) execute and deliver to the Agent such other agreements, documents and instruments in connection therewith which the Agent deems necessary or desirable, including, without limitation, an opinion of counsel in form and substance satisfactory to the Agent, and (iii) Hexcel Beta shall (A) execute and deliver to the Agent a security agreement substantially in the form of EXHIBIT O, (B) become a Guarantor pursuant to the terms of the Subsidiary Guaranty and (C) execute and deliver to the Agent such other agreements, documents and instruments in connection therewith which the Agent deems necessary or desirable, including, without limitation, an opinion of counsel in form and substance satisfactory to the Agent, it being understood that the granting of the additional security for the Obligations pursuant to this SECTION 8.20 is a material inducement to the execution and delivery of this Agreement by each Lender. Notwithstanding anything to the contrary set forth herein, (i) the Borrower shall not be permitted to enter into any transaction with or make any Investment in either Hexcel Alpha or Hexcel Beta that would otherwise be permitted under ARTICLE IX and (ii) neither Hexcel Alpha nor Hexcel Beta shall be permitted to enter into any transaction with or make any Investments in any Person that would otherwise be permitted under

ARTICLE IX, until such time as the the Borrower, Hexcel Alpha and Hexcel Beta shall have executed and delivered all of the documents and instruments provided for in, and otherwise comply with the provisions of, this SECTION 8.20(a) to the satisfaction of the Agent.

(b) Within 30 days after the Closing Date, (i) the Borrower shall (i) execute and deliver to the Agent a mortgage in respect of the parcel of the Pottsville, Pennsylvania property to be conveyed to the Borrower by SCIDA, together with such other agreements, documents and instruments in connection therewith which the Agent deems necessary or desirable, including, without limitation, an opinion of counsel in form and substance satisfactory to the Agent.

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ARTICLE IX NEGATIVE COVENANTS

The Borrower covenants and agrees that it shall comply with the following covenants so long as any Commitment is outstanding and thereafter until payment in full of all of the Obligations, unless (except as otherwise provided below) the Requisite Lenders shall otherwise give prior written consent thereto:

9.01. INDEBTEDNESS. None of the Borrower or any of its Subsidiaries shall directly or indirectly create, incur, assume or otherwise become or remain directly or indirectly liable with respect to any Indebtedness, except:

(i) the Obligations;

(ii) Permitted Existing Indebtedness, and any extensions, renewals, refundings or replacements of Permitted Existing Indebtedness (other than the Existing IRDBs); PROVIDED that with respect to Permitted Existing Indebtedness of the Borrower, any Restricted Subsidiary or Hexcel Lyon, any such extension, renewal, refunding or replacement is in an aggregate principal amount not greater than the principal amount of, and is on terms no less favorable to the Borrower, such Restricted Subsidiary or Hexcel Lyon than the terms of, the Permitted Existing Indebtedness so extended, renewed, refunded or replaced;

(iii) the BNP Letters of Credit and the obligations of the Borrower under the BNP Letter of Credit Documents; PROVIDED, HOWEVER, the aggregate amount available for drawing under the BNP Letters of Credit

shall not at any time exceed the amounts set forth with respect thereto on SCHEDULE 9.01 (less any permanent reductions in contingent liability made in accordance with the terms thereof);

(iv) Indebtedness in respect of taxes, assessments, governmental charges and claims for labor, materials or supplies, to the extent that payment thereof is not required pursuant to SECTION 8.04;

(v) Indebtedness constituting Accommodation Obligations permitted by SECTION 9.05;

(vi) in addition to the Indebtedness permitted by CLAUSES (i) through (v) hereof and CLAUSES (vii) through (xii) hereof and to the extent permitted by ARTICLE X and in any event in an aggregate outstanding principal amount not to exceed \$22,000,000 at any time, Capital Leases and purchase money Indebtedness incurred by the Borrower to finance the acquisition of fixed

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assets, and Indebtedness incurred by the Borrower to refinance such Capital Leases and purchase money Indebtedness;

(vii) Indebtedness under appeal bonds in connection with judgments which do not result in an Event of Default or Default or any other breach hereunder;

(viii) Indebtedness arising from intercompany loans permitted under SECTION 9.04(v) and (vi);

(ix) Permitted Subordinated Indebtedness;

(x) Indebtedness of the Borrower arising pursuant to Interest Rate Contracts or Currency Agreements to which the Agent or an Affiliate of the Agent is a party;

(xi) Indebtedness not in excess of an aggregate principal amount of \$3,500,000 in connection with borrowings to finance premiums of property, liability and directors' and officers' insurance policies maintained by the Borrower or any of the Restricted Subsidiaries; PROVIDED, HOWEVER, that the proceeds of such borrowings shall be used solely to pay the premiums with respect to such insurance policies and any accrued and unpaid interest on, and any premiums or penalties relating to, any such borrowings and PROVIDED, FURTHER, that the terms and conditions of such borrowings shall be in form and substance satisfactory to the Agent; and

(xii) in addition to the Indebtedness permitted by CLAUSES (i) through (xi) above, Indebtedness incurred by (A) Hexcel Lyon not in excess of an aggregate principal amount of the Dollar Equivalent of \$25,000,000, up to \$15,000,000 of which may be secured by a Lien on the Property of Hexcel Lyon and (B) any Unrestricted Subsidiary other than Hexcel Lyon (other than Indebtedness owing to the Borrower) not in excess of an aggregate principal amount of the Dollar Equivalent of \$10,000,000 in the aggregate for all Unrestricted Subsidiaries other than Hexcel Lyon at any time.

9.02. SALES OF ASSETS. None of the Borrower or any of the Restricted Subsidiaries shall sell, assign, transfer, lease, convey or otherwise dispose of any Property, whether now owned or hereafter acquired, or any income or profits therefrom, or enter into any agreement to do so, except:

(i) the sale of Inventory in the ordinary course of business; PROVIDED, HOWEVER, the aggregate net face amount of all Receivables arising from sales of Inventory made to Unrestricted Subsidiaries shall not,

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when netted against the amount of accounts payable owing by the Borrower to such Unrestricted Subsidiaries in respect of purchases of Inventory from such Unrestricted Subsidiaries, exceed \$10,000,000 at any time;

(ii) sales of assets outside of the ordinary course of business not in excess of \$250,000 in a single transaction or series of related transactions or aggregating less than \$1,000,000 in any Fiscal Year;

(iii) in addition to dispositions permitted under CLAUSES (i) and (ii) of this SECTION 9.02, the disposition of Equipment if such Equipment is obsolete or no longer useful in the ordinary course of the Borrower's or such Restricted Subsidiary's business or otherwise is not required to be maintained by the Borrower or such Restricted Subsidiary pursuant to Section 8.10; PROVIDED that the aggregate Fair Market Value of all such Equipment disposed of in any Fiscal Year shall not exceed \$500,000;

(iv) assignments and licenses of intellectual property of the Borrower in the ordinary course of business;

(v) subleases of leases or leases of owned Real Property, to the extent such leases and subleases have anticipated annual rentals of less than \$1,000,000 each;

(vi) the transfer by Hexcel Technologies, Inc. to DIC Technologies, Inc. of up to 15% of the outstanding partnership interests in HDP in connection with the Investments permitted pursuant to SECTION 9.04(vi); and

(vii) the Borrower may sell the Properties constituting the businesses described in SCHEDULE 9.02; PROVIDED that (A) the Agent shall have approved the documentation evidencing such sales, (B) such sales shall not be made for less than the Fair Market Value of such Properties and for consideration other than cash and (C) the Net Cash Proceeds arising from such sales shall not be less than the amount specified with respect to such Property on SCHEDULE 9.02.

9.03. LIENS. None of the Borrower or any of the Restricted Subsidiaries shall directly or indirectly create, incur, assume or permit to exist any Lien on or with respect to any of their respective Property or assets except:

(i) Liens created by the Loan Documents;

(ii) Permitted Existing Liens and future Liens securing any extensions, renewals, refundings or

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replacements of Permitted Existing Indebtedness to the extent permitted pursuant to SECTION 9.01(ii) but only if such future Lien attaches to the same Property and secures only such permitted extensions, renewals, refundings and replacements;

(iii) Customary Permitted Liens;

(iv) purchase money Liens granted by the Borrower (including the interest of a lessor under a Capital Lease) and Liens to which any Property is subject at the time of the Borrower's acquisition thereof) securing Indebtedness permitted under SECTION 9.01(vi) and limited in each case to the property purchased or subject to such lease;

(v) any attachment or judgment Lien the existence of which does not constitute an Event of Default under SECTION 11.01(h);

(vi) Liens on the proceeds of the Rights Offering securing the Borrower's obligations under the Standby Commitment Documents; and

(vii) Liens on the Collateral (as defined in the BNP Collateral

Agreement) securing the obligations of the Borrower under the BNP Letter of Credit Documents.

9.04. INVESTMENTS. None of the Borrower or any of the Restricted Subsidiaries shall directly or indirectly make or own any Investment or make any contribution except:

(i) Investments in cash and Cash Equivalents (including, without limitation, Cash Collateral) pledged to the Agent or deposited in the Concentration Account;

(ii) Investments in the Investment Account (including any Investments in Cash and Cash Equivalents through such Account);

(iii) Permitted Existing Investments in an amount not greater than the amount thereof on the Closing Date;

(iv) Investments received in connection with the bankruptcy or reorganization of suppliers and customers and in settlement of delinquent obligations of, and other disputes with, customers and suppliers arising in the ordinary course of business;

(v) cash Investments arising from (A) intercompany loans made by the Borrower to any Restricted Subsidiary which Investments shall not exceed \$1,000,000 in the

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aggregate at any time and (B) intercompany loans made by the Borrower to any Existing Joint Venture (other than DIC) or Unrestricted Subsidiary, which Investments shall not exceed \$3,000,000 in the aggregate at any time; PROVIDED, HOWEVER, no such Investment under this CLAUSE (v) may be made so long as any Default or Event of Default has occurred and is continuing or would occur as a result of such Investment;

(vi) (A) cash Investment made by the Borrower in Hexcel Technologies, Inc. or HDP, solely for the purpose of making Investments in or for the benefit of DIC and (B) cash Investments by Hexcel Technologies, Inc. in DIC, which Investments may result in a reduction in the ownership by Hexcel Technologies, Inc. in HDP from 50% of the outstanding partnership interests to 35% of such partnership interests and shall not exceed \$3,000,000 in Fiscal Year 1995, \$2,000,000 in Fiscal Year 1996 and \$4,500,000 in Fiscal Year 1997, less any payments made by the Borrower to Dainippon Ink & Chemicals, Inc. permitted pursuant to SECTION 9.05(vii); PROVIDED, HOWEVER, if the maximum amount permitted for any Fiscal Year exceeds the amount of such Investments for such Fiscal

Year, then such Investments made by the Borrower and Hexcel Technologies, Inc. for the immediately succeeding Fiscal Year may exceed the maximum amount set forth above with respect to such succeeding Fiscal Year by the amount of such excess from the immediately preceding Fiscal Year (such excess amount being treated as the last amount invested in such succeeding Fiscal Year) but in no event shall the amount of such Investments exceed \$9,000,000 in the aggregate at any time and PROVIDED, FURTHER, no such Investment under subclause (A) of this CLAUSE (vi) may be made so long as any Default or Event of Default has occurred and is continuing or would occur as a result of such Investment;

(vii) Investments in intercompany loans made by any Restricted Subsidiary of the Borrower to the Borrower;

(viii) Investments in cash deposits with financial institutions for payroll accounts and other deposit accounts in the ordinary course of business not to exceed \$500,000 at any one time outstanding in the aggregate;

(ix) cash contributions to Hexcel Foundation not to exceed \$50,000 in the aggregate in any Fiscal Year; and

(x) cash Investments not otherwise permitted hereby not to exceed \$1,000,000 at any one time outstanding in the aggregate.

9.05. ACCOMMODATION OBLIGATIONS. None of the Borrower or any of the Restricted Subsidiaries shall directly or

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indirectly create or become or be liable with respect to any Accommodation Obligation, except:

(i) Permitted Existing Accommodation Obligations;

(ii) Accommodation Obligations arising under the Loan Documents;

(iii) obligations, warranties and indemnities, not with respect to Indebtedness of any Person, which have been or are undertaken or made in the ordinary course of business or in connection with the sale of assets permitted under SECTION 9.02(vi) and not for the benefit of or in favor of an Affiliate of the Borrower or any of the Borrower's Subsidiaries;

(iv) Accommodation Obligations of any Restricted Subsidiary in respect of obligations of the Borrower;

(v) Accommodation Obligations with respect to obligations, warranties and indemnities (other than with respect to Indebtedness) in the ordinary course of business and with respect to customary representations, warranties and indemnities entered into in connection with the sale or other disposition of assets;

(vi) Reimbursement obligations under the BNP Letters of Credit to the extent such letters of credit are permitted under SECTION 9.01(iii);

(vii) Accommodation Obligations in respect of payments made by the Borrower in an amount not to exceed \$4,500,000 in Fiscal Year 1997 to Dainippon Ink & Chemical, Inc.;

(viii) subordination of certain amounts payable to the Borrower by Knytex as provided for in the Knytex Credit Facility; and

(ix) unsecured guarantees made by the Borrower in respect of obligations of any of the Unrestricted Subsidiaries which do not exceed \$20,000,000 in the aggregate PROVIDED that any such guaranty is on terms and conditions satisfactory to the Agent.

9.06. RESTRICTED JUNIOR PAYMENTS. Subject to SECTION 9.16, none of the Borrower or any of the Restricted Subsidiaries shall declare or make any Restricted Junior Payment, except:

(i) dividends or other distributions made to the Borrower or any of the Restricted Subsidiaries by any Subsidiary of the Borrower;

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(ii) regularly scheduled payments of interest on the Subordinated Debentures if such payments are permitted to be made under the terms of the Indenture;

(iii) payments with respect to employee or director stock options, stock incentive plans or restricted stock plans of the Borrower; provided, the aggregate amount of such payments do not exceed \$1,000,000 in any Fiscal Year or \$3,000,000 in the aggregate; and

(iv) payment of interest and principal owing with respect to the Advance, but only if such payment is permitted under the terms of the Intercreditor Agreement.

9.07. CONDUCT OF BUSINESS. None of the Borrower or any of its Subsidiaries shall engage in any business (pursuant to an Existing Joint Venture

or otherwise) other than the businesses engaged in by the Borrower or such Subsidiaries on the date hereof and any business or activities which are substantially similar, related or incidental thereto.

9.08. TRANSACTIONS WITH AFFILIATES. The Borrower shall not, and shall not permit any of its Subsidiaries, except as otherwise expressly permitted herein, to do any of the following: (i) make any Investment in an Affiliate of the Borrower; (ii) transfer, sell, lease, assign or otherwise dispose of any asset to any Affiliate of the Borrower; (iii) merge into or consolidate with or purchase or acquire assets from any Affiliate of the Borrower; (iv) repay any Indebtedness to any Affiliate of the Borrower other than payments to Mutual Series with respect to the Advance to the extent permitted under the Intercreditor Agreement; (v) pay any royalties to any Affiliate of the Borrower (other than in connection with licensing arrangements with Unrestricted Subsidiaries with respect to intellectual property); (vi) pay any management fees to any Affiliate of the Borrower; or (vii) enter into any other transaction directly or indirectly with or for the benefit of any Affiliate of the Borrower (including, without limitation, guaranties and assumptions of obligations of any such Affiliate but excluding the subrogation agreement and related agreements entered into or to be entered into by the Borrower in connection with the Knytex Credit Facility) except in each case for transactions (A) in the ordinary course of business and (B) either on a basis no less favorable to the Borrower or such Subsidiary as would be obtained in a comparable arm's length transaction with a Person not an Affiliate, or in the case of compensation payable to any officer or director of the Borrower or such Subsidiary, in an amount approved by the Board of Directors of the Borrower or such Subsidiary.

9.09. RESTRICTION ON FUNDAMENTAL CHANGES. None of the Borrower or any of the Restricted Subsidiaries shall (i) enter

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into any merger or consolidation, or liquidate, wind-up or dissolve (or suffer any liquidation or dissolution), except for a merger or consolidation of any wholly owned Restricted Subsidiary into the Borrower or another wholly owned Restricted Subsidiary (with the Borrower or such Restricted Subsidiary as the surviving corporation); PROVIDED that, after giving effect to any such merger or consolidation, no Default or Event of Default shall have occurred or be continuing, (ii) enter into any partnership or joint venture or create any Subsidiary or (iii) enter into or permit any transaction or series of transactions in which the Borrower and/or any of the Restricted Subsidiaries acquire all or any significant portion of the Capital Stock and/or assets of another Person or business or division of another Person.

9.10. SALES AND LEASEBACKS; OPERATING LEASES. (a) None of the

Borrower or any of the Restricted Subsidiaries shall enter into any Sale and Leaseback Transaction other than a Sale and Leaseback Transaction on terms and conditions satisfactory to the Agent relating to the sale and lease of Equipment where, after giving effect to such Sale and Leaseback Transaction, the aggregate Appraised Value of all such Equipment sold does not exceed \$10,000,000.

(b) None of the Borrower or any of the Restricted Subsidiaries shall become liable in any way, whether directly or by assignment or by Accommodation Obligation, for the obligations of a lessee under any Operating Lease unless, immediately after giving effect to the incurrence of liability with respect to such Operating Lease, the aggregate amount of all rents paid or accrued under all Operating Leases of the Borrower and its Restricted Subsidiaries as lessee (net of sublease income and determined in conformity with GAAP) shall not exceed \$3,000,000 in any Fiscal Year.

9.11. MARGIN REGULATIONS; SECURITIES LAWS. None of the Borrower or any of the Borrower's Subsidiaries, shall use all or any portion of the proceeds of any credit extended hereunder to purchase or carry Margin Stock.

9.12. ERISA AND CERTAIN EMPLOYMENT MATTERS. To the extent the following actions, individually or in the aggregate, would subject or would be reasonably likely to subject, the Borrower or any ERISA Affiliate to a liability in excess of \$1,000,000, the Borrower shall not:

(i) engage, or permit any ERISA Affiliate to engage, in any prohibited transaction described in Sections 406 of ERISA or 4975 of the Internal Revenue Code for which a statutory or class exemption is not available or a private exemption has not been previously obtained from the DOL;

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(ii) permit to exist any accumulated funding deficiency (as defined in sections 302 of ERISA and 412 of the Internal Revenue Code), with respect to any Benefit Plan, whether or not waived;

(iii) fail, or permit any ERISA Affiliate to fail, to pay timely required contributions or annual installments due with respect to any waived funding deficiency to any Benefit Plan;

(iv) terminate, or permit any ERISA Affiliate to terminate, any Benefit Plan which would result in a material liability of Borrower or any ERISA Affiliate under Title IV of ERISA;

(v) fail to make any contribution or payment to any Multiemployer

Plan which Borrower or any ERISA Affiliate may be required to make under any agreement relating to such Multiemployer Plan, or any law pertaining thereto;

(vi) fail, or permit any ERISA Affiliate to fail, to pay any required installment or any other payment required under Section 412 of the Internal Revenue Code on or before the due date for such installment or other payment;

(vii) amend, or permit any ERISA Affiliate to amend, a Plan resulting in an increase in current liability for the plan year such that the Borrower or any ERISA Affiliate is required to provide security to such Plan under Section 401(a) (29) of the Internal Revenue Code;

(viii) permit any unfunded liabilities with respect to any Foreign Pension Plan other than as permitted under local law;

(ix) fail, or permit any Subsidiary or ERISA Affiliate to fail, to pay any required contributions or payments to a Foreign Pension Plan on or before the due date for such required installment or payment; or

(x) consent to an employee's election under an Executive Deferred Compensation and Consulting Agreement between such employee and the Borrower to pay benefits thereunder in the form of a lump sum or in installments over a period of less than five years.

9.13. ISSUANCE OR SALE OF CAPITAL STOCK. None of the Borrower or any of the Borrower's Subsidiaries shall (i) grant any rights (either preemptive or others) to subscribe for or to purchase, or any option for the purchase of, its Capital Stock or (ii) create calls, commitments, claims of any character relating to any of its Capital Stock, other than as permitted pursuant to

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the management incentive plans listed on SCHEDULE 9.13 hereto or in connection with the Rights Offering. The Borrower shall not sell or otherwise dispose of, or permit the sale or disposition of, any shares of Capital Stock of any of its Subsidiaries except as required by applicable law for the qualification of directors or to satisfy minimum shareholder requirements under French law.

9.14. CONSTITUENT DOCUMENTS. None of the Borrower or any of the Borrower's Subsidiaries shall materially amend, modify or otherwise change any of the terms or provisions in any of their respective Constituent Documents as in effect on the Closing Date.

9.15. FISCAL YEAR. None of the Borrower or any of the Borrower's Subsidiaries shall change its Fiscal Year for accounting or tax purposes from a period consisting of the four fiscal quarter period ending on the closest Sunday to December 31 of each calendar year.

9.16. CANCELLATION OF DEBT; PREPAYMENT; CERTAIN AMENDMENTS. Neither the Borrower nor any of the Restricted Subsidiaries nor Hexcel Lyon shall (i) cancel any material claim or debt or amend or modify the terms thereof, except in the ordinary course of its business or (ii) prepay, redeem, purchase, repurchase, defease or retire any long-term Indebtedness (other than the Obligations and other than repayments under the Existing IRDBs made in lieu of Issuing Letters of Credit or making sinking fund deposits pursuant to the BNP Letters of Credit Documents, including, without limitation, those repayments described on SCHEDULE 9.16) or (iii) amend, supplement or otherwise modify the terms of the Transaction Documents.

9.17. ENVIRONMENTAL MATTERS. None of the Borrower nor any of Borrower's Subsidiaries shall:

(i) become subject to any Liabilities and Costs which would have a Material Adverse Effect arising out of or related to (a) the Release or threatened Release at any location of any Contaminant into the environment, or any Remedial Action in response thereto, or (b) any violation of any Environmental, Health and Safety Requirements of Law; or

(ii) either directly or indirectly, create, incur, assume or permit to exist any Environmental Lien on or with respect to any of its Property other than Permitted Existing Liens.

9.18. CASH MANAGEMENT. Subject to SECTION 9.04, the Borrower or any Restricted Subsidiary may open deposit or payroll accounts with other financial institutions in the ordinary course of business and shall deliver to the Agent a substitute SCHEDULE

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6.01-Z specifying the name of such financial institutions and the intended use for such account. The Borrower shall not authorize or direct any Person to take any action with respect to amounts deposited in the Lockboxes, the Collection Accounts, the Investment Account or the Concentration Account in contravention of the provisions hereof.

9.19. UNRESTRICTED SUBSIDIARY. No Unrestricted Subsidiary shall enter into any Accommodation Obligation with respect to any Indebtedness of the Borrower or any Restricted Subsidiary (other than the Obligations) or grant or

permit to exist any Lien on its Property to secure any such Indebtedness.

9.20. ACCOUNTING CHANGES. The Borrower shall not make, nor permit any of its Subsidiaries to make, any material change in accounting treatment and reporting practices or tax reporting treatment, except as required by GAAP or law and disclosed to the Lenders and the Agent or as permitted by the Loan Documents.

ARTICLE X
FINANCIAL COVENANTS

The Borrower covenants and agrees that so long as any Commitment is outstanding and thereafter until payment in full of all of the Obligations, unless the Requisite Lenders shall otherwise give prior written consent thereto:

10.01. MINIMUM NET WORTH. The Net Worth of the Borrower and the Restricted Subsidiaries during any period from the last day of the fiscal quarter preceding each fiscal quarter in each Fiscal Year set forth below to the day preceding the last day of such fiscal quarter set forth below shall not be less than the minimum amount set forth opposite such fiscal quarter:

PERIOD	MINIMUM AMOUNT
Second fiscal quarter of 1995	\$32,500,000
Third fiscal quarter of 1995	33,500,000
Fourth fiscal quarter of 1995	34,500,000
First fiscal quarter of 1996	35,500,000
Second fiscal quarter of 1996	38,000,000
Third fiscal quarter of 1996	40,000,000
Fourth fiscal quarter of 1996	42,000,000
First fiscal quarter of 1997	45,000,000
Second fiscal quarter of 1997	48,000,000
Third fiscal quarter of 1997	51,000,000
Fourth fiscal quarter of 1997	53,000,000
First fiscal quarter of 1998 through the Revolving Credit Termination Date	56,000,000

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10.02. MINIMUM FIXED CHARGE COVERAGE RATIO. The Fixed Charge Coverage Ratio of the Borrower and the Restricted Subsidiaries on a combined basis, as determined as of the last day of each fiscal quarter of the Borrower set forth below for the four fiscal quarter period ending on such date (or if the period from January 1, 1995 to such last day is less than four full fiscal quarters, such shorter period), shall not be less than the minimum ratio set

forth opposite such fiscal quarter:

FISCAL QUARTER	MINIMUM RATIO
Second fiscal quarter of 1995	0.10 to 1
Third fiscal quarter of 1995	0.40 to 1
Fourth fiscal quarter of 1995	0.65 to 1
First fiscal quarter of 1996	0.80 to 1
Second fiscal quarter of 1996	0.90 to 1
Third fiscal quarter of 1996	0.90 to 1
Fourth fiscal quarter of 1996	1.00 to 1
First fiscal quarter of 1997	1.00 to 1
Second fiscal quarter of 1997	1.05 to 1
Third fiscal quarter of 1997	1.10 to 1
Fourth fiscal quarter of 1997 through the Revolving Credit Termination Date	1.10 to 1

10.03. MINIMUM INTEREST COVERAGE RATIO. The Interest Coverage Ratio of the Borrower and the Restricted Subsidiaries on a combined basis, as determined as of the last day of each fiscal quarter of the Borrower set forth below for the four fiscal quarter period ending on such date (or if the period from January 1, 1995 to such last day is less than four full fiscal quarters, such shorter period), shall not be less than the minimum ratio set forth opposite such fiscal quarter:

FISCAL QUARTER	MINIMUM RATIO
Second fiscal quarter of 1995	1.15 to 1
Third fiscal quarter of 1995	1.60 to 1
Fourth fiscal quarter of 1995	1.85 to 1
First fiscal quarter of 1996	2.00 to 1
Second fiscal quarter of 1996	2.25 to 1
Third fiscal quarter of 1996	2.50 to 1
Fourth fiscal quarter of 1996	2.75 to 1
First fiscal quarter of 1997	3.00 to 1
Second fiscal quarter of 1997	3.25 to 1
Third fiscal quarter of 1997	3.50 to 1
Fourth fiscal quarter of 1997 through the Revolving Credit Termination Date	3.50 to 1

10.04. MINIMUM CASH FLOW. The Cumulative Cash Flow of the Borrower and the Restricted Subsidiaries on a combined basis, as determined as of the last day of each fiscal quarter for the four fiscal quarter period ending on such date (or if the period from January 1, 1995 to such last day is less than four full fiscal quarters, such shorter period), shall not be less than the minimum amount set forth opposite such fiscal quarter:

FISCAL QUARTER	MINIMUM AMOUNT
January 1, 1995 through	
First fiscal quarter of 1995	\$ (12,000,000)
Second fiscal quarter of 1995	(12,000,000)
Third fiscal quarter of 1995	(8,000,000)
Fourth fiscal quarter of 1995	(6,000,000)
First fiscal quarter of 1996	6,000,000
Second fiscal quarter of 1996	10,000,000
Third fiscal quarter of 1996	13,000,000
Fourth fiscal quarter of 1996	18,000,000
First fiscal quarter of 1997	19,000,000
Second fiscal quarter of 1997	19,500,000
Third fiscal quarter of 1997	20,000,000
Fourth fiscal quarter of 1997 through the Revolving Credit Termination Date	21,000,000

10.05. MAXIMUM CAPITAL EXPENDITURES. Capital Expenditures made or incurred by the Borrower and the Restricted Subsidiaries on a combined basis during each Fiscal Year (or portion thereof) set forth below shall not exceed in the aggregate the amount set forth opposite such Fiscal Year:

FISCAL YEAR	MAXIMUM AMOUNT
Fiscal Year 1995	\$8,400,000
Fiscal Year 1996	8,500,000
Fiscal Year 1997	7,000,000
Fiscal Year 1998	1,000,000

PROVIDED, HOWEVER, if the maximum amount set forth above opposite any Fiscal Year exceeds the amount of Capital Expenditures made or incurred by the Borrower and the Restricted Subsidiaries on a combined basis for such Fiscal Year, then Capital Expenditures made or incurred by the Borrower and the Restricted Subsidiaries on a combined basis for the succeeding Fiscal Year may exceed the maximum amount set forth above opposite such succeeding Fiscal Year by the lesser of (i) \$2,000,000 and (ii) the amount of such excess from the immediately preceding Fiscal Year (such excess amount being available only for use in such succeeding Fiscal Year and being treated as the last amount spent in such succeeding Fiscal Year).

ARTICLE XI
EVENTS OF DEFAULT; RIGHTS AND REMEDIES

11.01. EVENTS OF DEFAULT. Each of the following occurrences shall constitute an Event of Default hereunder:

(a) FAILURE TO MAKE PAYMENTS WHEN DUE. The Borrower shall fail to pay (i) when due any principal or interest on the Loans (including the Reimbursement Obligations) or (ii) any other Obligation, and if such non-payment relates to Obligations other than interest or principal, such non-payment continues for a period of five (5) Business Days after the due date thereof.

(b) BREACH OF CERTAIN COVENANTS. The Borrower or any Guarantor shall fail to perform or observe duly and punctually any agreement, covenant or obligation binding on such Person under (i) SECTIONS 7.03, 7.04, 7.05, 8.01, 8.02, 8.06, 8.07; or (ii) ARTICLE IX or ARTICLE X.

(c) BREACH OF REPRESENTATION OR WARRANTY. Any representation or warranty made or deemed made by the Borrower, any Guarantor or any other Subsidiary of the Borrower to the Agent, any Lender or any Issuing Bank herein or in any other Loan Document or in any statement or certificate at any time given by any such Person pursuant to any Loan Document shall be false or misleading in any material respect on the date made (or deemed made).

(d) OTHER DEFAULTS. The Borrower shall default in the performance of or compliance with any term contained herein (other than as covered by PARAGRAPHS (a), (b) or (c) of this SECTION 11.01), or the Borrower or any of its Subsidiaries shall default in the performance of or compliance with any term contained in any other Loan Document, and such default shall continue for (i) ten (10) Business Days after the occurrence thereof with respect to any term contained in SECTIONS 7.01, 7.02, 7.06 and 7.07; and (ii) thirty (30) days after the occurrence thereof with respect to any other term.

(e) DEFAULT AS TO OTHER INDEBTEDNESS; OPERATING LEASES. The Borrower or any of its Subsidiaries shall fail to make any payment when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) with respect to Permitted Subordinated Indebtedness, the BNP Letters of Credit or any other Indebtedness (other than an Obligation) in excess of \$3,000,000; or any breach, default or event of default shall occur, or any other condition shall exist under any instrument, agreement or indenture pertaining to any other Indebtedness (other than an Obligation) in excess of \$3,000,000, if the effect thereof is (or, with the giving of notice or lapse of time or both, would be) to cause an acceleration, mandatory redemption or other required repurchase of such Indebtedness, or

permit the holders of such Indebtedness to accelerate the maturity of such Indebtedness or require the redemption or other repurchase of such Indebtedness; or any such Indebtedness shall be otherwise declared to be due and payable (by acceleration or otherwise) or required to be prepaid, redeemed or otherwise repurchased by the Borrower or any of its Subsidiaries (other than by a regularly scheduled required prepayment, mandatory redemption or required repurchase) prior to the stated maturity thereof; or any breach, default or event of default remaining uncured for a period of sixty (60) days on the part of the Borrower or any of the Borrower's Subsidiaries shall occur under any Operating Lease to which the Borrower or any of its Subsidiaries is a party pursuant to which rental payments thereunder equal or exceed \$3,000,000 per annum.

(f) INVOLUNTARY BANKRUPTCY; APPOINTMENT OF RECEIVER, ETC.

(i) An involuntary case shall be commenced against the Borrower or any of its Subsidiaries and the petition shall not be dismissed, stayed, bonded or discharged within sixty (60) days after commencement of the case; or a court having jurisdiction in the premises shall enter a decree or order for relief in respect of the Borrower or any of the Borrower's Subsidiaries in an involuntary case, under any applicable bankruptcy, insolvency or other similar law now or hereinafter in effect; or any other similar relief shall be granted under any applicable federal, state, local or foreign law.

(ii) A decree or order of a court having jurisdiction in the premises for the appointment of a receiver, liquidator, sequestrator, trustee, custodian or other officer having similar powers over the Borrower or any of its Subsidiaries or over all or a substantial part of the Property of the Borrower or any of its Subsidiaries shall be entered; or an interim receiver, trustee or other custodian of the Borrower or any of its Subsidiaries or of all or a substantial part of the property of the Borrower or any of its Subsidiaries shall be appointed or a warrant of attachment, execution or similar process against any substantial part of the Property of the Borrower or any of its Subsidiaries shall be issued and any such event shall not be stayed, dismissed, bonded or discharged within sixty (60) days after entry, appointment or issuance.

(g) VOLUNTARY BANKRUPTCY; APPOINTMENT OF RECEIVER, ETC. The Borrower or any of its Subsidiaries shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or shall consent to the entry of an order for relief in an involuntary case, or to the conversion of an involuntary case to a voluntary case, under any such law, or shall consent to the appointment of or taking possession by a receiver, trustee or other custodian for all or a

substantial part of its property; or the Borrower or any of its Subsidiaries shall make any assignment for the benefit of creditors.

(h) JUDGMENTS. Any judgment, writ, order or warrant of attachment, or other similar process shall be rendered against the Borrower or any of its Restricted Subsidiaries or any of their respective assets involving in any single case or in the aggregate an amount in excess of \$1,000,000 (in excess of applicable insurance coverage) is (are) entered and remains undischarged, unvacated and unstayed for a period of sixty (60) days.

(i) DISSOLUTION. Any order, judgment or decree shall be entered against the Borrower or any of its Subsidiaries, decreeing its involuntary dissolution or other similar proceeding, and such order shall remain undischarged and unstayed for a period in excess of sixty (60) days; or the Borrower or any of its Subsidiaries shall otherwise dissolve or cease to exist except as specifically permitted hereby.

(j) LOAN DOCUMENTS; FAILURE OF SECURITY. At any time, for any reason, (i) any Loan Document ceases to be in full force and effect or the Borrower or any of the Borrower's Subsidiaries party thereto seeks to repudiate its obligations thereunder and the Liens intended to be created thereby are, or the Borrower or any such Subsidiary seeks to render such Liens, invalid or unperfected, or (ii) Liens in favor of the Agent, the Issuing Banks and/or the Lenders contemplated by the Loan Documents shall, at any time, for any reason, be invalidated or otherwise cease to be in full force and effect, or such Liens shall be subordinated or shall not have the priority contemplated hereby or by the other Loan Documents.

(k) TERMINATION EVENT. Any Termination Event occurs which the Agent reasonably believes could subject either the Borrower or any ERISA Affiliate to a liability in excess of \$1,000,000.

(l) WAIVER OF MINIMUM FUNDING STANDARD. If the plan administrator of any Plan applies under Section 412(d) of the Internal Revenue Code for a waiver of the minimum funding standards of Section 412(a) of the Internal Revenue Code and the Agent believes the substantial business hardship upon which the application for the waiver is based could subject either the Borrower or any ERISA Affiliate to a material liability.

(m) MATERIAL ADVERSE CHANGE. An event shall exist or occur which has a Material Adverse Effect.

(n) PLAN OF REORGANIZATION. The Plan of Reorganization shall

have been amended or modified in any

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material respect or the Bankruptcy Court shall have retained or reasserted jurisdiction over the Borrower after the Reorganization Effective Date for the purpose of amending or modifying the Plan of Reorganization, in each case without the prior written consent of the Requisite Lenders; or any of the conditions precedent to the effectiveness of the Plan of Reorganization set forth in Article X thereof shall have been waived without the prior written consent of the Requisite Lenders.

(o) INTERCREDITOR AGREEMENT; STANDBY COMMITMENT DOCUMENTS.

Any of the parties to the Intercreditor Agreement (other than the Agent and the Lenders) shall fail to perform any covenant or obligation binding on such party or the Intercreditor Agreement shall cease to be in full force and effect. Mutual Series shall not have purchased, pursuant to the Standby Commitment Documents, the Reorganized Common Stock remaining unsold after the consummation of the Rights Offering.

(p) CHANGE OF CONTROL EVENT. A Change of Control Event shall have occurred.

An Event of Default shall be deemed "continuing" until cured or waived in accordance with SECTION 13.07.

11.02. RIGHTS AND REMEDIES.

(a) ACCELERATION AND TERMINATION. Upon the occurrence of any Event of Default described in SECTIONS 11.01(f) or 11.01(g), the Revolving Credit Commitments shall automatically and immediately terminate and the unpaid principal amount of, and any and all accrued interest on, the Obligations and all accrued fees shall automatically become immediately due and payable, without presentment, demand, or protest or other requirements of any kind (including, without limitation, valuation and appraisal, diligence, presentment, notice of intent to demand or accelerate and of acceleration), all of which are hereby expressly waived by the Borrower; and upon the occurrence and during the continuance of any other Event of Default, the Agent shall at the request, or may with the consent, of the Requisite Lenders, by written notice to the Borrower, (i) declare that all or any portion of the Revolving Credit Commitments are terminated, whereupon the Revolving Credit Commitments and the obligation of each Lender to make any Loan hereunder and of each Lender or Issuing Bank to Issue or participate in any Letter of Credit not then Issued shall immediately terminate, and/or (ii) declare the unpaid principal amount of and any and all accrued and unpaid interest on the Obligations to be, and the same shall thereupon be, immediately due and payable, without presentment,

demand, or protest or other requirements of any kind (including, without limitation, valuation and appraisal, diligence, presentment, notice of intent to demand or accelerate

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and of acceleration), all of which are hereby expressly waived by the Borrower.

(b) DEPOSIT FOR LETTERS OF CREDIT. In addition, after the occurrence and during the continuance of an Event of Default, the Borrower shall, promptly upon demand by the Agent (given upon the written instructions of the Requisite Lenders or, in the absence of such instructions, in its sole discretion), deliver to the Agent, Cash Collateral in such form as requested by the Agent for deposit in the Cash Collateral Account, together with such endorsements, and execution and delivery of such documents and instruments as the Agent may request in order to perfect or protect the Agent's Lien with respect thereto, in an aggregate principal amount equal to the then outstanding Letter of Credit Obligations.

(c) RESCISSION. If at any time after termination of the Revolving Credit Commitments and/or acceleration of the maturity of the Loans, the Borrower shall pay all arrears of interest and all payments on account of principal of the Loans and Reimbursement Obligations which shall have become due otherwise than by acceleration (with interest on principal and, to the extent permitted by law, on overdue interest, at the rates specified herein) and all Events of Default and Defaults (other than nonpayment of principal of and accrued interest on the Loans due and payable solely by virtue of acceleration) shall be remedied or waived pursuant to SECTION 13.07, then upon the written consent of the Requisite Lenders and written notice to the Borrower, the termination of the Revolving Credit Commitments and/or the acceleration and the consequences of such termination and/or acceleration may be rescinded and annulled; but such action shall not affect any subsequent Event of Default or Default or impair any right or remedy consequent thereon. The provisions of the preceding sentence are intended merely to bind the Lenders and the Issuing Banks to a decision which may be made at the election of the Requisite Lenders; they are not intended to benefit the Borrower and do not give the Borrower the right to require the Lenders to rescind or annul any acceleration hereunder, even if the conditions set forth herein are met.

(d) ENFORCEMENT. The Borrower acknowledges that in the event the Borrower or any of its Subsidiaries fails to perform, observe or discharge any of its respective obligations or liabilities hereunder or under any other Loan Document, any remedy of law may prove to be inadequate relief to the Agent, the Issuing Banks and the Lenders; therefore, the Borrower agrees that the Agent, the Issuing Banks and the Lenders shall be entitled after the occurrence and during the continuance of an Event of Default to temporary and permanent

injunctive relief in any such case without the necessity of proving actual damages.

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11.03. THE CASH COLLATERAL ACCOUNT; THE INVESTMENT ACCOUNT. (a) If requested by any Borrower and subject to the right of the Agent to withdraw funds from the Cash Collateral Account and the Investment Account as provided below, the Agent shall, so long as no Event of Default shall have occurred and be continuing, from time to time invest funds on deposit in the Cash Collateral Account and the Investment Account and accrued interest thereon, reinvest proceeds of any such investments which may mature or be sold, and invest interest or other income received from any such Investments, in each case in such Cash Equivalents as the Borrower may select and, in the case of the Investment Account, in such other investments as the Borrower selects and the Agent approves ("Approved Investments"). Such funds, interest, proceeds or income which are not so invested or reinvested in Cash Equivalents or Approved Investments shall, except as otherwise provided in this SECTION 11.03, be deposited and held by the Agent in the Cash Collateral Account or the Investment Account, as applicable. None of the Agent, any Lender or any Issuing Bank shall be liable to the Borrower for, or with respect to, any decline in value of amounts on deposit in the Cash Collateral Account or the Investment Accounts which shall have been invested pursuant to this SECTION 11.03(a) at the direction of the Borrower. Cash Equivalents and Approved Investments from time to time purchased and held pursuant to this SECTION 11.03(a) shall constitute Cash Collateral and shall, for purposes of this Agreement, be deemed to be part of the funds held in the Cash Collateral Account or the Investment Account, as applicable, in amounts equal to their respective outstanding principal amounts.

(b) The Agent may, at any time after an Event of Default has occurred and is continuing, sell or cause to be sold any Cash Equivalents or Approved Investments being held by the Agent as Cash Collateral at any broker's board or at public or private sale, in one or more sales or lots, at such price as the Agent may deem best, without assumption of any credit risk, and the purchaser of any or all such Cash Equivalents or Approved Investments so sold shall thereafter own the same, absolutely free from any claim, encumbrance or right of any kind whatsoever. The Agent, any of the Lenders and any of the Issuing Banks may, in its own name or in the name of a designee or nominee, buy such Cash Equivalents or Approved Investments at any public sale and, if permitted by applicable law, buy such Cash Equivalents or Approved Investments at any private sale. The Agent shall apply the proceeds of any such sale, net of any expenses incurred in connection therewith, and any other funds deposited in the Cash Collateral Account or the Investment Account to the payment of the Obligations in accordance with this Agreement. The Borrower agrees that (i) any sale of Cash Equivalents or Approved Investments conducted in conformity with

reasonable commercial practices of banks, commercial finance companies, insurance companies or other financial institutions disposing of property

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similar to such Cash Equivalents or Approved Investments shall be deemed to be commercially reasonable and (ii) any requirements of reasonable notice shall be met if such notice is received by the applicable Borrower at its notice address on the signature pages hereto at least ten (10) Business Days before the time of the sale or disposition. Any other requirement of notice, demand or advertisement for sale is waived to the extent permitted by law. The Agent may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned.

(c) Notwithstanding anything to the contrary contained in this Agreement, none of the Borrower or any Person or entity claiming on behalf of or through the Borrower shall have any right to withdraw any of the funds held in the Investment Account, except, that (i) so long no Default or Event of Default has occurred and is continuing, the Borrower may direct the Agent to apply any funds held in the Investment Account to such Obligations as the Borrower may designate and (ii) upon the payment in full in cash of the Obligations and termination of the Revolving Credit Commitments, any funds remaining in any Investment Account shall be returned by the Agent to the Borrower or paid to whomever may be legally entitled thereto. None of the Borrower or any Person or entity claiming on behalf of or through the Borrower shall have any right to withdraw any of the funds held in the Cash Collateral Account, except that upon the later to occur of (x) the expiration or termination of all of the Letters of Credit in accordance with their respective terms and (y) the payment in full in cash of the Obligations and termination of the Revolving Credit Commitments, any funds remaining in the Cash Collateral Account shall be returned by the Agent to the Borrower or paid to whomever may be legally entitled thereto.

(d) If at any time the Agent determines that any funds held in the Cash Collateral Account or any Investment Account are subject to any interest, right, claim or Lien of any Person other than the Agent, the Borrower will, forthwith upon demand by the Agent, pay to the Agent, as additional funds to be deposited and held in the Cash Collateral Account or any Investment Account, as applicable, an amount equal to the amount of funds subject to such interest, right, claim or Lien.

(e) The Agent shall exercise reasonable care in the custody and preservation of any funds held in the Cash Collateral Account and the Investment Accounts and shall be deemed to have exercised such care if such funds are accorded treatment substantially equivalent to that which the Agent accords its own like property, it being understood that the Agent shall not have any

responsibility for taking any necessary steps to preserve rights against any third parties with respect to any such funds

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but may do so at its option. All expenses incurred in connection therewith shall be for the sole account of the Borrower and shall constitute Obligations hereunder.

ARTICLE XII
THE AGENT

12.01. APPOINTMENT. (a) Each Lender and each Issuing Bank hereby designates and appoints Citicorp as the Agent hereunder, and each Lender and each Issuing Bank hereby irrevocably authorizes the Agent to execute such documents (including, without limitation, the Loan Documents to which the Agent is a party) and to take such other action on such Person's behalf under the provisions hereof and of the Loan Documents and to exercise such powers as are set forth herein or therein together with such other powers as are reasonably incidental thereto. As to any matters not expressly provided for hereby (including, without limitation, enforcement or collection of the Notes or any amount payable under any provision of ARTICLE III when due) or the other Loan Documents, the Agent shall not be required to exercise any discretion or take any action. Notwithstanding the foregoing, the Agent shall be required to act or refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Requisite Lenders and such instructions shall be binding upon all Lenders, Issuing Banks and Holders; PROVIDED, HOWEVER, the Agent shall not be required to take any action which (i) the Agent reasonably believes shall expose it to personal liability unless the Agent receives an indemnification satisfactory to it from the Lenders with respect to such action or (ii) is contrary hereto, to the other Loan Documents or applicable law. The Agent agrees to act as such on the express conditions contained in this ARTICLE XII.

(b) The provisions of this ARTICLE XII are solely for the benefit of the Agent, the Lenders and Issuing Banks, and none of the Borrower or any Subsidiary of the Borrower shall have any rights to rely on or enforce any of the provisions hereof (other than as expressly set forth in SECTIONS 12.07 and 12.09). In performing its functions and duties hereunder, the Agent shall act solely as agent of the Lenders and the Issuing Banks and does not assume and shall not be deemed to have assumed any obligation or relationship of agency, trustee or fiduciary with or for the Borrower or any Subsidiary of the Borrower. The Agent may perform any of its duties hereunder, or under the Loan Documents, by or through its agents or employees.

12.02. NATURE OF DUTIES. The Agent shall not have any duties or responsibilities except those expressly set forth herein or in the Loan Documents. The duties of the Agent shall be mechanical and administrative in nature. The Agent shall not have by reason hereof a fiduciary relationship in respect of any

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Holder. Nothing herein or in any of the Loan Documents, expressed or implied, is intended to or shall be construed to impose upon the Agent any obligations in respect hereof or any of the Loan Documents except as expressly set forth herein or therein. Each Lender and each Issuing Bank shall make its own independent investigation of the financial condition and affairs of the Borrower and its Subsidiaries in connection with the making and the continuance of the Loans hereunder and with the issuance of the Letters of Credit and shall make its own appraisal of the creditworthiness of the Borrower and its Subsidiaries initially and on a continuing basis, and the Agent shall not have any duty or responsibility, either initially or on a continuing basis, to provide any Holder with any credit or other information with respect thereto (except for reports required to be delivered by the Agent under the terms hereof). If the Agent seeks the consent or approval of any of the Lenders to the taking or refraining from taking of any action hereunder, the Agent shall send notice thereof to each Lender. The Agent shall promptly notify each Lender at any time that the Lenders so required hereunder have instructed the Agent to act or refrain from acting pursuant hereto.

12.03. RIGHTS, EXCULPATION, ETC. (a) LIABILITIES; RESPONSIBILITIES. None of the Agent or any Affiliate of the Agent, nor any of their respective officers, directors, employees or agents shall be liable to any Holder for any action taken or omitted by them hereunder or under any of the Loan Documents, or in connection therewith, except that no Person shall be relieved of any liability imposed by law for gross negligence or willful misconduct. The Agent shall not be liable for any apportionment or distribution of payments made by it in good faith pursuant to SECTION 3.02(b), and if any such apportionment or distribution is subsequently determined to have been made in error the sole recourse of any Holder to whom payment was due, but not made, shall be to recover from other Holders any payment in excess of the amount to which they are determined to have been entitled. The Agent shall not be responsible to any Holder for any recitals, statements, representations or warranties herein or for the execution, effectiveness, genuineness, validity, legality, enforceability, collectability, or sufficiency hereof or of any of the other Loan Documents or the transactions contemplated thereby, or for the financial condition of the Borrower or any of its Subsidiaries. The Agent shall not be required to make any inquiry concerning either the performance or observance of any of the terms, provisions or conditions hereof or of any of the Loan Documents or the financial condition of the Borrower or any of its

Subsidiaries, or the existence or possible existence of any Default or Event of Default.

(b) RIGHT TO REQUEST INSTRUCTIONS. The Agent may at any time request instructions from the Lenders with respect to any actions or approvals which by the terms of any of the Loan

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Documents the Agent is permitted or required to take or to grant, and the Agent shall be absolutely entitled to refrain from taking any action or to withhold any approval and shall not be under any liability whatsoever to any Person for refraining from any action or withholding any approval under any of the Loan Documents until it shall have received such instructions from those Lenders from whom the Agent is required to obtain such instructions for the pertinent matter in accordance with the Loan Documents. Without limiting the generality of the foregoing, no Holder shall have any right of action whatsoever against the Agent as a result of the Agent acting or refraining from acting under the Loan Documents in accordance with the instructions of the Requisite Lenders or, where required by the express terms hereof, a greater proportion of the Lenders.

12.04. RELIANCE. The Agent shall be entitled to rely upon any written notices, statements, certificates, orders or other documents or any telephone message believed by it in good faith to be genuine and correct and to have been signed, sent or made by the proper Person, and with respect to all matters pertaining hereto or to any of the Loan Documents and its duties hereunder or thereunder, upon advice of legal counsel (including counsel for the Borrower), independent public accountants and other experts selected by it.

12.05. INDEMNIFICATION. To the extent that the Agent is not reimbursed and indemnified by the Borrower, the Lenders shall reimburse and indemnify the Agent for and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against the Agent in any way relating to or arising out of the Loan Documents or any action taken or omitted by the Agent under the Loan Documents, in proportion to each Lender's Pro Rata Share; PROVIDED, HOWEVER, the Lenders shall have no obligation to the Agent with respect to the matters indemnified pursuant to this Section resulting from the willful misconduct or gross negligence of the Agent, as determined in a final, non-appealable judgment by a court of competent jurisdiction. The obligations of the Lenders under this SECTION 12.05 shall survive the payment in full of the Loans, the Reimbursement Obligations and all other Obligations and the termination hereof.

12.06. CITICORP INDIVIDUALLY. With respect to its Pro Rata Shares of the Revolving Credit Commitments hereunder, if any, and the Loans made

by it, if any, Citicorp shall have and may exercise the same rights and powers hereunder and is subject to the same obligations and liabilities as and to the extent set forth herein for any other Lender. The terms "Lenders" or "Requisite Lenders" or any similar terms shall, unless the context clearly otherwise indicates, include Citicorp in its

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individual capacity as a Lender or as one of the Requisite Lenders. Citicorp and its Affiliates may accept deposits from, lend money to, and generally engage in any kind of banking, trust or other business with the Borrower or any of its Subsidiaries as if Citicorp were not acting as Agent pursuant hereto.

12.07. SUCCESSOR AGENT; RESIGNATION OF AGENT. (a)

RESIGNATION. The Agent may resign from the performance of its functions and duties hereunder at any time by giving at least thirty (30) Business Days' prior written notice to the Borrower and the Lenders. The resignation of the Agent shall take effect upon the acceptance by a successor Agent of appointment pursuant to this SECTION 12.07.

(b) APPOINTMENT BY REQUISITE LENDERS. Upon any such notice of resignation by the Agent, the Requisite Lenders shall have the right to appoint a successor Agent selected from among the Lenders which appointment shall be subject to the prior written approval of the Borrower (which may not be unreasonably withheld, and shall not be required upon the occurrence and during the continuance of an Event of Default).

(c) APPOINTMENT BY RETIRING AGENT. If a successor Agent shall not have been appointed within the thirty (30) Business Day period provided in PARAGRAPH (a) of this SECTION 12.07, the retiring Agent, with the consent of the Borrower (which may not be unreasonably withheld, and shall not be required upon the occurrence and during the continuance of an Event of Default), shall then appoint a successor Agent who shall serve as Agent until such time, if any, as the Requisite Lenders appoint a successor Agent as provided above.

(d) RIGHTS OF THE SUCCESSOR AND RETIRING AGENTS. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations hereunder thereafter to be performed. After any retiring Agent's resignation hereunder as Agent, the provisions of this ARTICLE XII shall inure to its benefit as to any actions taken or omitted to be taken by it while it was the Agent hereunder.

12.08. RELATIONS AMONG LENDERS. Each Lender and each Issuing Bank agrees that it shall not take any legal action, nor institute any actions

or proceedings, against the Borrower or any other obligor hereunder or with respect to any Collateral without the prior written consent of the Requisite Lenders. Without limiting the generality of the foregoing, no Lender may accelerate or otherwise enforce its portion of the Obligations, or terminate its Revolving Credit Commitments except in accordance with SECTION 11.02(a) or a setoff permitted under SECTION 13.05.

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12.09. CONCERNING THE COLLATERAL AND THE LOAN DOCUMENTS. (a) PROTECTIVE ADVANCES. The Agent may from time to time, after the occurrence and during the continuance of an Event of Default, make such disbursements and advances pursuant to the Loan Documents which the Agent, in its sole discretion, deems necessary or desirable to preserve or protect the Collateral or any portion thereof or to enhance the likelihood or maximize the amount of repayment of the Loans and other Obligations up to an amount not in excess of the lesser of the Revolving Credit Availability at such time and \$5,000,000 ("PROTECTIVE ADVANCES"). The Agent shall notify the Borrower and each Lender in writing of each such Protective Advance, which notice shall include a description of the purpose of such Protective Advance. The Borrower agrees to pay the Agent, upon demand, the principal amount of all outstanding Protective Advances, together with interest thereon at the rate from time to time applicable to the Loans from the date of such Protective Advance until the outstanding principal balance thereof is paid in full. If the Borrower fails to make payment in respect of any Protective Advance within one (1) Business Day after the date the Borrower receives written demand therefor from the Agent, the Agent shall promptly notify each Lender and each Lender agrees that it shall thereupon make available to the Agent, in Dollars in immediately available funds, the amount equal to such Lender's Pro Rata Share of such Protective Advance. If such funds are not made available to the Agent by such Lender within one (1) Business Day after the Agent's demand therefor, the Agent shall be entitled to recover any such amount from such Lender together with interest thereon at the Federal Funds Rate for each day during the period commencing on the date of such demand and ending on the date such amount is received. The failure of any Lender to make available to the Agent its Pro Rata Share of any such Protective Advance shall neither relieve any other Lender of its obligation hereunder to make available to the Agent such other Lender's Pro Rata Share of such Protective Advance on the date such payment is to be made nor increase the obligation of any other Lender to make such payment to the Agent. All outstanding principal of, and interest on, Protective Advances shall constitute Obligations secured by the Collateral until paid in full by the Borrower.

(b) AUTHORITY. Each Lender and each Issuing Bank authorizes and directs the Agent to enter into the Loan Documents relating to the Collateral for the benefit of the Lenders and the Issuing Banks. Each Lender and each

Issuing Bank agrees that any action taken by the Agent or the Requisite Lenders (or, where required by the express terms hereof, a different proportion of the Lenders) in accordance with the provisions hereof or of the other Loan Documents, and the exercise by the Agent or the Requisite Lenders (or, where so required, such different proportion) of the powers set forth herein or therein, together with such other powers as are reasonably incidental thereto, shall be authorized and binding upon all of the Lenders and

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Issuing Banks. Without limiting the generality of the foregoing, the Agent shall have the sole and exclusive right and authority to (i) act as the disbursing and collecting agent for the Lenders and the Issuing Banks with respect to all payments and collections arising in connection herewith and with the Loan Documents relating to the Collateral; (ii) execute and deliver each Loan Document relating to the Collateral and accept delivery of each such agreement delivered by the Borrower or any of its Subsidiaries; (iii) act as collateral agent for the Lenders and the Issuing Banks for purposes of the perfection of all security interests and Liens created by such agreements and all other purposes stated therein, PROVIDED, HOWEVER, the Agent hereby appoints, authorizes and directs each Lender and each Issuing Bank to act as collateral sub-agent for the Agent, the Lenders and the Issuing Banks for purposes of the perfection of all security interests and Liens with respect to the Borrower's and its Subsidiaries' respective deposit accounts maintained with, and cash and Cash Equivalents held by, such Lender or such Issuing Bank; (iv) manage, supervise and otherwise deal with the Collateral; (v) take such action as is necessary or desirable to maintain the perfection and priority of the security interests and liens created or purported to be created by the Loan Documents; and (vi) except as may be otherwise specifically restricted by the terms hereof or of any other Loan Document, exercise all remedies given to the Agent, the Lenders or the Issuing Banks with respect to the Collateral under the Loan Documents relating thereto, applicable law or otherwise.

(c) RELEASE OF COLLATERAL. (i) Each of the Agent, the Lenders and the Issuing Banks hereby directs the Agent to release any Lien held by the Agent for the benefit of the Agent, the Issuing Banks and the other Holders:

(A) against all of the Collateral, upon final payment in full of the Obligations and termination hereof; and

(B) against any part of the Collateral sold or disposed of by the Borrower or any of its Subsidiaries, if such sale or disposition is permitted by SECTION 9.02 (or permitted pursuant to a waiver or consent of a transaction otherwise prohibited by such Section) or, if not pursuant to such sale or disposition, (1) against any other part of the Collateral with an Appraised Value less than or equal to \$1,000,000 in the aggregate

in any twelve month period, if such release is consented to by Requisite Lenders and (2) against any other part of the Collateral with an Appraised Value greater than \$1,000,000, if such release is consented to by Lenders whose Pro Rata Shares, in the aggregate, are equal to 100%.

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(ii) Each of the Lenders and the Issuing Banks hereby directs the Agent to execute and deliver or file such termination and partial release statements and do such other things as are necessary to release Liens to be released pursuant to this SECTION 12.09(c) promptly upon the effectiveness of any such release.

(d) CONFIRMATION BY LENDERS. Without in any manner limiting the Agent's authority to act without any specific or further authorization or consent by the Lenders (as set forth in subsection (c) above), each Lender agrees to confirm in writing, upon request by the Borrower, the authority to release Collateral conferred upon the Agent under clauses (A) and (B) of subsection (c) above. So long as no Event of Default is then continuing, upon receipt by the Agent of any such written confirmation from the Lenders of the Agent's authority to release any particular items or types of Collateral, and in any event upon any sale and transfer of Collateral which is expressly permitted pursuant to the terms of this Agreement, and upon at least five (5) Business Days' prior written request by the Borrower, the Agent shall (and is hereby irrevocably authorized by the Lenders to) execute such documents as may be necessary to evidence the release of the Liens upon such Collateral granted to the Agent for the benefit of Agent, the Lenders, the Issuing Banks and the other Holders; PROVIDED, HOWEVER, that (i) the Agent shall not be required to execute any such document on terms which, in the Agent's opinion, would expose the Agent to liability or create any obligation or entail any consequence other than the release of such Liens without recourse or warranty, and (ii) such release shall not in any manner discharge, affect or impair the Obligations or any Liens upon (or obligations of the Borrower or any of its Subsidiaries in respect of) all interests retained by the Borrower and/or any of its Subsidiaries, including (without limitation) the proceeds of any sale, all of which shall continue to constitute part of the Collateral.

(e) NO OBLIGATION. The Agent shall not have any obligation whatsoever to any Lender or to any other Person to assure that the Collateral exists or is owned by the Borrower or any of its Subsidiaries or is cared for, protected or insured or has been encumbered or that the Liens granted to the Agent herein or pursuant to the Loan Documents have been properly or sufficiently or lawfully created, perfected, protected or enforced or are entitled to any particular priority, or to exercise at all or in any particular manner or under any duty of care, disclosure or fidelity, or to continue

exercising, any of the rights, authorities and powers granted or available to the Agent in this SECTION 12.09 or in any of the Loan Documents, it being understood and agreed that in respect of the Collateral, or any act, omission or event related thereto, the Agent may act in any manner it may deem appropriate, in its sole discretion, given the Agent's own interests in the Collateral as one of the Lenders

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and that the Agent shall not have any duty or liability whatsoever to any Lender.

ARTICLE XIII
MISCELLANEOUS

13.01. ASSIGNMENTS. (a) ASSIGNMENTS. No assignments or participations of any Lender's rights or obligations hereunder shall be made except in accordance with this SECTION 13.01. Each Lender may assign to one or more Eligible Assignees all or a portion of its rights and obligations hereunder (including all of its rights and obligations with respect to the Revolving Loans and the Letters of Credit) in accordance with the provisions of this SECTION 13.01.

(b) LIMITATIONS ON ASSIGNMENTS. Each assignment by a Lender shall be subject to the following conditions: (i) each assignment (other than to a Lender or an Affiliate of a Lender) shall be approved by the Agent and the Borrower, which approval shall not be unreasonably withheld; (ii) each such assignment shall be to an Eligible Assignee; (iii) each such assignment shall be in an amount at least equal to \$7,500,000, except if the Eligible Assignee is a Lender or an Affiliate of Lender or if such assignment shall constitute all the assigning Lender's interest hereunder; (iv) any such assignment (other than any such assignment to an Affiliate of the Assigning Lender) shall consist of the simultaneous assignment of corresponding pro rata portions of the assigning Lender's Revolving Credit Commitment and Revolving Credit Loans, and (v) the parties to each such assignment shall execute and deliver to the Agent, for its acceptance and recording in the Register, an Assignment and Acceptance. Upon such execution, delivery, acceptance and recording in the Register, from and after the effective date specified in each Assignment and Acceptance and agreed to by the Agent, (x) the assignee thereunder shall, in addition to any rights and obligations hereunder held by it immediately prior to such effective date, if any, have the rights and obligations hereunder that have been assigned to it pursuant to such Assignment and Acceptance and shall, to the fullest extent permitted by law, have the same rights and benefits hereunder as if it were an original Lender hereunder and (y) the assigning Lender shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such

Assignment and Acceptance, relinquish its rights and be released from its obligations hereunder (and, in the case of an Assignment and Acceptance covering all or the remaining portion of such assigning Lender's rights and obligations hereunder, the assigning Lender shall cease to be a party hereto).

(c) THE REGISTER. The Agent shall maintain at its address referred to in SECTION 13.08 a copy of each Assignment

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and Acceptance delivered to and accepted by it and a register (the "REGISTER") for the recordation of the names and addresses of the Lenders and the Revolving Credit Commitment under each Loan of, and principal amount of the Loans under each facility owing to, each Lender from time to time and whether such Lender is an original Lender or the assignee of another Lender pursuant to an Assignment and Acceptance. The Register shall include a control account, and a subsidiary account for each Lender, in which accounts (taken together) shall be recorded (i) the date and amount of each Borrowing made hereunder, (ii) the effective date and amount of each Assignment and Acceptance delivered to and accepted by it and the parties thereto, (iii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder or under the Notes, and (iv) the amount of any sum received by the Agent from the Borrower or any Guarantor hereunder and each Lender's share thereof. The Agent shall deliver a statement of such account to the Borrower whenever an Assignment and Acceptance is accepted by it and the parties hereto; PROVIDED, HOWEVER, the Agent shall not be obligated to deliver such statement more frequently than once a month. Each such statement shall be deemed final, binding and conclusive upon the Borrower in all respects as to all matters reflected therein (absent manifest error) unless the Borrower, within thirty (30) days after the date such statement is delivered to the Borrower, delivers to the Agent written notice of any objections which the Borrower may have to any such statement. In that event, only those items expressly objected to in such notice shall be deemed to be disputed by the Borrower. The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Borrower and each of its Subsidiaries, the Agent and the Lenders may treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes hereof. The Register shall be available for inspection by the Borrower or any Lender at any reasonable time and from time to time upon reasonable prior notice.

(d) FEE. Upon its receipt of an Assignment and Acceptance executed by the assigning Lender and an Eligible Assignee and a processing and recordation fee of \$2,500 (payable by the assigning Lender or the assignee, as shall be agreed between them), the Agent shall, if such Assignment and Acceptance has been completed and is in compliance herewith and in substantially the form of EXHIBIT A hereto, (i) accept such Assignment and Acceptance, (ii)

record the information contained therein in the Register and (iii) give prompt notice thereof to the Borrower and the other Lenders.

(e) INFORMATION REGARDING THE BORROWER. Any Lender may, in connection with any assignment or proposed assignment pursuant to this SECTION 13.01, disclose to the assignee or proposed assignee any information relating to the Borrower or its Subsidiaries furnished to such Lender by the Agent or by or on

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behalf of the Borrower; PROVIDED that, prior to any such disclosure, such assignee or proposed assignee shall agree (for the Borrower's benefit) to preserve in accordance with SECTION 13.20 the confidentiality of any confidential information described therein.

(f) LENDERS' CREATION OF SECURITY INTERESTS. Notwithstanding any other provision set forth herein, any Lender may at any time create a security interest in all or any portion of its rights hereunder (including, without limitation, Obligations owing to it and Notes held by it) in favor of any Federal Reserve bank in accordance with Regulation A.

(g) ASSIGNMENTS BY AN ISSUING BANK. If any Issuing Bank ceases to be a Lender hereunder by virtue of any assignment made pursuant to this SECTION 13.01, then, as of the effective date of such cessation, such Issuing Bank's obligations to Issue Letters of Credit pursuant to SECTION 2.03 shall terminate and such Issuing Bank shall be an Issuing Bank hereunder only with respect to outstanding Letters of Credit Issued prior to such date.

(h) PARTICIPATIONS. Each Lender may sell participations to one or more other financial institutions in or to all or a portion of its rights and obligations under and in respect of any and all facilities hereunder (including, without limitation, all or a portion of any or all of its Revolving Credit Commitments hereunder and the Loans owing to it and its undivided interest in the Letters of Credit); PROVIDED, HOWEVER, that (i) such Lender's obligations hereunder (including, without limitation, its Revolving Credit Commitments hereunder) shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) the Borrower, the Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations hereunder and (iv) such participant's rights to agree or to restrict such Lender's ability to agree to the modification, waiver or release of any of the terms of the Loan Documents or to the release of any Collateral covered by the Loan Documents, to consent to any action or failure to act by any party to any of the Loan Documents or any of their respective Subsidiaries or Affiliates, or to exercise or refrain from exercising any powers

or rights which any Lender may have under or in respect of the Loan Documents or any Collateral, shall be limited to the right to consent to (A) reduction of the principal of, or rate or amount of interest on the Loans(s) subject to such participation (other than by the payment or prepayment thereof), (B) postponement of any scheduled date for any payment of principal of, or interest on, the Loan(s) subject to such participation (except with respect to any modifications of the applicable provisions relating to the prepayments of Loans and other

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Obligations) and (C) release of any Guarantor or all or any portion of the Collateral except as provided in SECTION 12.09(c). No holder of a participation in all or any part of the Loans shall be a "Lender" or a "Holder" for any purposes hereunder by reason of such participation; PROVIDED, HOWEVER, that each holder of a participation shall have the rights and obligations of a Lender (including any right to receive payment) under SECTIONS 3.03, 3.04, 4.01(f), 4.02(d), 4.02(f), 12.05, 13.02 and 13.05; PROVIDED, HOWEVER, that all requests for any such payments shall be made by a participant through the Lender granting such participation. The right of each holder of a participation to receive payment under SECTIONS 3.03, 3.04, 4.01(f), 4.02(d), 4.02(f), 12.05, 13.02 and 13.05 shall be limited to the lesser of (i) the amounts actually incurred by such holder for which payment is provided under said Sections and (ii) the amounts that would have been payable under said Sections by the applicable Borrower to the Lender granting the participation in respect of the participated interest to such holder had such participation not been granted. The Lender shall promptly notify the Agent of the identity of any holder of a participation.

(i) PAYMENT TO PARTICIPANTS. Anything herein to the contrary notwithstanding, in the case of any participation, all amounts payable by the Borrower under the Loan Documents shall be calculated and made in the manner and to the parties required hereby as if no such participation had been sold.

13.02. EXPENSES.

(a) GENERALLY. The Borrower agrees upon demand to pay, or reimburse the Agent for, all of the Agent's internal and external audit, legal, appraisal, valuation, filing, document duplication and reproduction and investigation expenses and for all other out-of-pocket costs and expenses of every type and nature (including, without limitation, the reasonable fees, expenses and disbursements of the Agent's counsel, Sidley & Austin, local legal counsel, auditors, accountants, appraisers, printers, insurance and environmental advisers, and other consultants and agents incurred by the Agent in connection with (A) the Agent's audit and investigation of the Borrower and the Borrower's Subsidiaries in connection with the preparation, negotiation, and

execution of the Loan Documents and the Agent's periodic audits of the Borrower or the Borrower's Subsidiaries; (B) the preparation, negotiation, execution and interpretation hereof (including, without limitation, the satisfaction or attempted satisfaction of any of the conditions set forth in ARTICLE V), the other Loan Documents and any proposal letter or commitment letter issued in connection therewith and the making of the Loans hereunder; (C) the creation, perfection or protection of the Liens under the Loan Documents (including, without limitation, any reasonable fees and expenses for local counsel in various jurisdictions); (D) the ongoing administration hereof and

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of the Loans, including consultation with attorneys in connection therewith and with respect to the Agent's rights and responsibilities hereunder and under the other Loan Documents; (E) the protection, collection or enforcement of any of the Obligations or the enforcement of any of the Loan Documents; (F) the commencement, defense or intervention in any court proceeding relating in any way to the Obligations, the Property, the Borrower, any of the Borrower's Subsidiaries, this Agreement or any of the other Loan Documents; (G) the response to, and preparation for, any subpoena or request for document production with which the Agent is served or deposition or other proceeding in which the Agent is called to testify, in each case, relating in any way to the Obligations, the Property, the Borrower, any of the Borrower's Subsidiaries, this Agreement or any of the other Loan Documents; and (H) any amendments, consents, waivers, assignments, restatements, or supplements to any of the Loan Documents and the preparation, negotiation, and execution of the same.

(b) AFTER DEFAULT. The Borrower further agrees to pay or reimburse the Agent, the Issuing Banks and the Lenders upon demand for all out-of-pocket costs and expenses, including, without limitation, reasonable attorneys' fees, incurred by the Agent, any Issuing Bank or any Lender (i) in enforcing any Loan Document or Obligation or any security therefor or exercising or enforcing any other right or remedy available by reason of any Event of Default; (ii) in connection with any refinancing or restructuring of the credit arrangements provided hereunder in the nature of a "work-out" or in any insolvency or bankruptcy proceeding; (iii) in commencing, defending or intervening in any litigation or in filing a petition, complaint, answer, motion or other pleadings in any legal proceeding relating to the Obligations, the Property, the Borrower or any of the Borrower's Subsidiaries and related to or arising out of the transactions contemplated hereby or by any of the other Loan Documents; and (iv) in taking any other action in or with respect to any suit or proceeding (bankruptcy or otherwise) described in CLAUSES (i) through (iii) above.

13.03. INDEMNITY. The Borrower further agrees to defend, protect, indemnify, and hold harmless the Agent and each and all of the Lenders

and Issuing Banks and each of their respective Affiliates, and each of such Agent's, Lender's, Issuing Bank's or Affiliate's respective officers, directors, employees, attorneys and agents (including, without limitation, those retained in connection with the satisfaction or attempted satisfaction of any of the conditions set forth in ARTICLE V) (collectively, the "INDEMNITEES") from and against any and all 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

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in connection with any investigative, administrative or judicial proceeding, whether or not such Indemnitees shall be designated a party thereto), imposed on, incurred by, or asserted against such Indemnitees in any manner relating to or arising out of or in connection with (a) the Case, this Agreement, the other Loan Documents, any of the other Transaction Documents or any act, event or transaction related or attendant thereto, whether or not such Indemnitee is a party thereto and whether or not such transactions are consummated, the making of the Loans, the issuance of and participation in Letters of Credit hereunder, the management of such Loans or Letters of Credit, the use or intended use of the proceeds of the Loans or Letters of Credit hereunder, the execution, delivery and/or performance of Currency Agreements or Interest Rate Contracts, or any of the other transactions contemplated by the Transaction Documents, or (b) any Liabilities and Costs under Environmental, Health or Safety Requirements of Law arising from or in connection with the past, present or future operations of the Borrower, the Borrower's Subsidiaries or any of their respective predecessors in interest, or, the past, present or future environmental, health or safety condition of any respective Property of the Borrower or the Borrower's Subsidiaries, the presence of asbestos-containing materials at any respective Property of the Borrower or such Subsidiaries or the Release or threatened Release of any Contaminant into the environment (collectively, the "INDEMNIFIED MATTERS"); PROVIDED, HOWEVER, the Borrower shall have no obligation to an Indemnitee hereunder with respect to Indemnified Matters resulting from the willful misconduct or gross negligence of such Indemnitee, as determined in a final, non-appealable judgment by a court of competent jurisdiction.

Notwithstanding anything herein to the contrary, the Borrower understands and hereby agrees that its obligation to indemnify pursuant to this SECTION 13.03 shall apply in the event of the sole, concurrent or contributory negligence of any Indemnitee. To the extent that the undertaking to 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 which it is permitted to pay and satisfy under applicable law, to the payment and satisfaction of all Indemnified Matters incurred by the Indemnitees.

13.04. CHANGE IN ACCOUNTING PRINCIPLES. If any change in the

accounting principles used in the preparation of the most recent financial statements referred to in SECTION 7.01 is hereafter required or permitted by the rules, regulations, pronouncements and opinions of the Financial Accounting Standards Board or the American Institute of Certified Public Accountants (or successors thereto or agencies with similar functions) and are adopted by the Borrower with the agreement of its independent certified public accountants and such change results in a change in the method of calculation of any of the covenants, standards or terms found in ARTICLE IX and ARTICLE X, the parties hereto

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agree to enter into negotiations in order to amend such provisions so as to equitably reflect such change with the desired result that the criteria for evaluating compliance with such covenants, standards and terms by the Borrower shall be the same after such change as if such change had not been made; PROVIDED, HOWEVER, no change in GAAP that would affect the method of calculation of any of the covenants, standards or terms shall be given effect in such calculations until such provisions are amended, in a manner satisfactory to the Requisite Lenders and the Borrower, to so reflect such change in accounting principles.

13.05. SETOFF. In addition to any Liens granted under the Loan Documents and any rights now or hereafter granted under applicable law, upon the occurrence and during the continuance of any Event of Default, and with the prior written consent of the Requisite Lenders, each Lender, each Issuing Bank and any Affiliate of any Lender or Issuing Bank is hereby authorized by the Borrower at any time or from time to time, without notice to any Person (any such notice being hereby expressly waived) to set off and to appropriate and to apply any and all deposits (general or special, including, but not limited to, indebtedness evidenced by certificates of deposit, whether matured or unmatured (but not including trust accounts)) and any other Indebtedness at any time held or owing by such Lender, Issuing Bank or any of their Affiliates to or for the credit or the account of the Borrower against and on account of the Obligations of the Borrower to such Lender, Issuing Bank or any of their Affiliates, including, but not limited to, all Loans and Letters of Credit and all claims of any nature or description arising out of or in connection herewith, irrespective of whether or not (i) such Lender or Issuing Bank shall have made any demand hereunder or (ii) the Agent, at the request or with the consent of the Requisite Lenders, shall have declared the principal of and interest on the Loans and other amounts due hereunder to be due and payable as permitted by ARTICLE XI and even though such Obligations may be contingent or unmatured.

13.06. RATABLE SHARING. The Lenders and the Issuing Banks agree among themselves that, except as otherwise expressly provided in any Loan Document, (i) with respect to all amounts received by them which are applicable

to the payment of the Obligations (excluding (x) the fees described in SECTIONS 2.03(g), 3.03, 3.04, 4.01(f) and 4.02 and (y) and amounts so received in respect of Currency Agreements and/or Interest Rate Contracts) equitable adjustment shall be made so that, in effect, all such amounts shall be shared among them ratably in accordance with their Pro Rata Shares, whether received by voluntary payment, by the exercise of the right of setoff or banker's lien, by counterclaim or cross-action or by the enforcement of any or all of such Obligations (excluding the fees described in SECTIONS 2.03(g), 3.03, 3.04, 4.01(f) and 4.02) or the Collateral, (ii) if any of them shall by voluntary payment or by the exercise of any

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right of counterclaim, setoff, banker's lien or otherwise, receive payment of a proportion of the aggregate amount of such Obligations held by it which is greater than the amount which such Lender is entitled to receive hereunder, the Lender receiving such excess payment shall purchase, without recourse or warranty, an undivided interest and participation (which it shall be deemed to have done simultaneously upon the receipt of such payment) in such Obligations owed to the others so that all such recoveries with respect to such Obligations shall be applied ratably in accordance with their Pro Rata Shares; PROVIDED, HOWEVER, that if all or part of such excess payment received by the purchasing party is thereafter recovered from it, those purchases shall be rescinded and the purchase prices paid for such participation shall be returned to such party to the extent necessary to adjust for such recovery, but without interest except to the extent the purchasing party is required to pay interest in connection with such recovery. The Borrower agrees that any Lender so purchasing a participation from another Lender pursuant to this SECTION 13.06 may, to the fullest extent permitted by law, exercise all its rights of payment (including, subject to SECTION 13.05, the right of setoff) with respect to such participation as fully as if such Lender were the direct creditor of the Borrower in the amount of such participation.

13.07. AMENDMENTS AND WAIVERS. (a) GENERAL PROVISIONS. Unless otherwise provided herein, no amendment or modification of any provision hereof shall be effective without the written agreement of the Requisite Lenders and the Borrower, and no termination or waiver of any provision hereof, or consent to any departure by the Borrower therefrom, shall be effective without the written concurrence of the Requisite Lenders, which the Requisite Lenders shall have the right to grant or withhold in their sole discretion.

(b) AMENDMENTS, CONSENTS AND WAIVERS BY ALL LENDERS. Notwithstanding the foregoing, any amendment, modification, termination, waiver or consent with respect to any of the following provisions hereof shall be effective only by a written agreement, signed by the Borrower and each Lender:

(i) waiver of any of the conditions specified in SECTION 5.01 or 5.02 (except with respect to a condition based upon another provision hereof, the waiver of which requires only the concurrence of the Requisite Lenders),

(ii) increase in the amount of any of the Revolving Credit Commitments of any Lender,

(iii) reduction of the principal of, rate or amount of interest on the Loans or Reimbursement Obligations or any fees or other amounts payable to any Lender (including,

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without limitation, amounts so payable pursuant to SECTION 3.01(b)),

(iv) extension of the Revolving Credit Termination Date or postponement of any date on which any payment of principal of, or interest on, the Loans or Reimbursement Obligations or any fees or other amounts payable to any Lender would otherwise be due,

(v) release of any Guarantor of the Obligations (except in connection with the sale of all or substantially all of the Capital Stock or Property of any Guarantor or a merger of a Guarantor into another Guarantor or into the Borrower, in each case approved by the Requisite Lenders or otherwise permitted hereunder) or all or any portion of the Collateral (except as provided in SECTION 12.09(c)),

(vi) change in the aggregate Pro Rata Share of the Lenders which shall be required for the Lenders or any of them to take action hereunder,

(vii) change in the definition of Requisite Lenders,

(viii) amendment of SECTIONS 12.09(c) or 13.06 or this SECTION 13.07, or

(ix) increase in the maximum amount of the advance rates set forth in the Borrowing Base to greater than 85% with respect to Eligible Receivables and 65% with respect to Eligible Inventory.

The Agent may, but shall have no obligation to, with the written concurrence of any Lender, execute amendments, modifications, waivers or consents on behalf of that Lender. Any waiver or consent shall be effective only in the specific instance and for the specific purpose for which it was given. No notice to or demand on the Borrower in any case shall entitle the Borrower to any other or further notice or demand in similar or other

circumstances. Notwithstanding anything to the contrary contained in this SECTION 13.07, no amendment, modification, waiver or consent shall affect the rights or duties of the Agent hereunder or under the other Loan Documents, including this ARTICLE XIII, unless made in writing and signed by the Agent so affected in addition to the Lenders required above to take such action. Notwithstanding anything herein to the contrary, in the event that the Borrower shall have requested, in writing, that any Lender agree to an amendment, modification, waiver or consent with respect to any particular provision or provisions hereof, and such Lender shall have failed to state, in writing, that it either agrees or disagrees (in full or in part) with all such requests (it being understood that any such statement of agreement may be subject to satisfactory documentation and other

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conditions specified in such statement) within thirty (30) days of such request, then such Lender hereby irrevocably authorizes the Agent to agree or disagree, in full or in part, and in the Agent's sole discretion, to such requests on behalf of such Lender as such Lender's attorney-in-fact and to execute and deliver any writing approved by the Agent which evidences such agreement as such Lender's duly authorized agent for such purposes. Furthermore, in the event that any Lender fails to agree to any amendment, modification, waiver or consent requiring the unanimous approval of the Lenders pursuant to SECTION 13.07(b), at the joint request of the Borrower and the Agent, the Lenders who have so agreed to such amendment, modification, waiver or consent shall have the right (but not the obligation) to, or to cause an Eligible Assignee to, purchase from such Lender (at the face amount thereof) all Revolving Loans, Letter of Credit Obligations and Revolving Credit Commitments held by such Lender.

13.08. NOTICES. (a) Unless otherwise specifically provided herein, any notice, consent or other communication herein required or permitted to be given shall be in writing and may be personally served, telecopied, or sent by courier service and shall be deemed to have been given when delivered in person or by courier service, or upon receipt of a telecopy. Notices to the Agent pursuant to ARTICLES II or III shall not be effective until received by the Agent. For the purposes hereof, the addresses of the parties hereto (until notice of a change thereof is delivered as provided in this SECTION 13.08) shall be as set forth below each party's name on the signature pages hereof or the signature page of any applicable Assignment and Acceptance, or, as to each party, at such other address as may be designated by such party in a written notice to all of the other parties hereto.

(b) The Borrower agrees to indemnify and hold harmless each Indemnitee from and against any and all claims, damages, liabilities, obligations, losses, penalties, actions, judgments, suits, costs, disbursements and expenses of any kind or nature (including, without limitation, reasonable

fees and disbursements of counsel to any such Indemnitee) which may be imposed on, incurred by or asserted against any such Indemnitee in any manner relating to or arising out of any action taken or omitted by such Indemnitee in good faith in reliance on any notice or other written communication in the form of a telecopy or facsimile purporting to be from the Borrower; PROVIDED that the Borrower shall not have any obligation under this SECTION 13.08(b) to an Indemnitee with respect to any indemnified matter caused by or resulting from the gross negligence or willful misconduct of that Indemnitee, as determined by a court of competent jurisdiction in a final non-appealable judgment or order.

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13.09. SURVIVAL OF WARRANTIES AND AGREEMENTS. All representations and warranties made herein and all obligations of the Borrower in respect of taxes, indemnification and expense reimbursement shall survive the execution and delivery hereof and of the other Loan Documents, the making and repayment of the Loans, the issuance and discharge of Letters of Credit hereunder and the termination hereof and shall not be limited in any way by the passage of time or occurrence of any event and shall expressly cover time periods when the Agent, any of the Issuing Banks or any of the Lenders may have come into possession or control of any of the Borrower's or the Borrower's Subsidiaries' Property.

13.10. FAILURE OR INDULGENCE NOT WAIVER; REMEDIES CUMULATIVE. No failure or delay on the part of the Agent, any Lender or any Issuing Bank in the exercise of any power, right or privilege under any of the Loan Documents shall impair such power, right or privilege or be construed to be a waiver of any default or acquiescence therein, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other right, power or privilege. All rights and remedies existing under the Loan Documents are cumulative to and not exclusive of any rights or remedies otherwise available.

13.11. MARSHALLING; PAYMENTS SET ASIDE. None of the Agent, any Lender or any Issuing Bank shall be under any obligation to marshall any assets in favor of the Borrower or any other party or against or in payment of any or all of the Obligations. To the extent that the Borrower makes a payment or payments to the Agent, the Lenders or the Issuing Banks or any of such Persons receives payment from the proceeds of the Collateral or exercise their rights of setoff, and such payment or payments or the proceeds of such enforcement or setoff or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to a trustee, receiver or any other party, then to the extent of such recovery, the obligation or part thereof originally intended to be satisfied, and all Liens, right and remedies therefor, shall be revived and continued in full force and effect as if

such payment had not been made or such enforcement or setoff had not occurred.

13.12. SEVERABILITY. In case any provision in or obligation hereunder or under the other Loan Documents shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

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13.13. HEADINGS. Section headings herein are included herein for convenience of reference only and shall not constitute a part hereof or be given any substantive effect.

13.14. GOVERNING LAW. THIS AGREEMENT SHALL BE INTERPRETED, AND THE RIGHTS AND LIABILITIES OF THE PARTIES HERETO DETERMINED, IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK.

13.15. LIMITATION OF LIABILITY. No claim may be made by the Borrower, any of the Borrower's Subsidiaries, any Lender, any Issuing Bank, the Agent or any other Person against the Agent, any other Issuing Bank or any other Lender or the Affiliates, directors, officers, employees, attorneys or agents of any of them for any special, consequential or punitive damages in respect of any claim for breach of contract or any other theory of liability arising out of or related to the transactions contemplated hereby, or any act, omission or event occurring in connection therewith; and the Borrower, each of the Borrower's Subsidiaries, each Lender, each Issuing Bank and the Agent hereby waives, releases and agrees not to sue upon any such claim for any such damages, whether or not accrued and whether or not known or suspected to exist in its favor.

13.16. SUCCESSORS AND ASSIGNS. This Agreement and the other Loan Documents shall be binding upon the parties hereto and their respective successors and permitted assigns and shall inure to the benefit of the parties hereto and the successors and permitted assigns of the Lenders and the Issuing Banks. The rights hereunder and the interest herein of the Borrower may not be assigned without the written consent of all Lenders. Any attempted assignment without such written consent shall be void.

13.17. CERTAIN CONSENTS AND WAIVERS.

(a) PERSONAL JURISDICTION. (i) EACH OF THE AGENT, THE LENDERS, THE ISSUING BANKS AND THE BORROWER IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE NONEXCLUSIVE JURISDICTION OF ANY NEW YORK STATE COURT OR FEDERAL COURT SITTING IN NEW YORK, NEW YORK, AND ANY COURT HAVING JURISDICTION OVER APPEALS OF MATTERS HEARD IN SUCH COURTS, IN ANY ACTION OR

PROCEEDING ARISING OUT OF, CONNECTED WITH, RELATED TO OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED AMONG THEM IN CONNECTION WITH THIS AGREEMENT, WHETHER ARISING IN CONTRACT, TORT, EQUITY OR OTHERWISE, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH STATE COURT OR, TO THE EXTENT PERMITTED BY LAW, IN SUCH FEDERAL COURT. THE BORROWER IRREVOCABLY DESIGNATES AND APPOINTS CT CORPORATION SYSTEM AT 1633 BROADWAY, NEW YORK, NEW YORK 10019, AS ITS PROCESS AGENT (THE "PROCESS AGENT") FOR SERVICE OF ALL PROCESS IN ANY SUCH PROCEEDING IN ANY SUCH COURT, SUCH SERVICE BEING HEREBY

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ACKNOWLEDGED TO BE EFFECTIVE AND BINDING SERVICE IN EVERY RESPECT. EACH OF THE AGENT, THE LENDERS, THE ISSUING BANKS AND THE BORROWER AGREES THAT A FINAL NON-APPEALABLE JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. THE BORROWER WAIVES IN ALL DISPUTES ANY OBJECTION THAT IT MAY HAVE TO THE LOCATION OF THE COURT CONSIDERING THE DISPUTE.

(ii) THE BORROWER AGREES THAT THE AGENT SHALL HAVE THE RIGHT TO PROCEED AGAINST THE BORROWER OR ITS PROPERTY IN A COURT IN ANY LOCATION TO ENABLE THE AGENT, THE ISSUING BANKS AND THE LENDERS TO REALIZE ON THE COLLATERAL OR ANY OTHER SECURITY FOR THE OBLIGATIONS, OR TO ENFORCE A JUDGMENT OR OTHER COURT ORDER ENTERED IN FAVOR OF THE AGENT, ANY ISSUING BANK OR ANY LENDER. THE BORROWER WAIVES ANY OBJECTION THAT IT MAY HAVE TO THE LOCATION OF THE COURT IN WHICH THE AGENT, ANY ISSUING BANK OR ANY LENDER MAY COMMENCE A PROCEEDING DESCRIBED IN THIS SECTION.

(b) SERVICE OF PROCESS. THE BORROWER IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS OF ANY OF THE AFOREMENTIONED COURTS IN ANY SUCH ACTION OR PROCEEDING BY THE MAILING OF COPIES THEREOF BY REGISTERED OR CERTIFIED MAIL, POSTAGE PREPAID, TO THE PROCESS AGENT OR THE BORROWER'S NOTICE ADDRESS SPECIFIED PURSUANT TO SECTION 13.08, SUCH SERVICE TO BECOME EFFECTIVE FIVE (5) DAYS AFTER SUCH MAILING. THE BORROWER IRREVOCABLY WAIVES ANY OBJECTION (INCLUDING, WITHOUT LIMITATION, ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS) WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY SUCH ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT IN ANY JURISDICTION SET FORTH ABOVE. NOTHING HEREIN SHALL AFFECT THE RIGHT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR SHALL LIMIT THE RIGHT OF THE AGENT TO BRING PROCEEDINGS AGAINST THE BORROWER IN THE COURTS OF ANY OTHER JURISDICTION.

(c) WAIVER OF JURY TRIAL. EACH OF THE AGENT, THE ISSUING BANKS, THE LENDERS AND THE BORROWER IRREVOCABLY WAIVES TRIAL BY JURY IN ANY ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT.

13.18. COUNTERPARTS; EFFECTIVENESS; INCONSISTENCIES. This Agreement and any amendments, waivers, consents, or supplements hereto may be executed in counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument. This Agreement shall become effective against the Borrower, each Lender, each Issuing Bank and the Agent on the date hereof. This Agreement and each of the other Loan Documents shall be construed to the extent reasonable to be consistent one with the other, but to the extent that the terms and conditions

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hereof are actually inconsistent with the terms and conditions of any other Loan Document, this Agreement shall govern.

13.19. LIMITATION ON AGREEMENTS. All agreements between the Borrower, the Agent, each Lender and each Issuing Bank in the Loan Documents are hereby expressly limited so that in no event shall any of the Loans or other amounts payable by the Borrower under any of the Loan Documents be directly or indirectly secured (within the meaning of Regulation U) by Margin Stock.

13.20. CONFIDENTIALITY. Subject to SECTION 13.01(e), the Agent, the Lenders and the Issuing Banks shall hold all nonpublic information obtained pursuant to the requirements hereof and identified as such by the Borrower in accordance with such Person's customary procedures for handling confidential information of this nature and in accordance with safe and sound banking practices and in any event may make disclosure reasonably required by a bona fide offeree or assignee (or participant) in connection with the contemplated transfer (or participation), or as required or requested by any Governmental Authority or representative thereof, or pursuant to legal process, or to its accountants, lawyers and other advisors, and shall require any such offeree or assignee (or participant) to agree (and require any of its offerees, assignees or participants to agree) to comply with this SECTION 13.20. In no event shall the Agent, any Lender or any Issuing Bank be obligated or required to return any materials furnished by the Borrower; PROVIDED, HOWEVER, each offeree shall be required to agree that if it does not become a assignee (or participant) it shall return all materials furnished to it by the Borrower in connection herewith.

13.21. ENTIRE AGREEMENT. This Agreement, taken together with all of the other Loan Documents embodies the entire agreement and understanding among the parties hereto and supersedes the commitment letter dated January 6, 1995 from Citicorp and accepted and agreed to by the Borrower (except for provisions therein specifically referred to herein) and all prior agreements and understandings, written and oral, relating to the subject matter hereof.

13.22. TERMINATION. This Agreement shall automatically and immediately terminate if (i) the Reorganization Effective Date has not occurred on or prior to February 28, 1995; or (ii) the Case shall have been dismissed prior to the confirmation of the Plan of Reorganization. Upon the termination in whole of the Revolving Credit Commitments pursuant to the terms of this Agreement, the Borrower shall pay to the Agent an amount equal to any and all Obligations then outstanding.

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IN WITNESS WHEREOF, this Agreement has been duly executed as of the date first above written.

HEXCEL CORPORATION

By: /s/ William Meehan

Name: William Meehan
Title: VP and CFO

NOTICE ADDRESS:

Hexcel Corporation
5794 W. Las Positas
Pleasanton, California 94588
Attention: William P. Meehan

Telecopier No. (510) 734-8865
Confirmation No. (510) 847-9500

WITH A COPY TO:

Kronish Lieb Weiner & Hellman
1114 Avenue of the Americas
New York, New York 10036
Attention: Steven K. Weinberg, Esq.
Telecopier No. (212) 479-6275
Confirmation No. (212) 479-6000

CITICORP USA, INC., as Agent and Lender

By: /s/ Keith Karoko

Name:

Title: Attorney in Fact

CITIBANK, N.A., as Issuing Bank

By: /s/ Keith Karoko

Name:

Title: VP

REVOLVING CREDIT COMMITMENT
\$18,750,000

NOTICE ADDRESS:

Citicorp USA, Inc.
399 Park Avenue
6th Floor
New York, New York 10043
Attention: Keith R. Karako
Telecopier No.: (212) 793-1290
Confirmation No.: (212) 559-3149

WITH A COPY TO:

Sidley & Austin
875 Third Avenue
New York, New York 10022
Attention: Daniel S. Dokos, Esq.

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HELLER FINANCIAL, INC.

By: /s/ John Buff

Name: John Buff
Title: V.P.

REVOLVING CREDIT COMMITMENT

\$18,750,000

NOTICE ADDRESS:

Heller Financial, Inc.
101 Park Avenue, 10th Floor
New York, New York 10178
Attention: John Buff
Telecopier No.: (212) 880-2060
Confirmation No.: (212) 880-2990

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TRANSAMERICA BUSINESS CREDIT CORPORATION

By: /s/ Matthew N. McAlpine

Name: Matthew N. McAlpine

Title: Senior Account Executive

REVOLVING CREDIT COMMITMENT

\$7,500,000

NOTICE ADDRESS:

TransAmerica Business Credit Corporation
8750 West Bryn Mawr, Suite 720
Chicago, Illinois 60631
Attention: Keith J. Mason
Telecopier No.: (312) 380-6169
Confirmation No.: (212) 380-6160

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EXHIBIT A
TO
CREDIT AGREEMENT
DATED AS OF FEBRUARY 8, 1995

FORM OF ASSIGNMENT AND ACCEPTANCE

ASSIGNMENT AND ACCEPTANCE

ASSIGNMENT AND ACCEPTANCE dated _____, 199_, between
_____ (the "Assignor") and _____ (the
"Assignee").

PRELIMINARY STATEMENTS

A. Reference is made to the Credit Agreement dated as of February 8, 1995 among Hexcel Corporation (with its successors and permitted assigns, the "Borrower"), the institutions from time to time party thereto as Lenders (the "Lenders"), the institutions from time to time party thereto as Issuing Banks

(the "Issuing Banks"), and Citicorp USA, Inc., in its separate capacity as agent for the Lenders and Issuing Banks (in such capacity, the "Agent") (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"). Terms defined in the Credit Agreement and not otherwise defined herein are used herein with the meanings ascribed thereto in the Credit Agreement.

B. The Assignor is a Lender under the Credit Agreement and desires to sell and assign to the Assignee, and the Assignee desires to purchase and assume from the Assignor, on the terms and conditions set forth below, a ___ percent (___%) interest in the aggregate Revolving Credit Commitments (the "Assigned Percentage") together with the Assignor's rights and obligations under the Credit Agreement with respect to the Assigned Percentage.

NOW, THEREFORE, the Assignor and the Assignee hereby agree as follows:

1. In consideration of the Assignee's payment to the Assignor of \$_____, the Assignor hereby sells and assigns to the Assignee, and the Assignee hereby purchases and assumes from the Assignor, the Assigned Percentage, together with the Assignor's rights and obligations under the Credit Agreement with respect to such Assigned Percentage, including, without limitation, the obligation to make Revolving Loans and to participate in Letters of Credit.

2. The Assignor (i) represents and warrants that as of the date hereof its Pro Rata Share (without giving effect to assignments thereof which have not yet become effective) is ___% and that such Pro Rata Share multiplied by the aggregate Revolving Credit Commitments is equal to \$_____; (ii) represents and warrants that it has legal and beneficial title to the interests being assigned by it hereunder free and clear of any claim adverse to such title; (iii) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Credit Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement, any of the other Loan Documents, or any other instrument or document furnished pursuant thereto or executed and delivered in connection therewith; (iv) makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or any of the Borrower's Subsidiaries or the performance or observance by the Borrower or any of the Borrower's Subsidiaries of any of such Persons' respective obligations under the Credit Agreement, any other Loan Document or any instrument or document furnished pursuant thereto; and (v) attaches the Revolving Loan Note delivered to it under the Credit Agreement and has requested that the Borrower exchange such Note for the following new Note(s):

Revolving Loan
Note Payable
to the Order of:

Revolving Loan
Note Amount:

[Name of Assignor]

\$ _____

[Name of Assignee]

\$ _____

3. The Assignee (i) represents and warrants that it is legally authorized to enter into this Assignment and Acceptance; (ii) confirms that it has received a copy of the Credit Agreement, together with copies of such other Loan Documents, information, exhibits, reports, projections and forecasts which the Assignee has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance; (iii) agrees that it shall have no recourse against the Assignor with respect to any matters relating to the Credit Agreement, any other Loan Document or this Assignment and Acceptance (except with respect to the representations and warranties made by the Assignor in CLAUSES (i) and (ii) of PARAGRAPH 2 above); (iv) agrees that it will, independently and without reliance upon the Agent, any Issuing Bank, the Assignor or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement and the other Loan Documents; (v) appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under the Credit Agreement and the other Loan Documents as are delegated to the Agent, by the terms

-2-

thereof, together with such powers as are reasonably incidental thereto; (vi) agrees that it will perform in accordance with their terms all of the obligations which by the terms of the Credit Agreement and other Loan Documents are required to be performed by it as a Lender; (vii) confirms that it is an Eligible Assignee; and (viii) specifies as its address for notices the address set forth beneath its name on the signature page hereof, together with the name and address of its Domestic Lending Office and its Eurodollar Lending Office.

4. The effective date for this Assignment and Acceptance shall be _____, 199_ (the "Effective Date").(1) Following the execution of this Assignment and Acceptance, it will be delivered to the Agent for acceptance by the Agent and for recording in the Register by the Agent, together with a processing and recordation fee of \$2,500 to be paid to the Agent by the [Assignor][Assignee](2).

5. As of the Effective Date, provided that the Agent accepts this Assignment and Acceptance and the Borrower accepts the Assignee pursuant to the terms of SECTION 13.01(b) of the Credit Agreement, (i) the Assignee shall be a party to the Credit Agreement and, to the extent provided in this Assignment and Acceptance, have the rights and obligations of a Lender thereunder and (ii) the Assignor shall relinquish its rights and be released from its obligations under the Credit Agreement with respect to the Assigned Percentage.

6. From and after the Effective Date, provided that the Agent accepts this Assignment and Acceptance, the Agent shall make all payments under the Credit Agreement in respect of the Assigned Percentage (including, without limitation, all payments of principal, interest and fees with respect thereto) to the Assignee. The Assignor and Assignee shall make all appropriate adjustments in payments under the Credit Agreement for periods prior to the Effective Date directly between themselves.

7. This Assignment and Acceptance shall be governed by, and construed in accordance with, the law of the State of New York.

- - - - -

(1) Such date shall be at least two (2) Business Days after the date of execution of this Assignment and Acceptance by the Assignor and Assignee.

(2) Insert applicable selection.

IN WITNESS WHEREOF, intending to be legally bound, each of the undersigned has caused this Assignment and Acceptance to be executed on its behalf by its officer thereunto duly authorized, as of _____, 199_.

[NAME OF ASSIGNOR]

By _____
Name: _____
Title: _____

New Pro Rata Share _____ %

New Revolving
Credit Commitment \$ _____

[NAME OF ASSIGNEE]

By _____
Name: _____
Title: _____

Notice Address and
Domestic Lending Office:

Eurodollar Lending Office:

Pro Rata Share _____ %
Revolving Credit
Commitment \$ _____

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Agreed to and accepted this ___
day of _____, 199_

CITICORP USA, INC., as Agent

By _____
Title:

HEXCEL CORPORATION, as Borrower

By _____
Title:

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EXHIBIT B
TO
CREDIT AGREEMENT
DATED AS OF FEBRUARY 8, 1995

FORM OF COLLECTION ACCOUNT AGREEMENT

To: Citicorp USA, Inc., in its capacity as agent (with its successors in such capacity, the "Agent") for the Lenders (as defined below) and the Issuing Banks (as defined below) under the Credit Agreement dated as of February 8, 1995 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement") among Hexcel Corporation (the

"Borrower"), the financial institutions from time to time party thereto as Lenders (the "Lenders"), the financial institutions from time to time party thereto as Issuing Banks (the "Issuing Banks"), and the Agent.

RE: Collection Account[s] No[s]. _____
maintained with _____

This will confirm that the Borrower and the undersigned collection bank (the "Bank") have agreed as follows with respect to the above-referenced deposit account (the "Account").

1. The Borrower and the Bank acknowledge and confirm that all funds now or at any time hereafter deposited to the Account and all of the Borrower's rights regarding such Account constitute part of the collateral granted by the Borrower to the Agent to secure certain obligations of the Borrower to financial institutions for which the Agent acts as agent and that the Agent holds a security interest in such funds.

2. A post box (the "Lock Box") has been rented in the name of the Borrower at the _____ Post Office and the address to be used for such box is: [Address]

3. Checks from the Borrower's customers will be mailed to the foregoing address. The Bank's authorized representatives will have access to the Lock Box under the authority given by the Borrower to the Post Office and will make regular pick-ups from the Lock Box timed to gain the maximum benefit of early presentation and availability of funds. Checks so received will be processed and, where possible, started on their way through the regular channels for payment upon receipt by the Bank. Credit for such items will be given on the Bank's books relating to the Account. The Bank will present checks so received for payment through the customary collection procedures and subject to the terms of the Bank's by-laws covering the handling of items deposited with it. Collected funds on deposit in the Account are

to be electronically transferred on the date of deposit directly to the following account (the "Concentration Account"):

ABA Number: 021000089
Citicorp USA, Inc.
399 Park Avenue, 10th Floor
New York, New York 10043
Account Name: CUSA - f.a.o. Hexcel Corporation
Concentration Account
Account Number: 4066-6421
Reference: Hexcel Corporation -- Lock Box Receipts

or to such other account as the Agent may designate in writing from time to

time.

4. The Bank may charge the amounts of deposited customer checks that are returned for any reason to the Account.

5. All monies in the Account will become the property of the Agent upon deposit therein and the Borrower will have no interest therein or any control thereover. The Account will not be subject to any deductions, setoff, banker's liens, or any other right in favor of any person other than the Agent, except for the amount of returned checks as provided in paragraph 4 above. All charges incurred in connection with the administration of the Account will be payable by the Borrower. The Borrower and the Bank agree that neither will close the Account without giving the Agent at least 60 days' prior written notice.

6. At the end of each month, the Bank's regular statement covering the deposits to and withdrawals from the Account is to be sent to the Borrower at 5794 West Las Positas Boulevard, Pleasanton, California, 94588, with a copy to Citicorp USA, Inc., 399 Park Avenue, 10th Floor, New York, New York 10043, Attention: Patricia Ellis.

7. This letter agreement is binding upon the Bank and the Borrower and their successors and assigns and is enforceable by the Agent and its successor and assigns. This letter agreement may not be modified except upon the mutual consent of the Agent, the Bank, and the Borrower. The Bank and the Borrower waive notice of acceptance hereof by the Agent and of any action taken or omitted in reliance hereon.

8. GOVERNING LAW. THIS AGREEMENT SHALL BE CONSTRUED AND ENFORCED AND THE RIGHTS AND DUTIES OF THE PARTIES SHALL BE GOVERNED IN ALL RESPECTS IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK.

9. EXECUTION IN COUNTERPARTS. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed

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shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

Dated this ____ day of _____, 199_.

HEXCEL CORPORATION

By _____
Name: _____
Title: _____

[COLLECTION ACCOUNT BANK]

By _____
Name: _____
Title: _____

CITICORP USA, INC., as Agent

By _____
Name: _____
Title: _____

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EXHIBIT C
TO
CREDIT AGREEMENT
DATED AS OF FEBRUARY 8, 1995

FORM OF BORROWING BASE CERTIFICATE

_____, 19__

To: Citicorp USA, Inc., in its capacity as agent (with its successors in such capacity, the "Agent") for the Lenders (as defined below) and the Issuing Banks (as defined below) under the Credit Agreement dated as of February 8, 1995 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement") among Hexcel Corporation (the "Borrower"), the financial institutions from time to time party thereto as Lenders (the "Lenders"), the financial institutions from time to time party thereto as Issuing Banks (the "Issuing Banks"), and the Agent. Unless otherwise defined herein, terms defined in the Credit Agreement shall have the same meanings herein.

Pursuant to the provisions of the Credit Agreement, the undersigned

officer of the Borrower hereby certifies the truth, accuracy and completeness of the information set forth on Schedule I hereto with respect to the Inventory, Receivables, Equipment and Real Property of the Borrower and the value of the Hexcel Lyon Capital Stock Valuation as of the close of business on _____ (the "Period End Date").

Dated this ____ day of _____, 199_.

HEXCEL CORPORATION

By _____

Name: _____

Title: _____

SCHEDULE I

HEXCEL CORPORATION
Summary of Credit Availability

	AVAILABILITY
Accounts Receivable Availability	
Inventory Availability	
Plant, Property, Equipment & Other (Maximum availability capped at \$12,000,000)	_____
Total Availability	
Less: Outstanding Loan Balance	
Letter of Credit	_____
Net Availability	_____

ACCOUNTS RECEIVABLE AS OF _____

Beginning of Period	\$
Sales	
Cash Receipts	
Credits Issued	
Debit memos/misc. adj.	
End of Period Balance	_____
Gross Trade Accounts Receivable	
Less: Ineligibles	
Receivables greater than 90 days from invoice date	
Credit balances greater than 90 days from invoice date	
Cross-aging	
Receivables from foreign accounts not backed by Letters of Credit	
Receivables due from the U.S. Government	
Chargebacks	
Contras	
Intercompany Receivables	
Ineligible States - MN	
Other	
Total Ineligibles	_____
Total Eligible Receivables	_____
Available @ 85%	

INVENTORY

	Others	Seguin	Gross	Availability
Raw Materials	\$	\$	\$	
Less: Reserves/ Ineligibles				
Eligible Raw Materials				
Eligible @ 55%(1)				
Eligible @ 65%(2)				
Work-in-Process				
Less: Reserves/ Ineligibles				
Eligible Work-in-Process				
Eligible @ 10%(1)				
Eligible @ 30%(2)				
Finished Goods				
Less: Reserves/ Ineligibles				
Eligible Finished Goods				
Eligible @50%(1)				
Eligible @55%(2)				
Total Inventory				
Total Ineligible				
Total Availability				

(1) All others

(2) Seguin

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PLANT, PROPERTY, EQUIPMENT & OTHER

	Book Value	Eligible	Advance Rates	Availability
Existing Machinery & Equipment	\$	\$		
Existing Real Estate				
Less: Amortization				

(\$250,000 per
quarter)

Hexcel Lyon Capital
Stock(3) (Maximum
availability capped
at \$3,000,000)

New Machinery &
Equipment
New Real Estate

Subtotal - Plant,
Property, Equipment &
Other

(3) Calculated as set forth in Schedule I attached hereto in accordance with the definition of "Borrowing Base" as set forth in the Credit Agreement.

SCHEDULE I

The Hexcel Lyon Capital Stock Valuation shall mean up to the lesser of (a) \$3,000,000 and (b) fifty percent (50%) of (I) EBITDA of Hexcel Lyon for the most recently ended four fiscal quarter period ending on the last day of the second fiscal quarter and the fourth fiscal quarter of each Fiscal Year (or such interim rolling four fiscal quarter period as the Agent may select in its sole discretion) MULTIPLIED BY two (2) MINUS (II) the average Indebtedness for borrowed money and any guarantees of Indebtedness for borrowed money outstanding of Hexcel Lyon during the four fiscal quarter period ending on such date, all as calculated by the Agent in its sole discretion based on the average exchange rates in effect during such four fiscal quarter period.

EXHIBIT D
TO
CREDIT AGREEMENT
DATED AS OF FEBRUARY 8, 1995

FORM OF NOTICE OF BORROWING

NOTICE OF BORROWING

To: Citicorp USA, Inc., in its capacity as agent (with its successors in such capacity, the "Agent") for the Lenders (as defined below) and the Issuing Banks (as defined below) under the Credit Agreement dated as of February 8, 1995 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement") among Hexcel Corporation (the "Borrower"), the financial institutions from time to time party thereto as Lenders (the "Lenders"), the financial institutions from time to time party thereto as Issuing Banks (the "Issuing Banks"), and the Agent.

Pursuant to SECTION 2.02(b) of the Credit Agreement, this Notice of Borrowing ("Notice") represents the request of the Borrower to borrow on [the date hereof] [_____, 199__] (the "Funding Date") (1) from the Lenders the principal amount of \$ _____ in Swing Loans as Base Rate Loans or, in the event that the Agent determines in its sole discretion pursuant to SECTION 2.02(b) of the Credit Agreement that a Borrowing of Swing Loans is not possible or feasible, in Revolving Loans as [Base Rate Loans] [Eurodollar Rate Loans]. In the event that such Revolving Loans are Eurodollar Rate Loans, the Interest Period for such Eurodollar Rate Loans is requested to be a [one][three] month period. Proceeds of such Loans are to be deposited on the Funding Date into the Borrower's Disbursement Account, in immediately available funds. [The Revolving Credit Availability as of the date hereof is \$ _____.]

- - - - -
(1) For Borrowings of Swing Loans after the Closing Date, a Notice of Borrowing must be given no later than 1:30 pm (New York time) on the day of the proposed Borrowing of a Swing Loan. The Funding Date must be a Business Day.

The Borrower certifies that as of the Funding Date all of the conditions precedent contained in [SECTION 5.01 and 5.02 of the Credit Agreement] (2) [SECTION 5.02 of the Credit Agreement] (3) have been satisfied (or waived pursuant to SECTION 13.07 of the Credit Agreement) and that all representations and warranties of the Borrower set forth in SECTION 6.01 of the Credit Agreement are true and correct in all material respects (except for changes permitted under the Credit Agreement) on the Funding Date (other than representations and warranties which expressly speak as of a different date).

Unless otherwise defined herein, terms defined in the Credit Agreement shall have the same meanings in this Notice.

Dated this ____ day of _____, 199_.

HEXCEL CORPORATION

By _____

Name: _____

Title: _____

- - - - -

(2) To be used for Revolving Loans to be made on the Closing Date.

(3) To be used for Revolving Loans and Swing Loans to be made after the Closing Date.

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EXHIBIT E
TO
CREDIT AGREEMENT
DATED AS OF FEBRUARY 8, 1995

FORM OF NOTICE OF CONVERSION/CONTINUATION

To: Citicorp USA, Inc., in its capacity as agent (with its successors in such capacity, the "Agent") for the Lenders (as defined below) and the Issuing Banks (as defined below) under the Credit Agreement dated as of February 8, 1995 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement") among Hexcel Corporation (the "Borrower"), the financial institutions from time to time party thereto as Lenders (the "Lenders"), the financial institutions from time to time party thereto as Issuing Banks (the "Issuing Banks"), and the Agent.

Pursuant to SECTION 4.01(c)(ii) of the Credit Agreement, this Notice of Conversion/Continuation ("Notice") represents the election of the Borrower to

1. Convert \$ _____ (1) in aggregate principal amount of Revolving Loans consisting of Base Rate Loans from Base Rate Loans to Eurodollar Rate Loans on _____, 199_. (2) The initial Interest Period for such Eurodollar Rate Loans is requested to be a [one][three] month period.

2. Convert \$_____ in aggregate principal amount of outstanding Eurodollar Rate Loans to Base Rate Loans on _____, 199__.(3)

3. Continue as Eurodollar Rate Loans \$_____ (4) in aggregate principal amount of Revolving Loans consisting of Eurodollar Rate Loans with a current Interest Period ending _____, 199_. The succeeding Interest Period for such

(1) Must be in a principal amount of at least \$5,000,000 and in integral multiples of \$1,000,000 in excess of that amount.

(2) Must be a Business Day at least three (3) Business Days following the Business Day on which the Notice of Conversion/Continuation is delivered to the Agent.

(3) Must be the date of expiration of the relevant Eurodollar Interest Periods.

(4) Must be in a principal amount of at least \$5,000,000 and in integral multiples of \$1,000,000 in excess of that amount.

Eurodollar Rate Loans is requested to be a [one][three] month period.

[The Borrower hereby certifies that (i) the proposed [continuation] [conversion] would not violate any provisions of SECTION 4.02(b) AND (e) of the Credit Agreement, (ii) no Default or Event of Default would occur or has occurred and is continuing under the Credit Agreement and (iii) all representations and warranties of the Borrower set forth in SECTION 6.01 of the Credit Agreement are and will be true and correct in all material respects (except for changes permitted under the Credit Agreement) on the date of the proposed [continuation] [conversion] (other than representations and warranties which expressly speak as of a different date).](5)

Unless otherwise defined herein, terms defined in the Credit Agreement shall have the same meanings in this Notice.

Dated this ___ day of _____, 199_.

HEXCEL CORPORATION

By _____
Name: _____
Title: _____

- - - - -
(5) To be used for continuations of, and conversions into, Eurodollar Rate Loans.

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EXHIBIT F
TO
CREDIT AGREEMENT
DATED AS OF FEBRUARY 8, 1995

\$45,000,000

SECURED CREDIT FACILITY
to
HEXCEL CORPORATION

February 8, 1995

LIST OF CLOSING DOCUMENTS (1)

A. LOAN DOCUMENTS

1. CREDIT AGREEMENT, dated as of February 8, 1995 (the "Agreement") among Hexcel Corporation (the "Borrower"), the institutions from time to time party thereto as lenders (the "Lenders"), the institutions from time to time party thereto as issuing banks (the "Issuing Banks"), Citicorp USA, Inc. ("Citicorp") in its capacity as agent for the Lenders and Issuing Banks (in such capacity, the "Agent"), evidencing a secured revolving credit facility to be made available to the Borrower of up to \$45,000,000, with the Exhibits and Schedules listed below attached thereto:

EXHIBITS

Exhibit A -- Form of Assignment and Acceptance
Exhibit B -- Form of Collection Account Agreement
Exhibit C -- Form of Borrowing Base Certificate
Exhibit D -- Form of Notice of Borrowing
Exhibit E -- Form of Notice of Conversion/Continuation
Exhibit F -- List of Closing Documents
Exhibit G -- Form of Officer's Certificate to Accompany Reports
Exhibit H -- Form of Swing Loan Note

- Exhibit I -- Form of Revolving Loan Note
- Exhibit J -- Form of Borrower Security Agreement
- Exhibit K -- Form of Subsidiary Guaranty
- Exhibit L -- Form of Borrower Trademark Security Agreement
- Exhibit M -- Form of Borrower Patent Security Agreement
- Exhibit N -- Form of Borrower Pledge Agreement
- Exhibit O -- Form of Subsidiary Security Agreement
- Exhibit P -- Form of Hexcel Lyon Subordinated Note

- - - - -

(1) Capitalized terms used herein have the meanings ascribed to them in the Agreement.

SCHEDULES

- Schedule 1.01.1 -- Initial Projection
- Schedule 1.01.2 -- Sources and Uses
- Schedule 1.01.3 -- Permitted Existing Accommodation Obligations
- Schedule 1.01.4 -- Permitted Existing Indebtedness
- Schedule 1.01.5 -- Permitted Existing Investments
- Schedule 1.01.6 -- Permitted Existing Liens
- Schedule 1.01.7 -- Existing Industrial Revenue Development Bonds
- Schedule 6.01-C -- Authorized, Issued and Outstanding Capital Stock; Subsidiaries
- Schedule 6.01-D -- Conflicts with Contractual Obligations and Requirements of Law
- Schedule 6.01-E -- Governmental Consents
- Schedule 6.01-I -- Litigation; Adverse Effects
- Schedule 6.01-K -- Tax Payments
- Schedule 6.01-O -- Environmental Matters
- Schedule 6.01-P -- ERISA Matters
- Schedule 6.01-R -- Labor Matters
- Schedule 6.01-U -- Patent, Trademark & Permits
- Schedule 6.01-V -- Assets and Properties
- Schedule 6.01-W -- Insurance
- Schedule 6.01-Y -- Transactions with Affiliates
- Schedule 6.01-Z -- Collection Account Banks; Bank Accounts
- Schedule 6.01-AA -- Outstanding Letters of Credit
- Schedule 6.01-BB -- Government Contracts
- Schedule 9.01 -- BNP Letters of Credit
- Schedule 9.02 -- Properties to be Sold
- Schedule 9.13 -- Management Incentive Plans
- Schedule 9.16 -- Existing Industrial Revenue Bond Repayments

2. REVOLVING LOAN NOTES made by the Borrower in favor of the Lenders in the aggregate principal amount of \$45,000,000 evidencing the obligation to repay Revolving Loans.

3. SWING LOAN NOTE made by the Borrower in favor of Citicorp, as the Swing Loan Bank, in the principal amount of \$5,000,000 evidencing the obligation to repay Swing Loans.

4. LETTERS OF CREDIT to be issued for the account of the Borrower on the Closing Date in favor of The CIT Group/Business Credit, Inc. ("CIT").

5. SUBSIDIARY GUARANTY made by each of the Restricted Subsidiaries in favor of the Agent, the Lenders and the Issuing Banks, pursuant to which each of the Restricted Subsidiaries guaranties the obligations of the Borrower under the Credit Agreement.

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B. SECURITY DOCUMENTS

6. BORROWER SECURITY AGREEMENT executed by the Borrower in favor of the Agent, pursuant to which the Borrower grants to the Agent a security interest in all of the Borrower's personal Property.

7. BORROWER PLEDGE AGREEMENT executed by the Borrower in favor of the Agent evidencing the pledge of (i) all the issued and outstanding Capital Stock of each of the Restricted Subsidiaries, together with the stock certificates and appropriate stock powers undated and endorsed in blank, and (ii) all of the Capital Stock owned by the Borrower of each of the Existing Joint Ventures other than DIC.

8. BELGIAN PLEDGE AGREEMENT executed by the Borrower in favor of the Agent (the "Belgian Pledge Agreement") evidencing the pledge of 65% of the issued and outstanding Capital Stock of Hexcel S.A. (Belgium), together with the stock certificates and appropriate stock powers undated and endorsed in blank and a notice of pledge.

9. ENGLISH PLEDGE AGREEMENT executed by the Borrower in favor of the Agent (the "English Pledge Agreement") evidencing the pledge of 65% of the issued and outstanding Capital Stock of Hexcel (U.K.) Limited, together with the share certificates and appropriate share transfer forms undated and endorsed in blank and a certified copy of the Register of Members.

10. FRENCH PLEDGE AGREEMENT executed by the Borrower in favor of

the Agent (the "French Pledge Agreement") evidencing the pledge of 65% of the issued and outstanding Capital Stock of Hexcel S.A. (France), together with the stock certificates and appropriate stock powers undated and endorsed in blank.

11. TRADEMARK SECURITY AGREEMENT executed by the Borrower in favor of the Agent pursuant to which the Borrower grants to the Agent a security interest in all of the Borrower's trademarks, trade names and goodwill.

12. PATENT SECURITY AGREEMENT executed by the Borrower in favor of the Agent pursuant to which the Borrower grants to the Agent a security interest in all of the Borrower's patents and patent licenses.

13. SUBSIDIARY SECURITY AGREEMENT executed by the Restricted Subsidiaries in favor of the Agent pursuant to which each of the Restricted Subsidiaries grants to the Agent a security interest in all of its personal Property.

14. COLLECTION ACCOUNT AGREEMENT among the Borrower, the Agent and each of the following Collection Account Banks:

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- a. Wells Fargo Bank
- b. Citibank Delaware

15. UCC LIEN SEARCH REPORTS of filings against the Borrower and each Restricted Subsidiary in the offices set forth with respect to each such entity on Schedule I hereto.

16. TAX LIEN AND JUDGMENT SEARCH REPORTS relating to the Borrower and each Restricted Subsidiary in the offices set forth with respect to each such entity on Schedule I hereto.

17. UCC-1 FINANCING STATEMENTS filed against the Borrower and each Restricted Subsidiary with the offices set forth on Schedule II hereto.

18. LOSS PAYABLE ENDORSEMENT(S) relating to insurance policies covering the Collateral (with copies of policies attached).

19. LANDLORD WAIVERS relating to the Collateral held on the following properties:

- a. Casa Grande, Arizona
- b. Pottsville, Pennsylvania
- c. Cerritos, California
- d. Seguin, Texas
- e. Burlington, Washington

20. MORTGAGE, SECURITY AGREEMENT, FIXTURE FILING FINANCING STATEMENT AND ASSIGNMENT OF RENTS AND LEASES AND LEASEHOLD MORTGAGE, SECURITY AGREEMENT, FIXTURE FILING FINANCING STATEMENT AND ASSIGNMENT OF RENTS AND LEASES, executed by the Borrower in favor of the Agent in respect of the Casa Grande, Arizona property.

- a. Title Commitment/Policy
- b. Survey
- c. UCC-1 Fixture Filings filed against the Borrower with County Clerk for Pinal County

21. MORTGAGE, SECURITY AGREEMENT, FIXTURE FILING FINANCING STATEMENT AND ASSIGNMENT OF RENTS AND LEASES, executed by the Borrower in favor of the Agent in respect of the Livermore, California property.

- a. Title Commitment/Policy
- b. Survey
- c. UCC-1 Fixture Filings filed against the Borrower with County Clerk for Alameda County

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22. MORTGAGE, SECURITY AGREEMENT, FIXTURE FILING FINANCING STATEMENT AND ASSIGNMENT OF RENTS AND LEASES, executed by the Borrower in favor of the Agent in respect of the Dublin, California property.

- a. Title Commitment/Policy
- b. Survey
- c. UCC-1 Fixture Filings filed against the Borrower with County Clerk for Alameda County

23. MORTGAGE, SECURITY AGREEMENT, FIXTURE FILING FINANCING STATEMENT AND ASSIGNMENT OF RENTS AND LEASES, executed by the Borrower in favor of the Agent in respect of the Lancaster, Ohio property.

- a. Title Commitment/Policy
- b. Survey
- c. UCC-1 Fixture Filings filed against the Borrower with County Clerk for Fairfield County

24. MORTGAGE, SECURITY AGREEMENT, FIXTURE FILING FINANCING STATEMENT AND ASSIGNMENT OF RENTS AND LEASES, executed by the Borrower in favor of the Agent in respect of the Pottsville, Pennsylvania property.

- a. Title Commitment/Policy

- b. Survey
- c. UCC-1 Fixture Filings filed against the Borrower with County Clerk for Schuylkill County and the office of the Secretary of State of Pennsylvania

25. MORTGAGE, SECURITY AGREEMENT, FIXTURE FILING FINANCING STATEMENT AND ASSIGNMENT OF RENTS AND LEASES, executed by the Borrower in favor of the Agent in respect of the Seguin, Texas property.

- a. Title Commitment/Policy
- b. Survey
- c. UCC-1 Fixture Filings filed against the Borrower with County Clerk for Guadalupe County

26. LEASEHOLD MORTGAGE, SECURITY AGREEMENT, FIXTURE FILING FINANCING STATEMENT AND ASSIGNMENT OF RENTS AND LEASES, executed by the Borrower in favor of the Agent in respect of the Burlington, Washington property.

- a. UCC-1 Fixture Filings filed against the Borrower with County Clerk for Skagit County

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D. CORPORATE DOCUMENTS

27. CERTIFICATE OF INCORPORATION OF THE BORROWER together with all amendments thereto certified by the Secretary of State of Delaware.

28. CERTIFICATE OF INCORPORATION OF EACH RESTRICTED SUBSIDIARY together with all amendments thereto certified by the Secretary of State of the such Restricted Subsidiary's jurisdiction or incorporation.

29. CERTIFICATE OF INCORPORATION (OR EQUIVALENT) OF EACH UNRESTRICTED SUBSIDIARY, the stock of which is being pledged to the Agent pursuant to the Loan Documents, together with all amendments thereto certified by the appropriate Governmental Authority from the jurisdiction in which such Unrestricted Subsidiary is incorporated.

30. GOOD STANDING CERTIFICATES FOR THE BORROWER from the appropriate offices of the states set forth on Schedule III hereto under the heading "Borrower Good Standing Certificates".

31. GOOD STANDING CERTIFICATES FOR EACH RESTRICTED SUBSIDIARY from the appropriate offices of the states set forth on Schedule III hereto under the heading "Restricted Subsidiaries Good Standing Certificates".

32. GOOD STANDING CERTIFICATES (OR EQUIVALENT) FOR HEXCEL (U.K) LIMITED AND HEXCEL S.A. (BELGIUM) from the office of the appropriate Governmental Authorities.

33. CERTIFICATE OF THE SECRETARY OF THE BORROWER, certifying, among other things, (i) resolutions of the Board of Directors of the Borrower authorizing, among other things, the Agreement, the Notes and the other Loan Documents to which it is a party and the Transaction Documents to which it is a party, (ii) the names and signatures of the officers of the Borrower authorized, on behalf of the Borrower, to execute the Agreement, the Notes, the other Loan Documents and Transaction Documents to which it is a party and the other instruments and documents to be executed and delivered on behalf of the Borrower during the term of the Agreement, (iii) that the copies of the Transaction Documents to which it is party delivered to the Agent and the Lenders pursuant to the Agreement are true and correct copies of such documents and such documents have not been amended from the form of such documents delivered pursuant thereto, (iv) that attached thereto is a true and correct copy of the By-laws of the Borrower as in effect on the date of such certification and (v) that there have been no changes in the Certificate of Incorporation of the Borrower since the date of the most recent certification thereof by the Secretary of State of Delaware.

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34. CERTIFICATE OF THE SECRETARY OF EACH RESTRICTED SUBSIDIARY, certifying, among other things, (i) resolutions of the Board of Directors of such Restricted Subsidiary authorizing, among other things, the Subsidiary Guaranty and the other Loan Documents to which it is a party and the Transaction Documents to which it is a party, (ii) the names and signatures of the officers of such Restricted Subsidiary authorized, on behalf of such Restricted Subsidiary, to execute the Subsidiary Guaranty, the other Loan Documents and Transaction Documents to which it is a party and the other instruments and documents to be executed and delivered on behalf of such Restricted Subsidiary during the term of the Agreement, (iii) that the copies of the Transaction Documents to which it is party delivered to the Agent and the Lenders pursuant to the Agreement are true and correct copies of such documents and such documents have not been amended from the form of such documents delivered pursuant thereto, (iv) that attached thereto is a true and correct copy of the By-laws of such Restricted Subsidiary as in effect on the date of such certification and (v) that there have been no changes in the Certificate of Incorporation of such Restricted Subsidiary since the date of the most recent certification thereof by the Secretary of State of its incorporation.

35. SHAREHOLDER CONSENTS OF THE SHAREHOLDERS OF EACH RESTRICTED SUBSIDIARY, consenting to the resolutions adopted by the Board of Directors of each such Restricted Subsidiary.

36. BY-LAWS OF EACH OF THE FOLLOWING UNRESTRICTED SUBSIDIARIES:

- a. Hexcel (U.K) Limited
- b. Hexcel S.A. (France)
- c. Hexcel S.A. (Belgium)

E. OPINIONS

37. OPINION OF COUNSEL FOR THE BORROWER, Kronish, Lieb, Weiner & Hellman, addressed to the Lenders, the Issuing Banks and the Agent.

38. OPINION OF CALIFORNIA COUNSEL FOR THE BORROWER, Wendel, Rosen, Black & Dean, addressed to the Lenders, the Issuing Banks and the Agent.

39. OPINION OF INTELLECTUAL PROPERTY COUNSEL FOR THE BORROWER, Townsend and Townsend Khourie and Crew, addressed to the Lenders, the Issuing Banks and the Agent.

40. OPINION OF LOCAL COUNSEL FOR THE BORROWER from each of the counsel of the Borrower set forth below in respect of real and personal property matters, addressed to the Lenders, the Issuing Banks and the Agent:

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- a. Streich Lang (Arizona)
- b. Kaufman & Cumberland Co. L.P.A. (Ohio)
- c. Doepken, Keevican, Weiss & Medved (Pennsylvania)
- d. Vinson & Elkins L.L.P. (Texas)

41. OPINION OF FOREIGN COUNSEL FOR THE BORROWER from each of the foreign counsel of the Borrower set forth below in respect of the pledge of foreign stock, addressed to the Lenders, the Issuing Banks and the Agent:

- a. Baker & McKenzie (Belgium)
- b. Baker & McKenzie (England)
- c. S.G. Archibald (France)

42. OPINION OF FRENCH COUNSEL FOR THE AGENT, Jeantet & Associes, in respect of the pledge of the stock of Hexcel S.A. (France), addressed to the Lenders, the Issuing Banks and the Agent.

43. OPINION OF MCFARLIN AND ANDERSON addressed to the Borrower and BNP, together with a supplemental memorandum regarding bond redemption issues.

F. TRANSACTION DOCUMENTS

44. DISCLOSURE STATEMENT dated as of November 7, 1994.

45. PLAN OF REORGANIZATION dated as of November 7, 1994.

46. CONFIRMATION ORDER dated as of January 10, 1995.

47. SUBORDINATED DEBENTURE INDENTURE between the Borrower and The Bank of California, N.A., as Trustee.

48. BNP LETTER OF CREDIT REIMBURSEMENT AGREEMENT evidencing the BNP Letters of Credit to be issued on the Reorganization Effective Date.

49. BNP LETTERS OF CREDIT issued on the Reorganization Effective Date.

50. ADDITIONAL BNP LETTER OF CREDIT DOCUMENTS.

51. STANDBY COMMITMENT between Mutual Series and the Borrower.

52. INTERCREDITOR AGREEMENT between Mutual Series and the Agent acknowledged by the Borrower.

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G. MISCELLANEOUS

53. PUBLICATION CONSENT executed by the Borrower and addressed to the Lenders and the Agent.

54. BORROWING BASE CERTIFICATE executed by the Borrower on the Closing Date, substantially in the form of EXHIBIT C.

55. LETTER FROM PROCESS AGENT accepting the appointment as the Borrower's agent in New York, indicating such Process Agent's fees for the longest contemplated term of the Agreement have been paid in full in advance.

56. OFFICER'S CERTIFICATE of the Borrower setting forth the names of persons authorized to request Loans and Letters of Credit.

57. LIEN RELEASE AND TERMINATION LETTER addressed to the Lenders and the Agent and the Borrower from CIT.

58. LIEN RELEASES executed by CIT in connection with the pledges by the Borrower of the stock of its foreign subsidiaries.

59. NOTICE OF SECURITY INTEREST IN DEPOSIT ACCOUNTS addressed to

Wells Fargo Bank from CIT.

60. INDEMNITY AGREEMENT executed by the Borrower in favor of CIT.

61. BOUNCED CHECK INDEMNITY executed by the Agent in favor of CIT.

62. NOTICE OF SECURITY INTEREST IN DEPOSIT ACCOUNTS addressed to Wells Fargo Bank from the Agent.

63. NOTICE OF TERMINATION OF LOCKBOX AGREEMENT addressed to Wells Fargo Bank from CIT.

64. NOTICE OF TERMINATION OF LOCKBOX AGREEMENT addressed to The Northern Trust Company from CIT.

H. POSTCLOSING MATTERS

65. POSTCLOSING LIEN SEARCH REPORTS of filings against the Borrower in the offices set forth with respect to the Borrower on Schedule II hereto.

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SCHEDULE I
(to Exhibit F to the Credit Agreement)

OFFICES SEARCHED
HEXCEL CORPORATION
JURISDICTIONS SEARCHED

UCC Lien, Tax Lien and Judgment Search Reports in the following jurisdictions:

A. Borrower

ARIZONA
Secretary of State
Maricopa County
Pinal County

CALIFORNIA
Secretary of State
Alameda County

Los Angeles County

OHIO
Secretary of State
Fairfield County

PENNSYLVANIA
Secretary of State
Schuylkill County

TEXAS
Secretary of State
Tarrant County
Guadalupe County
Young County

WASHINGTON
Department of Licensing
Skagit County

B. Borrower's Restricted Subsidiaries:

HEXCEL INTERNATIONAL

CALIFORNIA
Secretary of State
Alameda County

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DELAWARE
Secretary of State

HEXCEL FAR EAST

CALIFORNIA
Secretary of State
Alameda County

DELAWARE
Secretary of State

HEXCEL TECHNOLOGIES, INC.

CALIFORNIA
Secretary of State
Alameda County

EXPLANATION:

UCC = UCC-1s, UCC-2s and UCC-3s of Record.
FF = Fixture Filings
TL = State and Federal Tax Liens and Judgments
PSJ = Pending Suits & Judgments

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SCHEDULE II
(to Exhibit F to the Credit Agreement)

FINANCING STATEMENTS FILED AGAINST THE BORROWER WITH:

- a. ARIZONA
Secretary of State
- b. CALIFORNIA
Secretary of State
- c. DELAWARE
Secretary of State
- d. GEORGIA
Gwinnett County
- e. INDIANA
Lake County
- f. OHIO
Secretary of State
Fairfield County
- g. PENNSYLVANIA
Secretary of State
Schuylkill County
Chester County
- h. TEXAS
Secretary of State
- i. WASHINGTON

Financing Statements filed against each Restricted Subsidiary with the California Secretary of State.

Financing Statements filed against Hexcel Technologies, Inc. with the Delaware Secretary of State.

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SCHEDULE III
(to Exhibit F to the Credit Agreement)

BORROWER GOOD STANDING CERTIFICATES

Arizona
California
Connecticut
Delaware
Florida
Georgia
Illinois
Massachusetts
Michigan
New Jersey
Ohio
Pennsylvania
Texas
Washington

RESTRICTED SUBSIDIARY GOOD STANDING CERTIFICATES

HEXCEL INTERNATIONAL

California

HEXCEL FAR EAST

California

HEXCEL TECHNOLOGIES, INC.

Delaware

EXHIBIT G
TO
CREDIT AGREEMENT
DATED AS OF FEBRUARY 8, 1995

FORM OF OFFICER'S CERTIFICATE TO ACCOMPANY REPORTS

OFFICER'S CERTIFICATE

To: Citicorp USA, Inc., in its capacity as agent (with its successors in such capacity, the "Agent") for the Lenders (as defined below) and the Issuing Banks (as defined below) under the Credit Agreement dated as of February 8, 1995 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement") among Hexcel Corporation (the "Borrower"), the financial institutions from time to time party thereto as Lenders (the "Lenders"), the financial institutions from time to time party thereto as Issuing Banks (the "Issuing Banks"), and the Agent.

Pursuant to SECTION 7.01(d) of the Credit Agreement, the Chief Financial Officer of the undersigned, hereby certifies that:

1. I am the duly elected, qualified and acting [Chief Financial Officer][Treasurer][Controller] of the Borrower.
2. Unless otherwise defined herein, terms defined in the Credit Agreement shall have the same meanings in this Certificate.
3. There has been a review of the terms of the Loan Documents and a review in reasonable detail of the transactions and consolidated and consolidating financial condition of the Borrower and its Subsidiaries during the accounting period(s) covered by the financial statements identified below. Such review [has] [has not] disclosed the existence during or at the end of such accounting period, and as at the date hereof the undersigned [does] [does not] have knowledge, of any condition or event which constitutes a Default or an Event of Default. [If such condition or event exists or existed, specify (i) nature and period of such condition or event and (ii) action being taken and/or proposed to be taken with respect thereto.]
4. The financial statements, reports and copies of certain instruments

and documents attached hereto, namely,

A. _____, dated _____

B. _____, dated _____

C. _____, dated _____

D. _____, dated _____

are true, accurate and complete copies of the aforesaid instruments and documents which constitute part of the customary books and records of the Borrower.

5. The Compliance Certificate attached as Annex I hereto demonstrates compliance by the Borrower with the provisions of the Credit Agreement referred to in SECTION 7.01(d) thereof.

Dated this ___ day of _____, 199_.

HEXCEL CORPORATION

By _____
Name: _____
Title: _____

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EXHIBIT H
TO
CREDIT AGREEMENT
DATED AS OF FEBRUARY __, 1995

SWING LOAN NOTE

HEXCEL CORPORATION

\$ 5,000,000.00

February 9, 1995
New York, New York

For value received, the undersigned, HEXCEL CORPORATION, a Delaware corporation (the "Borrower"), promises to pay to the order of _____ (the "Swing Loan Bank"), in accordance with SECTION 3.01(b) (iii) of the Credit Agreement, on a daily basis, to the extent funds are on deposit in the Concentration Account (as defined in the Credit Agreement referred to below) and, if applicable, the Investment Account (as defined in the Credit Agreement referred to below), or on each settlement date and, in any event, on the Revolving Credit Termination Date (as defined in the Credit Agreement referred to below), the lesser of (i) the principal amount of FIVE MILLION DOLLARS (\$5,000,000.00) or (ii) the unpaid principal amount of all amounts loaned by the Swing Loan Bank to the Borrower under this Note as Swing Loans under the Credit Agreement.

The Borrower also promises to pay interest on the unpaid principal amount borrowed hereunder from the date advanced until paid at the rates (which shall not exceed the maximum rate permitted by applicable law) and at the times determined in accordance with the provisions of that certain Credit Agreement dated as of February 8, 1995 among the Borrower, the financial institutions from time to time a party thereto as Lenders (the "Lenders"), the financial institutions from time to time party thereto as Issuing Banks (the "Issuing Banks"), and Citicorp USA, Inc., in its capacity as agent for the Lenders and the Issuing Banks (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement").

This Note is issued pursuant to, and is entitled to the benefits of, the Credit Agreement, to which reference is hereby made for a more complete statement of the terms and conditions under which the Swing Loans evidenced hereby are made and are to be repaid. Terms defined in the Credit Agreement and not otherwise defined herein are used herein with the meanings so defined.

All payments of principal and interest in respect of this Note shall be made to the Agent not later than 1:00 p.m. (New York time) on the date and at the place due, to the Agent's

Account in lawful money of the United States of America in same day funds.

This Note may be prepaid at any time at the option of the Borrower without premium or penalty, and must be prepaid as provided in SECTIONS 2.02(d) and 3.01(b) of the Credit Agreement.

The Credit Agreement and this Note shall be governed by, and shall be construed and enforced in accordance with, the law of the State of New York.

The Swing Loan Bank shall record in accordance with its usual practice the date and amount of each Swing Loan made hereunder and the date and amount of each payment of principal; PROVIDED, HOWEVER, that the failure to record any such amount shall not limit or otherwise affect the obligation of the

Borrower to repay the Swing Loan Bank the outstanding principal amount evidenced by this Note together with accrued interest thereon in accordance with the terms of the Credit Agreement.

Upon the occurrence of any one or more of certain Events of Default, the unpaid balance of the principal amount of this Note may become, and upon the occurrence and continuation of any one or more of certain other Events of Default, such unpaid balance may be declared to be, due and payable in the manner, upon the conditions and with the effect provided in the Credit Agreement.

No reference herein to the Credit Agreement and no provisions of this Note, the Credit Agreement or the other Loan Documents shall alter or impair the obligation of the Borrower, which is absolute and unconditional, to pay the principal of and interest on this Note at the place, at the respective times, and in the currency herein prescribed.

The Borrower promises to pay all costs and expenses, including reasonable attorneys' fees and disbursements incurred in the collection and enforcement of this Note or any appeal of a judgment rendered thereon all in accordance with the provisions of the Credit Agreement. The Borrower hereby waives diligence, presentment, protest, demand and notice of every kind except as required pursuant to the Credit Agreement and to the full extent permitted by law the right to plead any statute of limitations as a defense to any demands hereunder.

This Note is secured by certain of the Loan Documents, and reference is made to such Loan Documents for the terms and conditions governing the collateral security for the Obligations of the Borrower hereunder.

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IN WITNESS WHEREOF, the Borrower has caused this Note to be executed and delivered by its duly authorized officer, as of the day and year and at the place first above written.

HEXCEL CORPORATION

By _____
Name:
Title:

EXHIBIT I
TO
CREDIT AGREEMENT
DATED AS OF FEBRUARY 8, 1995

REVOLVING LOAN NOTE

HEXCEL CORPORATION

\$ _____

February 9, 1995
New York, New York

For value received, the undersigned, HEXCEL CORPORATION, a Delaware corporation (the "Borrower"), promises to pay to the order of _____ (the "Lender"), on the Revolving Credit Termination Date (as defined in the Credit Agreement referred to below), the lesser of (i) the principal amount of _____ DOLLARS (\$ _____) or (ii) the unpaid principal amount of all amounts loaned by the Lender to the Borrower under this Note as Revolving Loans under the Credit Agreement.

The Borrower also promises to pay interest on the unpaid principal amount borrowed hereunder from the date advanced until paid at the rates (which shall not exceed the maximum rate permitted by applicable law) and at the times determined in accordance with the provisions of that certain Credit Agreement dated as of February 8, 1995 among the Borrower, the financial institutions from time to time a party thereto as Lenders (the "Lenders"), the financial institutions from time to time party thereto as Issuing Banks (the "Issuing Banks"), and Citicorp USA, Inc., in its capacity as agent for the Lenders and the Issuing Banks (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement").

This Note is issued pursuant to, and is entitled to the benefits of, the Credit Agreement, to which reference is hereby made for a more complete statement of the terms and conditions under which the Revolving Loans evidenced hereby are made and are to be repaid. Terms defined in the Credit Agreement and not otherwise defined herein are used herein with the meanings so defined.

All payments of principal and interest in respect of this Note shall be made to the Agent not later than 1:00 p.m. (New York time) on the date and at the place due, to the Agent's Account in lawful money of the United States of America in same day funds.

Subject to the terms and conditions of the Credit Agreement (including, without limitation, SECTION 2.01 thereof),

the Borrower may from time to time borrow, repay (without premium or penalty except as provided in SECTION 4.02(f) of the Credit Agreement), and reborrow the Revolving Loans under this Note. This Note must be prepaid as provided in SECTION 3.01(b) of the Credit Agreement.

The Credit Agreement and this Note shall be governed by, and shall be construed and enforced in accordance with, the law of the State of New York.

The Lender shall record in accordance with its usual practice the date and amount of each Revolving Loan made hereunder and the date and amount of each payment of principal; PROVIDED, HOWEVER, that the failure to record any such amount shall not limit or otherwise affect the obligation of the Borrower to repay the Lender the outstanding principal amount evidenced by this Note together with accrued interest thereon in accordance with the terms of the Credit Agreement.

Upon the occurrence of any one or more of certain Events of Default, the unpaid balance of the principal amount of this Note may become, and upon the occurrence and continuation of any one or more of certain other Events of Default, such unpaid balance may be declared to be, due and payable in the manner, upon the conditions and with the effect provided in the Credit Agreement.

No reference herein to the Credit Agreement and no provisions of this Note, the Credit Agreement or the other Loan Documents shall alter or impair the obligation of the Borrower, which is absolute and unconditional, to pay the principal of and interest on this Note at the place, at the respective times, and in the currency herein prescribed.

The Borrower promises to pay all costs and expenses, including reasonable attorneys' fees and disbursements incurred in the collection and enforcement of this Note or any appeal of a judgment rendered thereon all in accordance with the provisions of the Credit Agreement. The Borrower hereby waives diligence, presentment, protest, demand and notice of every kind except as required pursuant to the Credit Agreement and to the full extent permitted by law the right to plead any statute of limitations as a defense to any demands hereunder.

This Note is secured by certain of the Loan Documents, and reference is made to such Loan Documents for the terms and conditions governing the collateral security for the Obligations of the Borrower hereunder.

IN WITNESS WHEREOF, the Borrower has caused this Note to be executed and delivered by its duly authorized officer, as of the day and year and at the place first above written.

HEXCEL CORPORATION

By _____
Name:
Title:

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EXHIBIT J
TO CREDIT AGREEMENT
DATED AS OF FEBRUARY 8, 1995

FORM OF BORROWER SECURITY AGREEMENT

THIS SECURITY AGREEMENT (as amended, supplemented or otherwise modified from time to time, this "Security Agreement"), dated as of February 8, 1995, by and among Hexcel Corporation, a Delaware corporation (with its successors and permitted assigns, the "Borrower"), and Citicorp USA, Inc., in its capacity as agent (with its successors in such capacity, the "Agent") for the Lenders (as defined below) and the Issuing Banks (as defined below) under that certain Credit Agreement dated as of February 8, 1995 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement") among the Borrower, the Agent, the lenders from time to time a party thereto (the "Lenders"), and the issuing banks from time to time a party thereto (the "Issuing Banks"). Capitalized terms used herein and not otherwise defined herein shall have the respective meanings ascribed to such terms in the Credit Agreement.

WITNESSETH:

WHEREAS, the Borrower is a party to the Credit Agreement, pursuant to which the Lenders and the Issuing Banks have agreed, subject to certain conditions precedent, to make loans and other financial accommodations to the Borrower from time to time;

WHEREAS, in order to secure the prompt and complete payment, observance and performance of (i) all of the Obligations and (ii) all of the Borrower's obligations and liabilities hereunder and in connection herewith (all

the Obligations and such obligations and liabilities hereunder being hereinafter referred to collectively as the "Liabilities"), the Agent, the Lenders and the Issuing Banks have required as a condition, among others, to entering into the Credit Agreement that the Borrower execute and deliver this Security Agreement;

NOW, THEREFORE, in consideration of the premises set forth above, the terms and conditions contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. DEFINED TERMS.

(a) Unless otherwise defined herein, each capitalized term used herein that is defined in the Credit Agreement shall have the meaning specified for such term in the Credit Agreement. Unless otherwise defined herein or in the Credit Agreement, all terms defined in Article 8 and Article 9 of the Uniform

Commercial Code in effect as of the date hereof in the State of New York are used herein as defined therein as of the date hereof.

(b) The words "hereby," "hereof," "herein" and "hereunder" and words of like import when used in this Security Agreement shall refer to this Security Agreement as a whole and not to any particular provision of this Security Agreement, and section references are to this Security Agreement unless otherwise specified.

(c) All terms defined in this Security Agreement in the singular shall have comparable meanings when used in the plural, and VICE VERSA, unless otherwise specified.

2. GRANT OF SECURITY INTEREST. To secure the prompt and complete payment, observance and performance of all the Liabilities, the Borrower hereby grants to the Agent for the benefit of the Agent, the Lenders, the Issuing Banks and the other Holders a security interest in all of the Borrower's rights, title and interests in and to the following property, whether now owned or existing or hereafter arising or acquired and wheresoever located (the "Collateral"):

(a) ACCOUNTS: All present and future accounts, accounts receivable and other rights of the Borrower to payment for the sale or lease of goods or the rendition of services (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 (collectively, "Accounts");

(b) EQUIPMENT: All of the Borrower's present and future (i) equipment and fixtures, including, without limitation, wherever located, printing presses and other machinery, manufacturing, distribution, selling, data

processing and office equipment, furniture, furnishings, assembly systems, tools, tooling, molds, dies, appliances and vehicles, vessels and aircraft, (ii) other tangible personal property (other than the Borrower's Inventory) and (iii) any and all accessions, parts and appurtenances attached to any of the foregoing or used in connection therewith, and any substitutions therefor and replacements, products and proceeds thereof (collectively, "Equipment");

(c) GENERAL INTANGIBLES: All of the Borrower's present and future general intangibles, choses in action, causes of action, and all other intangible personal property of every kind and nature including, without limitation, corporate, partnership and other business books and records, inventions, designs, patents, patent applications, trademarks, service marks, trademark applications, service mark applications, trade names, trade secrets, goodwill, registrations, copyrights, licenses,

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franchises, customer lists, computer programs, software and other computer materials, tax refunds, tax refund claims, rights and claims against charters, carriers, shippers, franchisees, lessors, and lessees, and rights to indemnification, intercompany receivables, and any security documents executed in connection therewith, deposit accounts, proceeds of any letters of credit, indemnity, warranty or guaranty payable to the Borrower from time to time with respect to the foregoing or proceeds of any insurance policies on which the Borrower is named as beneficiary, claims against third parties for advances and other financial accommodations and any other obligations whatsoever owing to the Borrower, contract rights, customer and supplier contracts, rights in and to all security agreements, security interests or other security held by the Borrower to secure payment of the Borrower's accounts, all right, title and interest under leases, subleases, and concessions and other agreements relating to real or personal property (including, without limitation, all rents, issues and profits related thereto), rights in and under guarantees, instruments, securities, documents of title and other contracts securing, evidencing, supporting or otherwise relating to any of the foregoing, together with all rights in any goods, merchandise or Inventory (as defined below) which any of the foregoing may represent (collectively, "General Intangibles");

(d) INVENTORY: All of the Borrower's present and future (i) inventory, (ii) goods, merchandise and other personal property furnished or to be furnished under any contract of service or intended for sale or lease, and all goods consigned by the Borrower and all other items which have previously constituted Equipment but are then currently being held for sale or lease in the ordinary course of the Borrower's business, (iii) raw materials, work-in-process and finished goods, (iv) materials, components and supplies of any kind, nature or description used or consumed in the Borrower's business or in connection with the manufacture, production, packing, shipping, advertising, finishing or sale of any of the Property described in CLAUSES (i) through (iii) above, (v) goods in which the Borrower has a joint or other interest to the extent of the

Borrower's interest therein or right of any kind (including, without limitation, goods in which the Borrower has an interest or right as consignee), and (vi) goods which are returned to or repossessed by the Borrower; in each case whether in the possession of the Borrower, a bailee, a consignee, or any other Person for sale, storage, transit, processing, use or otherwise, and any and all documents for or relating to any of the foregoing (collectively, "Inventory");

(e) CHATTEL PAPER, INSTRUMENTS AND DOCUMENTS: All chattel paper, all instruments (as defined in Article 9 of the Uniform Commercial Code) and securities (as defined in Article 8 of the Uniform Commercial Code), all bills of lading, warehouse receipts and other documents of title and documents, in each

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instance whether now owned or hereafter acquired by the Borrower (collectively, "Chattel Paper, Instruments and Documents");

(f) OTHER PROPERTY: All property or interests in property now owned or hereafter acquired by the Borrower whether in the possession, custody or control of the Agent, any Lender, any Issuing Bank or any other Holder, or any agent or affiliate of any of them in any way or for any purpose (whether for safekeeping, deposit, custody, pledge, transmission, collection or otherwise), including, without limitation, (i) each Lockbox, and all funds, drafts, checks and other items deposited therein from time to time, (ii) each Collection Account, and all funds, drafts, checks and other items deposited therein from time to time, (iii) the Concentration Account, and all funds, drafts, checks and other items deposited therein from time to time, and (iv) the Investment Account, all funds, drafts, checks and other items deposited therein from time to time, all Investments made from time to time in or through the Investment Account, and all certificates and instruments, if any, from time to time representing such Investments; and all rights and interests of the Borrower, now existing or hereafter arising and however and wherever arising, in respect of any and all (w) notes, drafts, letters of credit, stocks, bonds, and debt and equity securities, whether or not certificated, and warrants, options, puts and calls and other rights to acquire or otherwise relating to the same; (x) money; (y) proceeds of loans, including, without limitation, all the Loans made to the Borrower under the Credit Agreement; and (z) insurance proceeds and books and records relating to any of the property covered by this Security Agreement (collectively, "Other Property");

together with respect to each of the items set forth in paragraphs (a) through (f) above with all accessions and additions thereto, substitutions therefor, and replacements, proceeds and products thereof; PROVIDED, HOWEVER, that the foregoing grant of a security interest shall not include a security interest in any contract right, license, agreement, any lease pertaining to real or personal property or any other document, instrument or agreement of the Borrower (each such contract right, license agreement, lease pertaining to real or personal

property and other document, instrument or agreement of the Borrower being hereinafter referred to as "Excluded Property"), IF the granting of a security interest therein by the Borrower to the Agent is expressly prohibited by the terms and provisions of the written agreement, document or instrument creating or evidencing such Excluded Property or rights related thereto or by applicable law (it being understood and agreed that promptly following a request by the Agent, the Borrower shall use its best efforts to obtain from the Person in whose favor the prohibition has been granted any necessary waiver or consent in order to remove or terminate such prohibition or permit the Agent to have a security interest in the Borrower's rights to any such Excluded Property subject to such a prohibition and referred to

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in such request, and that any such Excluded Property so referred to shall constitute part of the Collateral automatically upon the execution and delivery of the applicable waiver or consent). Notwithstanding anything set forth herein to the contrary, the Agent will be deemed to have, and at all times from and after the date hereof to have had, a security interest in the proceeds of such Excluded Property to the extent that proceeds of such Excluded Property have come into the possession of the Agent, have been deposited into any Collection Account or the Concentration Account or otherwise constitute Collateral hereunder.

3. CONTINUING LIABILITY. The Borrower hereby expressly agrees that, notwithstanding anything set forth herein to the contrary, the Borrower shall remain solely responsible under each contract, agreement, interest or obligation as to which a Lien has been granted to the Agent hereunder for the observance and performance of all of the conditions and obligations to be observed and performed by the Borrower thereunder, all in accordance with and pursuant to the terms and provisions thereof, and the exercise by the Agent, any Lender or any Issuing Bank of any rights under this Security Agreement, the Credit Agreement or any other Loan Document shall not release the Borrower from any of the Borrower's duties or obligations hereunder and under each such contract, agreement, interest or obligation. Neither the Agent nor any Lender or Issuing Bank shall have any duty, responsibility, obligation or liability under any such contract, agreement, interest or obligation by reason of or arising out of this Security Agreement or the assignment thereof by the Borrower to the Agent or the granting by the Borrower to the Agent of a Lien thereon or the receipt by the Agent, any Lender or any Issuing Bank of any payment relating to any such contract, agreement, interest or obligation pursuant hereto, nor shall the Agent, any Lender or any Issuing Bank be required or obligated (nor to the extent prohibited by the terms of such contract, agreement, interest or obligation or applicable law, rule or regulation, shall the Agent, Lender or Issuer be permitted), in any manner, to (a) perform or fulfill any of the obligations of the Borrower thereunder or pursuant thereto, (b) make any payment, or to make any inquiry as to the nature or the sufficiency of any payment received by the Borrower or the sufficiency of any performance by any

party under any such contract, agreement, interest or obligation, or (c) present or file any claim, or take any action to collect or enforce any performance or payment of any amounts which may have been assigned to the Borrower, on which the Borrower has been granted a Lien to which the Borrower may be entitled at any time or times.

4. REPRESENTATIONS, WARRANTIES AND COVENANTS. The Borrower hereby represents, warrants and covenants that as of the date of the execution of this Security Agreement, and until

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the termination of this Security Agreement pursuant to SECTION 14 below:

(a) All of the Equipment and Inventory (other than Inventory and Equipment sold in accordance with the terms of the Credit Agreement, Equipment being repaired or serviced, Inventory in transit or in the possession and control of subcontractors of the Borrower and vehicles) are located at the places specified in SCHEDULE 1 attached hereto and such location is an owned, leased or bailment location as specified in SCHEDULE 1 attached hereto. As of the date hereof, the correct corporate name, the principal place of business, the chief executive office, and the federal tax identification number of the Borrower and the places where the Borrower's books and records concerning the Collateral are currently kept are set forth in SCHEDULE 2 attached hereto and made a part hereof, and the Borrower will not change such principal place of business or chief executive office or remove such records without (i) providing the Agent with at least thirty (30) days' prior written notice of such change, and (ii) making all filings under the Uniform Commercial Code necessary or appropriate to preserve the perfection of the security interests described herein to the extent such security interest may be perfected by such filings. The Borrower will not change its name, identity or corporate structure in any manner which might make any financing statement filed hereunder misleading, UNLESS the Borrower shall have (A) given the Agent at least thirty (30) days' prior written notice thereof (and received any consent that may be required under the terms of the Credit Agreement), and (B) certified to the Agent that all filings reflecting such new name, identity or structure have been made which are necessary or appropriate to preserve the perfection of the security interests described herein. The Borrower will hold and preserve such records and chattel paper and will permit representatives of the Agent at any time during normal business hours to inspect and make abstracts from such records and chattel paper.

(b) The Borrower has exclusive possession and control of the Equipment and Inventory, except for (i) Inventory in the possession and control of a bailee or warehouseman of the Borrower as specified in SCHEDULE 1 attached hereto; (ii) Inventory in the possession and control

of subcontractors of the Borrower; (iii) Equipment being repaired or serviced; and (iv) Equipment and Inventory in transit with common or other carriers.

(c) The Borrower is the legal and beneficial owner of the Collateral free and clear of all Liens except as permitted under SECTION 9.03 of the Credit Agreement. The Borrower has not, during the five (5) years preceding the date hereof, been known as or used any other corporate or

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fictitious name, except as disclosed on SCHEDULE 3 hereto, nor acquired all or substantially all the assets, capital stock or operating unit of any Person, except as disclosed on SCHEDULE 3 hereto and each predecessor in interest of the Borrower during the five (5) years preceding the Closing Date is disclosed on SCHEDULE 3 hereto.

(d) This Security Agreement creates in favor of the Agent a legal, valid and enforceable security interest in the Collateral, securing the payment of the Liabilities. When financing statements have been filed in the appropriate offices in the locations listed on SCHEDULES 1 AND 2 hereto, the Agent will have a fully perfected first priority Lien on the Collateral to the extent such Lien may be perfected by Uniform Commercial Code filings, except, in the case of priority, for Liens permitted by SECTION 9.03 of the Credit Agreement.

5. COVENANTS. The Borrower covenants and agrees with the Agent that from and after the date of this Security Agreement and until the termination of this Security Agreement pursuant to SECTION 14 below:

(a) At any time and from time to time, upon the Agent's written request and at the expense of the Borrower, the Borrower will promptly and duly execute and deliver any and all such further instruments and documents and take such further action as the Agent reasonably may deem desirable in order to perfect and protect any Lien granted or purported to be granted hereby or to enable the Agent to exercise and enforce its rights and remedies hereunder with respect to the Collateral. Without limiting the generality of the foregoing, the Borrower will: (i) upon the occurrence and during the continuance of an Event of Default, at the request of the Agent, mark conspicuously each item of chattel paper included in the Collateral and each related contract and, each of its records pertaining to the Collateral, with a legend, in form and substance satisfactory to the Agent, indicating that such document, chattel paper, related contract or Collateral is subject to the security interest granted hereby; (ii) if any Collateral shall be evidenced by a promissory note or other instrument (other than checks or drafts received in the ordinary course of the Borrower's business), deliver and pledge to the Agent

hereunder such note or instrument duly endorsed and accompanied by duly executed instruments of transfer or assignment, all in form and substance satisfactory to the Agent; and (iii) execute and file such financing or continuation statements, or amendments thereto, and such other instruments or notices as the Agent may request, as may be necessary or desirable, in order to perfect and preserve the security interest granted or purported to be granted hereby. The Borrower hereby authorizes the Agent to

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file any such financing or continuation statements without the signature of the Borrower to the extent permitted by applicable law. The Borrower hereby agrees that a carbon, photographic, photostatic or other reproduction of this Security Agreement or of a financing statement is sufficient as a financing statement to the extent permitted by applicable law.

(b) The Borrower shall keep the Equipment and Inventory (other than Inventory and Equipment sold in accordance with the terms of the Credit Agreement, Equipment being repaired or serviced, Inventory in transit or in the possession and control of subcontractors of the Borrower and vehicles) at the places specified in SCHEDULE 1 hereto and deliver written notice to the Agent at least 30 days prior to establishing any other location at which it reasonably expects to maintain Inventory and/or Equipment in any jurisdiction in which all action required by SECTION 5 hereof has not been taken with respect to all such Equipment and/or Inventory. Upon the establishment of any such location, and after notice thereof to the Agent as required in the preceding sentence, SCHEDULE 1 hereto shall be deemed amended to add such location thereto without further action by the Agent or the Borrower and the Borrower hereby authorizes the Agent to substitute a new SCHEDULE 1 hereto to reflect such additional location(s).

(c) The Borrower will keep and maintain at the Borrower's own cost and expense satisfactory and complete records of the Collateral in a manner reasonably acceptable to the Agent, including, without limitation, a record of all payments received and all credits granted with respect to such Collateral and a record of the Agent's security interest in the Collateral. Upon the occurrence and during the continuance of an Event of Default, the Borrower shall, for the Agent's further security, deliver and turn over to the Agent or the Agent's designated representatives at any time upon three (3) days' notice from the Agent or the Agent's designated representative, any such books and records (including, without limitation, any and all computer tapes, programs and source codes relating to the Collateral or any part or parts thereof).

(d) In any suit, proceeding or action brought by the Agent under any account comprising part of the Collateral, the Borrower will save,

indemnify and keep the Agent, each Lender and each Issuing Bank harmless from and against all expense, loss or damages suffered by reason of any defense, setoff, counterclaim, recoupment or reduction of liability whatsoever of the obligor thereunder, arising out of a breach by the Borrower of any obligation or arising out of any other agreement, indebtedness or liability at any time owing to or in favor of such obligor or its successors from

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the Borrower, and all such obligations of the Borrower shall be and shall remain enforceable against and only against the Borrower and shall not be enforceable against the Agent, any Lender or any Issuing Bank; PROVIDED, HOWEVER, the Borrower shall have no obligation to the Agent with respect to the matters indemnified pursuant to this subsection (d) resulting from the willful misconduct or gross negligence of the Agent, as determined in a final non-appealable judgment by a court of competent jurisdiction.

(e) The Borrower will not create, permit or suffer to exist, and will defend the Collateral against and take such other action as is necessary to remove, any Lien on such Collateral, other than Liens permitted under SECTION 9.03 of the Credit Agreement, and will defend the right, title and interest of the Agent in and to the Borrower's rights to such Collateral, including, without limitation, the proceeds and products thereof, against the claims and demands of all Persons whatsoever other than claims secured by liens permitted under SECTION 9.03 of the Credit Agreement.

(f) The Borrower will not, without the Agent's prior written consent, except in the ordinary course of business and for amounts which are not material to the Borrower in the aggregate, (i) grant any extension of the time of payment of any of the Collateral or compromise, compound or settle the same for less than the full amount thereof; (ii) release, wholly or partly, any Person liable for the payment thereof; or (iii) allow any credit or discount whatsoever thereon other than trade discounts granted in the ordinary course of business.

6. COLLECTIONS. Except as otherwise provided in this SECTION 6, the Borrower shall continue to collect, at its own expense, all amounts due or to become due to the Borrower under the Accounts. In connection with such collections, the Borrower may take (and, after the occurrence of an Event of Default, at the Agent's direction, must take) such action as the Borrower or, after the occurrence and during the continuation an Event of Default, the Agent may deem necessary or advisable to enforce collection of the Accounts; PROVIDED, HOWEVER, that the Agent shall have the right at any time, upon the occurrence and during the continuance of an Event of Default, to the extent permitted by contract, agreement, interest or right giving rise to or relating to such Account and under applicable law, rule and regulation, to require the

Borrower to prepare notices of assignment for each Government Contract and to file such notices of assignment with the appropriate contracting officer of the United States Government and to otherwise notify the account debtors or obligors under any Accounts of the assignment of such Accounts to the Agent and to direct such account debtors or obligors to make payment of all amounts due or to become due to the Borrower thereunder directly to the Agent and, upon such

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notification and at the expense of the Borrower, to enforce collection of any such Accounts, and to adjust, settle or compromise the amount or payment thereof, in the same manner and to the same extent as the Borrower might have done. After receipt by the Borrower of the notice from the Agent referred to in the proviso to the preceding sentence, (i) all amounts and proceeds (including instruments) received by the Borrower in respect of the Accounts shall be received in trust for the benefit of the Agent, the Lenders, the Issuing Banks and the other Holders hereunder, shall be segregated from other funds of the Borrower and shall be forthwith paid over to the Agent in the same form as so received (with any necessary endorsement) to be applied to the Obligations in accordance with the Credit Agreement (including, without limitation, SECTION 3.02(b)(ii) thereof) and (ii) the Borrower shall not adjust, settle or compromise the amount or payment of any Account, release wholly or partly any account debtor or obligor thereof, or allow any credit or discount thereon.

7. REMEDIES, APPLICATION OF PROCEEDS, RIGHTS UPON EVENT OF DEFAULT.

(a) Upon the occurrence and during the continuance of an Event of Default, the Agent may exercise in respect of the Collateral, in addition to all other rights and remedies provided for herein or otherwise available to it, all the rights and remedies provided for in the Credit Agreement and all the rights and remedies of a secured party under the Uniform Commercial Code, and all other applicable law as in effect in any relevant jurisdiction; PROVIDED, HOWEVER, that notwithstanding anything set forth herein to the contrary, in exercising any rights provided in this Security Agreement or any of the other Loan Documents the Agent shall not cause any of the Borrower's trademarks to be abandoned by any assignment or conveyance of any such trademark separate from the goodwill symbolized by such mark. In addition, the Agent may also:

(i) require the Borrower to, and the Borrower hereby agrees that it will at its expense and upon request of the Agent, promptly assemble all, or such part, of the Collateral as directed by the Agent and make such Collateral available to the Agent at a place designated by the Agent, which place shall be reasonably convenient to the Agent, whether at the premises of the Borrower or otherwise;

(ii) enter, with or without process of law and without breach of

the peace, any premises where any of the Collateral or the books and records of the Borrower related thereto are or may be located and, without charge or liability to the Agent, seize and remove such Collateral and such books and records from such premises, or remain upon such premises and use the same for the purpose of enforcing any and all rights and remedies of the Agent under this

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Security Agreement, the Credit Agreement or any of the other Loan Documents; and

(iii) without notice, except as specified below, sell, lease, assign, grant an option or options to purchase or otherwise dispose of all or any part of the Collateral in one or more parcels, at public or private sale or sales, at any exchange, broker's board or at any of the Agent's offices or elsewhere, at such prices as the Agent may deem best, for cash, on credit or for future delivery, and upon such other terms as the Agent may deem commercially reasonable; PROVIDED, HOWEVER, that the Borrower shall not be credited with the net proceeds of any such credit sale, future delivery or lease of the Collateral until the cash proceeds thereof are actually received by the Agent and PROVIDED, FURTHER that any such sale, lease assignment, option to purchase or other disposition (each a "disposition") shall be subject to any prohibition or restriction thereon contained in any agreement, contract, interest or right comprising a part of the Collateral subject to such disposition and any applicable law, rule or regulation. The Borrower agrees that, to the extent notice of sale shall be required by law, at least ten (10) Business Days' notice, or such longer period as may be required by law, to the Borrower of the time and place of any public sale, or the time after which any private sale is to be made, shall constitute reasonable notification. No notification required by law need be given to the Borrower if the Borrower has signed, after the occurrence of an Event of Default, a statement renouncing any right to notification of sale or other intended disposition. The Agent shall not be obligated to make any sale of any of the Collateral regardless of notice of sale having been given. The Agent may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned. The Agent, any Lender and any of the Issuing Banks shall have the right upon any such public sale or sales and, to the extent permitted by law, upon any such private sale or sales, to purchase the whole or any part of the Collateral so sold, free of any right or equity of redemption in the Borrower, which right or equity is hereby expressly waived and released. In the event of a sale of any Collateral, or any part thereof, to a Lender, an Issuing Bank, or the Agent upon the occurrence and during the continuance of an Event of Default, such Lender, Issuing Bank, or the Agent shall not deduct

or offset from any part of the purchase price to be paid therefor any indebtedness owing to it by the Borrower. Any and all proceeds received by the Agent with respect to any sale of, collection from or other realization upon all or any part of the Collateral, whether consisting of monies, checks, notes, drafts, bills of exchange, money orders or

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commercial paper of any kind whatsoever, shall be held by the Agent and distributed by the Agent in accordance with the Credit Agreement (including, without limitation, SECTION 3.02(b)(ii) thereof) and the Borrower shall remain liable for any deficiency following the sale of the Collateral. Subject to the terms of any applicable license agreement to which the Borrower is a party, the Agent is hereby granted an irrevocable license or other right to use, without charge, the Borrower's labels, copyrights, patents, rights of use of any name, trade names, general intangibles, trademarks and advertising matter, or any property of a similar nature, in completing production of, advertising for sale and selling any Collateral.

(b) To the extent permitted by applicable law, the Borrower waives all claims, damages and demands against the Agent, any Lender or any Issuing Bank arising out of the repossession, retention or sale of the Collateral, or any part or parts thereof, except any such claims, damages and awards arising out of the gross negligence or willful misconduct of the Agent.

(c) The Borrower recognizes that in the event the Borrower fails to perform, observe or discharge any of its obligations or liabilities under this Security Agreement, no remedy at law will provide adequate relief to the Agent and the Agent shall be entitled to temporary and permanent injunctive relief in any such case without the necessity of proving actual damages.

(d) The rights and remedies provided under this Security Agreement are cumulative and may be exercised singly or concurrently, and are not exclusive of any rights and remedies provided by law or equity.

8. THE AGENT MAY PERFORM. If the Borrower fails to perform any agreement contained herein, the Agent, upon written notice to the Borrower if practicable, may itself perform, or cause performance of, such agreement, and the expenses of the Agent incurred in connection therewith shall constitute Protective Advances payable by the Borrower in accordance with the terms of the Credit Agreement.

9. THE AGENT'S DUTY. The Agent shall have no duty with respect to any Collateral except as set forth herein and in the Credit Agreement. Without limiting the generality of the foregoing, the Agent shall be under no obligation to take any steps necessary to preserve the rights of the Borrower in the Collateral against any other parties but may do so at its option provided

that all expenses incurred in connection therewith shall be for the sole account of the Borrower and shall be added to the Liabilities secured hereby.

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10. MARSHALLING, PAYMENTS SET ASIDE; AGENT APPOINTED ATTORNEY-IN-FACT. The Agent shall be under no obligation to marshal any assets in favor of the Borrower or against or in payment of any or all of the Liabilities. To the extent that the Borrower makes a payment or payments to the Agent or the Agent receives any payment or proceeds of the Collateral for the benefit of the Agent, any Lender, any Issuing Bank or any other Holder, which payment(s) or proceeds or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside and/or required to be repaid to a trustee, receiver or any party under any bankruptcy law, state or federal law, common law or equitable cause, then, to the extent of such payment or proceeds received, the Liabilities or any part thereof intended to be satisfied shall be revived and continue in full force and effect, as if such payment or proceeds had not been received by the Agent.

The Borrower agrees, upon the request of the Agent and promptly following such request, to take any action and execute any instrument which the Agent may deem necessary or advisable to accomplish the purposes of this Security Agreement. The Borrower hereby irrevocably constitutes and appoints the Agent and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full power and authority in the name of the Borrower, or in its own name, from time to time in the Agent's discretion, for the purpose of carrying out the terms of this Security Agreement, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes hereof and, without limiting the generality of the foregoing, hereby gives the Agent the power and right on behalf of the Borrower, without notice to or assent by the Borrower, to the extent permitted by applicable law, to do the following:

- (i) to obtain and adjust insurance required to be paid to the Agent pursuant to SECTION 8.05 of the Credit Agreement;
- (ii) ask, demand, collect, sue for, recover, compromise, receive and give acquittance and receipt for monies due and to become due under or in respect of any of the Collateral;
- (iii) receive, take, endorse, assign and deliver any and all checks, notes, drafts, acceptances, documents and other negotiable and nonnegotiable instruments, documents and chattel paper taken or received by the Agent in connection with this Security Agreement;

(iv) to commence, file, prosecute, defend, settle, compromise or adjust any claim, suit, action or proceeding with respect to the Collateral;

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(v) to sell, transfer, assign or otherwise deal in or with the Collateral or any part thereof pursuant to the terms and conditions of this Security Agreement; and

(vi) to do, at its option and at the expense and for the account of the Borrower, at any time or from time to time, all acts and things which the Agent deems necessary to protect or preserve the Collateral and to realize upon the Collateral.

11. SEVERABILITY. If any provision of this Security Agreement is held to be prohibited or unenforceable in any jurisdiction the substantive laws of which are held to be applicable hereto, such prohibition or unenforceability shall not affect the validity or enforceability of the remaining provisions hereof and shall not invalidate or render unenforceable such provision in any other jurisdiction.

12. AMENDMENTS, WAIVERS AND CONSENTS. None of the terms or provisions of this Security Agreement may be waived, altered, modified or amended, and no consent to any departure by the Borrower herefrom shall be effective, except by or pursuant to an instrument in writing which (i) is duly executed by the Borrower and the Agent and (ii) complies with the requirements of the Credit Agreement. Any such waiver shall be valid only to the extent set forth therein. A waiver by the Agent of any right or remedy under this Security Agreement on any one occasion shall not be construed as a waiver of any right or remedy which the Agent would otherwise have on any future occasion. No failure to exercise or delay in exercising any right, power or privilege under this Security Agreement on the part of the Agent shall operate as a waiver thereof; and no single or partial exercise of any right, power or privilege under this Security Agreement shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

13. BINDING EFFECT; SUCCESSORS AND ASSIGNS. This Security Agreement shall be binding upon the Borrower and its successors, and upon any assign(s) of the Borrower in accordance with SECTION 13.16 of the Credit Agreement, and shall inure to the benefit of the Agent, the Lenders, the Issuing Banks and the other Holders, and their respective successors and assigns. Nothing set forth herein or in any other Loan Document is intended or shall be construed to give any other Person any right, remedy or claim under, to or in respect of this Security Agreement, the Credit Agreement or any other Loan Document or any Collateral. The Borrower's successors shall include, without limitation, a receiver, trustee or debtor-in-possession of or for the Borrower.

14. TERMINATION OF THIS SECURITY AGREEMENT; RELEASE OF COLLATERAL.

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(a) The security interest granted by the Borrower under this Security Agreement shall terminate against all the Collateral upon final payment in full in cash of the Obligations and termination of the Revolving Credit Commitments. Upon such termination and at the written request of the Borrower or its successors or assigns, and at the cost and expense of the Borrower or its successors or assigns, the Agent shall execute in a timely manner a satisfaction of this Security Agreement and such instruments, documents or agreements as are necessary or desirable to terminate and remove of record any documents constituting public notice of this Security Agreement and the security interests and assignments granted hereunder and shall assign and transfer, or cause to be assigned and transferred, and shall deliver or cause to be delivered to the Borrower, all property, including all monies, instruments and securities of the Borrower then held by the Agent.

(b) Notwithstanding anything in this Security Agreement to the contrary, the Borrower may, to the extent permitted by SECTION 9.02 of the Credit Agreement sell, assign, transfer or otherwise dispose of any Collateral. In addition, the Collateral shall be subject to release from time to time (with the Collateral referred to in the immediately preceding sentence, the "Released Collateral") in accordance with SECTION 12.09(c) of the Credit Agreement. The Liens under this Security Agreement shall terminate with respect to the Released Collateral upon such sale, transfer, assignment, disposition or release, and upon the request of the Borrower, the Agent shall execute and deliver such instrument or document as may be necessary to release the Liens granted hereunder; PROVIDED, HOWEVER, that (i) the Agent shall not be required to execute any such documents on terms which, in the Agent's opinion, would expose the Agent to liability or create any obligation or entail any consequence other than the release of such Liens without recourse or warranty, and (ii) such release shall not in any manner discharge, affect or impair the Liabilities or any Liens on (or obligations of the Borrower in respect of) all interests retained by the Borrower, including without limitation, the proceeds of any sale, all of which shall continue to constitute part of the Collateral unless and until applied strictly in accordance with the Loan Documents.

15. THE AGENT'S EXERCISE OF RIGHTS AND REMEDIES UPON THE OCCURRENCE AND DURING THE CONTINUANCE OF AN EVENT OF DEFAULT. Notwithstanding anything set forth herein to the contrary, it is hereby expressly agreed that upon the occurrence and during the continuance of an Event of Default, the Agent may, and upon the written direction of the Requisite Lenders shall, exercise any of the rights and remedies provided in this Security Agreement, the Credit Agreement and any of the other Loan Documents.

16. NOTICES. Any notice, demand, request or any other communication required or desired to be served, given or delivered hereunder shall be in writing and shall be served,

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given or delivered as provided in SECTION 13.08 of the Credit Agreement.

17. SECTION HEADINGS. The section headings herein are for convenience of reference only, and shall not affect in any way the interpretation of any of the provisions hereof.

18. GOVERNING LAW. THIS SECURITY AGREEMENT SHALL BE GOVERNED BY, AND BE CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK, EXCEPT FOR PERFECTION AND ENFORCEMENT OF SECURITY INTERESTS AND LIENS IN OTHER JURISDICTIONS WHICH SHALL BE GOVERNED BY THE LAWS OF THOSE JURISDICTIONS.

19. FURTHER INDEMNIFICATION. The Borrower agrees to pay, and to save the Agent, each Lender and each Issuing Bank harmless from, any and all liabilities with respect to, or resulting from any delay in paying, any and all excise, sales or other taxes which may be payable or determined to be payable with respect to any of the Collateral or in connection with any of the transactions contemplated by this Security Agreement.

20. COUNTERPARTS. This Security Agreement may be executed in separate counterparts, each of which shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

21. CONSENT TO JURISDICTION AND SERVICE OF PROCESS. The Borrower agrees that the terms of SECTION 13.17 of the Credit Agreement with respect to consent to jurisdiction and service of process shall apply equally to this Security Agreement.

22. WAIVER OF BOND. The Borrower waives the posting of any bond otherwise required of the Agent in connection with any judicial process or proceeding to realize on the Collateral or any other security for the Liabilities, to enforce any judgment or other court order entered in favor of the Agent, or to enforce by specific performance, temporary restraining order, or preliminary or permanent injunction, this Security Agreement or any other agreement or document between the Agent and the Borrower.

23. ADVICE OF COUNSEL. The Borrower represents and warrants to the Agent and the Lenders that it has discussed this Security Agreement and, specifically, the provisions of SECTIONS 18, 21, 22 and 26 hereof, with the Borrower's attorneys.

24. FURTHER ASSURANCES. The Borrower agrees that it will cooperate with the Agent and will execute and deliver, or cause to be executed and delivered, all such other stock powers, proxies, instruments and documents, and will take all such other actions, including, without limitation, the execution and filing of financing statements, as the Agent may reasonably request from

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time to time in order to carry out the provisions and purposes of this Security Agreement.

25. THE AGENT'S DUTY OF CARE. The Agent shall not be liable for any acts, omissions, errors of judgment or mistakes of fact or law including, without limitation, acts, omissions, errors or mistakes with respect to the Collateral, except for those arising out of or in connection with the Agent's (i) gross negligence or willful misconduct, or (ii) failure to use reasonable care with respect to the safe custody of the Collateral in the Agent's possession. Without limiting the generality of the foregoing, the Agent shall be under no obligation to take any steps necessary to preserve rights in the Collateral against any other parties but may do so at its option. All expenses incurred in connection therewith shall be for the sole account of the Borrower, and shall constitute part of the Liabilities secured hereby.

26. WAIVER OF JURY TRIAL. EACH OF THE BORROWER AND THE AGENT WAIVES ANY RIGHT TO TRIAL BY JURY IN ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT, OR OTHERWISE, BETWEEN THE AGENT AND THE BORROWER ARISING OUT OF OR RELATED TO THE TRANSACTIONS CONTEMPLATED BY THIS SECURITY AGREEMENT OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HERewith. EITHER THE BORROWER OR THE AGENT MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECURITY AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

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IN WITNESS WHEREOF, the parties hereto have executed this Security Agreement or caused this Security Agreement to be executed and delivered by their duly authorized officers as of the date first set forth above.

HEXCEL CORPORATION

By _____
Name:
Title:

CITICORP USA, INC., as Agent

By _____
Name:
Title:

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SCHEDULE 1
TO
SECURITY AGREEMENT

Dated as of February __, 1995

LOCATIONS OF INVENTORY AND EQUIPMENT
AND STATUS

LOCATION

STATUS

SCHEDULE 2
TO
SECURITY AGREEMENT

Dated as of February __, 1995

LOCATIONS OF BOOKS AND RECORDS

1. CORRECT CORPORATE NAME
2. CHIEF EXECUTIVE OFFICE
3. PRINCIPAL PLACE OF BUSINESS

4. FEDERAL TAX IDENTIFICATION NUMBER

5. LOCATION(S) OF THE BORROWER'S
BOOKS AND RECORDS CONCERNING THE COLLATERAL

Corporate Books and Accounting Records:

SCHEDULE 3
TO
SECURITY AGREEMENT

Dated as of February __, 1995

- I. PREVIOUS BORROWER NAMES

- II. ACQUISITIONS OF ALL OR SUBSTANTIALLY ALL OF THE ASSETS,
CAPITAL STOCK OR OPERATING UNIT OF ANY PERSON
 - (i)
 - (ii)
 - (iii)

- III. PREDECESSOR IN INTEREST OF THE BORROWER
DURING THE FIVE PRECEDING YEARS

EXHIBIT K
TO CREDIT AGREEMENT
DATED AS OF FEBRUARY 8, 1995

FORM OF SUBSIDIARY GUARANTY

SUBSIDIARY GUARANTY

This SUBSIDIARY GUARANTY ("Guaranty") is made as of the eighth day of February, 1995, by HEXCEL INTERNATIONAL, a California corporation, HEXCEL FAR EAST, a California corporation, HEXCEL TECHNOLOGIES, INC., a Delaware corporation, and each Restricted Subsidiary of Hexcel Corporation which becomes a party hereto pursuant to SECTION 24 hereof (each individually a "Guarantor," and collectively the "Guarantors"), in favor of CITICORP USA, INC., as agent for the Lenders and the Issuing Banks (with its successors and permitted assigns in such capacity, the "Agent") for the ratable benefit of the Agent, the Lenders and the Issuing Banks. Unless otherwise defined herein, capitalized terms used herein shall have the meanings ascribed to them in the Credit Agreement referred to below.

W I T N E S S E T H

WHEREAS, Hexcel Corporation, a Delaware corporation ("Borrower"), the financial institutions party thereto from time to time as lenders (the "Lenders"), the institutions party thereto from time to time as issuing banks (the "Issuing Banks"), and Citicorp USA, Inc. in its capacity as agent for the Lenders and the Issuing Banks (the "Agent") have entered into that certain Credit Agreement, dated as of February 8, 1995 (as the same may be amended, restated, modified or supplemented from time to time, the "Credit Agreement");

WHEREAS, each Guarantor is a direct wholly-owned Subsidiary of Borrower;

WHEREAS, the Lenders, the Issuing Banks and the Agent have required as a condition, among others, to entering into the Credit Agreement, that each Guarantor guarantee the Obligations of Borrower;

NOW THEREFORE, in consideration of the premises set forth above, the terms and conditions contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. GUARANTY. (i) For value received and in consideration of any loan, advance or financial accommodation of any kind whatsoever heretofore, now or hereafter made, given or granted to the Borrower by the Lenders and the Issuing Banks, each

Guarantor jointly and severally unconditionally guarantees for the benefit of the Agent, the Issuing Banks and the Lenders the full and prompt payment when due, whether at maturity or earlier, by reason of acceleration or otherwise, and at all times thereafter, of all the Obligations (including, without limitation, interest accruing following the filing of a bankruptcy petition by or against the Borrower, at the applicable rate specified in the Credit Agreement, whether or not such interest is allowed as a claim in bankruptcy).

(ii) At any time after the occurrence of an Event of Default, each Guarantor shall jointly and severally pay to the Agent, for the benefit of the Agent, the Issuing Banks and the Lenders, on demand and in immediately available funds, the full amount of the Obligations (including any portion thereof which is not yet due and payable). Each Guarantor further agrees to jointly and severally pay and reimburse the Agent, the Issuing Banks and the Lenders for, on demand and in immediately available funds, (a) all fees, costs and expenses (including, without limitation, all court costs and attorneys' fees, costs and expenses) paid or incurred by the Agent, the Issuing Banks or the Lenders in: (1) endeavoring to collect all or any part of the Obligations from, or in prosecuting any action against, the Borrower or such Guarantor relating to the Credit Agreement, this Guaranty or the transactions contemplated thereby; (2) taking any action with respect to any security or collateral securing the Obligations or such Guarantor's obligations hereunder; and (3) preserving, protecting or defending the enforceability of, or enforcing, this Guaranty or the Agent's rights hereunder (all such costs and expenses are hereinafter referred to as the "Expenses") and (b) interest on (1) the Obligations which do not constitute interest, (2) to the extent permitted by applicable law, the Obligations which constitute interest, and (3) the Expenses, from the date of demand under this Guaranty until paid in full at the per annum rate of interest described in Section 4.01(d) of the Credit Agreement. Each Guarantor hereby agrees that this Guaranty is an absolute guaranty of payment and is not a guaranty of collection.

(iii) The Guarantors agree as between themselves and without limiting any liability of any Guarantor hereunder to the Agent, the Issuing Banks or the Lenders, that to the extent any payment of the Obligations of the Borrower is required to be made under this Guaranty, each Guarantor shall be responsible for a portion of such payment equal to the product of (a) a fraction, the numerator of which is the net worth (determined in accordance with GAAP) of such Guarantor on the date of such payment and the denominator of which is the aggregate net worth (computed as aforesaid) of the Guarantors, MULTIPLIED BY (b) the amount of such payment (such product being such Guarantor's "Contribution Amount"). To the extent that any Guarantor (the "Paying Guarantor") shall make a payment in respect of the Obligations of the Borrower under this Guaranty in excess of its Contribution Amount, the other Guarantors shall reimburse the Paying Guarantor

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in an amount equal to the excess of such payment over the Paying Guarantor's Contribution Amount, PRO RATA based on the respective net worths of such other Guarantors at the date enforcement under this Guaranty is sought.

(iv) Notwithstanding anything contained in this Guaranty to the contrary, the amount guaranteed by each Guarantor hereunder shall be limited to an aggregate amount which is equal to the largest amount that would not be

subject to avoidance under Section 548 of Title 11 of the United States Code (11 U.S.C. Sections 101 ET SEQ.) (the "Bankruptcy Code") or any applicable of any comparable state law.

2. OBLIGATIONS UNCONDITIONAL. Each Guarantor hereby agrees that its obligations under this Guaranty shall be unconditional, irrespective of:

(i) the validity, enforceability, avoidance or subordination of any of the Obligations or any of the Loan Documents;

(ii) the absence of any attempt by, or on behalf of, the Agent, any of the Issuing Banks or any of the Lenders to collect, or to take any other action to enforce, all or any part of the Obligations whether from or against the Borrower, any Guarantor or other guarantor of the Obligations or any other Person;

(iii) the election of any remedy by, or on behalf of, the Agent, any of the Issuing Banks or any of the Lenders with respect to all or any part of the Obligations;

(iv) the waiver, consent, extension, forbearance or granting of any indulgence by, or on behalf of, the Agent, any of the Issuing Banks or any of the Lenders with respect to any provision of any of the Loan Documents;

(v) the failure of the Agent, any of the Issuing Banks or any of the Lenders to take any steps to perfect and maintain its security interest in, or to preserve its rights to, any security or collateral for the Obligations;

(vi) the election by, or on behalf of, the Agent, any of the Issuing Banks or any of the Lenders, in any proceeding instituted under Chapter 11 of Bankruptcy Code, of the application of Section 1111(b)(2) of the Bankruptcy Code;

(vii) any borrowing or grant of a security interest by the Borrower, as debtor-in-possession, under Section 364 of the Bankruptcy Code;

(viii) the disallowance, under Section 502 of the Bankruptcy Code, of all or any portion of the claims against the Borrower of any of the Lenders, any of the Issuing Banks,

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or the Agent for repayment of all or any part of the Obligations or any Expenses; or

(ix) any other circumstance which might otherwise constitute a legal or equitable discharge or defense of the Borrower or the Guarantors.

3. ENFORCEMENT; APPLICATION OF PAYMENTS. Upon the occurrence of an Event of Default, the Agent, the Issuing Banks and/or the Lenders may proceed directly and at once, without notice, against any Guarantor to obtain performance of and to collect and recover the full amount, or any portion, of the Obligations, without first proceeding against the Borrower or any other Person, or against any security or collateral for the Obligations. Subject only to the terms and provisions of the Credit Agreement, the Lenders and the Issuing Banks shall have the exclusive right to determine the application of payments and credits, if any, from any Guarantor's, the Borrower or from any other Person on account of the Obligations or any other liability of the Guarantors to the Agent, any of the Issuing Banks or any of the Lenders.

4. WAIVERS. (i) Each Guarantor hereby waives diligence, presentment, demand of payment, filing of claims with a court in the event of receivership or bankruptcy of the Borrower, protest or notice with respect to the Obligations, all setoffs and counterclaims and all presentments, demands for performance, notices of nonperformance, protests, notices of protest, notices of dishonor and notices of acceptance of this Guaranty, the benefits of all statutes of limitation, and all other demands whatsoever (and shall not require that the same be made on the Borrower as a condition precedent to such Guarantor's obligations hereunder), and covenants that this Guaranty will not be discharged, except by complete payment (in cash) and performance of the Obligations and any other obligations contained herein. Each Guarantor further waives all notices of the existence, creation or incurring of new or additional Indebtedness, arising either from additional loans extended to the Borrower or otherwise, and also waives all notices that the principal amount, or any portion thereof, and/or any interest on any instrument or document evidencing all or any part of the Obligations is due, notices of any and all proceedings to collect from the maker, any endorser or any other guarantor of all or any part of the Obligations, or from any other Person, and, to the extent permitted by law, notices of exchange, sale, surrender or other handling of any security or collateral given to the Agent, any of the Issuing Banks or any of the Lenders to secure payment of all or any part of the Obligations.

(ii) Each Guarantor understands that if all or any part of the Obligations is secured by Real Property, such Guarantor shall be liable for the full amount of its liability under this Guaranty, notwithstanding foreclosure of such Real Property by trustee sale or any other reason impairing the right of such

Guarantor or the Agent, any of the Issuing Banks or any of the Lenders to proceed against the Borrower or the Borrower's Property. Each Guarantor hereby waives, to the fullest extent permitted by law, all rights and benefits under Section 2809 of the California Civil Code (or any similar law in any other jurisdiction) purporting to reduce a guarantor's obligation in proportion to the

principal obligation. Each Guarantor hereby waives, to the fullest extent permitted by law, all rights and benefits under: (a) Section 580a of the California Code of Civil Procedure (or any similar law in any other jurisdiction) purporting to limit the amount of any deficiency judgment which might be recoverable following the occurrence of a trustee's sale under a deed of trust, (b) Section 580b of the California Code of Civil Procedure (or any similar law in any other jurisdiction) providing that no deficiency may be recovered on a real property purchase money obligation, and (c) Section 726 of the California Code of Civil Procedure (or any similar law in any other jurisdiction) providing that only one form of action may be maintained to enforce a mortgage on real property or indebtedness secured by a mortgage on real property, if such sections, or any of them, have any application hereto or any application to such Guarantor. Each Guarantor hereby waives, to the fullest extent permitted by law, all rights and defenses arising out of an election of remedies by the Agent, any Issuing Bank or any Lender, even though that election of remedies, such as a nonjudicial foreclosure with respect to security for a guaranteed obligation, has destroyed such Guarantor's rights of subrogation and reimbursement against the Borrower by operation of Section 580d of the California Code of Civil Procedure or otherwise (or any similar law in any other jurisdiction). In addition, each Guarantor hereby waives, to the fullest extent permitted by law, without limiting the generality of the foregoing or any other provision hereof, all rights and benefits under California Civil Code Sections 2810, 2819, 2839, 2845, 2849, 2850, 2899, and 3433 (or any similar law in any other jurisdiction).

(iii) The Agent, the Issuing Banks and/or the Lenders are hereby authorized, without notice or demand and without affecting the liability of the Guarantors hereunder, from time to time, (a) to renew, extend, accelerate or otherwise change the time for payment of, or other terms relating to, all or any part of the Obligations, or to otherwise modify, amend or change the terms of any of the Loan Documents; (b) to accept partial payments on all or any part of the Obligations; (c) to take and hold security or collateral for the payment of all or any part of the Obligations, this Guaranty, or any other guaranties of all or any part of the Obligations or other liabilities of the Borrower, (d) to exchange, enforce, waive and release any such security or collateral; (e) to apply such security or collateral and direct the order or manner of sale thereof as in its discretion it may determine; (f) to settle, release, exchange, enforce, waive, compromise or collect or otherwise liquidate all or any part of the Obligations, this Guaranty, any other guaranty of all or any part of the Obligations, and any security or collateral for the

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Obligations or for any such guaranty. Any of the foregoing may be done in any manner, without affecting or impairing the obligations of the Guarantors hereunder.

5. SETOFF. At any time after all or any part of the Obligations have become due and payable (by acceleration or otherwise), the Lenders and the Issuing Banks may, without notice to any Guarantor and regardless of the acceptance of any security or collateral for the payment hereof, appropriate and apply toward the payment of all or any part of the Obligations (i) any Indebtedness due or to become due from the Lenders or the Issuing Banks to such Guarantor, and (ii) any moneys, credits or other property belonging to such Guarantor, at any time held by or coming into the possession of the Lenders or the Issuing Banks or their respective affiliates.

6. FINANCIAL INFORMATION. Each Guarantor hereby assumes responsibility for keeping itself informed of the financial condition of the Borrower and any and all other Guarantors and endorsers and/or other guarantors of all or any part of the Obligations, and of all other circumstances bearing upon the risk of nonpayment of the Obligations, or any part thereof, that diligent inquiry would reveal, and such Guarantor hereby agrees that the Agent, the Issuing Banks and the Lenders shall have no duty to advise any Guarantor of information known to it regarding such condition or any such circumstances. In the event the Agent, any of the Issuing Banks or any of the Lenders, in its sole discretion, undertakes at any time or from time to time to provide any such information to any Guarantor, the Agent, such Issuing Bank or such Lender shall be under no obligation (i) to undertake any investigation not a part of its regular business routine, (ii) to disclose any information which the Agent, such Issuing Bank or such Lender, pursuant to accepted or reasonable commercial finance or banking practices, wishes to maintain confidential or (iii) to make any other or future disclosures of such information or any other information to such Guarantor.

7. NO MARSHALLING; REINSTATEMENT. Each Guarantor consents and agrees that none of the Agent, any of the Issuing Banks or any of the Lenders or any Person acting for or on behalf of the Agent shall be under any obligation to marshall any assets in favor of any Guarantor or against or in payment of any or all of the Obligations. Each Guarantor further agrees that, to the extent that the Borrower, any Guarantor or any other guarantor of all or any part of the Obligations makes a payment or payments to the Agent or the Lenders or the Issuing Banks, or the Agent or any Lender or Issuing Bank receives any proceeds of Collateral, which payment or payments or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside and/or required to be repaid to the Borrower, any Guarantor, such other guarantor or any other Person, or their respective estates, trustees, receivers or any other party, including, without limitation, such Guarantor, under any bankruptcy law, state or

federal law, common law or equitable cause, then, to the extent of such payment or repayment, the part of the Obligations which has been paid, reduced or

satisfied by such amount shall be reinstated and continued in full force and effect as of the time immediately preceding such initial payment, reduction or satisfaction.

8. SUBROGATION. Until the Obligations shall have been paid in full, each Guarantor hereby agrees that it (i) shall have no right of subrogation with respect to such Obligations (under contract, Section 509 of the Bankruptcy Code or otherwise) or any other right of indemnity, reimbursement or contribution, and (ii) hereby waives any right to enforce any remedy which the Agent, any of the Lenders or any of the Issuing Banks now have or may hereafter have against the Borrower, any endorser or any other guarantor of all or any part of the Obligations or any other Person, and each Guarantor hereby waives any benefit of, and any right to participate in, any security or collateral given to the Agent, the Lenders and the Issuing Banks to secure the payment or performance of all or any part of the Obligations or any other liability of the Borrower to the Agent, the Lenders and the Issuing Banks.

9. SUBORDINATION. Each Guarantor agrees that any and all claims of such Guarantor against the Borrower, any other Guarantor or any endorser or other guarantor of all or any part of the Obligations, or against any of their respective properties, shall be subordinated to all of the Obligations. Notwithstanding any right of any Guarantor to ask, demand, sue for, take or receive any payment from the Borrower, all rights and Liens of such Guarantor, whether now or hereafter arising and howsoever existing, in any assets of the Borrower (whether constituting part of the Collateral or otherwise) shall be and hereby are subordinated to the rights of the Agent, the Issuing Banks or the Lenders in those assets. Such Guarantor shall have no right to possession of any such asset or to foreclose upon any such asset, whether by judicial action or otherwise, unless and until all of the Obligations shall have been fully paid and satisfied and all financing arrangements between the Borrower and the Lenders and the Issuing Banks have been terminated. If all or any part of the assets of the Borrower, or the proceeds thereof, are subject to any distribution, division or application to the creditors of the Borrower, whether partial or complete, voluntary or involuntary, and whether by reason of liquidation, bankruptcy, arrangement, receivership, assignment for the benefit of creditors or any other action or proceeding, or if the business of the Borrower is dissolved or if substantially all of the assets of the Borrower are sold, then, and in any such event, any payment or distribution of any kind or character, either in cash, securities or other property, which shall be payable or deliverable upon or with respect to any Indebtedness of the Borrower to such Guarantor ("Borrower Indebtedness") shall be paid or delivered directly to the Lenders and the Issuing Banks for application on any of the Obligations, due or to become due, until such Obligations shall have first been fully paid and satisfied. Each Guarantor

irrevocably authorizes and empowers the Agent and each of the Lenders and each

of the Issuing Banks to demand, sue for, collect and receive every such payment or distribution and give acquittance therefor and to make and present for and on behalf of such Guarantor such proofs of claim and take such other action, in the Agent's or such Lender's or Issuing Bank's own name or in the name of such Guarantor or otherwise, as the Agent or any Lender or Issuing Bank may deem necessary or advisable for the enforcement of this Guaranty. Each Lender and each Issuing Bank may vote such proofs of claim in any such proceeding, receive and collect any and all dividends or other payments or disbursements made thereon in whatever form the same may be paid or issued and apply the same on account of any of the Obligations. Should any payment, distribution, security or instrument or proceeds thereof be received by any Guarantor upon or with respect to the Borrower Indebtedness prior to the satisfaction of all of the Obligations and the termination of all financing arrangements between the Borrower and the Lenders and the Issuing Banks, such Guarantor shall receive and hold the same in trust, as trustee, for the benefit of the Agent, the Issuing Banks and the Lenders and shall forthwith deliver the same to the Agent, in precisely the form received (except for the endorsement or assignment of such Guarantor where necessary), for application to any of the Obligations, due or not due, and, until so delivered, the same shall be held in trust by such Guarantor as the property of the Agent, the Issuing Banks and the Lenders. If any Guarantor fails to make any such endorsement or assignment to the Agent, the Issuing Banks or the Lenders, the Agent, the Issuing Banks or the Lenders or any of its officers or employees are hereby irrevocably authorized to make the same. Each Guarantor agrees that until the Obligations have been paid in full (in cash) and satisfied and all financing arrangements between the Borrower and the Lenders and the Issuing Banks have been terminated, such Guarantor will not assign or transfer to any Person any claim such Guarantor has or may have against the Borrower.

10. ENFORCEMENT; AMENDMENTS; WAIVERS. No delay on the part of the Agent, any of the Issuing Banks or any of the Lenders in the exercise of any right or remedy arising under this Guaranty, the Credit Agreement, any of the other Loan Documents or otherwise with respect to all or any part of the Obligations, the Collateral or any other guaranty of or security for all or any part of the Obligations shall operate as a waiver thereof, and no single or partial exercise by the Agent, any of the Issuing Banks or any of the Lenders of any such right or remedy shall preclude any further exercise thereof. No modification or waiver of any of the provisions of this Guaranty shall be binding upon the Agent, any of the Issuing Banks or any of the Lenders, except as expressly set forth in a writing duly signed and delivered by the Agent. Failure by the Agent or any of the Lenders at any time or times hereafter to require strict performance by the Borrower, any Guarantor, any other guarantor of all or any part of the Obligations or any other Person of any of the provisions, warranties, terms and conditions contained in any of the Loan

delivered to the Agent, any of the Issuing Banks or any of the Lenders shall not waive, affect or diminish any right of the Agent, any of the Issuing Banks or any of the Lenders at any time or times hereafter to demand strict performance thereof and such right shall not be deemed to have been waived by any act or knowledge of the Agent, any of the Issuing Banks or any of the Lenders, or its agents, officers or employees, unless such waiver is contained in an instrument in writing, directed and delivered to the Borrower or the Guarantors, as applicable, specifying such waiver, and is signed by the Agent. No waiver of any Event of Default by the Lenders shall operate as a waiver of any other Event of Default or the same Event of Default on a future occasion, and no action by the Agent, any of the Issuing Banks or any of the Lenders permitted hereunder shall in any way affect or impair the Agent's, any Issuing Bank's or any Lender's rights and remedies or the obligations of the Guarantors under this Guaranty. Any determination by a court of competent jurisdiction of the amount of any principal and/or interest owing by the Borrower to the Agent, the Lenders and the Issuing Banks shall be conclusive and binding on each Guarantor irrespective of whether such Guarantor was a party to the suit or action in which such determination was made.

11. EFFECTIVENESS; TERMINATION. This Guaranty shall become effective against any Guarantor upon its execution by such Guarantor and shall continue in full force and effect and may not be terminated or otherwise revoked until the Obligations (other than indemnities not yet due) shall have been fully paid (in cash) and discharged and the Credit Agreement and the Revolving Credit Commitments shall have been terminated. If, notwithstanding the foregoing, any Guarantor shall have any right under applicable law to terminate or revoke its obligations under this Guaranty, such Guarantor agrees that such termination or revocation shall not be effective until a written notice of such revocation or termination, specifically referring hereto, signed by such Guarantor, is actually received by the Agent. Such notice shall not affect the right and power of the Agent, any of the Issuing Banks or any of the Lenders to enforce rights arising prior to receipt thereof by the Agent, the Issuing Banks and the Lenders. If any of the Lenders or Issuing Banks grants loans or takes other action after such Guarantor terminates or revokes its obligations under this Guaranty but before such Lender or Issuing Bank receives such written notice, the rights of such Lender or such Issuing Bank with respect thereto shall be the same as if such termination or revocation had not occurred.

12. SUCCESSORS AND ASSIGNS. This Guaranty shall be binding upon each Guarantor and upon the successors and assigns of such Guarantor and shall inure to the benefit of the Agent, the Issuing Banks and the Lenders and their respective successors and assigns; all references herein to the Borrower and to the Guarantors shall be deemed to include their respective successors and assigns. The successors and assigns of the Guarantors and the

Borrower shall include, without limitation, their respective receivers, trustees

or debtors-in-possession. All references to the singular shall be deemed to include the plural where the context so requires.

13. OFFICER AUTHORITY. Each Guarantor authorizes its Chairman, President, and each of its Executive Vice Presidents and Vice Presidents, respectively, from time to time, severally and not jointly, on behalf and in the name of such Guarantor from time to time in the discretion of such officer, to take or omit to take any and all actions and to execute and deliver any and all documents and instruments which such officer may determine to be necessary or desirable in relation to, and perform any obligations arising in connection with, this Guaranty and any of the transactions contemplated hereby, and, without limiting the generality of the foregoing, hereby gives to each such officer severally the power and right on behalf of such Guarantor, without notice to or assent by such Guarantor, to do the following: (i) to execute and deliver any amendment, waiver, consent, supplement, other modification or reaffirmation of its obligations under this Guaranty or any document covering any of the security for such Guarantor's obligations under this Guaranty, and to perform any obligation arising in connection herewith or therewith; (ii) to sell, transfer, assign, encumber or otherwise deal in or with the security for such Guarantor's obligations under this Guaranty or any part thereof; (iii) to grant liens, security interests or other encumbrances on or in respect of any property or assets of such Guarantor, whether now owned or hereafter acquired, in favor of the Agent; (iv) to send notices, directions, orders and other communications to any Person relating to this Guaranty, or the security for all or any part of the Obligations; (v) to take or omit to take any other action contemplated by or referred to in this Guaranty or any document covering any of the security for all or any part of the Obligations; and (vi) to take or omit to take any action with respect to this Guaranty, any of the security for all or any part of the Obligations or any document covering any such security, all as such officer may determine in his or her sole discretion. The undersigned with respect to each Guarantor hereby certifies that he/she has all necessary authority to grant and execute this Guaranty on behalf of such Guarantor.

14. GOVERNING LAW. THIS GUARANTY SHALL BE CONSTRUED AND ENFORCED AND THE RIGHTS AND DUTIES OF THE PARTIES SHALL BE GOVERNED IN ALL RESPECTS IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK.

15. CERTAIN CONSENTS AND WAIVERS.

(a) PERSONAL JURISDICTION. TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, (i) EACH OF THE AGENT AND THE GUARANTORS IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE NONEXCLUSIVE JURISDICTION OF ANY NEW YORK STATE COURT OR FEDERAL COURT SITTING IN NEW YORK, NEW YORK, AND ANY COURT HAVING JURISDICTION OVER APPEALS OF MATTERS HEARD IN

SUCH COURTS, IN ANY ACTION OR PROCEEDING ARISING OUT OF, CONNECTED WITH, RELATED TO OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED AMONG THEM IN CONNECTION WITH THIS AGREEMENT, WHETHER ARISING IN CONTRACT, TORT, EQUITY OR OTHERWISE, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH STATE COURT OR IN SUCH FEDERAL COURT. EACH OF THE GUARANTORS IRREVOCABLY DESIGNATES AND APPOINTS CT CORPORATION SYSTEMS AT 1633 BROADWAY, NEW YORK, NEW YORK 10019, AS ITS RESPECTIVE PROCESS AGENT (THE "PROCESS AGENT") FOR SERVICE OF ALL PROCESS IN ANY SUCH PROCEEDING IN ANY SUCH COURT, SUCH SERVICE BEING HEREBY ACKNOWLEDGED TO BE EFFECTIVE AND BINDING SERVICE IN EVERY RESPECT. EACH OF THE AGENT AND THE GUARANTORS AGREES THAT A FINAL NONAPPEALABLE JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. EACH OF THE AGENT AND THE GUARANTORS WAIVES IN ALL DISPUTES ANY OBJECTION THAT IT MAY HAVE TO THE LOCATION OF THE COURT CONSIDERING THE DISPUTE IN ANY SUCH ACTION OR PROCEEDING IN SUCH STATE COURT OR IN SUCH FEDERAL COURT.

(ii) EACH OF THE GUARANTORS AGREES THAT THE AGENT SHALL HAVE THE RIGHT TO PROCEED AGAINST EACH OF THE GUARANTORS OR ITS RESPECTIVE PROPERTY IN A COURT HAVING JURISDICTION IN ANY LOCATION TO ENABLE THE AGENT, THE ISSUING BANKS AND THE LENDERS TO REALIZE ON THE COLLATERAL OR ANY OTHER SECURITY FOR THE OBLIGATIONS, OR TO ENFORCE A JUDGMENT OR OTHER COURT ORDER ENTERED IN FAVOR OF THE AGENT, ANY ISSUING BANK OR ANY LENDER. EACH OF THE GUARANTORS WAIVES ANY OBJECTION THAT IT MAY HAVE TO THE LOCATION OF THE COURT IN WHICH THE AGENT, ANY ISSUING BANK OR ANY LENDER MAY COMMENCE A PROCEEDING DESCRIBED IN THIS SECTION.

(b) SERVICE OF PROCESS. TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW: EACH OF THE GUARANTORS IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS OF ANY OF THE AFOREMENTIONED COURTS IN ANY SUCH ACTION OR PROCEEDING BY THE MAILING OF COPIES THEREOF BY REGISTERED OR CERTIFIED MAIL, POSTAGE PREPAID, TO THE PROCESS AGENT OR THE GUARANTOR'S NOTICE ADDRESS SPECIFIED PURSUANT TO SECTION 18 HEREOF, SUCH SERVICE TO BECOME EFFECTIVE TEN (10) DAYS AFTER SUCH MAILING. EACH OF THE AGENT AND THE GUARANTORS IRREVOCABLY WAIVES ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY SUCH ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT IN ANY JURISDICTION SET FORTH ABOVE. NOTHING HEREIN SHALL AFFECT THE RIGHT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR SHALL LIMIT THE RIGHT OF THE AGENT TO BRING PROCEEDINGS AGAINST EACH OF THE GUARANTORS IN THE COURTS OF ANY OTHER JURISDICTION.

(c) WAIVER OF JURY TRIAL. EACH OF THE AGENT AND THE GUARANTORS IRREVOCABLY WAIVES TRIAL BY JURY IN ANY ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT.

16. WAIVER OF BOND. Each Guarantor waives the posting of any bond otherwise required of the Agent in connection with any judicial process or proceeding to realize on the Collateral or any other security for the Obligations, to enforce any judgment or other court order entered in favor of the Agent, or to enforce by specific performance, temporary restraining order, or preliminary or permanent injunction, this Guaranty or any other agreement or document between the Agent and such Guarantor.

17. ADVICE OF COUNSEL. Each Guarantor represents and warrants to the Agent that it has discussed this Guaranty and, specifically, the provisions of SECTIONS 14 through 16 hereof, with such Guarantor's lawyers.

18. NOTICES. All notices and other communications required or desired to be served, given or delivered hereunder shall be in writing or by a telecommunications device capable of creating a printed record and shall be addressed to the party to be notified as follows:

if to any Guarantor, at:

Hexcel Corporation
5794 West Las Positas Boulevard
Pleasanton, California 94588
Attention: Treasurer

if to the Agent, at:

Citicorp USA, Inc.
399 Park Avenue
6th Floor, Zone 4
New York, New York 10043
Attention: Keith R. Karako
Telecopier No.: (212) 793-1290
Confirmation No.: (212) 559-3149

with a copy to:

Sidley & Austin
875 Third Avenue
New York, New York 10022
Attention: Daniel S. Dokos, Esq.
Telecopier No.: (212) 906-2021
Confirmation No.: (212) 906-2312

or, as to each party, at such other address as designated by such party in a written notice to the other party. All such notices and communications shall be deemed to be validly served, given or delivered (i) ten (10) days following deposit in the United States mails, with proper postage prepaid; (ii) upon delivery thereof if delivered by hand to the party to be notified; (iii) upon delivery thereof to a reputable overnight courier service, with delivery

charges prepaid; or (iv) upon confirmation of receipt thereof if transmitted by a telecommunications device.

19. SEVERABILITY. Wherever possible, each provision of this Guaranty shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Guaranty shall be prohibited by or invalid under such law, such provision shall be ineffective to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Guaranty.

20. COLLATERAL. Each Guarantor hereby acknowledges and agrees that its obligations under this Guaranty are secured pursuant to the terms and provisions of the Loan Documents to which it is a party.

21. MERGER. This Guaranty represents the final agreement of each Guarantor with respect to the matters contained herein and may not be contradicted by evidence of prior or contemporaneous agreements, or subsequent oral agreements, between such Guarantor and the Agent.

22. REPRESENTATIONS AND WARRANTIES; COVENANTS. (a) Each Guarantor represents and warrants that as of the date of this Guaranty (and as of each date the representations and warranties of the Borrower and its Restricted Subsidiaries are made or deemed made pursuant to the Credit Agreement), and until the termination of this Guaranty pursuant to SECTION 11 above, all of the representations and warranties contained in SECTION 6.01 and relating to such Guarantor are true and correct in all material respects.

(b) Each Guarantor covenants and agrees with the Agent that from and after the date of this Guaranty and until the termination of this Guaranty pursuant to SECTION 11 above, such Guarantor will comply with all of the covenants contained in the Credit Agreement applicable to Restricted Subsidiaries of the Borrower.

23. EXECUTION IN COUNTERPARTS. This Guaranty may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

24. ADDITIONAL GUARANTORS. Each of the Guarantors agrees that, if pursuant to the Credit Agreement the Borrower shall be required to cause any Restricted Subsidiary that is not a Guarantor to become a Guarantor, such Restricted Subsidiary shall execute and deliver a Subsidiary Guaranty Supplement in the form of Exhibit A attached hereto and shall for all purposes be a party hereto and have the same rights, benefits and obligations as a Guarantor party hereto on the Closing Date.

IN WITNESS WHEREOF, this Guaranty has been duly executed by each Guarantor as of the day and year first set forth above.

HEXCEL INTERNATIONAL

By _____
Name:
Title:

HEXCEL FAR EAST

By _____
Name:
Title:

HEXCEL TECHNOLOGIES, INC.

By _____
Name:
Title:

Acknowledged and agreed to
as of the __ day of February, 1995.

CITICORP USA, INC., as Agent

By: _____
Name:
Title:

EXHIBIT A TO SUBSIDIARY GUARANTY

SUBSIDIARY GUARANTY SUPPLEMENT

The undersigned hereby agrees to be bound as a Guarantor for purposes of the Subsidiary Guaranty dated as of February __, 1995, among certain Restricted Subsidiaries of Hexcel Corporation listed on the signature pages thereof and acknowledged by Citicorp USA, Inc., as Agent, and the undersigned hereby acknowledges receipt of a copy of the Guaranty. Capitalized terms used herein are used with the meanings given them in the Guaranty.

Agreed to this ___ day of _____, _____.

[NAME OF GUARANTOR]

By: _____

Name:

Title:

Notice Address:

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EXHIBIT L
TO CREDIT AGREEMENT
DATED AS OF FEBRUARY 8, 1995

FORM OF TRADEMARK SECURITY AGREEMENT

THIS TRADEMARK SECURITY AGREEMENT ("Agreement") is made as of February 8, 1995, by and between Hexcel Corporation, a Delaware corporation ("Borrower") and Citicorp USA, Inc. ("Citicorp"), in its separate capacity as agent for the Lenders and the Issuing Banks (with its successors and permitted assigns in such capacity, the "Agent") under that certain Credit Agreement dated as of February 8, 1995 (as amended, restated, supplemented or otherwise modified

from time to time, the "Credit Agreement") among the Borrower, the financial institutions from time to time party thereto as Lenders (the "Lenders"), the financial institutions from time to time party thereto as Issuing Banks (the "Issuing Banks"), and Citicorp, as Agent.

W I T N E S S E T H:

WHEREAS, the Borrower is a party to the Credit Agreement, pursuant to which the Lenders and the Issuing Banks have agreed to make loans and other financial accommodations to the Borrower from time to time; and

WHEREAS, the Borrower and the Agent are parties to that certain Security Agreement of even date herewith (as the same may hereafter be amended, restated, supplemented or otherwise modified from time to time, the "Security Agreement"), pursuant to which the Borrower has granted a security interest in certain of its assets to the Agent for the benefit of the Agent, the Lenders, the Issuing Banks and the other Holders; and

WHEREAS, in order to secure the prompt and complete payment, observance and performance of (i) all of the Obligations and (ii) all of the Borrower's obligations and liabilities hereunder and in connection herewith (all such obligations and liabilities hereunder and the Obligations being hereinafter referred to as the "Liabilities"), the Agent, the Lenders and the Issuing Banks have required as a condition, among others, to entering into the Credit Agreement that the Borrower execute and deliver this Agreement;

NOW, THEREFORE, in consideration of the premises set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Borrower agrees as follows:

1. DEFINED TERMS.

(a) Unless otherwise defined herein, each capitalized term used herein that is defined in the Credit Agreement shall have the meaning specified for such term in the Credit Agreement.

(b) The words "hereof," "herein," "hereby" and "hereunder" and words of like import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and section references are to this Agreement unless otherwise specified.

(c) All terms defined in this Agreement in the singular shall have comparable meanings when used in the plural, and VICE VERSA, unless otherwise specified.

2. INCORPORATION OF PREMISES. The premises set forth above are incorporated into this Agreement by this reference thereto and are made a part hereof.

3. SECURITY INTEREST IN TRADEMARKS. To secure the complete and timely payment, performance and satisfaction of all of the Liabilities, the Borrower hereby grants to the Agent, for the benefit of the Agent, the Lenders, the Issuing Banks and the other Holders, a security interest in, as and by way of a first mortgage and security interest having priority over all other security interests, with power of sale to the extent permitted by applicable law, all of the Borrower's now owned or existing and hereafter acquired or arising:

(i) trademarks, registered trademarks, trademark applications, service marks, registered service marks and service mark applications, including, without limitation, the trademarks, registered trademarks, trademark applications, service marks, registered service marks and service mark applications listed on SCHEDULE A attached hereto and made a part hereof, and (a) all renewals thereof, (b) all income, royalties, damages and payments now and hereafter due and/or payable under and with respect thereto, including, without limitation, payments under all licenses entered into in connection therewith and damages and payments for past or future infringements or dilutions thereof, (c) the right to sue for past, present and future infringements and dilutions thereof, (d) the goodwill of the Borrower's business symbolized by the foregoing and connected therewith, and (e) all of the Borrower's rights corresponding thereto throughout the world (all of the foregoing trademarks, registered trademarks and trademark applications, and service marks, registered service marks and service mark applications, together with the items described in CLAUSES (a) through (e) in this PARAGRAPH 3(i), are sometimes hereinafter individually and/or collectively referred to as the "Trademarks"); and

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(ii) rights under or interest in any trademark license agreements or service mark license agreements with any other party, whether the Borrower is a licensee or licensor under any such license agreement, including, without limitation, those trademark license agreements and service mark license agreements listed on SCHEDULE B attached hereto and made a part hereof, in each case to the extent assignable without violation thereof, together with any goodwill connected with and symbolized by any such trademark license agreements or service mark license agreements, and the right to prepare for sale and sell any and all Inventory now or hereafter owned by the Borrower and now or hereafter covered by such licenses (all of the foregoing are hereinafter referred to collectively as the "Licenses").

4. RESTRICTIONS ON FUTURE AGREEMENTS. The Borrower will not, without the Agent's prior written consent (which shall not be unreasonably withheld), enter into any agreement, including, without limitation, any license

agreement, which is inconsistent with this Agreement, and the Borrower further agrees that it will not take any action, and will use its best efforts not to permit any action to be taken by others, including, without limitation, licensees, or fail to take any action, which would in any respect affect the validity or enforcement of the rights transferred to the Agent under this Agreement or the rights associated with any material Trademarks or Licenses.

5. NEW TRADEMARKS AND LICENSES. The Borrower represents and warrants that, from and after the Closing Date, to the best of its knowledge after reasonable inquiry, (a) the Trademarks listed on SCHEDULE A include all of the registered trademarks, trademark applications, registered service marks and service mark applications now owned or held by the Borrower, (b) the Licenses listed on SCHEDULE B include all of the trademark license agreements and service mark license agreements under which the Borrower is the licensee or licensor and which are material individually or in the aggregate to the operation of the business of the Borrower and (c) other than the rights of any party to the Licenses with respect to the Trademarks, no liens, claims or security interests in such Trademarks and Licenses have been granted by the Borrower to any Person other than the Agent. If, prior to the termination of this Agreement, the Borrower shall (i) obtain rights to any new trademarks, registered trademarks, trademark applications, service marks, registered service marks or service mark applications, (ii) become entitled to the benefit of any trademarks, registered trademarks, trademark applications, trademark licenses, trademark license renewals, service marks, registered service marks, service mark applications, service mark licenses or service mark license renewals, whether as licensee or licensor, or (iii) enter into any new trademark license agreement or service mark license agreement, the provisions of PARAGRAPH 3 above shall automatically apply thereto. The Borrower shall give to the

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Agent written notice of events described in CLAUSES (i), (ii) and (iii) of the preceding sentence not less frequently than on an annual basis. The Borrower hereby authorizes the Agent to modify this Agreement unilaterally (i) by amending SCHEDULE A to include any future trademarks, registered trademarks, trademark applications, service marks, registered service marks and service mark applications owned or held by Borrower or to prepare this Agreement for filing with the Patent and Trademark Office and by amending SCHEDULE B to include any trademark license agreements and service mark license agreements to which Borrower becomes a party, which are Trademarks or Licenses under PARAGRAPH 3 above or under this PARAGRAPH 5, and (ii) by filing, in addition to and not in substitution for this Agreement, a duplicate original of this Agreement containing on SCHEDULE A or B thereto, as the case may be, such future trademarks, registered trademarks, trademark applications, service marks, registered service marks and service mark applications, and trademark license agreements and service mark license agreements.

6. ROYALTIES. The Borrower hereby agrees that the use by the

Agent of the Trademarks and Licenses as authorized hereunder in connection with the Agent's exercise of its rights and remedies under PARAGRAPH 14 hereof or pursuant to SECTION 7 of the Security Agreement shall be coextensive with the Borrower's rights thereunder and with respect thereto and without any liability for royalties or other related charges from the Agent, the Lenders, the Issuing Banks or any other Holder to the Borrower.

7. RIGHT TO INSPECT; FURTHER ASSIGNMENTS AND SECURITY INTERESTS. The Agent may at all reasonable times (and at any time when a Default or Event of Default exists) have access to, examine, audit, make copies (at the Borrower's expense) and extracts from and inspect the Borrower's premises and examine the Borrower's books, records and operations relating to the Trademarks and Licenses; PROVIDED, that in conducting such inspections and examinations, the Agent shall use reasonable efforts not to disturb unnecessarily the conduct of the Borrower's ordinary business operations. From and after the occurrence of a Default or Event of Default, the Borrower agrees that the Agent, or a conservator appointed by the Agent, shall have the right to establish such reasonable additional product quality controls as the Agent or such conservator, in its sole and absolute judgment, may deem necessary to assure maintenance of the quality of products sold by the Borrower under the Trademarks and the Licenses or in connection with which such Trademarks and Licenses are used. The Borrower agrees (i) except as provided in SECTION 9.02 of the Credit Agreement, not to sell or assign its respective interests in, or grant any license under, the Trademarks or the Licenses without the prior and express written consent of the Agent, (ii) to maintain the quality of such products as of the date hereof, and (iii) not to

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change the quality of such products in any material respect without the Agent's prior and express written consent.

8. NATURE AND CONTINUATION OF THE AGENT'S SECURITY INTEREST; TERMINATION OF THE AGENT'S SECURITY INTEREST; RELEASE OF COLLATERAL.

(a) This Agreement is made for collateral security purposes only. This Agreement shall create a continuing security interest in the Trademarks and Licenses and shall terminate only when the Liabilities have been paid in full in cash and the Credit Agreement and the Security Agreement have been terminated. Upon such termination and at the written request of the Borrower or its successors or assigns, and at the cost and expense of the Borrower or its successors or assigns, the Agent shall execute in a timely manner such instruments, documents or agreements as are necessary or desirable to terminate the Agent's security interest in the Trademarks and the Licenses, subject to any disposition thereof which may have been made by the Agent pursuant to this Agreement or the Security Agreement.

(b) Notwithstanding anything in this Agreement to the contrary,

the Borrower may, to the extent permitted by SECTION 9.02 of the Credit Agreement sell, assign, transfer or otherwise dispose of any Trademarks and any Licenses. In addition, the Trademarks and Licenses shall be subject to release from time to time (with the Trademarks and Licenses referred to in the immediately preceding sentence, the "Released Collateral") in accordance with SECTION 12.09(c) of the Credit Agreement. The Liens under this Agreement shall terminate with respect to the Released Collateral upon such sale, transfer, assignment, disposition or release, and upon the request of the Borrower, the Agent shall execute and deliver such instrument or document as may be necessary to release the Liens granted hereunder; PROVIDED, HOWEVER, that (i) the Agent shall not be required to execute any such documents on terms which, in the Agent's opinion, would expose the Agent to liability or create any obligation or entail any consequence other than the release of such Liens without recourse or warranty, and (ii) such release shall not in any manner discharge, affect or impair the Liabilities or any Liens on (or obligations of the Borrower in respect of) all interests retained by the Borrower, including without limitation, the proceeds of any sale, all of which shall continue to constitute part of the Trademarks and Licenses.

9. DUTIES OF THE BORROWER. The Borrower shall have the duty, to the extent desirable in the normal conduct of the Borrower's business, to: (i) prosecute diligently any material trademark application or service mark application that is part of the Trademarks pending as of the date hereof or hereafter until the termination of this Agreement, and (ii) make application for the registration of trademarks or service marks used or adopted by the Borrower. The Borrower further agrees (i) not to abandon

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any material Trademark or License without the prior written consent of the Agent, and (ii) to use its reasonable best efforts to obtain and maintain in full force and effect the Trademarks and the Licenses that are or shall be necessary or economically desirable in the operation of the Borrower's business. Any expenses incurred in connection with the foregoing shall be borne by the Borrower. Neither the Agent, any of the Lenders nor any of the Issuing Banks shall have any duty with respect to the Trademarks and Licenses. Without limiting the generality of the foregoing, neither the Agent, any of the Lenders nor any of the Issuing Banks shall be under any obligation to take any steps necessary to preserve rights in the Trademarks or Licenses against any other parties, but the Agent may do so at its option from and after the occurrence of an Event of Default, and all expenses incurred in connection therewith shall be for the sole account of the Borrower and shall be added to the Liabilities secured hereby.

10. THE AGENT'S RIGHT TO SUE. From and after the occurrence of an Event of Default, the Agent shall have the right, but shall not be obligated, to bring suit in its own name to enforce the Trademarks and the Licenses and, if the Agent shall commence any such suit, the Borrower shall, at the request of

the Agent, do any and all lawful acts and execute any and all proper documents required by the Agent in aid of such enforcement. The Borrower shall, upon demand, promptly reimburse the Agent for all costs and expenses incurred by the Agent in the exercise of its rights under this PARAGRAPH 10 (including, without limitation, reasonable fees and expenses of attorneys for the Agent).

11. WAIVERS. The Agent's failure, at any time or times hereafter, to require strict performance by the Borrower of any provision of this Agreement shall not waive, affect or diminish any right of the Agent thereafter to demand strict compliance and performance therewith nor shall any course of dealing between the Borrower and the Agent have such effect. No single or partial exercise of any right hereunder shall preclude any other or further exercise thereof or the exercise of any other right. None of the undertakings, agreements, warranties, covenants and representations of the Borrower contained in this Agreement shall be deemed to have been suspended or waived by the Agent unless such suspension or waiver is in writing signed by an officer of the Agent and directed to the Borrower specifying such suspension or waiver.

12. SEVERABILITY. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but the provisions of this Agreement are severable, and if any clause or provision shall be held invalid and unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall affect only such clause or provision, or part hereof, in such

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jurisdiction, and shall not in any manner affect such clause or provision in any other jurisdiction, or any other clause or provision of this Agreement in any jurisdiction.

13. MODIFICATION. This Agreement cannot be altered, amended or modified in any way, except as specifically provided in PARAGRAPH 5 hereof or by a writing signed by the parties hereto.

14. CUMULATIVE REMEDIES; POWER OF ATTORNEY. The Borrower hereby designates, constitutes and appoints the Agent (and all Persons designated by the Agent in its sole and absolute discretion) as the Borrower's true and lawful attorney-in-fact, and authorizes the Agent and any of the Agent's designees, in the Borrower's or the Agent's name, to take any action and execute any instrument which the Agent may deem necessary or advisable to accomplish the purposes of this Agreement, including, without limitation, from and after the occurrence of an Event of Default, to (i) endorse the Borrower's name on all applications, documents, papers and instruments necessary or desirable for the Agent in the use, prosecution or protection of the Trademarks or the Licenses, (ii) assign, pledge, convey or otherwise transfer title in or dispose of the Trademarks or the Licenses to anyone on commercially reasonable terms, (iii)

grant or issue any exclusive or nonexclusive license under the Trademarks or under the Licenses, to anyone on commercially reasonable terms, and (iv) take any other actions with respect to the Trademarks or, to the extent permitted, the Licenses as the Agent, any of the Lenders or any of the Issuing Banks deems in its or their own best interest. The Borrower hereby ratifies all that such attorney shall lawfully do or, to the extent permitted, cause to be done by virtue hereof. This power of attorney is coupled with an interest and shall be irrevocable until all of the Obligations shall have been paid in full in cash and the Credit Agreement shall have been terminated. The Borrower acknowledges and agrees that this Agreement is not intended to limit or restrict in any way the rights and remedies of the Agent, any of the Lenders or any of the Issuing Banks under the Security Agreement, but rather is intended to facilitate the exercise of such rights and remedies.

The Agent shall have, in addition to all other rights and remedies given it by the terms of this Agreement, all rights and remedies allowed by law and the rights and remedies of a secured party under the Uniform Commercial Code as enacted in any jurisdiction in which the Trademarks or the Licenses may be located or deemed located. Upon the occurrence of an Event of Default and the election by the Agent to exercise any of its remedies under Section 9-504 or Section 9-505 of the Uniform Commercial Code with respect to the Trademarks and Licenses, the Borrower agrees to assign, convey and otherwise transfer title in and to the Trademarks and the Licenses to the Agent or any transferee of the Agent and to execute and deliver to the Agent

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or any such transferee all such agreements, documents and instruments as may be necessary, in the Agent's sole discretion, to effect such assignment, conveyance and transfer. All of the Agent's rights and remedies with respect to the Trademarks and the Licenses, whether established hereby, by the Security Agreement, by any other agreements or by law, shall be cumulative and may be exercised separately or concurrently. Notwithstanding anything set forth herein to the contrary, it is hereby expressly agreed that upon the occurrence of an Event of Default, the Agent may exercise any of the rights and remedies provided in this Agreement, the Security Agreement and any of the other Loan Documents. The Borrower agrees that any notification of intended disposition of any of the Trademarks and Licenses required by law shall be deemed reasonable and properly given if given at least ten (10) days before such disposition; PROVIDED, HOWEVER, that the Agent may give any shorter notice that is commercially reasonable under the circumstances. Further, notwithstanding anything set forth herein to the contrary, in exercising any rights provided in this Agreement or any of the other Loan Documents the Agent shall not cause any of the Trademarks to be abandoned by assignment or conveyance of a Trademark separate from the goodwill symbolized by such mark.

15. SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon the Borrower and its successors and assigns, and shall inure to the benefit of each of the Agent, the Lenders and the Issuing Banks and their respective nominees, successors and assigns. The Borrower's successors and assigns shall include, without limitation, a receiver, trustee or debtor-in-possession of or for the Borrower; PROVIDED, HOWEVER, that the Borrower shall not voluntarily assign or transfer its rights or obligations hereunder without the Agent's prior written consent.

16. GOVERNING LAW. THIS AGREEMENT SHALL BE CONSTRUED AND ENFORCED AND THE RIGHTS AND DUTIES OF THE PARTIES SHALL BE GOVERNED IN ALL RESPECTS IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK.

17. NOTICES. All notices or other communications hereunder shall be given in the manner and to the addresses set forth in SECTION 13.08 of the Credit Agreement.

18. SECTION TITLES. The section titles herein are for convenience of reference only, and shall not affect in any way the interpretation of any of the provisions hereof.

19. EXECUTION IN COUNTERPARTS. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

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20. CONSENT TO JURISDICTION AND SERVICE OF PROCESS. The Borrower agrees that the terms of SECTION 13.17 of the Credit Agreement with respect to consent to jurisdiction and service of process shall apply equally to this Agreement.

21. WAIVER OF JURY TRIAL. EACH OF THE BORROWER AND THE AGENT WAIVES ANY RIGHT TO TRIAL BY JURY IN ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT, OR OTHERWISE, BETWEEN THE AGENT AND THE BORROWER ARISING OUT OF OR RELATED TO THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT OR ANY OTHER INSTRUMENT, DOCUMENT, OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HEREWITH. EITHER THE BORROWER OR THE AGENT MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

HEXCEL CORPORATION

By: _____
Name:
Title:

Accepted and agreed to as of the day and
year first above written.

CITICORP USA, INC.,
as Agent

By: _____
Name:
Title:

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SCHEDULE A
TO
TRADEMARK SECURITY AGREEMENT
DATED AS OF FEBRUARY __, 1995

TRADEMARKS, ETC., AND APPLICATIONS

[All trademarks, registered trademarks, trademark applications,
service marks, registered service marks and service mark
applications now owned or held by the Borrower.]

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SCHEDULE B
TO

EXHIBIT M
TO CREDIT AGREEMENT
DATED AS OF FEBRUARY 8, 1995

FORM OF PATENT SECURITY AGREEMENT

THIS PATENT SECURITY AGREEMENT ("Agreement") is made as of February 8, 1995, by and between Hexcel Corporation, a Delaware corporation ("Borrower") and Citicorp USA, Inc. ("Citicorp"), in its separate capacity as agent for the Lenders and the Issuing Banks (with its successors and permitted assigns in such capacity, the "Agent") under that certain Credit Agreement dated as of February 8, 1995 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement") among the Borrower, the financial institutions from time to time party thereto as Lenders (the "Lenders"), the financial institutions from time to time party thereto as Issuing Banks (the "Issuing Banks"), and Citicorp, as Agent.

W I T N E S S E T H:

WHEREAS, the Borrower is a party to the Credit Agreement, pursuant to which the Lenders and the Issuing Banks have agreed to make loans and other financial accommodations to the Borrower from time to time; and

WHEREAS, the Borrower and the Agent are parties to that certain Security Agreement of even date herewith (as the same has heretofore and may hereafter be amended, restated, supplemented or otherwise modified, from time to time, the "Security Agreement"), pursuant to which the Borrower has granted a security interest in certain of its assets to the Agent for the benefit of the Agent, the Lenders, the Issuing Banks and the other Holders; and

WHEREAS, in order to secure the prompt and complete payment, observance and performance of (i) all of the Obligations and (ii) all of the Borrower's obligations and liabilities hereunder and in connection herewith (all such obligations liabilities hereunder and the Obligations being referred to as the "Liabilities"), the Agent, the Lenders and the Issuing Banks have required as a condition, among others, to entering into the Credit

Agreement that the Borrower execute and deliver this Agreement;

NOW, THEREFORE, in consideration of the premises set forth herein and for other good and valuable consideration, the

receipt and sufficiency of which are hereby acknowledged, the Borrower agrees as follows:

1. DEFINED TERMS.

(a) Unless otherwise defined herein, each capitalized term used herein that is defined in the Credit Agreement shall have the meaning specified for such term in the Credit Agreement.

(b) The words "hereof," "herein," "hereby" and "hereunder" and words of like import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and section references are to this Agreement unless otherwise specified.

(c) All terms defined in this Agreement in the singular shall have comparable meanings when used in the plural, and VICE VERSA, unless otherwise specified.

2. INCORPORATION OF PREMISES. The premises set forth above are incorporated into this Agreement by this reference thereto and are made a part hereof.

3. SECURITY INTEREST IN PATENTS. To secure the complete and timely payment, performance and satisfaction of all of the Liabilities, the Borrower hereby grants to the Agent, for the benefit of the Agent, the Lenders, the Issuing Banks and the other Holders, a security interest in, as and by way of a first mortgage and security interest having priority over all other security interests, with power of sale to the extent permitted by applicable law, all of the Borrower's now owned or existing and hereafter acquired or arising:

(i) patents and patent applications, and the inventions and improvements described and claimed therein, including, without limitation, those patents and patent applications listed on SCHEDULE A attached hereto and made a part hereof, and (a) the reissues, divisions, continuations, renewals, extensions and continuations-in-part thereof, (b) all income, royalties, damages and payments now and hereafter due and/or payable under and with respect thereto, including, without limitation, payments under all licenses entered into in connection therewith and damages and payments for past or future infringements thereof, (c) the right to sue for past, present and future infringements thereof, (d) all

patented technology and know-how, and (e) all of the Borrower's rights corresponding thereto throughout the world (all of the foregoing patents and applications, together with the items described in CLAUSES (a) through (e) in this PARAGRAPH 3(i) are sometimes hereinafter individually and/or collectively referred to as the "Patents"); and

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(ii) rights under or interest in any patent license agreements with any other party, whether the Borrower is a licensee or licensor under any such license agreement, including, without limitation, those patent license agreements listed on SCHEDULE B attached hereto and made a part hereof, in each case to the extent assigned without violation thereof, and the right to prepare for sale and sell any and all Inventory now or hereafter owned by the Borrower and now or hereafter covered by such licenses (all of the foregoing are hereinafter referred to collectively as the "Licenses").

4. RESTRICTIONS ON FUTURE AGREEMENTS. The Borrower will not, without the Agent's prior written consent (which shall not be unreasonably withheld), enter into any agreement, including, without limitation, any license agreement, which is inconsistent with this Agreement, and the Borrower further agrees that it will not take any action, and will use its reasonable best efforts not to permit any action to be taken by others, including, without limitation, licensees, or fail to take any action, which would in any respect affect the validity or enforcement of the rights transferred to the Agent under this Agreement or the rights associated with any material Patents or Licenses.

5. NEW PATENTS AND LICENSES. The Borrower represents and warrants that, from and after the Closing Date, to the best of its knowledge, after reasonable inquiry, (a) the Patents listed on SCHEDULE A include all of the patents and patent applications now owned or held by the Borrower, (b) the Licenses listed on SCHEDULE B include all of the patent license agreements under which the Borrower is the licensee or licensor which is material to the business of the Borrower and (c) other than the rights of any party to the Licenses with respect to the Patents, no liens, claims or security interests in such Patents and Licenses have been granted by the Borrower to any Person other than the Agent. If, prior to the termination of this Agreement, the Borrower shall (i) obtain rights to any new patentable inventions, (ii) become entitled to the benefit of any patent, patent application, license or any reissue, division, continuation, renewal, extension or continuation-in-part of any Patent or any improvement on any Patent or License, or (iii) enter into any new patent license agreement, the provisions of PARAGRAPH 3 above shall automatically apply thereto. The Borrower shall give to the Agent written notice of events described in CLAUSES (i), (ii) and (iii) of the preceding sentence not less frequently than on an annual basis. The Borrower hereby authorizes the Agent to modify this Agreement unilaterally (i) by amending SCHEDULE A to include any future patents and patent applications owned or held by Borrower,

and by amending SCHEDULE B to include any patent license agreements to which Borrower becomes a party, which are Patents or Licenses

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under PARAGRAPH 3 above or under this PARAGRAPH 5, and (ii) by filing, in addition to and not in substitution for this Agreement, a duplicate original of this Agreement containing on Schedule A or B thereto, as the case may be, such future patents, patent applications and license agreements.

6. ROYALTIES. The Borrower hereby agrees that the use by the Agent of the Patents and Licenses as authorized hereunder in connection with the Agent's exercise of its rights and remedies under PARAGRAPH 14 hereof or pursuant to SECTION 7 of the Security Agreement shall be coextensive with the Borrower's rights thereunder and with respect thereto and without any liability for royalties or other related charges from the Agent, the Lenders, the Issuing Banks or the other Holders to the Borrower.

7. RIGHT TO INSPECT; FURTHER ASSIGNMENTS AND SECURITY INTERESTS. The Agent may at all reasonable times (and at any time when a Default or Event of Default exists) have access to, examine, audit, make copies (at the Borrower's expense) and extracts from and inspect the Borrower's premises and examine the Borrower's books, records and operations relating to the Patents and Licenses; PROVIDED, that in conducting such inspections and examinations, the Agent shall use reasonable efforts not to disturb unnecessarily the conduct of the Borrower's ordinary business operations. Except as permitted under SECTION 9.02 of the Credit Agreement, the Borrower agrees not to sell or assign its respective interests in, or grant any license under, the Patents or the Licenses without the prior and express written consent of the Agent.

8. NATURE AND CONTINUATION OF THE AGENT'S SECURITY INTEREST; TERMINATION OF THE AGENT'S SECURITY INTEREST; RELEASE OF COLLATERAL.

(a) This Agreement is made for collateral security purposes only. This Agreement shall create a continuing security interest in the Patents and Licenses and shall terminate only when the Obligations have been paid in full in cash and the Credit Agreement has been terminated. Upon such termination and at the written request of the Borrower or its successors or assigns, and at the cost and expense of the Borrower or its successors or assigns, the Agent shall execute in a timely manner such instruments, documents or agreements as are necessary or desirable to terminate the Agent's security interest in the Patents and the Licenses, subject to any disposition thereof which may have been made by the Agent pursuant to this Agreement or the Security Agreement.

(b) Notwithstanding anything in this Agreement to the contrary, the Borrower may, to the extent permitted by SECTION 9.02 of the Credit Agreement sell, assign, transfer or otherwise dispose of any Patents and any

Licenses. In addition, the

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Patents and Licenses shall be subject to release from time to time (with the Patents and Licenses referred to in the immediately preceding sentence, the "Released Collateral") in accordance with SECTION 12.09(c) of the Credit Agreement. The Liens under this Agreement shall terminate with respect to the Released Collateral upon such sale, transfer, assignment, disposition or release, and upon the request of the Borrower, the Agent shall execute and deliver such instrument or document as may be necessary to release the Liens granted hereunder; PROVIDED, HOWEVER, that (i) the Agent shall not be required to execute any such documents on terms which, in the Agent's opinion, would expose the Agent to liability or create any obligation or entail any consequence other than the release of such Liens without recourse or warranty, and (ii) such release shall not in any manner discharge, affect or impair the Liabilities or any Liens on (or obligations of the Borrower in respect of) all interests retained by the Borrower, including without limitation, the proceeds of any sale, all of which shall continue to constitute part of the Patents and Licenses.

9. DUTIES OF THE BORROWER. The Borrower shall have the duty, to the extent desirable in the normal conduct of the Borrower's business, to: (i) prosecute diligently any material patent application that is part of the Patents pending as of the date hereof or hereafter until the termination of this Agreement, and (ii) make application on unpatented but patentable inventions. The Borrower further agrees (i) not to abandon any material Patent or License without the prior written consent of the Agent, and (ii) to use its reasonable best efforts to obtain and maintain in full force and effect the Patents and the Licenses that are or shall be necessary or economically desirable in the operation of the Borrower's business. Any expenses incurred in connection with the foregoing shall be borne by the Borrower. Neither the Agent, any of the Lenders nor any of the Issuing Banks shall have any duty with respect to the Patents and Licenses. Without limiting the generality of the foregoing, neither the Agent, any of the Lenders nor any of the Issuing Banks shall be under any obligation to take any steps necessary to preserve rights in the Patents or Licenses against any other parties, but the Agent may do so at its option from and after the occurrence of an Event of Default, and all expenses incurred in connection therewith shall be for the sole account of the Borrower and shall be added to the Liabilities secured hereby.

10. THE AGENT'S RIGHT TO SUE. From and after the occurrence of an Event of Default, the Agent shall have the right, but shall not be obligated, to bring suit in its own name to enforce the Patents and the Licenses and, if the Agent shall commence any such suit, the Borrower shall, at the request of the Agent, do any and all lawful acts and execute any and all proper documents required by the Agent in aid of such enforcement. The Borrower shall, upon demand, promptly reimburse the Agent for all costs and expenses incurred by the

rights under this PARAGRAPH 10 (including, without limitation, reasonable fees and expenses of attorneys for the Agent).

11. WAIVERS. The Agent's failure, at any time or times hereafter, to require strict performance by the Borrower of any provision of this Agreement shall not waive, affect or diminish any right of the Agent thereafter to demand strict compliance and performance therewith nor shall any course of dealing between the Borrower and the Agent have such effect. No single or partial exercise of any right hereunder shall preclude any other or further exercise thereof or the exercise of any other right. None of the undertakings, agreements, warranties, covenants and representations of the Borrower contained in this Agreement shall be deemed to have been suspended or waived by the Agent unless such suspension or waiver is in writing signed by an officer of the Agent and directed to the Borrower specifying such suspension or waiver.

12. SEVERABILITY. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but the provisions of this Agreement are severable, and if any clause or provision shall be held invalid and unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall affect only such clause or provision, or part hereof, in such jurisdiction, and shall not in any manner affect such clause or provision in any other jurisdiction, or any other clause or provision of this Agreement in any jurisdiction.

13. MODIFICATION. This Agreement cannot be altered, amended or modified in any way, except as specifically provided in PARAGRAPH 5 hereof or by a writing signed by the parties hereto.

14. CUMULATIVE REMEDIES; POWER OF ATTORNEY. The Borrower hereby designates, constitutes and appoints the Agent (and all Persons designated by the Agent in its sole and absolute discretion) as the Borrower's true and lawful attorney-in-fact, and authorizes the Agent and any of the Agent's designees, in the Borrower's or the Agent's name, to take any action and execute any instrument which the Agent may deem necessary or advisable to accomplish the purposes of this Agreement, including, without limitation, from and after the occurrence of an Event of Default, to (i) endorse the Borrower's name on all applications, documents, papers and instruments necessary or desirable for the Agent in the use, prosecution or protection of the Patents or the Licenses, (ii) assign, pledge, convey or otherwise transfer title in or dispose of the Patents or the Licenses to anyone on commercially reasonable terms, (iii) grant or issue any exclusive or nonexclusive license under the Patents or, to the extent permitted, under the Licenses, to anyone on commercially reasonable terms, and (iv) take any other actions with respect to the Patents or the Licenses as the

any of the Issuing Banks deems in its or their own best interest. The Borrower hereby ratifies all that such attorney shall lawfully do or cause to be done by virtue hereof. This power of attorney is coupled with an interest and shall be irrevocable until all of the Obligations shall have been paid in full in cash and the Credit Agreement shall have been terminated. The Borrower acknowledges and agrees that this Agreement is not intended to limit or restrict in any way the rights and remedies of the Agent, any of the Lenders or any of the Issuing Banks under the Credit Agreement, but rather is intended to facilitate the exercise of such rights and remedies.

The Agent shall have, in addition to all other rights and remedies given it by the terms of this Agreement, all rights and remedies allowed by law and the rights and remedies of a secured party under the Uniform Commercial Code as enacted in any jurisdiction in which the Patents or the Licenses may be located or deemed located. Upon the occurrence of an Event of Default and the election by the Agent to exercise any of its remedies under Section 9-504 or Section 9-505 of the Uniform Commercial Code with respect to the Patents and Licenses, the Borrower agrees to assign, convey and otherwise transfer title in and to the Patents and the Licenses to the Agent or any transferee of the Agent and to execute and deliver to the Agent or any such transferee all such agreements, documents and instruments as may be necessary, in the Agent's sole discretion, to effect such assignment, conveyance and transfer. All of the Agent's rights and remedies with respect to the Patents and the Licenses, whether established hereby, by the Credit Agreement, by any other agreements or by law, shall be cumulative and may be exercised separately or concurrently. Notwithstanding anything set forth herein to the contrary, it is hereby expressly agreed that upon the occurrence of an Event of Default, the Agent may exercise any of the rights and remedies provided in this Agreement, the Credit Agreement and any of the other Loan Documents. The Borrower agrees that any notification of intended disposition of any of the Patents and Licenses required by law shall be deemed reasonably and properly given if given at least ten (10) days before such disposition; PROVIDED, HOWEVER, that the Agent may give any shorter notice that is commercially reasonable under the circumstances.

15. SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon the Borrower and its successors and assigns, and shall inure to the benefit of each of the Agent, the Lenders and the Issuing Banks and their respective nominees, successors and assigns. The Borrower's successors and assigns shall include, without limitation, a receiver, trustee or debtor-in-possession of or for the Borrower; PROVIDED, HOWEVER, that the Borrower shall not voluntarily assign or transfer its rights or obligations hereunder without the Agent's prior written consent.

16. GOVERNING LAW. THIS AGREEMENT SHALL BE CONSTRUED AND ENFORCED AND THE RIGHTS AND DUTIES OF THE PARTIES SHALL BE GOVERNED IN ALL RESPECTS IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK.

17. NOTICES. All notices or other communications hereunder shall be given in the manner and to the addresses set forth in SECTION 13.08 of the Credit Agreement.

18. SECTION TITLES. The section titles herein are for convenience of reference only, and shall not affect in any way the interpretation of any of the provisions hereof.

19. EXECUTION IN COUNTERPARTS. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

20. CONSENT TO JURISDICTION AND SERVICE OF PROCESS. The Borrower agrees that the terms of SECTION 13.17 of the Credit Agreement with respect to consent to jurisdiction and service of process shall apply equally to this Agreement.

21. WAIVER OF JURY TRIAL. EACH OF THE BORROWER AND THE AGENT WAIVES ANY RIGHT TO TRIAL BY JURY IN ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT, OR OTHERWISE, BETWEEN THE AGENT AND THE BORROWER ARISING OUT OF OR RELATED TO THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HERewith. EITHER THE BORROWER OR THE AGENT MAY FILE AN ORIGINAL COUNTERPART OR COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

HEXCEL CORPORATION

By: _____

Name:
Title:

Accepted and agreed to as of the day and
year first above written.

CITICORP USA, INC.,
as Agent

By: _____
Name:
Title:

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SCHEDULE A
TO
PATENT SECURITY AGREEMENT
DATED AS OF FEBRUARY __, 1995

PATENTS AND PATENT APPLICATIONS

PROJECT NO/ STATUS -----	TITLE -----	INVENTOR -----	SERIAL/PATENT NO. FILING/ ISSUED DATE -----
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SCHEDULE B
TO
PATENT SECURITY AGREEMENT
DATED AS OF FEBRUARY __, 1995

LICENSE AGREEMENTS

LICENSES FROM THE BORROWER TO OTHER COMPANIES

COMPANY	SUBJECT	TERM
-----	-----	----

LICENSES FROM OTHER COMPANIES TO THE BORROWER

COMPANY	SUBJECT/TYPE	TERM
-----	-----	----

STATE OF NEW YORK)
) SS
 COUNTY OF NEW YORK)

On the ___ day of February, 1995, before me personally came _____, to me known, who being by me duly sworn, did depose and say that he/she resides at _____; that he/she is the _____ of Hexcel Corporation, the corporation described in and which accepted and agreed to the foregoing instrument; and that he/she signed his/her name thereto by authority of the board of directors of said corporation.

 Notary Public

STATE OF NEW YORK)
) SS
COUNTY OF NEW YORK)

On the ___ day of February, 1995, before me personally came _____, to me known, who being by me duly sworn, did depose and say that he/she resides at _____; that he/she is the _____ of Citicorp USA, Inc., the corporation described in and which accepted and agreed to the foregoing instrument; and that he/she signed his/her name thereto by authority of the board of directors of said corporation.

Notary Public

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EXHIBIT N
TO CREDIT AGREEMENT
DATED AS OF FEBRUARY 8, 1995

FORM OF BORROWER PLEDGE AGREEMENT

THIS PLEDGE AGREEMENT (as amended, supplemented or otherwise modified from time to time, this "Pledge Agreement"), dated as of February 8, 1995, by and between Hexcel Corporation, a Delaware corporation (with its successors and permitted assigns, the "Pledgor"), and Citicorp USA, Inc., in its separate capacity as Agent (with its successors and permitted assigns in such capacity, the "Agent") for the Lenders (as defined below) and the Issuing Banks (as defined below) party to that certain Credit Agreement dated as of February 8, 1995 among Hexcel Corporation as borrower (the "Borrower"), the financial institutions from time to time party thereto as Lenders (the "Lenders"), the financial institutions from time to time party thereto as Issuing Banks (the

"Issuing Banks"), and Citicorp, as Agent (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"). Terms defined in the Credit Agreement and not otherwise defined herein are used herein with the meanings ascribed thereto in the Credit Agreement.

WITNESSETH:

WHEREAS, the Pledgor is a party to the Credit Agreement, pursuant to which the Lenders have agreed, subject to certain conditions precedent, to make loans and other financial accommodations to the Pledgor from time to time;

WHEREAS, the Pledgor owns (i) the shares of capital stock described in EXHIBIT A hereto and issued by the issuers named therein and (ii) the indebtedness described in EXHIBIT C hereto and issued by the obligors named therein; and

WHEREAS, in order to secure the prompt and complete payment, observance and performance of (i) all of the Obligations and (ii) all of the Borrower's obligations and liabilities hereunder and in connection herewith (all the Obligations and such obligations hereunder being hereinafter referred to collectively as the "Liabilities"), the Agent, the Lenders and the Issuing Banks have required, as a condition, among others, to entering into the Credit Agreement, that the Pledgor execute and deliver this Pledge Agreement;

NOW, THEREFORE, for and in consideration of the foregoing and of any financial accommodations or extensions of credit (including, without limitation, any loan or advance by

renewal, refinancing or extension of the agreements described hereinabove or otherwise) heretofore, now or hereafter made to or for the benefit of the Pledgor pursuant to the Credit Agreement or any other agreement, instrument or document executed pursuant to or in connection therewith, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Pledgor and the Agent hereby agree as follows:

1. DEFINED TERMS.

(a) Unless otherwise defined herein, each capitalized term used herein that is defined in the Credit Agreement shall have the meaning specified for such term in the Credit Agreement. Unless otherwise defined herein, all terms defined in Article 8 and Article 9 of the Uniform Commercial Code in effect as of the date hereof in the State of New York are used herein as defined therein.

(b) The words "hereby," "hereof," "herein" and "hereunder" and words of like import when used in this Pledge Agreement shall refer to this Pledge Agreement as a whole and not to any particular provision of this Pledge

Agreement, and section references are to this Pledge Agreement unless otherwise specified.

(c) All terms defined in this Pledge Agreement in the singular shall have comparable meanings when used in the plural, and VICE VERSA, unless otherwise specified.

2. PLEDGE. The Pledgor hereby pledges to the Agent, for the benefit of the Agent, the Lenders, the Issuing Banks and the other Holders and grants to the Agent for the benefit of the Agent, the Lenders, the Issuing Banks and the other Holders, a security interest in, the following (collectively, the "Pledged Collateral"):

(a) The shares of the capital stock described in EXHIBIT A hereto, and the certificates representing the shares of such capital stock, all options and warrants for the purchase of shares of such capital stock (all of said capital stock, options and warrants and all capital stock held in the name of the Pledgor as a result of the exercise of such options or warrants being hereinafter collectively referred to as the "Pledged Stock"), herewith delivered to the Agent accompanied by stock powers in the form of EXHIBIT B attached hereto and made a part hereof (the "Stock Powers") duly executed in blank, and all dividends, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of, or in exchange for, any or all of the Pledged Stock;

(b) All additional shares of stock of any issuer of the Pledged Stock from time to time acquired by the Pledgor in any manner, and all of the shares of the capital stock issued

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to the Pledgor by any other issuer after the date hereof, and the certificates representing such additional shares (any such additional shares shall constitute part of the Pledged Stock and the Agent is irrevocably authorized to amend EXHIBIT A from time to time to reflect such additional shares), and all options, warrants, dividends, cash, instruments and other rights and options from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such shares;

(c) The indebtedness described in EXHIBIT C attached hereto (the "Pledged Debt") and the instruments evidencing such Pledged Debt, duly endorsed and in transferable form, all payments of principal thereof and interest thereon, due and to become due thereunder, and all books and records applicable thereto, herewith delivered to the Agent;

(d) All additional evidence of indebtedness from time to time owed

to the Pledgor by any obligor, duly endorsed and in transferable form, and all payments of principal thereof and interest thereon, due and to become due thereunder, and all books and records applicable thereto (such additional obligations shall constitute part of the Pledged Debt and the Agent is irrevocably authorized to amend EXHIBIT C from time to time to reflect such additional obligations);

(e) The property and interests in property described in SECTION 4 below; and

(f) All proceeds of the foregoing.

3. SECURITY FOR OBLIGATIONS. The Pledged Collateral secures the prompt payment, performance and observance of the Liabilities.

4. PLEDGED COLLATERAL ADJUSTMENTS. If, during the term of this Pledge Agreement:

(a) Any stock dividend, reclassification, readjustment or other change is declared or made in the capital structure of any issuer of Pledged Stock, or any option included within the Pledged Collateral is exercised, or both, or

(b) Any subscription warrants or any other rights or options shall be issued in connection with the Pledged Collateral, or

(c) Any additional indebtedness owing to the Pledgor is incurred by any of the obligors of the Pledged Debt,

then all new, substituted and additional shares, warrants, rights, options, notes or other securities, issued by reason of any of the foregoing, shall be immediately delivered to and held by the Agent under the terms of this Pledge Agreement and shall constitute

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Pledged Collateral hereunder; PROVIDED, HOWEVER, that nothing contained in this SECTION 4 shall be deemed to permit any stock dividend, issuance of additional stock, warrants, rights or options, reclassification, readjustment or other change in the capital structure of any issuer of Pledged Stock which is prohibited in the Credit Agreement.

5. SUBSEQUENT CHANGES AFFECTING PLEDGED COLLATERAL. The Pledgor represents and warrants that it has made its own arrangements for keeping informed of changes or potential changes affecting the Pledged Collateral (including, but not limited to, rights to convert, rights to subscribe, payment of dividends, reorganization or other exchanges, tender offers and voting rights), and the Pledgor agrees that neither the Agent nor any of the Lenders,

Issuing Banks or any other Holder shall have any obligation to inform the Pledgor of any such changes or potential changes or to take any action or omit to take any action with respect thereto. The Agent may, upon the occurrence and during the continuation of an Event of Default, without notice and at its option, transfer or register the Pledged Collateral or any part thereof into its or its nominee's name with or without any indication that such Pledged Collateral is subject to the security interest hereunder. In addition, the Agent may at any time exchange certificates or instruments representing or evidencing Pledged Collateral for certificates or instruments of smaller or larger denominations.

6. REPRESENTATIONS AND WARRANTIES. The Pledgor represents and warrants as follows:

(a) The Pledgor is the sole legal and beneficial owner of the percentage of the issued and outstanding shares of capital stock of the respective issuers thereof listed on EXHIBIT A hereto, free and clear of any Lien except for the security interest created by this Pledge Agreement, and the Pledged Stock constitutes that percentage of the issued and outstanding shares of capital stock of the respective issuers thereof set forth in EXHIBIT A hereto;

(b) The Pledgor is the sole legal and beneficial owner of the Pledged Debt, free and clear of any Lien except for the security interest created by this Pledge Agreement, and the Pledged Debt (i) constitutes all of the outstanding indebtedness for money borrowed or for any deferred purchase price of property of the respective obligors thereof owing to the Pledgor and (ii) are each a valid and binding obligation of its respective obligor, enforceable in accordance with its terms, except as such enforceability may be limited by (x) bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally and (y) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law);

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(c) The Pledgor has full corporate power and authority to execute, deliver and perform this Pledge Agreement;

(d) There are no restrictions upon the voting rights associated with, or upon the transfer of, any of the Pledged Collateral, other than pursuant to this Pledge Agreement;

(e) The Pledgor has the right to vote, pledge and grant a security interest in or otherwise transfer such Pledged Collateral free of any Liens;

(f) No authorization, approval, or other action by, and no notice to or filing with, any governmental authority or regulatory body is required either (i) for the pledge of the Pledged Collateral pursuant to this Pledge Agreement or for the execution, delivery or performance of this Pledge Agreement by the Pledgor or (ii) for the exercise by the Agent of the voting or other rights provided for in this Pledge Agreement or the remedies in respect of the Pledged Collateral pursuant to this Pledge Agreement (except as may be required in connection with such disposition by laws affecting the offering and sale of securities generally);

(g) The pledge of the Pledged Collateral pursuant to this Pledge Agreement creates a valid and perfected first priority security interest in the Pledged Collateral, in favor of the Agent for the benefit of the Agent, the Lenders, the Issuing Banks and the other Holders securing the payment and performance of the Liabilities;

(h) The Stock Powers are duly executed and give the Agent the authority they purport to confer; and

(i) The grant and perfection of the security interests in the Pledged Collateral for the benefit of the Agent, the Lenders, the Issuing Banks and the other Holders, in accordance with the terms herein, are not made in violation of the registration of the Securities Act of 1933 (the "Securities Act"), any applicable provisions of other federal securities laws, state securities or "Blue Sky" law, foreign securities law, or applicable general corporation law or any other applicable law.

7. VOTING RIGHTS. During the term of this Pledge Agreement, and except as provided in this SECTION 7 below, the Pledgor shall have the right to vote the Pledged Stock on all corporate questions in a manner not inconsistent with the terms of this Pledge Agreement, the Credit Agreement and any other agreement, instrument or document executed pursuant thereto or in connection therewith. Upon the occurrence and during the continuance of an Event of Default, the Agent may, at the Agent's option and following written notice from the Agent to the Pledgor, exercise all voting powers pertaining to the Pledged Collateral, including the right to take action by shareholder consent.

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8. DIVIDENDS AND OTHER DISTRIBUTIONS. (a) So long as no Event of Default shall have occurred and is continuing:

(i) The Pledgor shall be entitled to receive and retain any and all dividends and interest paid in respect of the Pledged Collateral, PROVIDED, HOWEVER, that any and all

(A) dividends and interest paid or payable other than in cash

with respect to, and instruments and other property received, receivable or otherwise distributed with respect to, or in exchange for, any of the Pledged Collateral;

(B) dividends and other distributions paid or payable in cash with respect to any of the Pledged Collateral on account of a partial or total liquidation or dissolution or in connection with a reduction of capital, capital surplus or paid-in surplus; and

(C) cash paid, payable or otherwise distributed with respect to principal of, or in redemption of, or in exchange for, any of the Pledged Collateral;

shall be Pledged Collateral, and shall be forthwith delivered to the Agent to hold, for the benefit of the Agent, the Lenders, the Issuing Banks and the other Holders, as Pledged Collateral and shall, if received by the Pledgor, be received in trust for the Agent, for the benefit of the Agent, the Lenders, the Issuing Banks and the other Holders, be segregated from the other property or funds of the Pledgor, and be delivered immediately to the Agent as Pledged Collateral in the same form as so received (with any necessary endorsement); and

(ii) The Agent shall execute and deliver (or cause to be executed and delivered) to the Pledgor all such proxies and other instruments as the Pledgor may reasonably request for the purpose of enabling the Pledgor to receive the dividends or interest payments which the Pledgor is authorized to receive and retain pursuant to CLAUSE (i) above.

(b) Upon the occurrence and during the continuance of an Event of Default:

(i) All rights of the Pledgor to receive the dividends and interest payments which it would otherwise be authorized to receive and retain pursuant to SECTION 8(a)(i) hereof shall cease, and all such rights shall thereupon become vested in the Agent, for the benefit of the Agent, the Lenders, the Issuing Banks and the other Holders, which shall thereupon have the sole right to receive and hold as Pledged Collateral such dividends and interest payments; and

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(ii) All dividends and interest payments which are received by the Pledgor contrary to the provisions of CLAUSE (i) of this SECTION 8(b) shall be received in trust for the Agent, for the benefit of the Agent, the Lenders, the Issuing Banks and the other Holders, shall be segregated from other funds of the Pledgor and shall be paid over immediately to the Agent as Pledged Collateral in the same form as so received (with any necessary endorsements).

(iii) The Pledgor shall, upon the request of the Agent, at Pledgor's expense, execute and deliver all such instruments and documents, and do or cause to be done all such other acts and things, as may be necessary or, in the opinion of the Agent, the Pledgor or its or their counsel, advisable to register the applicable Pledged Collateral under the provisions of the Securities Act, and to exercise its best efforts to cause the registration statement relating thereto to become effective and to remain effective for such period as prospectuses are required by law to be furnished, and to make all amendments and supplements thereto and to the related prospectus which, in the opinion of the Agent, the Pledgor or its or their counsel, are necessary or advisable, all in conformity with the requirements of the Securities Act and the rules and regulations of the Securities and Exchange Commission applicable thereto;

(iv) The Pledgor shall, upon the request of the Agent, at Pledgor's expense, use its best efforts to qualify the Pledged Collateral under state securities or "Blue Sky" laws and to obtain all necessary governmental approvals for the sale of the Pledged Collateral, as requested by the Agent;

(v) The Pledgor shall, upon the request of the Agent, at the Pledgor's expense, make available to the holders of its securities, as soon as practicable, earnings statements which will satisfy the provisions of Section 11(a) of the Securities Act; and

(vi) The Pledgor shall, upon the request of the Agent, at the Pledgor's expense, do or cause to be done all such other acts and things as may be necessary to make such sale of the Pledged Collateral or any part thereof valid and binding and in compliance with applicable law.

The Pledgor will reimburse the Agent for all expenses incurred by the Agent, including, without limitation, reasonable attorneys' and accountants' fees and expenses in connection with the foregoing. Upon or at any time after the occurrence and during the continuance of an Event of Default, if the Agent determines that, prior to any public offering of any securities constituting part of the Pledged Collateral, such securities should be registered under the Securities Act and/or registered or qualified under any other federal or state law and such registration and/or qualification is not practicable, then the Pledgor agrees that it

will be commercially reasonable if a private sale, upon at least ten (10) Business Days' notice to the Pledgor, is arranged so as to avoid a public offering, even though the sales price established and/or obtained at such private sale may be substantially less than prices which could have been obtained for such security on any market or exchange or in any other public

sale.

9. TRANSFERS AND OTHER LIENS. The Pledgor agrees that it will not (i) sell or otherwise dispose of, or grant any option with respect to, any of the Pledged Collateral without the prior written consent of the Agent, other than in accordance with SECTION 9.02 of the Credit Agreement, or (ii) create or permit to exist any Lien upon or with respect to any of the Pledged Collateral, except for the security interest under this Pledge Agreement.

10. REMEDIES; APPLICATION OF PROCEEDS. (a) The Agent shall have, in addition to any other rights given under this Pledge Agreement or by law, all of the rights and remedies with respect to the Pledged Collateral of a secured party under the Uniform Commercial Code as in effect in the State of New York. In addition, upon the occurrence and during the continuance of an Event of Default, the Agent shall have such powers of sale and other powers as may be conferred by applicable law. With respect to the Pledged Collateral or any part thereof which shall then be in or shall thereafter come into the possession or custody of the Agent or which the Agent shall otherwise have the ability to transfer under applicable law, the Agent may, in its sole discretion, without notice except as specified below, after the occurrence of an Event of Default, sell or cause the same to be sold at any exchange, broker's board or at public or private sale, in one or more sales or lots, at such price as the Agent may deem best, for cash or on credit or for future delivery, without assumption of any credit risk, and the purchaser of any or all of the Pledged Collateral so sold shall thereafter own the same, absolutely free from any claim, encumbrance or right of any kind whatsoever. The Agent, any Lender and any Issuing Bank may, in its own name, or in the name of a designee or nominee, buy the Pledged Collateral at any public sale and, if permitted by applicable law, buy the Pledged Collateral at any private sale. In the event of a sale of any Collateral, or any part thereof, to a Lender, an Issuing Bank or the Agent upon the occurrence and during the continuance of an Event of Default, such Lender, such Issuing Bank or the Agent, as the case may be, shall not deduct or offset from any part of the purchase price to be paid therefor any indebtedness owing to it by the Pledgor. The Pledgor will pay to the Agent all reasonable expenses (including, without limitation, court costs and reasonable attorneys' expenses) of, or incidental to, the enforcement of any of the provisions hereof. The Agent agrees to distribute any proceeds of the sale of the Pledged Collateral in accordance with the Credit Agreement (including, without limitation, SECTION 3.02 thereof) and the Pledgor shall

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remain liable for any deficiency following the sale of the Pledged Collateral.

(b) Unless any of the Pledged Collateral threatens to decline speedily in value or is or becomes of a type sold on a recognized market, the Agent will give the Pledgor reasonable notice of the time and place of any public sale thereof, or of the time after which any private sale or other intended

disposition is to be made. Any sale of the Pledged Collateral conducted in conformity with reasonable commercial practices of banks, commercial finance companies, insurance companies or other financial institutions disposing of property similar to the Pledged Collateral shall be deemed to be commercially reasonable. Notwithstanding any provision to the contrary contained herein, the Pledgor agrees that any requirements of reasonable notice shall be met if such notice is received by the Pledgor as provided in SECTION 20 below at least ten (10) Business Days before the time of the sale or disposition; PROVIDED, HOWEVER, that the Agent may give any shorter notice that is commercially reasonable under the circumstances. Any other requirement of notice, demand or advertisement for sale is waived, to the extent permitted by law.

(c) In view of the fact that federal and state securities laws may impose certain restrictions on the method by which a sale of the Pledged Collateral may be effected after an Event of Default, the Pledgor agrees that upon the occurrence and during the continuance of an Event of Default, the Agent may, from time to time, attempt to sell all or any part of the Pledged Collateral by means of a private placement restricting the bidders and prospective purchasers to those who are qualified and will represent and agree that they are purchasing for investment only and not for distribution. In so doing, the Agent may solicit offers to buy the Pledged Collateral, or any part of it, from a limited number of investors deemed by the Agent, in its reasonable judgment, to be financially responsible parties who might be interested in purchasing the Pledged Collateral. If the Agent solicits such offers from not less than four (4) such investors, then the acceptance by the Agent of the highest offer obtained therefrom shall be deemed to be a commercially reasonable method of disposing of such Pledged Collateral; PROVIDED, HOWEVER, that this Section does not impose a requirement that the Agent solicit offers from four or more investors in order for the sale to be commercially reasonable.

11. AGENT APPOINTED ATTORNEY-IN-FACT. The Pledgor hereby appoints the Agent its attorney-in-fact, with full authority, in the name of the Pledgor or otherwise, upon the occurrence and during the continuance of an Event of Default, from time to time in the Agent's sole discretion, to take any action and to execute any instrument which the Agent may deem necessary or advisable to accomplish the purposes of this Pledge Agreement, including, without limitation (subject to SECTION 8 hereof), to receive, endorse and collect all instruments made payable to the Pledgor representing any dividend, interest payment or other

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distribution in respect of the Pledged Collateral or any part thereof and to give full discharge for the same and to arrange for the transfer of all or any part of the Pledged Collateral on the books of each of the issuers of such Pledged Stock or obligors of such Pledged Debt to the name of the Agent or the Agent's nominee.

12. WAIVERS. The Pledgor waives presentment and demand for

payment of any of the Obligations, protest and notice of dishonor or Event of Default with respect to any of the Obligations and all other notices to which the Pledgor might otherwise be entitled except as otherwise expressly provided herein or in the Credit Agreement.

13. TERMINATION OF THIS SECURITY AGREEMENT; RELEASE OF COLLATERAL. (a) The pledge made and the security interest granted by the Pledgor under this Pledge Agreement shall terminate against all the Collateral upon final payment in full in cash of the Obligations and termination of the Revolving Credit Commitments under the Credit Agreement. Upon such termination (other than as a result of the sale of the Pledged Collateral) and at the written request of the Pledgor or its successors or assigns, and at the cost and expense of the Pledgor or its successors or assigns, the Agent shall execute in a timely manner such instruments, documents or agreements as are necessary or desirable to terminate the Agent's security interest in the Pledged Collateral and deliver the Pledged Stock, the Intercompany Notes and the Stock Powers, subject to any disposition made by the Agent pursuant to the Pledge Agreement.

(b) Notwithstanding anything in this Pledge Agreement to the contrary, the Pledgor may, to the extent permitted by SECTION 9.02 and 9.13 of the Credit Agreement, sell, assign, transfer or otherwise dispose of any Pledged Collateral. In addition, the Collateral shall be subject to release from time to time (with the Collateral referred to in the immediately preceding sentence, the "Released Collateral") in accordance with SECTION 12.09(c) of the Credit Agreement. The Liens under this Pledge Agreement shall terminate with respect to the Released Collateral upon such sale, transfer, assignment, disposition or release, and, upon the request of the Pledgor, the Agent shall execute and deliver such instruments or documents as may be necessary to release the Liens granted hereunder; PROVIDED, HOWEVER, that (i) the Agent shall not be required to execute any such documents on terms which, in the Agent's opinion, would expose the Agent to liability or create any obligation or entail any consequence other than the release of such Liens without recourse or warranty, and (ii) such release shall not in any manner discharge, affect or impair the Liabilities or any Liens on (or obligations of the Pledgor in respect of) all interests retained by the Pledgor, including without limitation, the proceeds of any sale, all of which shall continue to constitute part of the Collateral unless and until applied strictly in accordance with the Loan Documents.

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14. SUCCESSORS AND ASSIGNS. This Pledge Agreement shall be binding upon the Pledgor and its successors, and upon any assign(s) of the Pledgor in accordance with SECTION 13.16 of the Credit Agreement, and shall inure to the benefit of the Agent, the Lenders, the Issuing Banks and the other Holders, and their respective successors and assigns. Nothing set forth herein or in any other Loan Document is intended or shall be construed to give

any other Person any right, remedy or claim under, to or in respect of this Pledge Agreement, the Credit Agreement or any other Loan Document or any Pledged Collateral. The Pledgor's successors shall include, without limitation, a receiver, trustee or debtor-in-possession of or for the Pledgor.

15. GOVERNING LAW. THIS AGREEMENT SHALL BE CONSTRUED AND ENFORCED AND THE RIGHTS AND DUTIES OF THE PARTIES SHALL BE GOVERNED BY IN ALL RESPECTS IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK, EXCEPT FOR PERFECTION AND ENFORCEMENT OF SECURITY INTERESTS AND LIENS IN OTHER JURISDICTIONS WHICH SHALL BE GOVERNED BY THE LAWS OF THOSE JURISDICTIONS.

16. CONSENT TO JURISDICTION AND SERVICE OF PROCESS. The Pledgor agrees that the terms of SECTION 13.17 of the Credit Agreement with respect to consent to jurisdiction and service of process shall apply equally to this Pledge Agreement.

17. WAIVER OF JURY TRIAL. EACH OF THE PLEDGOR AND THE AGENT WAIVES ANY RIGHT TO TRIAL BY JURY IN ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT, OR OTHERWISE, BETWEEN THE AGENT AND THE PLEDGOR ARISING OUT OF OR RELATED TO THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT OR ANY OTHER INSTRUMENT, DOCUMENT, OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HEREWITH. EITHER THE PLEDGOR OR THE AGENT MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

18. WAIVER OF BOND. The Pledgor waives the posting of any bond otherwise required of the Agent in connection with any judicial process or proceeding to realize on the Pledged Collateral or any other security for the Obligations, to enforce any judgment or other court order entered in favor of the Agent, or to enforce by specific performance, temporary restraining order, or preliminary or permanent injunction, this Pledge Agreement or any other agreement or document between the Agent and the Pledgor.

19. ADVICE OF COUNSEL. The Pledgor represents and warrants to the Agent and the Lenders that it has discussed this Pledge Agreement and, specifically, the provisions of SECTIONS 15 through 18 hereof, with the Pledgor's attorneys.

20. SEVERABILITY. Whenever possible, each provision of this Pledge Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but, if any provision of

this Pledge Agreement shall be held to be prohibited or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Pledge Agreement.

21. FURTHER ASSURANCES. The Pledgor agrees that it will cooperate with the Agent and will execute and deliver, or cause to be executed and delivered, all such other stock powers, proxies, instruments and documents, and will take all such other actions, including, without limitation, the execution and filing of financing statements, as the Agent may reasonably request from time to time in order to carry out the provisions and purposes of this Pledge Agreement.

22. THE AGENT'S DUTY OF CARE. The Agent shall not be liable for any acts, omissions, errors of judgment or mistakes of fact or law including, without limitation, acts, omissions, errors or mistakes with respect to the Pledged Collateral, except for those arising out of or in connection with the Agent's (i) gross negligence or willful misconduct as determined in a final non-appealable judgment by a court of competent jurisdiction, or (ii) failure to use reasonable care with respect to the safe custody of the Pledged Collateral in the Agent's possession. Without limiting the generality of the foregoing, the Agent shall be under no obligation to take any steps necessary to preserve rights in the Pledged Collateral against any other parties but may do so at its option. All expenses incurred in connection therewith shall be for the sole account of the Pledgor, and shall constitute part of the Obligations secured hereby.

23. NOTICES. All notices and other communications hereunder shall be given in the manner and to the addresses set forth in SECTION 13.08 of the Credit Agreement.

24. AMENDMENTS, WAIVERS AND CONSENTS. None of the terms or provisions of this Pledge Agreement may be waived, altered, modified or amended, and no consent to any departure by the Pledgor herefrom shall be effective, except by or pursuant to an instrument in writing which (i) is duly executed by the Pledgor and the Agent and (ii) complies with the requirements of the Credit Agreement. Any such waiver shall be valid only to the extent set forth therein. A waiver by the Agent of any right or remedy under this Pledge Agreement on any one occasion shall not be construed as a waiver of any right or remedy which the Agent would otherwise have on any future occasion. No failure to exercise or delay in exercising any right, power or privilege under this Pledge Agreement on the part of the Agent shall operate as a waiver thereof; and no single or partial exercise of any right, power or privilege under this Pledge Agreement shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

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25. SECTION TITLES. The section titles herein are for convenience of reference only, and shall not affect in any way the interpretation of any of the provisions hereof.

26. EXECUTION IN COUNTERPARTS. This Pledge Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

IN WITNESS WHEREOF, the Pledgor and the Agent have executed this Pledge Agreement as of the date set forth above.

HEXCEL CORPORATION

By: _____
Name:
Title:

CITICORP USA, INC., as Agent

By: _____
Name:
Title:

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ACKNOWLEDGMENT

The undersigned hereby acknowledges receipt of a copy of the foregoing Pledge Agreement, agrees promptly to note on its books the security interests granted under such Pledge Agreement, and waives any rights or requirement at any time hereafter to receive a copy of such Pledge Agreement in connection with the registration of any Pledged Collateral in the name of the Agent or its nominee or the exercise of voting rights by the Agent.

[SUBSIDIARIES]

By: _____
Name:
Title:

EXHIBIT A
to
PLEDGE AGREEMENT
dated as of February __, 1995

PLEDGED STOCK

STOCK ISSUER -----	PERCENTAGE OF ISSUED AND OUTSTANDING CAPITAL STOCK OWNED BY THE PLEDGOR -----	SHARES OF CAPITAL STOCK OWNED BY THE PLEDGOR SUBJECT TO PLEDGE -----
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EXHIBIT B
to
PLEDGE AGREEMENT
dated as of February __, 1995

FORM OF STOCK POWER

STOCK POWER

FOR VALUE RECEIVED, the undersigned does hereby sell, assign and transfer to _____ Shares of Common Stock of _____ represented by Certificate[s] No. __ [and __] (the

"Stock"), standing in the name of the undersigned on the books of said corporation and does hereby irrevocably constitute and appoint _____ as the undersigned's true and lawful attorney, for and in name and stead, to sell, assign and transfer all or any of the Stock, and for that purpose to make and execute all necessary acts of assignment and transfer thereof; and to substitute one or more persons with like full power, hereby ratifying and confirming all that said attorney or substitute or substitutes shall lawfully do by virtue hereof.

Dated: _____

HEXCEL CORPORATION

By: _____
Name:
Title:

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EXHIBIT C
to
PLEDGE AGREEMENT
dated as of February __, 1995

PLEDGED DEBT

DEBT ISSUER	PRINCIPAL AMOUNT	MATURITY
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EXHIBIT O
TO CREDIT AGREEMENT
DATED AS OF FEBRUARY 8, 1995

FORM OF SUBSIDIARY SECURITY AGREEMENT

THIS SUBSIDIARY SECURITY AGREEMENT (as amended, supplemented or otherwise modified from time to time, this "Subsidiary Security Agreement"), dated as of February 8, 1995 by and among HEXCEL INTERNATIONAL, a California corporation, HEXCEL FAR EAST, a California corporation, and HEXCEL TECHNOLOGIES, INC., a Delaware corporation (each individually and with its respective successors and permitted assigns, a "Grantor," and collectively the "Grantors"), and Citicorp USA, Inc., in its capacity as agent (with its successors in such capacity, the "Agent") for the Lenders (as defined below) and the Issuing Banks (as defined below) under that certain Credit Agreement dated as of February 8, 1995 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement") among Hexcel Corporation as borrower (the "Borrower"), the Agent, the lenders from time to time a party thereto (the "Lenders"), and the issuing banks from time to time a party thereto (the "Issuing Banks").

WITNESSETH:

WHEREAS, Hexcel Corporation, a Delaware corporation, as borrower (the "Borrower") is a party to the Credit Agreement, pursuant to which the Lenders and the Issuing Banks have agreed, subject to certain conditions precedent, to make loans and other financial accommodations to the Borrower from time to time;

WHEREAS, the Grantors have directly and indirectly benefitted, and will directly and indirectly benefit from the loans and other financial accommodations made to the Borrower pursuant to the Credit Agreement;

WHEREAS, to induce the Lenders, the Issuing Banks, the Agent to enter into the Credit Agreement, the Grantors each have agreed to enter into the Subsidiary Guaranty dated as of the date hereof (the "Subsidiary Guaranty") pursuant to which each Grantor has jointly and severally guaranteed the payment and performance of the Obligations of the Borrower;

WHEREAS, the Lenders and the Issuing Banks have required as a condition, among others, to entering into the Credit Agreement, that each Grantor enter into this Subsidiary Security Agreement in order to secure the prompt and complete payment, observance and performance of (i) all of such Grantor's obligations under the Subsidiary Guaranty and (ii) all of such Grantor's obligations and liabilities under this Subsidiary

Security Agreement and all other Loan Documents to which such Grantor is a party (all such obligations and liabilities of such Grantor being hereinafter referred to collectively as such Grantor's "Liabilities");

NOW, THEREFORE, in consideration of the premises set forth above, the terms and conditions contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. DEFINED TERMS.

(a) Unless otherwise defined herein, each capitalized term used herein that is defined in the Credit Agreement shall have the meaning specified for such term in the Credit Agreement. Unless otherwise defined herein or in the Credit Agreement, all terms defined in Article 8 and Article 9 of the Uniform Commercial Code in effect as of the date hereof in the State of New York are used herein as defined therein as of the date hereof.

(b) The words "hereby," "hereof," "herein" and "hereunder" and words of like import when used in this Subsidiary Security Agreement shall refer to this Subsidiary Security Agreement as a whole and not to any particular provision of this Subsidiary Security Agreement, and section references are to this Subsidiary Security Agreement unless otherwise specified.

(c) All terms defined in this Subsidiary Security Agreement in the singular shall have comparable meanings when used in the plural, and VICE VERSA, unless otherwise specified.

2. GRANT OF SECURITY INTEREST. Each Grantor hereby grants to the Agent for the benefit of the Agent, the Lenders, the Issuing Banks and the other Holders a security interest in all of such Grantor's rights, title and interests in and to the following property, whether now owned or existing or hereafter arising or acquired and wheresoever located (the "Collateral"), to secure the prompt and complete payment, observance and performance of all such Grantor's Liabilities.

(a) ACCOUNTS: All present and future accounts, accounts receivable and other rights of such Grantor to payment for the sale or lease of goods or the rendition of services (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 (collectively, "Accounts");

(b) EQUIPMENT: All of such Grantor's present and future (i) equipment and fixtures, including, without limitation, wherever located, printing presses and other machinery, manufacturing, distribution, selling, data processing and office

equipment, furniture, furnishings, assembly systems, tools, tooling, molds, dies, appliances and vehicles, vessels and aircraft, (ii) other tangible personal property (other than such Grantor's Inventory) and (iii) any and all accessions, parts and appurtenances attached to any of the foregoing or used in connection therewith, and any substitutions therefor and replacements, products and proceeds thereof (collectively, "Equipment");

(c) GENERAL INTANGIBLES: All of such Grantor's present and future general intangibles, choses in action, causes of action, and all other intangible personal property of every kind and nature including, without limitation, corporate, partnership and other business books and records, inventions, designs, patents, patent applications, trademarks, service marks, trademark applications, service mark applications, trade names, trade secrets, goodwill, registrations, copyrights, licenses, franchises, customer lists, computer programs, software and other computer materials, tax refunds, tax refund claims, rights and claims against charters, carriers, shippers, franchisees, lessors, and lessees, and rights to indemnification, intercompany receivables, and any security documents executed in connection therewith, deposit accounts, proceeds of any letters of credit, indemnity, warranty or guaranty payable to such Grantor from time to time with respect to the foregoing or proceeds of any insurance policies on which such Grantor is named as beneficiary, claims against third parties for advances and other financial accommodations and any other obligations whatsoever owing to such Grantor, contract rights, customer and supplier contracts, rights in and to all security agreements, security interests or other security held by such Grantor to secure payment of such Grantor's accounts, all right, title and interest under leases, subleases, and concessions and other agreements relating to real or personal property (including, without limitation, all rents, issues and profits related thereto), rights in and under guarantees, instruments, securities, documents of title and other contracts securing, evidencing, supporting or otherwise relating to any of the foregoing, together with all rights in any goods, merchandise or Inventory (as defined below) which any of the foregoing may represent (collectively, "General Intangibles");

(d) INVENTORY: All of such Grantor's present and future (i) inventory, (ii) goods, merchandise and other personal property furnished or to be furnished under any contract of service or intended for sale or lease, and all goods consigned by such Grantor and all other items which have previously constituted Equipment but are then currently being held for sale or lease in the ordinary course of such Grantor's business, (iii) raw materials, work-in-process and finished goods, (iv) materials, components and supplies of any kind, nature or description used or consumed in such Grantor's business or in connection with the manufacture, production, packing, shipping, advertising, finishing or sale of any of the Property described in CLAUSES (i) through

(iii) above, (v) goods in which such Grantor has a joint or other interest to the extent of such Grantor's interest therein or right of any kind (including, without limitation, goods in which such Grantor has an interest or right as consignee), and (vi) goods which are returned to or repossessed by such Grantor; in each case whether in the possession of such Grantor, a bailee, a consignee, or any other Person for sale, storage, transit, processing, use or otherwise, and any and all documents for or relating to any of the foregoing (collectively, "Inventory");

(e) CHATTEL PAPER, INSTRUMENTS AND DOCUMENTS: All chattel paper, all instruments (as defined in Article 9 of the Uniform Commercial Code) and securities (as defined in Article 8 of the Uniform Commercial Code), all bills of lading, warehouse receipts and other documents of title and documents, in each instance whether now owned or hereafter acquired by such Grantor (collectively, "Chattel Paper, Instruments and Documents");

(f) OTHER PROPERTY: All property or interests in property now owned or hereafter acquired by such Grantor whether in the possession, custody or control of the Agent, any Lender, any Issuing Bank or any other Holder, or any agent or affiliate of any of them in any way or for any purpose (whether for safekeeping, deposit, custody, pledge, transmission, collection or otherwise), including, without limitation, (i) each Lockbox, and all funds, drafts, checks and other items deposited therein from time to time, (ii) each Collection Account, and all funds, drafts, checks and other items deposited therein from time to time, (iii) the Concentration Account, and all funds, drafts, checks and other items deposited therein from time to time, and (iv) the Investment Account, all funds, drafts, checks and other items deposited therein from time to time, all Investments made from time to time in or through the Investment Account, and all certificates and instruments, if any, from time to time representing such Investments; and all rights and interests of such Grantor, now existing or hereafter arising and however and wherever arising, in respect of any and all (w) notes, drafts, letters of credit, stocks, bonds, and debt and equity securities, whether or not certificated, and warrants, options, puts and calls and other rights to acquire or otherwise relating to the same; (x) money; (y) proceeds of loans, including, without limitation, all the intercompany loans made to such Grantor by the Borrower; and (z) insurance proceeds and books and records relating to any of the property covered by this Subsidiary Security Agreement (collectively, "Other Property");

together with respect to each of the items set forth in paragraphs (a) through (f) above with all accessions and additions thereto, substitutions therefor, and replacements, proceeds and products thereof; PROVIDED, HOWEVER, that the foregoing grant of a security interest shall not include a security interest in any contract right, license, agreement, any lease pertaining to real or personal property or any other document, instrument or agreement

of the Borrower (each such contract right, license agreement, lease pertaining to real or personal property and other document, instrument or agreement of the Borrower being hereinafter referred to as "Excluded Property"), IF the granting of a security interest therein by the Borrower to the Agent is expressly prohibited by the terms and provisions of the written agreement, document or instrument creating or evidencing such Excluded Property or rights related thereto or by applicable law (it being understood and agreed that promptly following a request by the Agent, the Borrower shall use its best efforts to obtain from the Person in whose favor the prohibition has been granted any necessary waiver or consent in order to remove or terminate such prohibition or permit the Agent to have a security interest in the Borrower's rights to any such Excluded Property subject to such a prohibition and referred to in such request, and that any such Excluded Property so referred to shall constitute part of the Collateral automatically upon the execution and delivery of the applicable waiver or consent). Notwithstanding anything set forth herein to the contrary, the Agent will be deemed to have, and at all times from and after the date hereof to have had, a security interest in the proceeds of such Excluded Property to the extent that proceeds of such Excluded Property have come into the possession of the Agent, have been deposited into any Collection Account or the Concentration Account or otherwise constitute Collateral hereunder.

3. CONTINUING LIABILITY. Each Grantor hereby expressly agrees that, notwithstanding anything set forth herein to the contrary, such Grantor shall remain solely responsible under each contract, agreement, interest or obligation as to which a Lien has been granted to the Agent hereunder for the observance and performance of all of the conditions and obligations to be observed and performed by such Grantor thereunder, all in accordance with and pursuant to the terms and provisions thereof, and the exercise by the Agent, any Lender or any Issuing Bank of any rights under this Subsidiary Security Agreement, the Subsidiary Guaranty, the Credit Agreement or any other Loan Document shall not release such Grantor from any of such Grantor's duties or obligations hereunder and under each such contract, agreement, interest or obligation. Neither the Agent nor any Lender or Issuing Bank shall have any duty, responsibility, obligation or liability under any such contract, agreement, interest or obligation by reason of or arising out of this Subsidiary Security Agreement or the assignment thereof by such Grantor to the Agent or the granting by such Grantor to the Agent of a Lien thereon or the receipt by the Agent, any Lender or any Issuing Bank of any payment relating to any such contract, agreement, interest or obligation pursuant hereto, nor shall the Agent, any Lender or any Issuing Bank be required or obligated (nor to the extent prohibited by the terms of such contract, agreement, interest or obligation or applicable law, rule or regulation, shall the Agent, Lender or Issuer be permitted), in any manner, to (a) perform or fulfill any of the obligations of

such Grantor thereunder or pursuant thereto, (b) make any payment, or to make any inquiry as to the nature or the sufficiency of any payment received by such Grantor or the sufficiency of any performance by any party under any such contract, agreement, interest or obligation, or (c) present or file any claim, or take any action to collect or enforce any performance or payment of any amounts which may have been assigned to such Grantor, on which such Grantor has been granted a Lien to which such Grantor may be entitled at any time or times.

4. REPRESENTATIONS, WARRANTIES AND COVENANTS. Each Grantor hereby represents, warrants and covenants that as of the date of the execution of this Subsidiary Security Agreement, and until the termination of this Subsidiary Security Agreement pursuant to SECTION 14 below:

(a) All of the Equipment and Inventory (other than Inventory and Equipment sold in accordance with the terms of the Credit Agreement, Equipment being repaired or serviced, Equipment and Inventory in transit or in the possession and control of subcontractors of such Grantor, are located at the places specified in SCHEDULE 1 attached hereto and such location is an owned, leased or bailment location as specified in SCHEDULE 1 attached hereto. As of the date hereof, the correct corporate name, the principal place of business, the chief executive office, and the federal tax identification number of such Grantor and the places where such Grantor's books and records concerning the Collateral are currently kept are set forth in SCHEDULE 2 attached hereto and made a part hereof, and such Grantor will not change such principal place of business or chief executive office or remove such records without (i) providing the Agent with at least thirty (30) days' prior written notice of such change, and (ii) making all filings under the Uniform Commercial Code necessary or appropriate to preserve the perfection of the security interests described herein to the extent such security interest may be perfected by such filings. Such Grantor will not change its name, identity or corporate structure in any manner which might make any financing statement filed hereunder misleading, UNLESS such Grantor shall have (A) given the Agent at least thirty (30) days' prior written notice thereof (and received any consent that may be required under the terms of the Credit Agreement), and (B) certified to the Agent that all filings reflecting such new name, identity or structure have been made which are necessary or appropriate to preserve the perfection of the security interests described herein. The Borrower will hold and preserve such records and chattel paper and will permit representatives of the Agent at any time during normal business hours to inspect and make abstracts from such records and chattel paper.

(b) Such Grantor has exclusive possession and control of the Equipment and Inventory, except for (i) Inventory in the possession and control of a bailee or warehouseman of such Grantor in the ordinary course of business; (ii) Inventory in the possession and control of subcontractors of such Grantor; (iii) Equipment being repaired or serviced; and (iv) Equipment and Inventory in transit with common or other carriers.

(c) Such Grantor is the legal and beneficial owner of the Collateral free and clear of all Liens except as permitted under SECTION 9.03 of the Credit Agreement. Such Grantor has not, during the five (5) years preceding the date hereof, been known as or used any other corporate or fictitious name, except as disclosed on SCHEDULE 3 hereto, nor acquired all or substantially all the assets, capital stock or operating unit of any Person, except as disclosed on SCHEDULE 3 hereto, and each predecessor in interest of such Grantor during the five (5) years preceding the Closing Date is disclosed on SCHEDULE 3 hereto.

(d) This Subsidiary Security Agreement creates in favor of the Agent a legal, valid and enforceable security interest in the Collateral, securing the payment of the Liabilities. When financing statements have been filed in the appropriate offices in the locations listed on SCHEDULES 1 AND 2 hereto, the Agent will have a fully perfected first priority Lien on the Collateral to the extent such Lien may be perfected by Uniform Commercial Code filings, except, in the case of priority, for Liens permitted by SECTION 9.03 of the Credit Agreement.

5. COVENANTS. Each Grantor covenants and agrees with the Agent that from and after the date of this Subsidiary Security Agreement and until the termination of this Subsidiary Security Agreement pursuant to SECTION 14 below:

(a) At any time and from time to time, upon the Agent's written request and at the expense of such Grantor, such Grantor will promptly and duly execute and deliver any and all such further instruments and documents and take such further action as the Agent reasonably may deem desirable in order to perfect and protect any Lien granted or purported to be granted hereby or to enable the Agent to exercise and enforce its rights and remedies hereunder with respect to the Collateral. Without limiting the generality of the foregoing, such Grantor will: (i) upon the occurrence and during the continuance of an Event of Default, at the request of the Agent, mark conspicuously each item of chattel paper included in the Collateral and each related contract and, each of its records pertaining to the Collateral, with a legend, in form and substance satisfactory to the Agent, indicating that such document, chattel paper, related

contract or Collateral is subject to the security interest granted hereby; (ii) if any Collateral shall be evidenced by a promissory note or other instrument (other than checks or drafts received in the ordinary course of such Grantor's business), deliver and pledge to the Agent hereunder such note or instrument duly endorsed and accompanied by duly executed instruments of transfer or assignment, all in form and substance satisfactory to the Agent; and (iii) execute and file such financing or continuation statements, or amendments thereto, and such other instruments or notices as the Agent may request, as may be necessary or desirable, in order to perfect and preserve the security interest granted or purported to be granted hereby. Such Grantor hereby authorizes the Agent to file any such financing or continuation statements without the signature of such Grantor to the extent permitted by applicable law. Such Grantor hereby agrees that a carbon, photographic, photostatic or other reproduction of this Subsidiary Security Agreement or of a financing statement is sufficient as a financing statement to the extent permitted by applicable law.

(b) Such Grantor shall keep the Equipment and Inventory (other than Inventory and Equipment sold in accordance with the terms of the Credit Agreement, Equipment being repaired or serviced, Inventory in transit or in the possession and control of subcontractors of such Grantor) at the places specified in SCHEDULE 1 hereto and shall deliver written notice to the Agent at least 30 days prior to establishing any other location at which it reasonably expects to maintain Inventory and/or Equipment in any jurisdiction in which all action required by SECTION 5 hereof has not been taken with respect to all such Equipment and/or Inventory. Upon the establishment of any such location, and after notice thereof to the Agent as required in the preceding sentence, SCHEDULE 1 hereto shall be deemed amended to add such location thereto without further action by the Agent or such Grantor and such Grantor hereby authorizes the Agent to substitute a new SCHEDULE 1 hereto to reflect such additional location(s).

(c) Such Grantor will keep and maintain at such Grantor's own cost and expense satisfactory and complete records of the Collateral in a manner reasonably acceptable to the Agent, including, without limitation, a record of all payments received and all credits granted with respect to such Collateral and a record of the Agent's security interest in the Collateral. Upon the occurrence and during the continuance of an Event of Default, such Grantor shall, for the Agent's further security, deliver and turn over to the Agent or the Agent's designated representatives at any time upon three (3) days' notice from the Agent or the Agent's designated

representative, any such books and records (including, without limitation, any and all computer tapes,

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programs and source codes relating to the Collateral or any part or parts thereof).

(d) In any suit, proceeding or action brought by the Agent under any account comprising part of the Collateral, such Grantor will save, indemnify and keep the Agent, each Lender and each Issuing Bank harmless from and against all expense, loss or damages suffered by reason of any defense, setoff, counterclaim, recoupment or reduction of liability whatsoever of the obligor thereunder, arising out of a breach by such Grantor of any obligation or arising out of any other agreement, indebtedness or liability at any time owing to or in favor of such obligor or its successors from such Grantor, and all such obligations of such Grantor shall be and shall remain enforceable against and only against such Grantor and shall not be enforceable against the Agent, any Lender or any Issuing Bank; PROVIDED, HOWEVER, such Grantor shall have no obligation to the Agent with respect to the matters indemnified pursuant to this subsection (d) resulting from the willful misconduct or gross negligence of the Agent, as determined in a final non-appealable judgment by a court of competent jurisdiction.

(e) Such Grantor will not create, permit or suffer to exist, and will defend the Collateral against and take such other action as is necessary to remove, any Lien on such Collateral, other than Liens permitted under SECTION 9.03 of the Credit Agreement, and will defend the right, title and interest of the Agent in and to such Grantor's rights to such Collateral, including, without limitation, the proceeds and products thereof, against the claims and demands of all Persons whatsoever other than claims secured by liens permitted under SECTION 9.03 of the Credit Agreement.

(f) Such Grantor will not, without the Agent's prior written consent, except in the ordinary course of business and for amounts which are not material to such Grantor in the aggregate, (i) grant any extension of the time of payment of any of the Collateral or compromise, compound or settle the same for less than the full amount thereof; (ii) release, wholly or partly, any Person liable for the payment thereof; or (iii) allow any credit or discount whatsoever thereon other than trade discounts granted in the ordinary course of business.

6. COLLECTIONS. Except as otherwise provided in this SECTION 6, each Grantor shall continue to collect, at its own expense, all amounts due or to become due to such Grantor under the Accounts. In connection with such

collections, such Grantor may take (and, after the occurrence of an Event of Default, at the Agent's direction, must take) such action as such Grantor or, after the occurrence and during the continuation of an Event of

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Default, the Agent may deem necessary or advisable to enforce collection of the Accounts; PROVIDED, HOWEVER, that the Agent shall have the right at any time, upon the occurrence and during the continuance of an Event of Default to the extent permitted by contract, agreement, interest or right giving rise to or relating to such Account and under applicable law, rule and regulation, to require the Borrower to prepare notices of assignment for each Government Contract and to file such notices of assignment with the appropriate contracting officer of the United States Government and to otherwise notify the account debtors or obligors under any Accounts of the assignment of such Accounts to the Agent and to direct such account debtors or obligors to make payment of all amounts due or to become due to such Grantor thereunder directly to the Agent and, upon such notification and at the expense of such Grantor, to enforce collection of any such Accounts, and to adjust, settle or compromise the amount or payment thereof, in the same manner and to the same extent as such Grantor might have done. After receipt by such Grantor of the notice from the Agent referred to in the proviso to the preceding sentence, (i) all amounts and proceeds (including instruments) received by such Grantor in respect of the Accounts shall be received in trust for the benefit of the Agent, the Lenders, the Issuing Banks and the other Holders, shall be segregated from other funds of such Grantor and shall be forthwith paid over to the Agent in the same form as so received (with any necessary endorsement) to be applied to the Obligations in accordance with the Credit Agreement (including, without limitation, SECTION 3.02(B)(II) thereof) and (ii) such Grantor shall not adjust, settle or compromise the amount or payment of any Account, release wholly or partly any account debtor or obligor thereof, or allow any credit or discount thereon.

7. REMEDIES, APPLICATION OF PROCEEDS, RIGHTS UPON EVENT OF DEFAULT.

(a) Upon the occurrence and during the continuance of an Event of Default, the Agent may exercise in respect of the Collateral, in addition to all other rights and remedies provided for herein or otherwise available to it, all the rights and remedies provided for in the Credit Agreement and all the rights and remedies of a secured party under the Uniform Commercial Code, and all other applicable law as in effect in any relevant jurisdiction. In addition, the Agent may also:

(i) require such Grantor to, and such Grantor hereby agrees that it will at its expense and upon request of the Agent, promptly assemble all, or such part, of the Collateral as directed by the Agent and make such Collateral available to the Agent at a place designated by the Agent, which place shall be reasonably convenient to the Agent, whether at the

premises of such Grantor or otherwise;

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(ii) enter, with or without process of law and without breach of the peace, any premises where any of the Collateral or the books and records of such Grantor related thereto are or may be located and, without charge or liability to the Agent, seize and remove such Collateral and such books and records from such premises, or remain upon such premises and use the same for the purpose of enforcing any and all rights and remedies of the Agent under this Subsidiary Security Agreement, the Credit Agreement or any of the other Loan Documents; and

(iii) without notice, except as specified below, sell, lease, assign, grant an option or options to purchase or otherwise dispose of all or any part of the Collateral in one or more parcels, at public or private sale or sales, at any exchange, broker's board or at any of the Agent's offices or elsewhere, at such prices as the Agent may deem best, for cash, on credit or for future delivery, and upon such other terms as the Agent may deem commercially reasonable; PROVIDED, HOWEVER, that such Grantor shall not be credited with the net proceeds of any such credit sale, future delivery or lease of the Collateral until the cash proceeds thereof are actually received by the Agent and PROVIDED, FURTHER that any such sale, lease assignment, option to purchase or other disposition (each a "disposition") shall be subject to any prohibition or restriction thereon contained in any agreement, contract, interest or right comprising a part of the Collateral subject to such disposition and any applicable law, rule or regulation. Such Grantor agrees that, to the extent notice of sale shall be required by law, at least ten (10) Business Days' notice, or such longer period as may be required by law, to such Grantor of the time and place of any public sale, or the time after which any private sale is to be made, shall constitute reasonable notification. No notification required by law need be given to such Grantor if such Grantor has signed, after the occurrence of an Event of Default, a statement renouncing any right to notification of sale or other intended disposition. The Agent shall not be obligated to make any sale of any of the Collateral regardless of notice of sale having been given. The Agent may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned. The Agent, any Lender and any of the Issuing Banks shall have the right upon any such public sale or sales and, to the extent permitted by law, upon any such private sale or sales, to purchase the whole or any part of the Collateral so sold, free of any right or equity of redemption in such Grantor, which right or equity is hereby expressly waived and released. In the event of a sale of any Collateral, or any part thereof, to a Lender, an Issuing Bank or the Agent upon the occurrence and during the continuance of an

Default, such Lender, Issuing Bank, or the Agent shall not deduct or offset from any part of the purchase price to be paid therefor any indebtedness owing to it by such Grantor. Any and all proceeds received by the Agent with respect to any sale of, collection from or other realization upon all or any part of the Collateral, whether consisting of monies, checks, notes, drafts, bills of exchange, money orders or commercial paper of any kind whatsoever, shall be held by the Agent and distributed by the Agent in accordance with the Credit Agreement (including, without limitation, SECTION 3.02(b)(ii) thereof) and such Grantor shall remain liable for any deficiency following the sale of the Collateral. Subject to the terms of any applicable license agreement to which such Grantor is a party, the Agent is hereby granted an irrevocable license or other right to use, without charge, such Grantor's labels, copyrights, patents, rights of use of any name, trade names, general intangibles, trademarks and advertising matter, or any property of a similar nature, in completing production of, advertising for sale and selling any Collateral.

(b) To the extent permitted by applicable law, such Grantor waives all claims, damages and demands against the Agent, any Lender or any Issuing Bank arising out of the repossession, retention or sale of the Collateral, or any part or parts thereof, except any such claims, damages and awards arising out of the gross negligence or willful misconduct of the Agent.

(c) Such Grantor recognizes that in the event such Grantor fails to perform, observe or discharge any of its obligations or liabilities under this Subsidiary Security Agreement, no remedy at law will provide adequate relief to the Agent and the Agent shall be entitled to temporary and permanent injunctive relief in any such case without the necessity of proving actual damages.

(d) The rights and remedies provided under this Subsidiary Security Agreement are cumulative and may be exercised singly or concurrently, and are not exclusive of any rights and remedies provided by law or equity.

8. THE AGENT MAY PERFORM. If any Grantor fails to perform any agreement contained herein, the Agent, upon written notice to such Grantor if practicable, may itself perform, or cause performance of, such agreement, and the expenses of the Agent incurred in connection therewith shall constitute Protective Advances payable by such Grantor in accordance with the terms of the Credit Agreement.

9. THE AGENT'S DUTY. The Agent shall have no duty with respect to any Collateral except as set forth herein and in the Credit Agreement.

Without limiting the generality of the foregoing, the Agent shall be under no obligation to take any

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steps necessary to preserve the rights of each Grantor in the Collateral against any other parties but may do so at its option provided that all expenses incurred in connection therewith shall be for the sole account of such Grantor and shall be added to the Liabilities secured hereby.

10. MARSHALLING, PAYMENTS SET ASIDE; AGENT APPOINTED ATTORNEY-IN-FACT. The Agent shall be under no obligation to marshal any assets in favor of any Grantor or against or in payment of any or all of the Liabilities. To the extent that any Grantor makes a payment or payments to the Agent or the Agent receives any payment or proceeds of the Collateral for the benefit of the Agent, any Lender, any Issuing Bank or any other Holder, which payment(s) or proceeds or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside and/or required to be repaid to a trustee, receiver or any party under any bankruptcy law, state or federal law, common law or equitable cause, then, to the extent of such payment or proceeds received, the Liabilities or any part thereof intended to be satisfied shall be revived and continue in full force and effect, as if such payment or proceeds had not been received by the Agent.

Each Grantor agrees, upon the request of the Agent and promptly following such request, to take any action and execute any instrument which the Agent may deem necessary or advisable to accomplish the purposes of this Subsidiary Security Agreement. Such Grantor hereby irrevocably constitutes and appoints the Agent and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full power and authority in the name of such Grantor, or in its own name, from time to time in the Agent's discretion, for the purpose of carrying out the terms of this Subsidiary Security Agreement, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes hereof and, without limiting the generality of the foregoing, hereby gives the Agent the power and right on behalf of such Grantor, without notice to or assent by such Grantor, to the extent permitted by applicable law, to do the following:

- (i) to obtain and adjust insurance required to be paid to the Agent pursuant to SECTION 8.05 of the Credit Agreement;
- (ii) ask, demand, collect, sue for, recover, compromise, receive and give acquittance and receipt for monies due and to become due under or in respect of any of the Collateral;
- (iii) receive, take, endorse, assign and deliver any and all checks,

notes, drafts, acceptances, documents and other negotiable and nonnegotiable instruments, documents and chattel paper taken or received by the Agent in connection with this Subsidiary Security Agreement;

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(iv) to commence, file, prosecute, defend, settle, compromise or adjust any claim, suit, action or proceeding with respect to the Collateral;

(v) to sell, transfer, assign or otherwise deal in or with the Collateral or any part thereof pursuant to the terms and conditions of this Subsidiary Security Agreement; and

(vi) to do, at its option and at the expense and for the account of such Grantor, at any time or from time to time, all acts and things which the Agent deems necessary to protect or preserve the Collateral and to realize upon the Collateral.

11. SEVERABILITY. If any provision of this Subsidiary Security Agreement is held to be prohibited or unenforceable in any jurisdiction the substantive laws of which are held to be applicable hereto, such prohibition or unenforceability shall not affect the validity or enforceability of the remaining provisions hereof and shall not invalidate or render unenforceable such provision in any other jurisdiction.

12. AMENDMENTS, WAIVERS AND CONSENTS. None of the terms or provisions of this Subsidiary Security Agreement may be waived, altered, modified or amended, and no consent to any departure by any Grantor herefrom shall be effective, except by or pursuant to an instrument in writing which (i) is duly executed by each Grantor and the Agent and (ii) complies with the requirements of the Credit Agreement. Any such waiver shall be valid only to the extent set forth therein. A waiver by the Agent of any right or remedy under this Subsidiary Security Agreement on any one occasion shall not be construed as a waiver of any right or remedy which the Agent would otherwise have on any future occasion. No failure to exercise or delay in exercising any right, power or privilege under this Subsidiary Security Agreement on the part of the Agent shall operate as a waiver thereof; and no single or partial exercise of any right, power or privilege under this Subsidiary Security Agreement shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

13. BINDING EFFECT; SUCCESSORS AND ASSIGNS. This Subsidiary Security Agreement shall be binding upon each Grantor and its successors, and upon any assign(s) of such Grantor in accordance with SECTION 13.16 of the Credit Agreement and the Agent, the Lenders, the Issuing Banks and the other Holders, and their respective successors and assigns. Nothing set forth herein or in any other Loan Document is intended or shall be construed to give

any other Person any right, remedy or claim under, to or in respect of this Subsidiary Security Agreement, the Credit Agreement or any other Loan Document or any Collateral. Each Grantor's successors shall include, without limitation, a receiver, trustee or debtor-in-possession of or for such Grantor.

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14. TERMINATION OF THIS SUBSIDIARY SECURITY AGREEMENT; RELEASE OF COLLATERAL.

(a) The security interest granted by each Grantor under this Subsidiary Security Agreement shall terminate against all the Collateral upon final payment in full in cash of the Obligations and termination of the Revolving Credit Commitments. Upon such termination and at the written request of such Grantor or its successors or assigns, and at the cost and expense of such Grantor or its successors or assigns, the Agent shall execute in a timely manner a satisfaction of this Subsidiary Security Agreement and such instruments, documents or agreements as are necessary or desirable to terminate and remove of record any documents constituting public notice of this Subsidiary Security Agreement and the security interests and assignments granted hereunder and shall assign and transfer, or cause to be assigned and transferred, and shall deliver or cause to be delivered to such Grantor, all property, including all monies, instruments and securities of such Grantor then held by the Agent.

(b) Notwithstanding anything in this Subsidiary Security Agreement to the contrary, each Grantor may, to the extent permitted by SECTION 9.02 of the Credit Agreement sell, assign, transfer or otherwise dispose of any Collateral. In addition, the Collateral shall be subject to release from time to time (with the Collateral referred to in the immediately preceding sentence, the "Released Collateral") in accordance with SECTION 12.09(C) of the Credit Agreement. The Liens under this Subsidiary Security Agreement shall terminate with respect to the Released Collateral upon such sale, transfer, assignment, disposition or release, and upon the request of such Grantor, the Agent shall execute and deliver such instrument or document as may be necessary to release the Liens granted hereunder; PROVIDED, HOWEVER, that (i) the Agent shall not be required to execute any such documents on terms which, in the Agent's opinion, would expose the Agent to liability or create any obligation or entail any consequence other than the release of such Liens without recourse or warranty, and (ii) such release shall not in any manner discharge, affect or impair the Liabilities or any Liens on (or obligations of such Grantor in respect of) all interests retained by such Grantor, including without limitation, the proceeds of any sale, all of which shall continue to constitute part of the Collateral unless and until applied strictly in accordance with the Loan Documents.

15. THE AGENT'S EXERCISE OF RIGHTS AND REMEDIES UPON THE OCCURRENCE AND DURING THE CONTINUANCE OF AN EVENT OF DEFAULT. Notwithstanding

anything set forth herein to the contrary, it is hereby expressly agreed that upon the occurrence and during the continuance of an Event of Default, the Agent may, and upon the written direction of the Requisite Lenders shall, exercise any of the rights and remedies provided in this Subsidiary Security Agreement, the Credit Agreement and any of the other Loan Documents.

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16. NOTICES. Any notice, demand, request or any other communication required or desired to be served, given or delivered hereunder shall be in writing and shall be served, given or delivered as provided in SECTION 13.08 of the Credit Agreement.

17. SECTION HEADINGS. The section headings herein are for convenience of reference only, and shall not affect in any way the interpretation of any of the provisions hereof.

18. GOVERNING LAW. THIS SUBSIDIARY SECURITY AGREEMENT SHALL BE GOVERNED BY, AND BE CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK, EXCEPT FOR PERFECTION AND ENFORCEMENT OF SECURITY INTERESTS AND LIENS IN OTHER JURISDICTIONS WHICH SHALL BE GOVERNED BY THE LAWS OF THOSE JURISDICTIONS.

19. FURTHER INDEMNIFICATION. Each Grantor agrees to pay, and to save the Agent, each Lender and each Issuing Bank harmless from, any and all liabilities with respect to, or resulting from any delay in paying, any and all excise, sales or other taxes which may be payable or determined to be payable with respect to any of the Collateral or in connection with any of the transactions contemplated by this Subsidiary Security Agreement.

20. COUNTERPARTS. This Subsidiary Security Agreement may be executed in separate counterparts, each of which shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

21. CONSENT TO JURISDICTION AND SERVICE OF PROCESS. Each Grantor agrees that the terms of SECTION 13.17 of the Credit Agreement with respect to consent to jurisdiction and service of process shall apply equally to this Subsidiary Security Agreement.

22. WAIVER OF BOND. Each Grantor waives the posting of any bond otherwise required of the Agent in connection with any judicial process or proceeding to realize on the Collateral or any other security for the Liabilities, to enforce any judgment or other court order entered in favor of the Agent, or to enforce by specific performance, temporary restraining order, or preliminary or permanent injunction, this Subsidiary Security Agreement or any other agreement or document between the Agent and such Grantor.

23. ADVICE OF COUNSEL. Each Grantor represents and warrants to the Agent and the Lenders that it has discussed this Subsidiary Security Agreement and, specifically, the provisions of SECTIONS 18, 21, 22 and 26 hereof, with such Grantor's attorneys.

24. FURTHER ASSURANCES. The Borrower agrees that it will cooperate with the Agent and will execute and deliver, or cause to be executed and delivered, all such other stock powers, proxies, instruments and documents, and will take all such other actions, including, without limitation, the execution and filing

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of financing statements, as the Agent may reasonably request from time to time in order to carry out the provisions and purposes of this Security Agreement.

25. THE AGENT'S DUTY OF CARE. The Agent shall not be liable for any acts, omissions or errors of judgment or mistakes of fact or law including, without limitation, acts, omissions, errors or mistakes with respect to the Collateral, except for those arising out of or in connection with the Agent's (i) gross negligence or willful misconduct or (ii) failure to use reasonable care with respect to the safe custody of the Collateral in the Agent's possession. Without limiting the generality of the foregoing, the Agent shall be under no obligation to take any steps necessary to preserve rights in the Collateral against any other parties but may do so at its option. All expenses incurred in connection therewith shall be for the sole account of the Grantors, and shall constitute part of the Liabilities of the Grantors secured hereby.

26. WAIVER OF JURY TRIAL. EACH GRANTOR AND THE AGENT WAIVES ANY RIGHT TO TRIAL BY JURY IN ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT, OR OTHERWISE, BETWEEN THE AGENT AND SUCH GRANTOR ARISING OUT OF OR RELATED TO THE TRANSACTIONS CONTEMPLATED BY THIS SUBSIDIARY SECURITY AGREEMENT OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HEREWITH. EITHER SUCH GRANTOR OR THE AGENT MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SUBSIDIARY SECURITY AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

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IN WITNESS WHEREOF, the parties hereto have executed this Subsidiary Security Agreement or caused this Subsidiary Security Agreement to be executed and delivered by their duly authorized officers as of the date first set forth

above.

HEXCEL INTERNATIONAL

By _____
Name:
Title:

HEXCEL FAR EAST

By _____
Name:
Title:

HEXCEL TECHNOLOGIES, INC.

By _____
Name:
Title:

CITICORP USA, INC.,
as Agent

By _____
Name:
Title:

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SCHEDULE 1
TO
SUBSIDIARY SECURITY AGREEMENT
dated as of February __, 1995

LOCATIONS OF INVENTORY AND EQUIPMENT
AND STATUS

LOCATION

STATUS

SCHEDULE 2
TO
SUBSIDIARY SECURITY AGREEMENT
dated as of February __, 1995

LOCATIONS OF BOOKS AND RECORDS

1. CORRECT CORPORATE NAME

HEXCEL INTERNATIONAL
HEXCEL FAR EAST
HEXCEL TECHNOLOGIES, INC.

2. CHIEF EXECUTIVE OFFICE OF ALL GRANTORS

5794 West Las Positas Boulevard
Pleasanton, California 94588

3. PRINCIPAL PLACE OF BUSINESS OF ALL GRANTORS

5794 West Las Positas Boulevard
Pleasanton, California 94588

4. FEDERAL TAX IDENTIFICATION NUMBER

HEXCEL INTERNATIONAL: _____
HEXCEL FAR EAST: _____
HEXCEL TECHNOLOGIES, INC.: _____

5. LOCATION(S) OF ALL GRANTORS '
BOOKS AND RECORDS CONCERNING THE COLLATERAL

Corporate Books and Accounting Records:

5794 West Las Positas Boulevard
Pleasanton, California 94588

SCHEDULE 3
TO
SUBSIDIARY SECURITY AGREEMENT
dated as of February __, 1995

- I. PREVIOUS GRANTOR NAMES
- II. ACQUISITIONS OF ALL OR SUBSTANTIALLY ALL OF THE ASSETS,
CAPITAL STOCK OR OPERATING UNIT OF ANY PERSON
- (i)
- (ii)
- (iii)
- III. PREDECESSOR IN INTEREST OF EACH GRANTOR DURING THE FIVE
PRECEDING YEARS

EXHIBIT P

\$2,613,000.00

Dated: February __, 1995
New York, New York

SUBORDINATED PROMISSORY NOTE

FOR VALUE RECEIVED, the undersigned hereby promises to pay to the order of Hexcel S.A., a French corporation (the "Payee"), in lawful money of the United States the principal sum of Two Million Six Hundred Thirteen Thousand and 00/100 Dollars (\$2,613,000), on demand; PROVIDED, such demand shall not be made prior to December 31, 1998 (the "Maturity Date"). The amount outstanding under this note shall bear interest at the rate of 6.9% per annum from the date hereof. To the extent permitted under the Credit Agreement (the "Credit

Agreement") dated as of February __, 1995 by and among Hexcel Corporation, a Delaware corporation, and each of the Lenders and Issuing Banks (each as defined in the Credit Agreement) from time to time a party thereto and Citicorp U.S.A., Inc., as agent (the "Agent") for the Lenders and Issuing Banks, interest hereunder shall be payable semi-annually in arrears and, to the extent not so permitted, shall accrue and be payable on the Maturity Date.

I. SUBORDINATION OF THIS NOTE.

1. NOTE SUBORDINATE TO SENIOR INDEBTEDNESS.

The Maker and the Holder, by the Holder's acceptance hereof, covenant and agree that, to the extent and in the manner hereinafter set forth in this Paragraph I, the indebtedness represented by this Note and the payment of the principal of and the interest on this Note and all other payments with respect to or an account of this Note (collectively, the "Subordinated Indebtedness") are hereby expressly made subordinate and subject in right of payment to the prior payment in full in cash of all Senior Indebtedness.

2. PAYMENT OVER OF PROCEEDS UPON BANKRUPTCY, ETC.

In the event of (i) any insolvency or bankruptcy case or proceeding, or any receivership, liquidation, reorganization or other similar case or proceeding in connection therewith, relative to the Maker or its assets, or (ii) any liquidation, dissolution or other winding up of the Maker, whether voluntary or involuntary or whether or not involving insolvency or bankruptcy, or (iii) any assignment for the benefit of creditors or any other marshalling of assets or liabilities of the Maker (each such event, if any, herein sometimes referred to as a "Proceeding"), then and in any such event the holders of all

Senior Indebtedness shall first be paid in full (including, without limitation, all Post-Commencement Interest) or provision for such payment shall be made and agreed to in writing by the holders of Senior Indebtedness before the Holder is entitled to receive any direct or indirect payment or distribution of any cash, property or securities on account of or with respect to Subordinated Indebtedness. To the extent any payment of Senior Indebtedness is declared to be fraudulent or preferential, set aside or required to be paid to a trustee, receiver or other similar party under any bankruptcy, insolvency, receivership or similar law, then if such payment is recovered by, or paid over to, such trustee, receiver or other similar party, the Senior Indebtedness or part thereof originally intended to be satisfied shall be deemed to be reinstated and outstanding as if such payment had not occurred.

3. NO PAYMENTS EXCEPT AS PERMITTED UNDER SENIOR INDEBTEDNESS.

(a) Except as permitted under the terms of the Senior Credit Agreement, the Maker may not and shall not make any payment on account of or with respect to the Subordinated Indebtedness.

(b) The Holder irrevocably authorizes and empowers the Agent (for the benefit of each holder of the Senior Indebtedness) to demand, sue for, collect and receive all such payment and distribution and receipt therefor, and to file and prove all such claims (in any Proceeding or otherwise) and take all such other action in the name of all holders of the Subordinated Indebtedness or otherwise, as the Agent may determine to be necessary or appropriate.

4. ENFORCEMENT.

The Holder hereby agrees that, unless and until the Senior Indebtedness shall have been paid and satisfied in full in cash, the Holder shall not exercise or assert any right or remedy, by suit, acceleration or otherwise, against Maker or any of its properties or assets in respect of the Subordinated Indebtedness.

5. PROCEEDS; NO SETOFF; PAYMENTS OVER.

The Holder hereby agrees that if it receives any payment, distribution or any cash or other property with respect to the Subordinated Indebtedness in contravention of the terms of this Paragraph I, it shall hold the same for the account of and for the benefit of the holders of Senior Indebtedness and shall promptly deliver the same (in the form such payments or distributions are received) to the Agent for the benefit of such

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holders for application to the Senior Indebtedness, with any necessary endorsements, or as a court of competent jurisdiction may otherwise direct and, if the Holder fails to make any such endorsement, the Agent is authorized to make the same as agent for it and on its behalf (which authorization, being coupled with an interest, is irrevocable).

6. SUBROGATION TO RIGHTS OF LENDERS OF SENIOR INDEBTEDNESS.

After all amounts payable under or in respect of Senior Indebtedness are paid in full in cash, whether or not due, the Holder shall be subrogated to the extent of the payments or distributions made to the holders of, or otherwise applied to payment of, such Senior Indebtedness pursuant to the provisions of this Paragraph I and to the rights of the holders of such Senior Indebtedness to receive payments and distributions of cash, property and securities applicable to the Senior Indebtedness until the Subordinated Indebtedness shall be paid in full.

7. NO WAIVER OF SUBORDINATION PROVISIONS.

(a) No right of any holder of any Senior Indebtedness to enforce subordination as herein provided shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of the Maker or by any act or

failure to act by such holder or any agent of such holder, or by any noncompliance by the Maker with such terms, provisions and covenants of this Note, regardless of any knowledge thereof which any such holder may have or be otherwise charged with.

(b) Without in any way limiting the generality of the foregoing paragraph, the holders of Senior Indebtedness, the Agent, and any of them, may, at any time and from time to time, without the consent of, or notice to, the Holder, without incurring any liabilities to the Holder and without impairing or releasing the subordination and other benefits provided to them (and their successors and assigns) in this Agreement (even if any right of subrogation or other right or remedy of the Holder is affected, impaired or extinguished thereby) amend, renew, exchange, extend, modify, supplement in any manner the Senior Indebtedness, sell, exchange, release, surrender, realize upon, enforce or otherwise deal with in any manner and in any order any part of the collateral securing the Senior Indebtedness, settle or compromise any Senior Indebtedness or any security therefor, exercise or delay in or refrain from exercising any right or remedy against Maker or any security or any guarantor or any other Person, elect any remedy an otherwise deal freely with Maker and the collateral securing the Senior Indebtedness.

II. ASSIGNMENT.

The Payee shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of the Maker and, so long as any Senior Indebtedness or commitment thereunder remains outstanding, the Agent. Neither the Maker nor the Agent shall unreasonably withhold such consent.

III. CERTAIN DEFINITIONS

As used in this Note, the following terms have the following meanings (which meanings are equally applicable to both the singular and plural forms of the terms defined):

"AGENT" means the then acting agent or administrative agent, as the case may be, as defined in and under the Senior Credit Agreement, or any successor thereto.

"BUSINESS DAY" shall mean a day that is not a Saturday, Sunday or day on which banking institutions are not required to be open in the State of New York.

"HOLDER" means the Payee or any subsequent holder of this Note.

"POST-COMMENCEMENT INTEREST" means all interest accrued or accruing after the commencement of any Proceedings (and interest that would accrue but for the commencement of any Proceeding) in accordance with and at the contract rate

(including, without limitation, any rate applicable upon default) specified in the agreement or instrument creating, evidencing or governing any Senior Indebtedness, whether or not, pursuant to applicable law or otherwise, the claim for such interest is allowed as a claim in such Proceeding.

"SENIOR CREDIT AGREEMENT" means, collectively, the Credit Agreement dated as of February __, 1995, among the Maker, the financial institutions from time to time party thereto as Lenders and Issuing Banks and Citicorp USA, Inc., in its separate capacity as agent for the Lenders and Issuing Banks, as the same may from time to time be amended, renewed, supplemented or otherwise modified at the option of the parties thereto and any other agreement pursuant to which any of the indebtedness, commitments, obligations, costs, expenses, fees, reimbursements and other indemnities payable or owing thereunder may be refinanced, restructured, renewed, extended, refunded or increased, as any such other agreement may from time to time at the option of the parties thereto be amended, supplemented, renewed or otherwise modified.

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"SENIOR INDEBTEDNESS" means the principal of and premium, if any, and interest on (including Post-Commencement Interest) and other amounts due on or in connection with the Senior Credit Agreement and all Loan Documents (as defined in the Senior Credit Agreement) executed in connection therewith (including contingent obligations with respect to undrawn letters or credit issued the Senior Credit Agreement, any obligations owed to the Lenders with respect to interest rate protection incurred to satisfy the requirements of the Senior Credit Agreement and commitment fees and agency fees payable thereunder or pursuant thereto).

IV. OTHER TERMS

1. THIS NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

2. All the covenants, stipulations, promises and agreements made by or contained in this Note on behalf of the undersigned shall bind its successors, whether so expressed or not.

3. By accepting this Note, the Holder for itself and its successors and assigns, agrees that it will not, without the prior written consent of the Agent and the Maker, (i) modify or amend this Note, (ii) cancel, waive, forgive, transfer or assign or subordinate the Subordinated Indebtedness to any other debt of Maker, or (ii) so long as any Senior Indebtedness is outstanding, initiate or be party to any Proceeding (other than a Proceeding initiated by the holders of the Senior Indebtedness) pursuant to which it is sought to adjudicate the Maker bankrupt or insolvent.

By: _____
Title:

The schedules to this agreement have been omitted and are available upon request.

RESTATED AND AMENDED
REIMBURSEMENT AGREEMENT

HEXCEL CORPORATION

BANQUE NATIONALE DE PARIS
acting through its
SAN FRANCISCO AGENCY

Relating to:

California Pollution Control Financing Authority Multi-Modal Interchangeable Rate Pollution Control Revenue Refunding Bonds (Hexcel Corporation Project), Series 1988;

Industrial Development Authority of the City of Casa Grande Multi-Modal Interchangeable Rate Industrial Development Revenue Refunding Bonds (Hexcel Corporation Project), Series 1988;

Guadalupe-Blanco River Authority Industrial Development Corporation Multi-Modal Interchangeable Rate Industrial Development Revenue Refunding Bonds, Series 1988 (Hexcel Corporation Project);

Industrial Development Authority of the County of Los Angeles Multi-Modal Interchangeable Rate Industrial Development Revenue Refunding Bonds (Hexcel Corporation Project), Series 1988;

City of Lancaster Multi-Modal Interchangeable Rate Industrial Development Revenue Refunding Bonds (Hexcel Corporation Project), Series 1988;

Young County #1 Industrial Development Corporation Multi-Modal Interchangeable Rate Industrial Development Revenue Refunding Bonds (Hexcel Corporation Project), Series 1988; and

Port of Skagit Industrial Development Corporation Variable Rate Demand Revenue

February 1, 1995

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This RESTATED AND AMENDED REIMBURSEMENT AGREEMENT (this "Agreement") dated as of February 1, 1995, 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").

RECITALS

WHEREAS, the Company and the Bank previously entered into the Prior Reimbursement Agreements, providing, among other things, for issuance by the Bank of the Letters of Credit in order to provide the payment of the principal and interest on the Hexcel Bonds;

WHEREAS, on December 6, 1993, the Company filed a voluntary petition for relief under the provisions of Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Northern District of California, Oakland Division;

WHEREAS, certain events of default under the Prior Reimbursement Agreements have occurred and are continuing, including, but not necessarily limited to: (a) violation of certain financial and other covenants contained in or incorporated into the Prior Reimbursement Agreements, (b) commencement by the Company of Chapter 11 proceedings in bankruptcy, (c) failure of the Company to reimburse the Bank for drawings made under the Letters of Credit, and (d) failure of the Company to make certain other payments to the Bank which are payable under the terms of the Prior Reimbursement Agreements, including letter of credit fees;

WHEREAS, the Company is restructuring its financial obligations and has filed the Reorganization Plan and the Disclosure Statement with the Bankruptcy Court;

WHEREAS, the Reorganization Plan has been confirmed by the Bankruptcy Court and, subject to satisfaction of various conditions, including execution of this Agreement, the Reorganization Plan is expected to become effective on or before February 28, 1995; and

WHEREAS, the Company has requested that the Bank waive existing defaults under the Prior Reimbursement Agreements, enter into this Agreement in substitution for the Prior Reimbursement Agreements, and extend the maturity dates of the Letters of Credit to December 31, 1998, and the Bank is willing to do so subject to the terms and conditions set forth in this Agreement;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree that from and after the Effective Date the Prior Reimbursement Agreements are hereby consolidated, amended and restated in their entirety to read as follows:

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ARTICLE 1.
DEFINITIONS, CONSTRUCTION, TIME PERIODS

SECTION 1.1. CERTAIN DEFINED TERMS. As used in this Agreement, including the preceding recitals, terms defined in Exhibit A hereto shall have the meanings assigned to such terms in such exhibit.

SECTION 1.2. RULES OF CONSTRUCTION. The words "hereof", "herein", "hereunder", "hereto", and other words of similar import refer to this Agreement in its entirety, including the exhibits and schedules attached hereto. References to Articles, Sections, Subsections and other subdivisions of this Agreement are to the designated Articles, Sections, Subsections and other subdivisions of this Agreement as originally executed. The headings of this Agreement are for convenience only and shall not define or limit the provisions hereof. All references made (a) in the neuter, masculine or feminine gender shall be deemed to have been made in all such genders, and (b) in the singular or plural number shall be deemed to have been made, respectively, in the plural or singular as well, where appropriate to the context. Each exhibit and schedule attached to this Agreement shall constitute an integral part of this Agreement.

SECTION 1.3. ACCOUNTING TERMS. Subject to Section 11.10, all accounting terms not specifically defined herein shall be construed in accordance with GAAP, consistently applied, except as otherwise stated herein.

SECTION 1.4. COMPUTATION OF TIME PERIODS. In this Agreement, in the computation of a period of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding".

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ARTICLE 2.
THE LETTERS OF CREDIT

SECTION 2.1. AMOUNT AND TERM. The Stated Amount, Principal Component and Interest Component of each Letter of Credit as of the Effective Date is as set forth in Schedule 2.1. The Stated Amount, Principal Component and Interest Component of each Letter of Credit shall be reduced and reinstated pursuant to and in accordance with the provisions of such Letter of Credit. Drawings will be permitted to the extent and as provided in each Letter of Credit. No Drawing under any Letter of Credit shall be permitted for the payment of principal (whether due at maturity or upon redemption or acceleration), interest or the purchase price of Pledged Bonds unless such Pledged Bonds have been remarketed and the Stated Amount of such Letter of Credit has been consequently reinstated as provided in such Letter of Credit. The Letters of Credit shall expire on December 31, 1998, and the term of any Letter of Credit may be extended as provided therein or as otherwise agreed in writing by the parties hereto. The Bank agrees that all Drawings honored by the Bank shall be paid from Bank funds.

SECTION 2.2. ALTERNATE CREDIT FACILITY. The Company may, at any time, at its option and in accordance with the terms of the applicable Indenture, provide an Alternate Credit Facility in substitution for any Letter of Credit; PROVIDED, HOWEVER, that no substitution shall replace any Letter of Credit unless

(a) one or more Alternate Credit Facilities shall simultaneously be issued with respect to ALL outstanding Hexcel Bonds issued under EACH Indenture; and

(b) all Letters of Credit shall be terminated and returned to the Bank and all Hexcel Obligations outstanding immediately before the substitution for the Letters of Credit, including all Liquidity Reimbursement Obligations whether or not then due and payable, shall have been paid in full, together with all interest accrued thereon to the date of such payment and any and all fees, charges or other amounts owing to the Bank pursuant to this Agreement; and

(c) if, at the time of the proposed substitution, the credit rating issued by either Moody's or S&P on the Bank's long or, if any such rating exists, short term senior debt obligations is not lower than the ratings issued by either of such rating services on the long or, if such rating exists, short term senior debt obligations for the proposed Alternate Credit Facility issuer, the Company has first requested the Bank to issue one or more substantially similar Alternate Credit Facilities under substantially the same terms and conditions and the Bank has failed to respond to such request within 30 calendar days after the request is made or has refused such request; and

(d) if the substitution occurs on or before January 1, 1996, and prior to the substitution the Bank has not assessed the Company for

increased costs or reduced yield as provided in Section 3.5 or 3.6 hereof, the Company

shall have paid to the Bank an amount equal to quarterly LOC Commissions which would have been paid to the Bank on April 1, 1995, July 1, 1995, October 1, 1995 and January 1, 1996, to the extent that such quarterly LOC Commissions had not already been paid, assuming for purposes of calculation that the Stated Amounts of the Letters of Credit would remain equal to the Stated Amounts as of the Effective Date.

The Company hereby agrees to give the Bank calendar 30 days' prior written notice of any proposed substitution. Notwithstanding any such substitution, so long as any Hexcel Obligation shall remain outstanding, this Agreement shall remain in full force and effect.

SECTION 2.3. FEES.

2.3.1. QUARTERLY COMMISSION. On each Payment Date, the Company shall pay to the Bank the LOC Commission. The LOC Commission shall be payable quarterly in advance and shall be non-refundable. The amount of the LOC Commission payable on each Payment Date shall be equal to (a) the cumulative Stated Amount of all Letters of Credit calculated as of the Payment Date, (b) multiplied by two percent, (c) multiplied by the number of days in the LOC Commission Period and (d) divided by 360 days. If the Company terminates any Letter of Credit in connection with conversion to a Fixed Rate or the refunding of Hexcel Bonds, the Company shall nonetheless continue to pay to the Bank quarterly LOC Commissions as if such Letter of Credit were to remain in effect up to and including the LOC Commission payable on January 1, 1996; PROVIDED, HOWEVER, that no post-termination LOC Commission shall be paid if the Bank has assessed the Company for increased costs or reduced yield as provided in Section 3.5 and Section 3.6, respectively, of this Agreement. For the purpose of calculating the LOC Commission in such circumstances, the Stated Amount of a Letter of Credit from the first Payment Date following its termination through the payment of LOC Commission due on January 1, 1996 shall be assumed to be the Stated Amount on the Payment Date immediately preceding the termination date.

2.3.2. TRANSFER FEE. The Company shall pay to the Bank, upon each transfer of a Letter of Credit in accordance with its terms, a transfer fee equal to the greater of \$1,000 or the Bank's standard transfer fee at the time of such transfer, and shall reimburse the Bank for all out-of-pocket expenses reasonably incurred by the Bank in connection with such transfer, including the fees and expenses of the Bank's counsel.

2.3.3. DRAW FEE. The Company shall pay to the Bank a draw fee equal to \$100 per Drawing under each Letter of Credit. The Bank shall prepare

and deliver to the Company each calendar quarter an invoice stating the amount of draw fees currently payable. The Company shall remit such draw fees to the Bank within 10 days of receipt of the invoice.

2.3.4. AMENDMENT FEE. The Company shall pay to the Bank an amendment fee equal to the greater of \$1,000 or the Bank's standard amendment fee at the time of such amendment in connection with each amendment (other than a transfer pursuant to Subsection 2.3.2, above) of any Letter of Credit, and shall reimburse the Bank for all out-of-pocket

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expenses reasonably incurred by the Bank in connection with such amendment, including the fees and expenses of the Bank's counsel.

2.3.5. EXTENSION FEE. The Company shall pay to the Bank an extension fee in connection with the execution of this Agreement on or prior to the Effective Date in the amount of \$500,000.

2.3.6. LATE PAYMENT CHARGE. If payment of any Reimbursement Obligation, any fee payable under Section 2.3 of this Agreement is received by the Bank more than 5 Business Days after such payment is due, then the Company shall promptly pay to the Bank upon demand a late payment charge in the amount of \$1,000 per late payment.

SECTION 2.4. CONDITION TO OPTIONAL REDEMPTION DRAWINGS. The Bank shall not be required to make any payment to an LOC Beneficiary in connection with an Optional Redemption Drawing unless the Company shall have notified the Bank of the intended optional redemption at least 30 days in advance of the date on which the Company wishes to cause the Optional Redemption Drawing to occur AND THE BANK SHALL HAVE CONSENTED TO SUCH OPTIONAL REDEMPTION IN WRITING, WHICH CONSENT MAY BE WITHHELD IN THE ABSOLUTE DISCRETION OF THE BANK. Failure to obtain such written consent shall constitute a failure of a condition precedent to the Bank's obligation to honor a request for payment of an Optional Redemption Drawing and the Bank may in such case refuse to honor such request for payment.

Anything to the contrary in the preceding paragraph of this Section notwithstanding, the Bank agrees that it will permit one or more Optional Redemption Drawings without its prior written consent on any one or more Letters of Credit securing Hexcel Bonds; PROVIDED, HOWEVER, that in each case, not less than 40 days prior to each such redemption, the Company (1) notifies the Bank in writing of the exact amount and date of the proposed optional redemption and (2) delivers to the Bank a standby letter of credit issued by Citibank, N.A. (or another financial institution satisfactory to the Bank in its sole discretion), which letter of credit (i) names the Bank as sole beneficiary, (ii) is in an amount not less than the proposed Optional Redemption Drawing

(calculated as the principal amount of the bonds to be redeemed and interest thereon to the date of redemption at the actual rate of interest applicable to the bonds to be redeemed if such rate is then known or at the rate assumed in the applicable Letter of Credit if the interest rate or rates through the redemption date is/are not known when the standby letter of credit is issued), (iii) has a termination date not earlier than 15 days after the redemption date, and (iv) is in form and substance satisfactory to the Bank in all other respects.

SECTION 2.5. LETTER OF CREDIT CONCLUSIVE. In case of any conflict or discrepancy between the terms and provisions of any Letter of Credit and terms and provisions of this Agreement, the former shall determine the actual meaning of both such Letter of Credit and this Agreement.

ARTICLE 3. REIMBURSEMENT

SECTION 3.1. REIMBURSEMENT FOR DEBT SERVICE DRAWINGS. Each Debt Service Drawing paid by the Bank shall constitute a Debt Service Reimbursement Obligation which obligation shall be due and payable by the Company in the amount of each such Debt Service Drawing on the date on which such Debt Service Drawing is paid by the Bank to the LOC Beneficiary and shall bear interest from the date such obligation becomes due until paid in full at the Overdue Rate.

SECTION 3.2. REIMBURSEMENT FOR LIQUIDITY DRAWINGS. Each Liquidity Drawing paid by the Bank (a) during the existence of an Event of Default or a Potential Default or (b) pursuant to a mandatory tender of any Hexcel Bonds (i) in connection with conversion of the interest rate payable on any Hexcel Bonds to a Fixed Rate, (ii) pursuant to Section 2.04(e) of the Indenture/Standard Terms of any Indenture other than the Skagit Indenture, (iii) pursuant to Section 2.06(h) of the Indenture/Standard Terms of any Indenture other than the Skagit Indenture, or (iv) pursuant to Section 4.02 of the Skagit Indenture, shall constitute a Debt Service Reimbursement Obligation which obligation shall be due and payable in the amount of each such Liquidity Drawing on the date on which such Liquidity Drawing is paid by the Bank to the LOC Beneficiary and shall bear interest from the date such obligation becomes due until paid in full at the Overdue Rate. Each other Liquidity Drawing paid by the Bank under a Letter of Credit shall constitute a Liquidity Reimbursement Obligation.

The principal amount of each Liquidity Reimbursement Obligation incurred pursuant to this Section shall be due and payable to the Bank in full not later than the earliest of (a) the remarketing of the Pledged Bonds purchased with the proceeds of an unreimbursed Liquidity Drawing (see Section 3.3), (b) six months following the date on which the Liquidity Drawing which resulted in such

Liquidity Reimbursement Obligation was paid by the Bank, (c) the earliest date on which the Pledged Bonds purchased with the proceeds of an unreimbursed Liquidity Drawing can be redeemed, other than by an optional redemption, (d) the maturity date of the Pledged Bonds purchased with the proceeds of an unreimbursed Liquidity Drawing, and (e) expiration or termination of the Letter of Credit relating to such Pledged Bonds. Each Liquidity Reimbursement Obligation shall bear interest at the Liquidity Rate from the date of the Liquidity Drawing resulting in such Liquidity Reimbursement Obligation until paid in full, which interest shall be payable quarterly in arrears on each Payment Date, beginning on the first Payment Date following the date of the applicable Liquidity Drawing; PROVIDED, HOWEVER, that if a Liquidity Reimbursement Obligation is not paid when due, such Liquidity Reimbursement Obligation together with any accrued but unpaid interest thereon shall thereafter bear interest at the Overdue Rate until paid in full, which interest shall be payable on demand.

The LOC Beneficiary for the purposes of making Liquidity Drawings shall use the proceeds of Liquidity Drawings only for the purpose of purchasing Hexcel Bonds tendered or deemed tendered for purchase pursuant to Section 2.06 of the Indenture/Standard Terms of any Indenture other than the Skagit Indenture, or Section 4.01 or 4.02 of the Skagit Indenture. Until remarketed in accordance with the terms of the applicable Indenture,

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Pledged Bonds shall be registered in the name of the Bank as holder of a pledge and security interest therein. Pledged Bonds shall be entitled to all of the rights and privileges of Hexcel Bonds outstanding under the applicable Indenture and shall be governed by all of the terms and conditions of such Indenture; PROVIDED, HOWEVER, that Pledged Bonds: (a) may not be tendered for purchase pursuant to Section 2.06 of the Indenture/Standard Terms of any Indenture other than the Skagit Indenture or Section 4.01 of the Skagit Indenture; (b) shall be redeemed, in the event of a redemption pursuant to Section 2.18 of the Indenture/Standard Terms of any Indenture other than the Skagit Indenture or Section 3.01 of the Skagit Indenture or any other redemption thereunder, prior to redemption of other Hexcel Bonds issued in connection with such Indenture; and (c) shall not be entitled to payment of any premium upon redemption.

SECTION 3.3. PAYMENT OF LIQUIDITY REIMBURSEMENT OBLIGATIONS FOLLOWING THE REMARKETING OF PLEDGED BONDS. Prior to or simultaneously with the remarketing of Pledged Bonds by the Placement Agent (as provided in Section 2.07 of the Indenture/Standard Terms of any Indenture other than the Skagit Indenture or Section 4.04 of the Skagit Indenture), the Company shall prepay the then outstanding Liquidity Reimbursement Obligations incurred in connection with the purchase of such Pledged Bonds by (1) causing the Trustee or Agent, as applicable, to pay directly to the Bank the entire purchase price for the remarketed Pledged Bonds, consisting of:

(a) the aggregate principal amount of the remarketed Pledged Bonds, PLUS

(b) the aggregate amount of accrued and unpaid interest on such Pledged Bonds received by the Trustee or Agent, as applicable, upon placement of the Pledged Bonds in the form of due bills or otherwise, calculated to the date of placement of such Pledged Bonds; and

(2) paying to the Bank the difference between interest accrued to the date of such payment on the Liquidity Reimbursement Obligation (calculated at the Liquidity Rate or at the Overdue Rate, as applicable) and the amount of interest received by the Bank from the Trustee or Agent pursuant to clause (b) of this Section 3.3. Payments received by the Bank from the Trustee or Agent when accompanied by a certificate completed and signed by the Agent or Trustee, as applicable, in substantially the form of Annex G to each Letter of Credit shall be applied by the Bank in reimbursement of Liquidity Reimbursement Obligations in the manner described above. The Company irrevocably authorizes the Bank to rely on such certificates and to reinstate the Letter of Credit relating to such Pledged Bonds in accordance therewith.

SECTION 3.4. PREPAYMENTS. The Company may, upon at least five Business Day's written notice to the Bank, prepay the outstanding amount of any Liquidity Reimbursement Obligation in whole or in part (but not in sums of less than \$50,000 per prepayment) with accrued interest to the date of such prepayment on the amount prepaid; PROVIDED, HOWEVER, that prepayments shall be credited first to interest due and owing on any Debt Service Reimbursement Obligation, then to principal due and owing on any Debt Service Reimbursement Obligation, then to interest due and owing on any Liquidity Reimbursement

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Obligation, and finally to principal due and owing on any Liquidity Reimbursement Obligation. The provisions of this Section 3.4 shall not apply to prepayments made from the proceeds of the placement of Pledged Bonds as provided in Section 3.3, or as a result of the redemption or maturity of Pledged Bonds.

SECTION 3.5. INCREASED COSTS. If the adoption of any applicable law, rule or regulation, or any change therein or in the interpretation thereof by any court or central bank or Governmental Authority shall:

(a) subject the Bank to any tax, duty, or other charge with respect to any Letter of Credit (or its obligation thereunder) or Reimbursement Obligation, or shall change the basis of taxation of payments to the Bank with respect to any Reimbursement Obligation, other than changes in the rate of tax on the overall net income of the Bank imposed by the United States of America or any state of the United States

of America;

(b) impose, modify or deem applicable any reserve, special deposit or similar requirement against or in connection with letters of credit issued by, or assets held by, or deposits in or for the account of, the Bank, or

(c) impose on the Bank any other condition regarding this Agreement or the Letters of Credit,

and the result of any event referred to in clause (a), (b) or (c) above shall be to increase the cost to the Bank of issuing or maintaining the Letters of Credit (which increase in cost shall be determined by the Bank's reasonable allocation of the aggregate of such cost increases resulting from such event), then, upon demand by the Bank, the Company shall pay to the Bank, from time to time as specified by the Bank, additional amounts which shall be sufficient to compensate the Bank for such increased cost. A certificate setting forth such increased cost incurred by the Bank as a result of any event mentioned in clause (a), (b) or (c) above and giving a reasonable explanation thereof, submitted by the Bank to the Company, shall constitute such demand and shall, in the absence of manifest error, be conclusive and binding for purposes of payment of such amount by the Company; PROVIDED, HOWEVER, that upon payment the Company shall have the right to dispute the applicability or the amount of the increased cost charge. Payment shall be made by the Company within 30 days of the Company's receipt of the above mentioned certificate, and, to the extent that continuing payments are required under this Section, payments shall be made quarterly on each Payment Date. In determining the amount or amounts payable under this Section, the Bank may use any reasonable averaging and attribution methods. All payments pursuant to this Section shall bear interest thereon if not paid when due hereunder until payment in full at the Overdue Rate.

SECTION 3.6. YIELD PROTECTION. If after the date hereof, the Bank shall have determined that the adoption of any applicable law, rule or regulation regarding capital adequacy, or any change therein, or any change in the interpretation or administration thereof by any central bank, comparable agency or Governmental Authority, charged with the interpretation or administration thereof, or compliance by the Bank with any request or directive regarding

capital adequacy (whether or not having the force of law) of any such Governmental Authority, central bank or comparable agency has or would have the effect of reducing the rate of return on the Bank's capital as a consequence of its obligations under the Letters of Credit to a level below that which the Bank could have achieved but for such adoption, change or compliance (taking into consideration the Bank's policies with respect to capital adequacy) then, upon notice of such change by the Bank by submission to the Company of the

certificate hereinafter described, the Company shall, within 15 days of receipt of such notice, pay to the Bank such additional amount or amounts as will compensate such Bank for such reduction. A certificate setting forth such additional amount or amounts as a result of any event mentioned in this Section 3.6 and giving a reasonable explanation thereof, submitted by the Bank to the Company, shall constitute such demand and shall, in the absence of manifest error, be conclusive and binding for purposes of payment of such amount or amounts by the Company; PROVIDED, HOWEVER, that upon payment the Company shall have the right to dispute the applicability or the amount of the increased cost charge. Payment shall be made by the Company within 30 days of the Company's receipt of the above mentioned certificate, and, to the extent that continuing payments are required under this Section, payments shall be made quarterly on each Payment Date. In determining the amount or amounts payable under this Section, the Bank may use any reasonable averaging and attribution methods. All payments pursuant to this Section shall bear interest thereon if not paid when due hereunder until payment in full at the Overdue Rate.

SECTION 3.7. INTEREST, PAYMENTS AND COMPUTATIONS. Unless otherwise specified herein, the Company shall make each payment hereunder not later than 1:00 p.m. (San Francisco time) on the day when due in lawful money of the United States of America and in immediately available funds to the Bank by wire transfer as directed in Section 11.3 of this Agreement. Computations of the Liquidity Rate and the Overdue Rate shall be made by the Bank on the basis of a year of 365 days for the number of days actually elapsed. Whenever any payment to be made hereunder shall be stated to be due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest or commission, as the case may be. Any amount not paid when due hereunder shall thereafter bear interest, until paid, at the Overdue Rate. Interest payable at the Overdue Rate shall be payable on demand. All interest payable under this Agreement, whether at the Liquidity Rate or the Overdue Rate, and including interest payable on demand, shall compound quarterly on each Payment Date.

SECTION 3.8. OBLIGATIONS ABSOLUTE. The payment obligations of the Company under this Agreement shall be unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement under all circumstances, including, without limitation, the following circumstances:

- (a) any lack of validity or enforceability of any Letter of Credit or any Related Document (PROVIDED, HOWEVER, that, if a Letter of Credit is determined to be invalid or unenforceable and as a result no further Drawings may be made under such Letter of Credit, from the date of such determination the LOC Commission shall no longer be payable with respect to that Letter of Credit);

(b) any amendment or waiver of or any consent to or departure from all or any of the Related Documents;

(c) the existence of any claim, setoff, defense or other right which the Company may have at any time against any Trustee or Agent, or any other beneficiary, or any transferee of any Letter of Credit (or any persons or entities for whom the Trustee, the Agent or any other beneficiary or any transferee may be acting), the Bank, any Placement Agent, or any other person or entity, whether in connection with this Agreement, the transactions contemplated herein or in the Related Documents, or any unrelated transaction;

(d) any statement, certificate, draft, or any other document presented under any Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(e) any non-application or misapplication by any Trustee, Agent, Placement Agent or issuer of any Hexcel Bonds of the proceeds of any Drawing;

(f) payment by the Bank under any Letter of Credit against presentation of a draft or certificate which does not comply with the terms of such Letter of Credit; PROVIDED, HOWEVER, that such payment shall not have been the result of the gross negligence or willful misconduct of the Bank;

(g) the surrender or impairment of security for the performance or observance of any of the terms of this Agreement or any Related Document; or

(h) the transfer of any Letter of Credit; PROVIDED, HOWEVER, that such transfer shall not have been the result of the gross negligence or willful misconduct of the Bank.

ARTICLE 4.
CONDITIONS TO EFFECTIVENESS OF THIS AGREEMENT

SECTION 4.1. CONDITIONS PRECEDENT. This Agreement shall not become effective, including, without limitation, the provisions of Section 4.3 hereof, and the Bank shall be under no obligation to extend the Letters of Credit, unless as of the Effective Date (which shall occur not later than February 28,

1995, unless the Bank consents in writing to a later Effective Date) each of the following conditions shall have been satisfied in a manner acceptable to the Bank or shall have been waived in writing by the Bank:

(a) the representations of the Company made in connection with this Agreement shall be true and correct in all material respects as of the Effective Date;

(b) no event shall have occurred and be continuing which would constitute a Potential Default or an Event of Default under this Agreement;

(c) no change shall have occurred in any law or regulation or in the interpretation thereof which, in the opinion of the counsel for the Bank, would make it illegal for the Bank to extend the Letters of Credit;

(d) the Bank shall have received the extension fee referred to in Subsection 2.3.5 and the first payment of the LOC Commission;

(e) the Bank shall have been reimbursed in the amount of \$181,751.04 for all Pre-Petition Obligations;

(f) the Bank shall have been reimbursed in the amount of \$850,623.52 plus, if applicable, \$154.46 for each day after (but not including) February 8, 1995, through and including the Effective Date for all Post-Petition Obligations, which amount includes interest on all Post-Petition Obligations calculated at the rate of 1 percent per annum above the Prime Rate from the date each obligation was incurred until the Effective Date;

(g) the Confirmation Order shall not have been stayed and shall have become a Final Order and all conditions to the effectiveness of the Reorganization Plan shall have been met or shall have been waived (and, if waived, such waiver shall have been consented to in writing by the Bank);

(h) the Bank shall have received true and complete executed copies of the Revolving Credit Agreement and the Loan Documents (as that term is defined in the Revolving Credit Agreement) and the Bank shall be satisfied with the terms and conditions thereof, and (ii) one or more letters of credit shall have been issued under the Revolving Credit Agreement as provided therein;

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(i) (i) no default or breach shall have occurred under the Standby Purchase Commitment, (ii) the First Closing (as that term is defined in the Standby Purchase Commitment) shall have been completed and

the Company shall have received \$9,000,000 from Mutual Series for Reorganized Hexcel Common Stock (as defined in the Disclosure Statement) to be purchased by Mutual Series in connection with the First Closing, and (iii) the Company shall have received the Advance as contemplated by the Standby Purchase Commitment;

(j) all amounts required to be paid by the Company on the Effective Date to persons asserting claims against the Company in connection with the bankruptcy proceedings, shall have been paid as contemplated by the Reorganization Plan;

(k) (i) the EMT Sale shall have been consummated and the Company shall have received not less than \$25,500,000 in Net Cash Proceeds from the EMT Sale; and (ii) the European Resins Sale shall have been consummated and the Company shall have received not less than \$7,100,000 in gross proceeds from the European Resins Sale;

(l) the Company shall have executed and delivered to the Bank the Collateral Agreement in the form of Exhibit B attached hereto subject only to such changes as shall be acceptable to the Bank;

(m) the Bank shall have received executed originals of the New Placement Agent Agreements, which agreements shall be acceptable to the Bank in all respects;

(n) the Bank shall have received reimbursement for all out-of-pocket costs and expenses incurred by the Bank (including costs of counsel and other professionals) in connection with the negotiation, documentation and implementation of this Agreement, the Letter of Credit extensions, all Related Documents and the transactions contemplated thereby, including, without limitation, costs and expenses incurred in connection with the Bank's due diligence investigation of the Company's potential environmental liabilities and its "CAS" issues with the United States government, which amount shall not exceed \$200,000;

(o) the Bank shall have received a certificate executed by Authorized Officers of the Company containing such representations and statements as the Bank shall request;

(p) the Bank shall have received an opinion from counsel to the Company addressed to the Bank containing such opinions as the Bank shall request;

(q) the Bank shall have received a substantially complete draft of a disclosure statement prepared by the Company with respect to each

series of Hexcel Bonds prepared for distribution to the holders of Hexcel Bonds, which disclosure statements shall be satisfactory to the Bank and to the applicable Placement Agent;

(r) the Bank shall have received an opinion addressed to the Bank from bond counsel acceptable to the Bank to the effect that the transactions contemplated by this Agreement and the Collateral Agreement and the grant by the Company of Liens on certain of the Bond Facilities will not adversely affect the exclusion of interest received in connection with the Hexcel Bonds from gross income for federal income tax purposes;

(s) the Bank shall have received long-form good standing certificates and tax clearance certificates as of a recent date from the Secretary of State and tax authorities of the States of Delaware and California with respect to the Company;

(t) the Bank shall have received (i) a PRO FORMA estimated balance sheet of the Company and its Subsidiaries as of the Effective Date giving effect to the transactions contemplated to occur on or about the Effective Date in the Reorganization Plan, the Revolving Credit Agreement and this Agreement, and confirming the sources and uses of funds received by the Company on or about the Effective Date pursuant to the Standby Purchase Commitment, the Revolving Credit Agreement and from other sources, and (ii) the Initial Projections;

(u) no change deemed material by the Bank, in its opinion, in the condition (financial or otherwise), business, performance, assets, operations or prospects of the Company, individually, or of the Company and its Restricted Subsidiaries, taken as a whole, shall have occurred that (i) would cause the Initial Projections to be unreasonable in light of then current circumstances, or (ii) has had or is reasonably likely to have a Material Adverse Effect;

(v) the Company shall have delivered to the Bank copies of (i) the unaudited consolidated balance sheets of the Company and its Subsidiaries as at November 30, 1994 and the related consolidated statements of income and cash flow for the period then ended and (ii) its quarterly report on Form 10-Q for the quarterly period ended October 2, 1994; and

(w) the Bank shall have received such further documentation and certifications as the Bank may reasonably request in regard to matters arising under this Agreement or in connection with the transaction contemplated hereby or by any Related Document.

SECTION 4.2. OTHER DOCUMENTS. All of the opinions, certificates, instruments and other documents required to be delivered to the Bank pursuant to the Agreement shall be

deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance reasonably satisfactory to the Bank.

SECTION 4.3. WAIVER OF EVENTS OF DEFAULT. Upon, but only upon, satisfaction of each of the conditions stated in Section 4.1 of this Agreement (PROVIDED, HOWEVER, that any one or more conditions may be waived in writing by the Bank), all past and existing Events of Default (as that term is used in each of the Prior Reimbursement Agreements) under each of the Prior Reimbursement Agreements and all claims related thereto shall be deemed waived by the Bank without further action on the part of the Bank.

SECTION 4.4. ISSUANCE OF LETTER OF CREDIT AMENDMENTS. Upon, but only upon, satisfaction of each of the conditions stated in Section 4.1 of this Agreement (PROVIDED, HOWEVER, that any one or more conditions may be waived in writing by the Bank), the Bank shall execute and deliver to each Trustee or Agent, as appropriate, with respect to each Letter of Credit, an amendment to such Letter of Credit stating (a) the extension of the term of the Letter of Credit to December 31, 1998, and (b) in the case of the Industrial Authority of the County of Los Angeles Bonds, the Stated Amount, Principal Component and Interest Component of the Letter of Credit (as shown in Schedule 2.1). The amendments shall be in substantially the form set forth in Exhibit C hereto, and each amendment shall be prepared in at least three counterparts and each counterpart shall be signed by the Bank and accepted and acknowledged by the Company.

ARTICLE 5. REPRESENTATIONS AND WARRANTIES

In order to induce the Bank to enter into this Agreement and to perform its obligations hereunder, the Company makes to the Bank the representations and warranties set forth in this Article. All representations and warranties made herein shall be deemed made as of the Effective Date. All such representations and warranties shall survive the Effective Date and the issuance of the amendments to the Letters of Credit and shall remain in full force and effect for so long as any Letter of Credit remains outstanding or any Reimbursement Obligation remains unpaid.

SECTION 5.1. FINANCIAL CONDITION; CORPORATE ORGANIZATION.

(a) The (i) audited consolidated balance sheets of the Company and its Subsidiaries as at December 31, 1993, and the related audited

consolidated statements of operations, shareholders' equity and cash flows for the Fiscal Year then ended, and (ii) unaudited consolidated balance sheets of the Company and its Subsidiaries for the quarter ending October 2, 1994, and for the month ending November 30, 1994, and the related consolidated statements of operations and cash flows for the periods then ended, including the related notes and schedules thereto, copies of which have been delivered to the Bank, present fairly the consolidated financial position of the Company and its Subsidiaries as at each such date.

(b) 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 audit accountants have concurred and except for any year-end audit adjustments and for end-of-quarter adjustments in the case of monthly statements).

(c) 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 financial statements referenced in paragraphs (a) or (b) above or in the Disclosure Statement.

(d) The Disclosure Statement contains an accurate statement of the current and proposed business and operations of the Company and its Subsidiaries, and, to the best knowledge of the Company, the information contained in the Disclosure Statement is accurate in all material respects and does not contain any material false or misleading statements.

(e) Except as otherwise contemplated in the Disclosure Statement, since November 7, 1994, there has been no material adverse change in the business, or prospects, operations, property or financial or other condition of the Company which (i) would cause the Initial Projections to be unreasonable

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in light of then current circumstances, or (ii) has had or is reasonably likely to have a Material Adverse Effect.

(f) Attached hereto as Schedule 5.1(f) is a complete and accurate list of all Existing Debt (other than Existing Guaranty Obligations listed on Schedule 5.1(g) and Existing Subordinated Debt listed on Schedule 5.1(i)) of the Company and its Subsidiaries.

(g) Attached hereto as Schedule 5.1(g) is a complete and accurate list of all Existing Guaranty Obligations of the Company and its

Subsidiaries, except for such Guaranty Obligations which are unlikely to have a Material Adverse Effect.

(h) Attached hereto as Schedule 5.1(h) is a complete and accurate list of all Existing Liens of the Company and its Subsidiaries.

(i) Attached hereto as Schedule 5.1(i) is a complete and accurate list of all Existing Subordinated Debt of the Company and its Subsidiaries.

(j) Attached hereto as Schedule 5.1(j) is a diagram indicating the corporate structure of the Company, the Company's Subsidiaries and the Existing Joint Ventures as of the Effective Date, including the correct legal name, the jurisdiction of incorporation, and the jurisdictions in which the Company and each of the Company's Subsidiaries is qualified to transact business as a foreign corporation.

SECTION 5.2. CORPORATE EXISTENCE AND POWER. The Company is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware. The Company and each of its Subsidiaries are duly qualified as foreign corporations to do business and are in good standing (or, with respect to the Unrestricted Subsidiaries, have maintained the equivalent status) in each of the jurisdictions in which the character of the properties owned or held under lease by it or the nature of business transacted by it makes such qualification necessary, including in the case of the Company, without limitation, California, Arizona, Texas, Ohio and Washington, except where failure to be so qualified or to be in good standing (or, with respect to the Unrestricted Subsidiaries, maintain the equivalent status) would not have a Material Adverse Effect. The Company and each of its Subsidiaries have all corporate powers and all material governmental licenses, authorizations, consents and approvals required to carry on their respective businesses as now conducted, except for such governmental licenses, authorizations, consents and approvals the absence of which would not have a Material Adverse Effect. The Company has all corporate powers and all material governmental licenses, authorizations, consents and approvals required to execute, deliver and perform this Agreement and the Collateral Agreement.

SECTION 5.3. CORPORATE AUTHORIZATION; NO VIOLATION. The execution, delivery and performance by the Company of this Agreement and the Collateral Agreement are within the Company's corporate powers, have been duly authorized by all necessary corporate action, any governmental body, agency or official, and do not (a) contravene any Require-

ment of Law or Contractual Obligation of the Company the contravention of which would result in a Material Adverse Effect, or (b) result in the creation or

imposition of any Lien on any asset of the Company the creation or imposition of which would result in a Material Adverse Effect, other than, in each case, as expressly contemplated by this Agreement or the Collateral Agreement.

SECTION 5.4. GOVERNMENT AUTHORIZATION. No authorization or approval of, or other action by, and no notice to or filing with, any Governmental Authority is required to be obtained or made by the Company for the due execution, delivery and performance by the Company of this Agreement and the Collateral Agreement other than such as have been obtained and are in full force and effect.

SECTION 5.5. ENFORCEABLE OBLIGATIONS. This Agreement and the Collateral Agreement each constitute, and each Related Document to which the Company is, or is to be, a party when executed and delivered and assuming due authorization, execution and delivery by the other parties hereto and thereto, will constitute, a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally.

SECTION 5.6. NOT AN INVESTMENT COMPANY OR PUBLIC UTILITY HOLDING COMPANY. The Company is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended; the Company is not a "holding company," a "subsidiary company" or an "affiliate" of any "holding company," within the meaning of the Public Utility Holding Company Act of 1935.

SECTION 5.7. NO LITIGATION. Other than as disclosed in Schedule 5.7, no litigation, investigation or proceeding of or before any arbitrator or Governmental Authority is pending or, to the knowledge of the Company, threatened by or against the Company, or against any of the Restricted Subsidiaries, or against any properties or revenues of the Company or any Restricted Subsidiary (i) with respect to this Agreement or any Related Document or in connection with any Hexcel Bonds, or (ii) in which there is a reasonable possibility of an adverse determination which would have a Material Adverse Effect.

SECTION 5.8. TAXES. United States federal income tax returns of the Company and its Restricted Subsidiaries have been examined and closed through the Fiscal Year ended December 31, 1988. The Company and each Restricted Subsidiary have filed all United States federal income tax returns and all other tax returns which are required to be filed by it prior to the date of this Agreement, except for such returns as to which the failure to file would not have a Material Adverse Effect. Except for (A) those Allowed Priority Tax Claims listed on Schedule 5.8, and (B) tax claims, the validity of which are being diligently challenged in good faith by the Company, the Company and its Restricted Subsidiaries have paid or caused to have been paid all taxes due pursuant to such returns or pursuant to any assessment or claim received by the Company or any Restricted Subsidiary. To the best of the Company's knowledge, except for Allowed Priority Tax Claims and except for tax claims, the validity of which are being diligently challenged in good faith by the Company, all corporate franchise taxes and all corporate income taxes due and owing by it or

ed Subsidiary in the States of Delaware, California, Arizona, Texas, Ohio and Washington have been fully paid, except where the failure to pay such taxes would not have a Material Adverse Effect. The charges, accruals and reserves on the books of the Company and each Restricted Subsidiary in respect of taxes or other governmental charges are, in the opinion of the Company, adequate.

SECTION 5.9. ERISA. Except as set forth in Schedule 5.10, the Company and each member of the Controlled Group have fulfilled their obligations under the minimum funding standards of ERISA and the Code with respect to each ERISA Plan (or, with respect to each ERISA Plan that is a multi-employer plan as defined in Section 4001(a)(3) of ERISA, have made all required contributions), and are in compliance in all material respects with the applicable provisions of ERISA and the Code and have not incurred any liability to the PBGC or an ERISA Plan under Title IV of ERISA.

SECTION 5.10. UNFUNDED LIABILITIES. As of December 31, 1993, neither the Company nor any Restricted 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 \$21,000,000, which liabilities are described in Schedule 5.10 attached hereto.

SECTION 5.11. NO DEFAULT. Assuming waiver by the Bank of any existing Event of Default or Potential Default under any Prior Reimbursement Agreement, as of the Effective Date neither the Company nor any Subsidiary is in default in any respect under or with respect to any 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, which default could have a Material Adverse Effect. No Potential Default or Event of Default exists under this Agreement. Neither the Company nor any Subsidiary is in default under or violation of any 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, which default or violation could have a Material Adverse Effect.

SECTION 5.12. PLEDGE AND PLEDGED BONDS. The pledges of the Hexcel Bonds pursuant to the Pledge Agreements have been duly created. As of the Effective Date, there are no Pledged Bonds outstanding.

SECTION 5.13. FINANCIAL POSITION.

(a) The Company's PRO FORMA balance sheet referred to in Section 4.1(t) and each of the Company's business plans and all other financial

projections and related materials and documents delivered to the Bank pursuant hereto were prepared in good faith and are based upon facts and assumptions that were reasonable in light of the then current and foreseeable business conditions and prospects of the Company and represented management's opinion of the Company's projected financial performance based upon information available to the Company at the time so furnished. The sources and uses of funds as of the Effective Date shall be substantially as set forth at pages E-1 through E-4 of the Disclosure Statement, except for such adjustments as are indicated on the above-mentioned PRO FORMA balance sheet.

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(b) The Initial Projections were prepared in good faith and are based upon facts and assumptions that were reasonable in light of the then current and foreseeable business conditions and prospects of the Company and represented management's opinion of the projected financial performance of the Company, the Restricted Subsidiaries and the Existing Joint Ventures based upon information available to the Company at the time so furnished.

SECTION 5.14. STANDBY PURCHASE COMMITMENT; RIGHTS OFFERING. The Company has entered into the Standby Purchase Commitment with Mutual Series and has received from Mutual Series (a) \$9,000,000 for the purchase of 1,945,946 shares of Reorganized Hexcel Common Stock (as defined in the Disclosure Statement) and (b) the Advance. No default or breach exists in connection with the Standby Purchase Commitment and all conditions to performance of the obligations of Mutual Series pursuant to the Standby Purchase Commitment have been satisfied or waived in writing by the Company. The Rights Offering has been duly authorized by all necessary corporate action of the Company and, when issued in accordance with such authorization and delivered by the Company, the shares and related rights so issued will constitute legal, valid and binding obligations of the Company, enforceable in accordance with their terms.

SECTION 5.15. REVOLVING CREDIT AGREEMENT. The Revolving Credit Agreement has been executed by the Revolving Credit Lender and the Company, true and complete copies of the Revolving Credit Agreement and of the other Loan Documents (as that term is defined in the Revolving Credit Agreement) have been delivered to the Bank, no "Event of Default" (as defined in the Revolving Credit Agreement) has occurred and is continuing, and all conditions to effectiveness of the obligations of the Revolving Credit Lender have been satisfied or waived in writing.

SECTION 5.16. TREATMENT OF CLAIMS. All Claims (as defined in the Reorganization Plan), including all Environmental Claims, have been paid in full, reinstated or otherwise treated as provided in the Reorganization Plan.

SECTION 5.17. CONDITIONS PRECEDENT TO THE REORGANIZATION PLAN. The Confirmation Order has become a Final Order, and all conditions to the

effectiveness of the Reorganization Plan as set forth in the Reorganization Plan and in the Disclosure Statement have been satisfied or waived (no such conditions shall have been waived except for such waivers as the Bank shall have joined in and approved in writing).

SECTION 5.18. DISCLOSURE. The representations and warranties of the Company contained in this Agreement, the Collateral Agreement, and all schedules, certificates and documents delivered to the Bank pursuant to the terms hereof do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained herein or therein, in light of the circumstances in which they were made, not misleading. The Company has not intentionally withheld any fact from the Bank in regard to any matter which shall have or is reasonably likely to have a Material Adverse Effect.

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SECTION 5.19. REQUIREMENTS OF LAW. Each of the Company and its Subsidiaries is in compliance with all Requirements of Law applicable to it and its business, except in each case where the failure to so comply individually or in the aggregate would not have or is not likely to have a Material Adverse Effect.

SECTION 5.20. TRANSACTIONS WITH AFFILIATES. Schedule 5.20 lists as of the Effective Date, each and every material agreement and arrangement that any of the Company or the Company's Subsidiaries has entered into with any of their respective Affiliates (other than the Company and its Subsidiaries).

SECTION 5.21. ENVIRONMENTAL MATTERS. Schedule 5.21 is a true and correct description of the amount and disposition of all Environmental Claims, and correctly identifies each and every such Environmental Claim which has been approved or otherwise addressed by the Bankruptcy Court. All matters set forth in Article V, Section A.8 of the Disclosure Statement, as supplemented by Schedule 5.21 are true and correct. Except as set forth in Schedule 5.21, there is no action or proceeding pending or, to the Company's knowledge, threatened, by any private person or entity or Governmental Authority, in connection with any release or threatened release of any Hazardous Substances from or onto any Real Property or Surrounding Property or which asserts any potential or actual violation of any Hazardous Substance Law which would have a Material Adverse Effect. Subject to the matters set forth in Schedule 5.21: (i) the Company is not in violation of nor alleged to be in violation of any Hazardous Substance Law, except in each case where any such violation(s) individually or in the aggregate would not have a Material Adverse Effect; and (ii) except as previously disclosed to the Bank in writing, neither the Company nor, to the Company's knowledge, any third party, has ever used, generated, manufactured, refined, produced, processed, stored or disposed of on, under or about any Real Property or any Surrounding Property or transported to or from

any Real Property any Hazardous Substances in violation of any Hazardous Substance Laws or any other applicable laws or regulations, nor has the Company ever in the past used or knowingly permitted the use of any Real Property for the purpose of generating, manufacturing, refining, producing, storing, handling, transferring, processing or transporting of Hazardous Substances in violation of Hazardous Substance Laws or any other applicable laws or regulations, except in each case where any such use, etc., individually or in the aggregate, would not have a Material Adverse Effect.

ARTICLE 6.
REPORTING COVENANTS

Unless the Bank shall otherwise consent in writing, until the later of the Expiration Date of each Letter of Credit and the payment in full of all amounts due and owing or payable to the Bank under this Agreement, the Company shall comply, and shall cause compliance, with each of the following covenants:

SECTION 6.1. FINANCIAL STATEMENTS. The Company shall maintain, and shall cause each of the Company's Subsidiaries to maintain, a system of accounting established and administered in accordance with sound business practices to permit preparation of consolidated and consolidating financial statements in conformity with GAAP, and each of the financial statements described below shall be prepared from such system and records. The Company shall deliver or cause to be delivered to the Bank:

(a) MONTHLY REPORTS. As soon as available and in any event within 30 days after the end of each fiscal month in each Fiscal Year (except for the monthly reports for January, 1995 which shall be delivered within 45 days after the end of such fiscal month), (i) balance sheets of each of (A) the Company and the Restricted Subsidiaries, and (B) the Unrestricted Subsidiaries and (ii) consolidating balance sheet of the Company and its Subsidiaries as at the end of such period and the related statements of income and cash flow of each of the Persons described in clauses (i) and (ii) above for such fiscal month and for the period from the beginning of the then current Fiscal Year to the end of such fiscal month, and for the corresponding period during the previous Fiscal Year together with the comparison to the current annual budget for such period, all certified by the chief financial officer, treasurer or controller of the Company as fairly presenting the financial position of such Persons as at the dates indicated, the results of their operations and cash flow for the periods indicated in accordance with GAAP, subject to normal year end adjustments.

(b) QUARTERLY REPORTS. As soon as available and in any event within 45 days after the end of each of the first three fiscal quarters of each Fiscal Year, (i) balance sheets of each of (A) the Company and the Restricted Subsidiaries, (B) the Unrestricted Subsidiaries and (C) Hexcel Lyon and (ii) the consolidating balance sheets of the Company and its Subsidiaries as at the end of such period and the related statements of income and cash flow of each of the Persons described in clauses (i) and (ii) above for such fiscal quarter and for the period from the beginning of the then current Fiscal Year to the end of such fiscal quarter, and for the corresponding period during the previous Fiscal Year together with the comparison to the current annual budget for such period, all certified by the chief financial officer, treasurer or controller of the Company as fairly presenting the financial position of such Persons as at the dates indicated and the results of their operations and cash flow for the periods indicated in accordance with GAAP (except with respect

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to Hexcel Lyon, which shall be in conformity with general French accounting standards), subject to normal year end adjustments.

(c) ANNUAL REPORTS. As soon as available and in any event within 90 days after the end of each Fiscal Year, (i) audited financial statements of each of (A) the Company and the Restricted Subsidiaries, (B) Hexcel Lyon and (C) the Company and its Subsidiaries certified by independent certified public accountants of recognized national standing acceptable to the Bank, which report shall be certified without qualification or modification as to the scope of the audit and as to the Company being a going concern and shall state that such financial statements fairly present the financial position of the Persons described in clauses (A) through (C) above as at the dates indicated and the results of their operations and cash flow for the periods indicated in conformity with GAAP (except with respect to Hexcel Lyon, which shall be in conformity with general French accounting standards) applied on a basis consistent with prior years (except for changes with which such independent certified public accountants shall concur and which shall have been disclosed in the notes to the financial statements) and that the examination by such accountants in connection with such consolidated and combined financial statements has been made in accordance with generally accepted auditing standards and (ii) annual consolidating financial statements of the Company and its Subsidiaries prepared by the Company.

(d) OFFICER'S CERTIFICATE. Together with each delivery of any financial statement pursuant to paragraphs (b) and (c) of this Section 6.1, an Officer's Certificate of the Company, in form and content satisfactory to the Bank, signed by the Company's chief financial officer,

treasurer or controller and setting forth calculations for the period then ended for (1) compliance with the terms of Section 7.13 of this Agreement and with the terms of the Collateral Agreement, (2) compliance with the negative covenants of Article 8 hereof, and (4) compliance with the financial covenants of Article 9 hereof.

(e) BUSINESS PLANS; FINANCIAL PROJECTIONS. As soon as available and in any event within 30 days prior to the end of each Fiscal Year, a combined annual budget (in the format customarily utilized by the Company for making financial projections) of (A) the Company and the Restricted Subsidiaries, (B) the Unrestricted Subsidiaries and (C) the Company and its Subsidiaries for the succeeding Fiscal Year, displaying on a monthly basis anticipated balance sheets as at the end of such period and the related statements of income and cash flow of each of the Persons escribed in clauses (A) through (C), and on a monthly basis availability forecasts for each of the Company and the Restricted Subsidiaries.

(f) ACCOUNTANT'S STATEMENT. Together with each delivery of the financial statements referred to in paragraphs (b) and (c) of this Section 6.1, a written statement of the firm of independent certified public accountants of recognized national standing acceptable to the Bank giving the report stating

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(i) that their audit examination has included a review of the terms hereof as it relates to accounting matters and (ii) whether, in connection with their audit examination, any condition or event which constitutes an Event of Default or Potential Default has come to their attention, and if such condition or event has come to their attention, specifying the nature and period of existence thereof. The statement referred to above shall be accompanied by a copy of the management letter or any similar report delivered to the Company or to any officer or employee thereof by such accountants in connection with such financial statements.

(g) OPENING BALANCE SHEET. As soon as available and in any event within 60 days after the Effective Date, balance sheets of each of (A) the Company and Restricted Subsidiaries, (B) the Unrestricted Subsidiaries and (C) the Company and its Subsidiaries as at January 29, 1995, giving effect to the transactions contemplated by the sources and uses of funds received by the Company on or about the Effective Date.

SECTION 6.2. EVENTS OF DEFAULT. Promptly upon (and, in any event, within 5 Business Days of) any of the chief executive officer, chief operating officer, chief financial officer, treasurer or controller of the Company obtaining knowledge (i) of any condition or event which constitutes an Event of Default or Potential Default, (ii) that any Person has given any written notice to the

Company or any Subsidiary of the Company or taken any other action with respect to a claimed default or event or condition of the type referred to in Section 10.1(h) or Section 10.1(i), or (iii) of any condition or event which has or is reasonably likely to have a Material Adverse Effect, the Company shall deliver to the Bank an Officer's Certificate specifying (A) the nature and period of existence of any such claimed default, Event of Default, Potential Default, condition or event, (B) the notice given or action taken by such Person in connection therewith, and (C) the remedial action the Company has taken, is taking and proposes to take with respect thereto.

SECTION 6.3. LAWSUITS. (a) Promptly upon (and in any event, within 10 Business Days of) the Company obtaining knowledge of the institution of, or written threat of, any action, suit, proceeding, governmental investigation or arbitration against or affecting the Company or any of the Restricted Subsidiaries or any Property of the Company or any of the Company's Subsidiaries not previously disclosed pursuant to Section 5.7 which action, suit, proceeding, governmental investigation or arbitration exposes, or in the case of multiple actions, suits, proceedings, governmental investigations or arbitrations arising out of the same general allegations or circumstances which expose, in the Company's reasonable judgment, the Company or any of the Restricted Subsidiaries to liability in an amount aggregating \$5,000,000 or more in excess of applicable insurance coverage, the Company shall give written notice thereof to the Bank and provide such other information as may be reasonably available to enable the Bank and its counsel to evaluate such matters; and (b) in addition to the requirements set forth in clause (a) of this Section, the Company upon request of the Bank shall promptly give written notice of the status of any action, suit, proceeding, governmental investigation or arbitration disclosed pursuant to Section 5.7 or covered by a report delivered pursuant to clause (a) above and provide such other information as may be

reasonably available to it (subject to applicable attorney-client privilege) to enable the Bank and its counsel to evaluate such matters.

SECTION 6.4. ERISA NOTICES. The Company shall deliver or cause to be delivered to the Bank, at the Company's expense, the following information and notices as soon as reasonably possible, and in any event within 30 days after the Company or any Subsidiary knows or has reason to know that any Reportable Event has occurred with respect to any ERISA Plan, a statement from the chief financial officer of the Company setting forth details as to such Reportable Event and the action which the Company or the affected Subsidiary proposes to take with respect thereto, together with a copy of the notice of such Reportable Event given to the PBGC if a copy of such notice is available to the Company or the affected Subsidiary. For purposes of this Section, the Company and any ERISA Affiliate shall be deemed to know all facts known by the administrator of any Plan of which the Company or any ERISA Affiliate is the plan sponsor.

SECTION 6.5. SALE OF BOND FACILITIES. The Company shall notify the Bank of any proposed sale, lease, condemnation or other disposition of all or any portion of the Bond Facilities and of any proposed change in the use of any Bond Facility which might cause interest on any Hexcel Bonds not to be excluded from gross income for federal tax purposes.

SECTION 6.6. PUBLIC FILINGS AND REPORTS. Promptly upon the filing thereof with any Governmental Authority (including, without limitation, the Securities and Exchange Commission) or the mailing thereof to the public shareholders or debtholders of the Company generally, the Company shall deliver to the Bank copies of all filings or reports made in connection with outstanding Debt and Capital Stock of the Company.

SECTION 6.7. AMENDMENTS TO DOCUMENTS. The Company shall notify the Bank of any proposed material amendment, supplement or other material modification to any Constituent Document or any Transaction Document and shall promptly deliver to the Bank any such amendment, supplement or other modification adopted in respect to any Constituent Document or any Transaction Document.

SECTION 6.8. OTHER INFORMATION. Promptly upon receipt of a request therefor from the Bank, the Company shall prepare and deliver to the Bank such other information with respect to the Company or any of the Company's Subsidiaries as from time to time may be reasonably requested by the Bank.

ARTICLE 7.
AFFIRMATIVE COVENANTS

Unless the Bank shall otherwise consent in writing, until the later of the Expiration Date of each Letter of Credit and the payment in full of all amounts due and owing or payable to the Bank under this Agreement, the Company shall comply, and shall cause compliance, with each of the following covenants:

SECTION 7.1. CORPORATE EXISTENCE, ETC.

(a) The Company shall at all times maintain its corporate existence and preserve and keep in full force and effect its rights and franchises material to its businesses except (i) for actions in the ordinary course of business where the Company determines that the maintenance or preservation of such rights and franchises is not in the best interest of the Company or (ii) where the failure to so maintain or preserve would not have or be reasonably likely to have a Material Adverse Effect.

(b) The Company shall cause each of its Subsidiaries to at all times

maintain their respective corporate existences and preserve and keep, or cause to be preserved and kept, in full force and effect their respective rights and franchises material to their respective businesses except for actions in the ordinary course of business where the Board of Directors of any Subsidiary (as applicable) determines that the maintenance or preservation of such rights and franchises is not in the best interest of such Subsidiary (as applicable) and the failure to so maintain or preserve would not have or be reasonably likely to have a Material Adverse Effect.

SECTION 7.2. CORPORATE POWERS; CONDUCT OF BUSINESS, ETC.

(a) The Company shall qualify and remain qualified to do business in each jurisdiction in which the nature of its business requires it to be so qualified, except where the failure to be so qualified would not have or be reasonably likely to have a Material Adverse Effect.

(b) The Company shall cause each of its Subsidiaries to qualify and remain qualified to do business in each jurisdiction in which the nature of its business requires it to be so qualified, except where the failure to be so qualified would not have or be reasonably likely to have a Material Adverse Effect.

SECTION 7.3. COMPLIANCE WITH LAWS, ETC. The Company shall, and shall cause each of its Subsidiaries to, (a) comply with all Requirements of Law and all restrictive covenants affecting such Person or the business, Property or operations of such Person, and (b) obtain as needed all Permits necessary for such Person's operations and maintain such Permits in good standing (or, with respect to the Unrestricted Subsidiaries, maintain equivalent status), except, in each case, where the failure to do so would not have or be reasonably likely to have a Material Adverse Effect.

SECTION 7.4. PAYMENT OF TAXES AND CLAIMS; TAX CONSOLIDATION. The Company shall, and shall cause each of its Subsidiaries to, pay (a) all taxes, assessments and other governmental charges imposed upon it or on any of its Property or in respect of any of its franchises, business, income or Property before any penalty or interest for late payment (except as such penalty or interest relates to underpayment of estimated tax payments) accrues thereon, and (b) all claims (including, without limitation, claims for labor, services, materials and supplies) for sums which have become due and payable and which by law have or may become a Lien (other than a Lien permitted by Section 8.3) upon any of the Company's or such Subsidiary's Property, prior to the time when any penalty or fine shall be incurred with respect thereto; PROVIDED, HOWEVER, that no such taxes, assessments and governmental charges referred to in clause (a) above or claims referred to in clause (b) above are required to be paid if

the failure to pay such charges or claims would not result in a Material Adverse Effect or if such charges or claims are being contested in good faith by the Company or such Subsidiary, as the case may be, by appropriate proceedings diligently instituted and conducted and if such reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made therefor. The Company shall not permit any of its Subsidiaries to file or consent to the filing of any consolidated income tax return with any Person (other than the Company and its Subsidiaries).

SECTION 7.5. INSURANCE. The Company shall, and shall cause each Restricted Subsidiary to, (i) maintain and keep in force insurance of the types and in amounts customarily carried in its lines of business (including, without limitation, fire, public liability, property damage and worker's compensation insurance), all such insurance to be carried with reputable companies, and (ii) deliver to the Bank from time to time, as the Bank may request, schedules setting forth all insurance then in effect.

SECTION 7.6. INSPECTION OF PROPERTY; BOOKS AND RECORDS; DISCUSSIONS.

(a) Subject to applicable government security clearance, the Company shall permit, and shall cause each of its respective Subsidiaries to permit, any authorized representative(s) designated by the Bank to visit and inspect any of the Properties of the Company or such Subsidiary, to examine, audit, check and make copies of their respective financial and accounting records, books, journals, orders, receipts and any correspondence and other data relating to their respective businesses or the transactions contemplated hereby (including, in connection with environmental compliance, hazard or liability), and to discuss their affairs, finances and accounts with their officers and independent certified public accountants, upon reasonable notice and at such times during normal business hours, as often as may be reasonably requested. All costs and expenses incurred by the Bank as a result of such inspection, audit or examination conducted pursuant to this Section shall be paid by the Company.

(b) The Company shall keep and maintain, and shall cause its respective Subsidiaries to keep and maintain, in all material respects proper books of record and account in which entries in conformity with GAAP shall be made of all dealings and transactions in relation to their respective businesses and activities.

SECTION 7.7. ERISA COMPLIANCE. The Company shall, and shall cause each of its Subsidiaries and ERISA Affiliates to, establish, maintain and operate all Plans to comply in all material respects with the provisions of ERISA, the Code, all other applicable laws, and the regulations and interpretations thereunder and the respective requirements of the governing documents for such Plans.

SECTION 7.8. MAINTENANCE OF PROPERTY. The Company shall cause all Property used or useful in the conduct of its business or the business of any Restricted Subsidiary to be maintained and kept in good condition, repair and working order and supplied with all necessary equipment and shall cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof; PROVIDED, HOWEVER, that nothing in this Section shall prevent the Company from discontinuing the operation or maintenance of any of such Property if such discontinuance would not, in the judgment of the Company, result in a Material Adverse Effect.

SECTION 7.9. ENVIRONMENTAL COMPLIANCE. The Company shall at all times comply with any and all applicable Hazardous Substance Laws, including without limitation the timely performance of all of the Company's obligations under any remedial action plan, consent order, or other agreement or order regarding the remediation of any Hazardous Substance, except where the failure to comply would not have a Material Adverse Effect. The Company shall notify the Bank promptly upon receipt of written notice of any (i) release or threatened release of any Hazardous Substance from or onto any Real Property or Surrounding Property; (ii) potential or actual violation of any Hazardous Substance Law; or (iii) any action or proceeding threatened or brought by any private person or entity or Governmental Authority in connection with either of the matters set forth in clauses (i) or (ii) above; PROVIDED, that such release, violation or action would have a Material Adverse Effect. Not less than thirty days prior to (a) taking any action in response to the existence, presence, use, storage, generation, production, treatment, disposal, or handling of any Hazardous Substance in, on, under or about any Real Property or any Surrounding Property, or to the release, discharge, or transport of any Hazardous Substance onto or from any Real Property; or (b) entering into any settlement agreement, consent decree, or other compromise or agreement regarding any Hazardous Substance Claims and Losses (such agreements and decrees are referred to collectively as "Hazardous Substance Agreements") and PROVIDED, that such matters would have a Material Adverse Effect, the Company shall provide the Bank with a written notice describing in reasonable detail the action proposed to be taken by the Company or the nature of the Hazardous Substance Agreement to be entered into by the Company as described in clauses (a) and (b) above, and thereafter shall deliver to the Bank a copy of any remedial action plan, consent order, or Hazardous Substance Agreement in connection therewith within five days following approval thereof by the applicable Governmental Authority or other Person.

SECTION 7.10. PARI PASSU. The Company shall assure that the obligations of the Company hereunder rank at least PARI PASSU with the other senior unsecured Debt of the Company.

SECTION 7.11. PLEDGE AND SECURITY INTEREST. The Company shall maintain the assignment and security interest granted to the Bank in the Collateral Agreement, defend, pre-

serve and protect such assignment and security interest to the extent permitted by law against all claims of all Persons and keep the Collateral (as that term is defined in the Collateral Agreement) free from all Liens, except as permitted by the Collateral Agreement.

SECTION 7.12. BOND FACILITY PROCEEDS.

(a) Subject to the rights of the Revolving Credit Lender to receive such proceeds under the Revolving Credit Agreement, upon the sale, lease, condemnation or other disposition of any Bond Facility or any portion thereof, the Company shall apply all proceeds received by the Company in connection with any such disposition to the redemption of Hexcel Bonds issued in connection with the disposed of Bond Facility (less costs incurred by the Company in connection with the disposition), such redemption to occur on the next practicable redemption date for such bonds (which redemption shall reduce the obligation of the Company to reduce the contingent liability of the Bank under Section 7.13 in the manner provided in the Collateral Agreement).

(b) With the exception of Liens granted or to be granted by the Company to the Revolving Credit Lender (including any successors or assigns) to secure the Revolving Credit Obligations, the Company shall not grant or permit to exist any Lien on any Bond Facility or any portion thereof.

(c) The Company shall not take, permit or suffer to be taken any action which would cause or result in interest on any Hexcel Bonds not to be excluded from gross income under applicable federal tax law; specifically, the Company shall not cause or suffer to occur any "change in use" of any Bond Facilities which would cause interest on any Hexcel Bonds not to be excluded from gross income under applicable federal tax law.

SECTION 7.13. REDUCTION OF CONTINGENT LIABILITY OF BANK. The Company agrees that it will reduce or offset the contingent liability of the Bank as represented by the Letters of Credit by an amount equal to \$600,000 per quarter, beginning on April 1, 1995 and continuing on each Payment Date to and including October 1, 1998. The Company will effect this agreement in the manner set forth in and in accordance with the terms of the Collateral Agreement.

SECTION 7.14. FURTHER ASSURANCES. At any time, or from time-to-time, upon reasonable request from the Bank, at the Company's expense, the Company shall promptly execute, acknowledge and deliver such further documents and do such other acts and things as shall be necessary or advisable, in the Bank's sole judgment, in order to effect fully the purposes of this Agreement or of any Related Document.

ARTICLE 8.
NEGATIVE COVENANTS

Unless the Bank shall otherwise consent in writing, until the later of the Expiration Date of each Letter of Credit and the payment in full of all amounts due and owing or payable to the Bank under this Agreement, the Company shall comply, and shall cause compliance, with the following negative covenants:

SECTION 8.1. DEBT. None of the Company or any of its Restricted Subsidiaries shall directly or indirectly create, incur, assume or otherwise become directly or indirectly liable with respect to any Debt, except:

(a) Existing Debt and any extensions, renewals, refundings or replacements of such Existing Debt; PROVIDED, that any such extension, renewal, refunding or replacement is in an aggregate principal amount not greater than the principal amount (plus reasonable transaction costs) of the Existing Debt so extended, renewed, refunding or replaced, and PROVIDED, FURTHER, that no refunding or replacement of the Advance shall be permitted;

(b) Existing Subordinated Debt and any extensions, renewals, refundings or replacements of Existing Subordinated Debt; PROVIDED, that any such extension, renewal, refunding or replacement is in an aggregate principal amount not greater than the principal amount (plus reasonable transaction costs) of the Existing Subordinated Debt so extended, renewed, refunded or replaced and PROVIDED, FURTHER, that the aggregate installments of principal due prior to December 31, 1998, under the extended, renewed, refunded or replaced Subordinated Debt are not in an amount greater than the aggregate principal installments due prior to December 31, 1998 under the Existing Subordinated Debt (without any extension, renewal, refunding or replacement);

(c) Hexcel Obligations;

(d) Revolving Credit Obligations in principal amount not in excess of (i) \$45,000,000 plus (ii) the amount of Debt permitted under clause (e) of this Section which is in fact funded pursuant to the Revolving Credit Agreement;

(e) secured Debt incurred under the Revolving Credit Agreement or otherwise in connection with purchase money obligations and/or Capital Leases to the extent permitted by Section 8.3; and

(f) other unsecured Debt not in excess at any time of \$10,000,000 in aggregate principal amount; but only to the extent that the sum, at any time, of unsecured Debt incurred pursuant to this clause (f) of Section 8.1 and Guaranty Obligations incurred pursuant to clause (b) of Section 8.2 does not exceed \$10,000,000 in aggregate principal amount.

SECTION 8.2. GUARANTY OBLIGATIONS. None of the Company or any of the Restricted Subsidiaries shall directly or indirectly create or become liable with respect to any Guaranty Obligation, except:

(a) Existing Guaranty Obligations and any extensions, renewals, refundings or replacements of Existing Guaranty Obligations; PROVIDED, that any such extension, renewal, refunding or replacement is in an aggregate principal amount not greater than the principal amount (plus reasonable transaction costs) of the Existing Guaranty Obligations so extended, renewed, refunded or replaced;

(b) Guaranty Obligations not in excess at any time of \$10,000,000 in aggregate principal amount; but only to the extent that the sum, at any time, of Guaranty Obligations incurred pursuant to this clause (b) of Section 8.2 and unsecured Debt incurred pursuant to clause (f) of Section 8.1 does not exceed \$10,000,000 in aggregate principal amount;

(c) unsecured Guaranty Obligations of the Company in respect of Debt incurred by Unrestricted Subsidiaries not in excess at any time of \$20,000,000 in aggregate principal amount; and

(d) Guaranty Obligations incurred by any Restricted Subsidiary in respect of Debt of the Company or any other Restricted Subsidiary permitted under this Agreement, and Guaranty Obligations incurred by the Company in respect of Debt of any Restricted Subsidiary permitted under this Agreement.

SECTION 8.3. SECURED DEBT. None of the Company or any of the Restricted Subsidiaries shall directly or indirectly create, incur or assume any Lien on or with respect to any of their respective Property or assets for the purpose of securing payment or other obligations arising in connection with any Debt, except:

(a) Liens securing Existing Debt and future Liens securing any extensions, renewals, refundings or replacements of Existing Debt to the extent permitted under Section 8.1(a), but only if such future Lien attaches to the same Property and secures only such permitted extensions, renewals, refundings and replacements;

(b) without duplication of clause (a) above, Liens at any time created securing the Revolving Credit Obligations to the extent such Revolving Credit Obligations are permitted to be incurred pursuant to Section 8.1(d) or 8.1(e); and

(c) Liens securing Debt (including, without limitation, Capital

Lease and purchase money obligations) incurred by the Company and the Restricted Subsidiaries to finance Capital Expenditures permitted under Section 9.4 of this Agreement, PROVIDED, that the aggregate principal amount of Debt secured by such Liens incurred in each of Fiscal Year 1995, 1996,

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1997 and 1998 shall not exceed \$7,050,000, \$7,125,000, \$7,500,000 and \$7,500,000, respectively; and PROVIDED, FURTHER, that if the maximum amount of permitted secured Debt indicated under the first PROVISIO of this clause (c) for any Fiscal Year exceeds the amount of secured Debt incurred by the Company and the Restricted Subsidiaries to finance Capital Expenditures in such Fiscal Year, then secured Debt incurred by the Company and the Restricted Subsidiaries to finance Capital Expenditures for the succeeding Fiscal Year may exceed the maximum set forth in the first proviso of this clause (c) by the lesser of (i) \$2,250,000 and (ii) the amount of such excess of permitted secured Debt for Capital Expenditures from the immediately preceding Fiscal Year (such excess amount being available only for use in such succeeding Fiscal Year and being treated as the last amount spent in such succeeding Fiscal Year).

SECTION 8.4. TRANSACTIONS WITH AFFILIATES AND EXISTING JOINT VENTURES; DIC INVESTMENTS. The Company shall not, and shall not permit any of its Restricted Subsidiaries, except as otherwise expressly contemplated in the Disclosure Statement or as expressly permitted herein, to enter into any transaction with or make any payment to any Affiliate of the Company (other than the Company and the Restricted Subsidiaries) or any Existing Joint Venture; except in each case for transactions or payments (A) in the ordinary course of business, (B) either on a basis no less favorable to the Company or such Restricted Subsidiary as would be obtained in a comparable arm's length transaction with a Person not an Affiliate or related entity, and (C) investments in Unrestricted Subsidiaries and Existing Joint Ventures (other than DIC). Notwithstanding the other provisions of this Agreement, the Company shall not invest funds in DIC, directly or through Hexcel Technologies, in excess of \$3,250,000 in Fiscal Year 1995, \$2,250,000 in Fiscal Year 1996 and \$4,750,000 in Fiscal Year 1997, less any payments made by the Company to Dainippon Ink & Chemicals, Inc. permitted pursuant to Section 9.05(vii) of the Revolving Credit Agreement; PROVIDED, HOWEVER, that if the maximum permitted investment in DIC for any Fiscal Year exceeds the amount actually invested, directly and indirectly, then such investments made by the Company directly or through Hexcel Technologies for the immediately succeeding Fiscal Year may exceed the maximum amount set forth above with respect to such succeeding Fiscal Year by the amount of such excess from the immediately preceding Fiscal Year (such excess being treated as the last amount invested in such succeeding Fiscal Year) but in no event shall the amount of such investments exceed \$9,750,000 in the aggregate at any time; and PROVIDED, FURTHER, that no cash investment may be made by the Company in

Hexcel Technologies, Inc. solely for the purpose of making investments in or for the benefit of DIC so long as any Event of Default has occurred and is continuing.

SECTION 8.5. RESTRICTION ON FUNDAMENTAL CHANGES. The Company shall not enter into any merger or consolidation, or liquidate, wind-up or dissolve (or suffer any liquidation or dissolution), except for any merger or consolidation involving the Company in which the Company is the surviving entity and any transaction pursuant to which the Capital Stock of the Company would be held by an intervening holding company; PROVIDED, HOWEVER, that after giving effect to any merger or consolidation, except any merger or consolidation of any wholly owned Restricted Subsidiary into the Company, no Potential Default arising out of the covenants and conditions of Article 8 or Article 9 hereof or Event of Default shall have

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occurred or be continuing The Company shall not sell all or substantially all of its respective assets to any other Person. None of the Company or any of its Restricted Subsidiaries shall engage in any business (pursuant to an Existing Joint Venture or otherwise) other than the businesses engaged in by the Company, such Restricted Subsidiaries or such Existing Joint Ventures on the date hereof and any business or activities which are substantially similar, related or incidental thereto if such action would, in the reasonable judgment of the Company at the time of such action, result in a Material Adverse Effect.

SECTION 8.6. PREPAYMENTS. Neither the Company nor any of the Restricted Subsidiaries shall voluntarily prepay, redeem, purchase, repurchase, defease or retire any Debt of the Company or any Restricted Subsidiary which matures after December 31, 1998, other than the Revolving Credit Obligations, the Hexcel Bonds, the Hexcel Obligations and any installment (whether principal or interest) of Debt of the Company or any Restricted Subsidiary which installment is scheduled for payment prior to December 31, 1998.

SECTION 8.7. CERTAIN AMENDMENTS AND APPOINTMENTS. Neither the Company nor any of the Restricted Subsidiaries shall amend, supplement or otherwise modify the terms of any Related Documents. The Company shall not appoint or consent to the appointment of any successor Trustee, Agent or Placement Agent without the prior written consent of the Bank.

SECTION 8.8. ACCOUNTING CHANGES. The Company shall not make, nor permit any of its Subsidiaries to make, any material change in accounting treatment and reporting practices or tax reporting treatment, except as required by GAAP or law and disclosed to the Bank or as permitted by this Agreement.

ARTICLE 9.
FINANCIAL COVENANTS

Unless the Bank shall otherwise consent in writing, until the later of the Expiration Date of each Letter of Credit and the payment in full of all amounts due and owing or payable to the Bank under this Agreement, the Company shall comply, and shall cause compliance, with each of the following covenants:

SECTION 9.1. MINIMUM NET WORTH. The Net Worth of the Company and the Restricted Subsidiaries at all times during any period from the last day of the fiscal quarter preceding each fiscal quarter in each Fiscal Year set forth below to the day preceding the last day of such fiscal quarter set forth below shall not be less than the minimum amount set forth opposite such fiscal quarter:

Fiscal Quarter -----	Minimum Amount -----
Second fiscal quarter of 1995	28,500,000
Third fiscal quarter of 1995	29,500,000
Fourth fiscal quarter of 1995	30,500,000
First fiscal quarter of 1996	31,500,000
Second fiscal quarter of 1996	33,000,000
Third fiscal quarter of 1996	35,000,000
Fourth fiscal quarter of 1996	37,000,000
First fiscal quarter of 1997	40,000,000
Second fiscal quarter of 1997	43,000,000
Third fiscal quarter of 1997	45,000,000
Fourth fiscal quarter of 1997	47,000,000
First fiscal quarter of 1998	50,000,000
Second fiscal quarter of 1998	53,000,000
Third fiscal quarter of 1998	56,000,000
Fourth fiscal quarter of 1998	59,000,000

SECTION 9.2. MINIMUM FIXED CHARGE COVERAGE RATIO. The Fixed Charge Coverage Ratio of the Company and the Restricted Subsidiaries on a combined basis, as determined as of the last day of each fiscal quarter of the Company set forth below for the four fiscal quarter period ending on such date (or if the period from January 1, 1995, to such last day is less than four full fiscal quarters, such shorter period), shall not be less than the minimum ratio set forth opposite such fiscal quarter:

Fiscal Quarter -----	Minimum Ratio -----
Third fiscal quarter of 1995	0.10 to 1
Fourth fiscal quarter of 1995	0.35 to 1
First fiscal quarter of 1996	0.50 to 1
Second fiscal quarter of 1996	0.60 to 1
Third fiscal quarter of 1996	0.60 to 1
Fourth fiscal quarter of 1996	0.70 to 1
First fiscal quarter of 1997	0.70 to 1
Second fiscal quarter of 1997	0.75 to 1
Third fiscal quarter of 1997	0.80 to 1
Fourth fiscal quarter of 1997	0.80 to 1
First fiscal quarter of 1998	0.85 to 1
Second fiscal quarter of 1998	0.90 to 1
Third fiscal quarter of 1998	0.95 to 1
Fourth fiscal quarter of 1998	1.00 to 1

SECTION 9.3. MAXIMUM LEVERAGE RATIO. The Leverage Ratio of the Company and its Restricted Subsidiaries on a combined basis, as determined as of the last day of each fiscal quarter, shall not be greater than the maximum amount set forth opposite such fiscal quarter:

Fiscal Quarter -----	Maximum Ratio -----
Last day of:	
First fiscal quarter of 1995	3.40 to 1
Second fiscal quarter of 1995	3.20 to 1
Third fiscal quarter of 1995	3.10 to 1
Fourth fiscal quarter of 1995	3.00 to 1
First fiscal quarter of 1996	2.90 to 1
Second fiscal quarter of 1996	2.80 to 1
Third fiscal quarter of 1996	2.70 to 1
Fourth fiscal quarter of 1996	2.50 to 1
First fiscal quarter of 1997	2.40 to 1
Second fiscal quarter of 1997	2.30 to 1
Third fiscal quarter of 1997	2.20 to 1
Fourth fiscal quarter of 1997	2.10 to 1
First fiscal quarter of 1998	2.00 to 1
Second fiscal quarter of 1998	2.00 to 1
Third fiscal quarter of 1998	2.00 to 1
Fourth fiscal quarter of 1998	2.00 to 1

SECTION 9.4. MAXIMUM CAPITAL EXPENDITURES. Capital Expenditures made or incurred by the Company and the Restricted Subsidiaries on a combined basis during each Fiscal Year (or portion thereof) set forth below shall not exceed in the aggregate the amount set forth opposite such Fiscal Year:

Fiscal Year -----	Maximum Amount -----
Effective Date through the end of	
Fiscal Year 1995	\$ 9,400,000
Fiscal Year 1996	9,500,000
Fiscal Year 1997	10,000,000
Fiscal Year 1998	10,000,000

PROVIDED, HOWEVER, if the maximum amount set forth above opposite any Fiscal Year exceeds the amount of Capital Expenditures made or incurred by the Company and the Restricted Subsidiaries on a combined basis for such Fiscal Year, then Capital Expenditures made or incurred by the Company and the Restricted Subsidiaries on a combined basis for the succeeding Fiscal Year may exceed the maximum amount set forth above opposite such succeeding Fiscal Year by the lesser of (i) \$3,000,000 and (ii) the amount of such excess from the immediately preceding Fiscal Year (such excess amount being available only for use in such succeeding Fiscal Year and being treated as the last amount spent in such succeeding Fiscal Year).

ARTICLE 10.
EVENTS OF DEFAULT

SECTION 10.1. EVENTS OF DEFAULT. The occurrence of any of the following events shall be an "Event of Default" hereunder:

(a) the Company shall fail to reimburse the Bank for any Interest Drawing when due and such failure continues for a period of 5 Business Days after the due date thereof; or

(b) the Company shall fail to pay when due any amount payable under any provision of this Agreement (other than reimbursement for Interest Drawings and for expenses the payment of which is being contested in good faith by the Company) or any Loan Agreement and such failure continues for a period of 30 days after the due date thereof; or

(c) the Company shall fail to satisfy any Reduction Obligation (as that term is defined in the Collateral Agreement) on any Payment Date and such failure continues for a period of 30 days after such Payment

Date; or

(d) any representation or warranty made by the Company in this Agreement, in any Related Document, in the Company certificate referred to in Section 4.1(o), or in any financial statement furnished by the Company pursuant to this Agreement or any Related Document shall prove to have been untrue or incomplete when made, and such untrue or incomplete representation or warranty is in respect of matters which would have a Material Adverse Effect; or

(e) for any reason the Collateral Agreement, the Escrow Agreement or any Standby Letter of Credit issued pursuant to the Collateral Agreement shall not be in effect or the benefits thereof shall not be available to the Bank in strict accordance with their respective terms and such situation continues for a period of 60 days; or

(f) (i) the Company shall fail to perform or observe any covenant, condition or agreement contained in Sections 7.1(a), 8.5 or 8.6 of this Agreement, or (ii) the Company shall fail to perform or observe any covenant, condition or agreement contained in Sections 8.1, 8.2 or 8.3 of this Agreement and such failure continues for a period of 10 Business Days; or

(g) the Company shall fail to perform or observe any covenant, condition or agreement contained in this Agreement or in the Collateral Agreement (other than any provision covered in clause (a), (b), (c) or (f) of this Section 10.1), and such failure continues for a period of 60 days; or

(h) an event of default shall exist and be continuing under any Related Document which event of default may, in the reasonable judgment of

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the Bank, have a Material Adverse Effect, and such situation continues for a period of 60 days; or

(i) any material provision of this Agreement or any Related Document shall at any time for any reason cease to be valid and binding on the Company, or shall be declared to be null and void, or the validity or enforceability thereof shall be contested by the Company or any Governmental Authority or the Company shall deny that it has any or further liability or obligation under this Agreement or such Related Document, and, in any such instance, such circumstance shall have a Material Adverse Effect; or

(j) any "Event of Default", as that term is defined or used in

the Revolving Credit Agreement and in the other Loan Documents (as that term is defined in the Revolving Credit Agreement), shall exist and be continuing under the Revolving Credit Agreement or any other Loan Document (as such term is defined in the Revolving Credit Agreement), and (A) the Revolving Credit Lender has notified the Company that the Revolving Credit Lender is terminating its commitment to lend under the Revolving Credit Agreement, or (B) the Revolving Credit Lender has declared the principal then outstanding under the Revolving Credit Agreement to be immediately due and payable, or (C) such "Event of Default" has continued for a period of 60 days and the Revolving Credit Lender has not provided to the Company either (1) a written waiver with respect to such "Event of Default", or (2) a written forbearance with respect to such "Event of Default" which forbearance continues in effect, and, in the case of a written forbearance, such Event of Default has continued for an additional 30 days after such forbearance has lapsed or been revoked by the Revolving Credit Lender; or

(k) (i) following the expiration of the Rights Offering, Mutual Series fails to purchase those shares of Reorganized Hexcel (as that term is used in the Disclosure Statement) which it has committed to purchase under the Standby Purchase Commitment AND Mutual Series demands repayment of its Advance, and such circumstance continues for a period of 60 days, or (ii) Mutual Series declares any amounts outstanding in connection with the Advance to be immediately due and owing; or

(l) the Company or any Restricted Subsidiary shall fail to make any payment in excess of \$5,000,000 when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) with respect to any Debt (other than Debt existing under this Agreement, the Revolving Credit Agreement or in connection with the Advance, which obligations are elsewhere referred to in this Section 10.1) in excess of \$5,000,000; or if any Debt in excess of a principal amount of \$5,000,000 shall be declared to be due and payable (by acceleration or otherwise) or required to be prepaid, redeemed or otherwise repurchased by the Company (other than a regularly scheduled required prepayment, mandatory redemption or required repurchase) prior to the stated maturity thereof; or

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(m) any judgment, writ, order or warrant of attachment or similar process shall be rendered against the Company or any of its assets involving in any single case or in the aggregate an amount in excess of \$5,000,000 (in excess of applicable insurance coverage) is entered and remains undischarged, unvacated and unstayed for a period of 60 days; or

(n) the Company shall commence any case, proceeding or other

action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets, or the Company shall make a general assignment for the benefit of its creditors; or

(o) there shall be commenced against the Company any case, proceeding or other action of a nature referred to in clause (n) of this Section 10.1 which (A) results in the entry of an order for relief or any such adjudication or appointment and (B) remains undismissed, undischarged or unbonded for a period of 60 days; or

(p) a Change of Control shall occur, and such situation continues for a period of 90 days.

SECTION 10.2. REMEDIES UPON AN EVENT OF DEFAULT. If any Event of Default shall have occurred and be continuing, the Bank may, in its sole discretion, but shall not be obligated to:

(a) by notice to the Company, declare any or all Liquidity Reimbursement Obligations to be immediately due and payable (PROVIDED, HOWEVER, that, upon the occurrence of an Event of Default described in clauses (n) or (o) of Section 10.1, all such amounts shall automatically become and be immediately due and payable), without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Company;

(b) take such action with respect to Pledged Bonds pursuant to any Pledge Agreement as may be permitted under that agreement or at law;

(c) take such action with respect to the Escrow Account (as that term is defined in the Escrow Agreement) and other matters as may be permitted under the Collateral Agreement or the Escrow Agreement;

(d) demand payment under the terms of any Standby Letter of Credit to the extent permitted thereunder and under the Collateral Agreement;

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(e) notify any or all of the Trustees (with a copy to the appropriate Agent or Agents) of such Event of Default and instruct such Trustee or Trustees to declare the appropriate Hexcel Bonds to be

immediately due and payable in accordance with the terms of the applicable Indenture;

(f) by notice sent to the Company, require the immediate deposit of cash collateral in an amount equal to the Stated Amount of any or all Letters of Credit and all unpaid Liquidity Reimbursement Obligations (less the available amount of any Standby Letter of Credit at the time of the notice), and the same shall thereupon become and be immediately due and payable by the Company; and

(g) exercise any rights and remedies available to the Bank at law or in equity or under any other Related Document.

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ARTICLE 11.
MISCELLANEOUS

SECTION 11.1. AMENDMENTS, ETC. No amendment or waiver of any provision of this Agreement, nor consent to any departure by the Company therefrom, shall in any event be effective unless the same shall be in writing and signed by the Bank and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. No amendment to this Agreement affecting the Hexcel Obligations of the Company hereunder or the rights of the Bank with respect to the Pledged Bonds or any additional collateral and no amendment to any Letter of Credit (except for substitution of a successor beneficiary of such Letter of Credit or extension of the term of such Letter of Credit as provided in paragraph 2 of such Letter of Credit) shall be entered into or approved by the parties unless the parties shall have obtained an opinion of counsel experienced in bankruptcy matters to the effect that such amendment will not subject the Trustee or holders of Hexcel Bonds in connection with such Letter of Credit to claims that the proceeds of the Letter of Credit may be recoverable from the Trustee or the holders of Hexcel Bonds as voidable preferences of the Company under Section 547(b) of the Bankruptcy Code.

SECTION 11.2. NOTICES, ETC. All notices, requests and other communications to any party hereunder shall be in writing (including bank wire, telex, facsimile transmission or similar writing) and shall be given to such party at its address, telecopy or telex number set forth below or such other address or telecopy number as such party may hereafter specify for the purpose of notice to the other party. Each such notice, request or other communication shall be effective (a) if given by mail, 72 hours after such communication is deposited in the mails with first class air mail postage prepaid, addressed as aforesaid or (b) if given by any other means, when delivered at the address specified in this Section.

Company: Hexcel Corporation

5794 West Las Positas Boulevard
Post Office Box 8181
Pleasanton, CA 94588
Attn: Treasurer
Telephone: (510) 734-9676
Telecopy: (510) 734-9285

Bank: Banque Nationale de Paris
San Francisco Agency
180 Montgomery Street, 3rd Floor
San Francisco, California 94104
Attn: Katherine Wolfe
Telephone: (415) 956-0707
Telecopy: (415) 296-8954

SECTION 11.3. WIRE TRANSFERS. Any and all payments made to or for the account of the Bank hereunder or under any Hexcel Bond or Letter of Credit shall be made by deposit of funds into the account of Banque Nationale de Paris, San Francisco Agency, maintained

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with the San Francisco office of the Federal Reserve Bank (account no. 121027234) or into such other account with a bank or other financial institution in the United States as the Bank shall indicate by written notice to the Company, the appropriate Trustee and, if applicable, the appropriate Agent.

SECTION 11.4. NO WAIVER; REMEDIES. No failure on the part of the Bank to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 11.5. RIGHT OF SETOFF.

(a) Upon the occurrence and during the continuance of any Event of Default, the Bank is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all indebtedness at any time owing by the Bank to or for the credit or the account of the Company against any and all of the obligations of the Company now or hereafter existing under this Agreement.

(b) Anything in clause (a) of this Section to the contrary notwithstanding but without modifying any other provision of this Agreement, the Bank waives any such right referred to in clause (a), and any other right which it may have at law or otherwise to set off and apply such deposits or

indebtedness referred to in clause (a), if, when and after there shall be a Drawing under a Letter of Credit during the pendency of any proceeding by or against the Company 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; PROVIDED, HOWEVER, that such waiver shall terminate and be of no force and effect either

(i) when and to the extent the exercise of such right would not result in the Bank's being released, prevented or restrained from or delayed in fulfilling the Bank's obligations under any Letter of Credit or

(ii) when and if the absence of such waiver would not result in the lowering or suspension by the Rating Agency of its rating of the Hexcel Bonds.

(c) The Bank agrees promptly to notify the Company after any such setoff and application referred to in clause (a) of this Section; PROVIDED, HOWEVER, that the failure to give such notice shall not affect the validity of such setoff and application. Subject to the provisions of clause (b) of this Section, the rights of the Bank under this Section are in addition to other rights and remedies (including, without limitation, other rights of setoff or banker's Lien) which the Bank may have.

SECTION 11.6. INDEMNIFICATION. The Company hereby indemnifies and holds the Bank harmless from and against any and all claims, damages, losses, liabilities, costs or expenses which the Bank may incur or which may be claimed against the Bank by any person or entity:

(a) by reason of any inaccuracy or alleged inaccuracy in any material respect, or any untrue statement or alleged untrue statement of any material fact, contained in any official statement, placement memorandum, or any amendment or supplement thereto (including, without limitation, supplements prepared by Hexcel or any other Person and referencing the Reorganization Plan, this Agreement or other events roughly contemporaneous with this Agreement), or by reason of the omission or alleged omission to state therein a material fact necessary to make such statements, in the light of the circumstances under which they were made, not misleading; PROVIDED, HOWEVER, that, in the case of any action or proceeding alleging an inaccuracy in a material respect, or an untrue statement, with respect to information supplied by and describing the Bank in any official statement, placement memorandum or any supplement or amendment thereto (the "Bank Information")

(i) indemnification by the Company pursuant to clause (a) of this Section shall be limited to the costs and expenses of the Bank (including fees and expenses of the Bank's counsel) of defending itself against such allegation,

(ii) if in any such action or proceeding it is finally determined that the Bank Information contained an untrue statement in a material respect, then the Company shall not be required to indemnify the Bank pursuant to clause (a) of this Section for any claims, damages, losses, liabilities, costs or expenses to the extent caused by such inaccuracy or untrue statement, and

(iii) if any such action or proceeding shall be settled by the Bank without there being a final determination to the effect described in the preceding sub-clause (ii), then the Company shall be required to indemnify the Bank pursuant to clause (a) of this Section only if such action or proceeding is settled with the Company's consent; and

(b) by reason of or in connection with the execution, delivery or performance of the Hexcel Bonds, any Remarketing Agreement, or any transactions contemplated thereby; and

(c) by reason of or in connection with the execution and delivery or transfer of, or payment or failure to make payment under, any Letter of Credit; PROVIDED, HOWEVER, that the Company shall not be required to indemnify

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the Bank pursuant to clause (c) of this Section for any claims, damages, losses, liabilities, costs or expenses to the extent caused by

(i) the Bank's willful misconduct or gross negligence in determining whether documents presented under a Letter of Credit comply with the terms of such Letter of Credit; or

(ii) the Bank's willful failure to make lawful payment under a Letter of Credit after the presentation to it by the LOC Beneficiary or a transferee beneficiary under such Letter of Credit of a draft and certificate complying with the terms and conditions of such Letter of Credit; and

(d) by reason of or in connection with any claims, damages, losses, liabilities, costs or expenses asserted against the Bank by or on behalf of J.P. Morgan Securities, Inc., relating in any way to Hexcel

Bonds, including, without limitation, claims asserted in connection with that certain letter agreement between J.P. Morgan Securities, Inc., and the Bank dated December 30, 1993.

Nothing in this Section is intended to limit the Company's obligations contained in Articles 2 and 3. Without prejudice to the survival of any other obligation of the Company hereunder, the indemnities and obligations of the Company contained in this Section shall survive payment in full of amounts payable pursuant to Articles 2 and 3 and the termination of the Letters of Credit.

SECTION 11.7. LIABILITY OF THE BANK. The Company assumes, with respect to the Bank, all risks of the acts or omissions of the LOC Beneficiary and any other beneficiary or transferee of a Letter of Credit with respect to its use of such Letter of Credit. Neither the Bank nor any of its officers or directors shall be liable or responsible for:

(a) the use which may be made of a Letter of Credit or any acts or omissions of the LOC Beneficiary or any other beneficiary or transferee in connection therewith;

(b) the validity, sufficiency or genuineness of documents, or of any endorsement thereon, even if such documents should prove to be in any or all respects invalid, insufficient, fraudulent or forged;

(c) payment by the Bank against presentation of documents which do not comply with the terms of a Letter of Credit, including failure of any documents to bear any reference or adequate reference to such Letter of Credit; or

(d) any other circumstances whatsoever in making or failing to make payment under any Letter of Credit;

EXCEPT that the Company shall have a claim against the Bank, and the Bank shall be liable to the Company, to the extent of any direct, as opposed to consequential, damages suffered by the Company which the Company proves were caused by

(i) the Bank's willful misconduct or gross negligence in determining whether documents presented under a Letter of Credit comply with the terms of such Letter of Credit or

(ii) the Bank's willful failure to make lawful payment under a Letter of Credit after the presentation to it by the appropriate

LOC Beneficiary or any other beneficiary or transferee under such Letter of Credit of a draft and certificate strictly complying with the terms and conditions of such Letter of Credit.

In furtherance and not in limitation of the foregoing, the Bank may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary.

SECTION 11.8. COSTS AND EXPENSES. The Company agrees to pay on demand all costs and expenses in connection with the administration of this Agreement, the Collateral Agreement, the Escrow Agreement, any Standby Letter of Credit, and any other documents which may be delivered in connection therewith, including, without limitation, the reasonable fees and out-of-pocket expenses of counsel for the Bank with respect thereto and with respect to advising the Bank as to its rights and responsibilities under this Agreement, the Collateral Agreement and the Escrow Agreement. The Company shall also pay on demand all costs and expenses (including counsel fees and expenses) in connection with: (i) negotiation and delivery of the Escrow Agreement, (ii) amendments to this Agreement, the Collateral Agreement, the Escrow Agreement and the Related Documents, any Letter of Credit or Standby Letter of Credit, or consents to or waivers of any provision thereof requested by the Company, (iii) enforcement of this Agreement, the Collateral Agreement, the Escrow Agreement, any Standby Letter of Credit, or such other documents as may be delivered in connection therewith, or (iv) any action or proceeding relating to a court order, injunction, or other process or decree restraining or seeking to restrain the Bank from paying any amount under any Letter of Credit.

SECTION 11.9. CONFIRMATION OF LIEN. The Company hereby grants to the Bank, to secure payment by the Company of sums due hereunder, a Lien on moneys or instruments (at such times as they become payable to the Company under any Indenture) which the Company has an interest in or title to, in each case pursuant to one of the Indentures, now or hereafter held in the Bond Fund, Bond Purchase Fund, Construction Fund (as such terms are defined in the respective Indentures) or are otherwise held by the Trustee or Agent under any provision of any Indenture, and in the right of the Company to receive any such moneys or instruments. The Bank hereby confirms that such Lien is and shall be junior and subordinate to the Lien on such moneys in favor of the holders of the Hexcel Bonds and the related Trustee.

SECTION 11.10. CHANGE IN ACCOUNTING PRINCIPLES. If any change in the accounting principles used in the preparation of the most recent financial statements referred to in Section 6.1 is hereafter required or permitted by the rules, regulations, pronouncements and opinions of the Financial Accounting Standards Board or the American Institute of Certified Public Accountants (or successors thereto or agencies with similar functions) and is adopted by the

Company with the agreement of its independent certified public accountants and such change results in a change in the method of calculation of any of the covenants, standards or terms found in Article 8 and Article 9, the parties hereto agree to enter into negotiations in order to amend such provisions so as to equitably reflect such changes with the desired result that the criteria for evaluating compliance with such covenants, standards and terms by the Company shall be the same after such change as if such change had not been made; PROVIDED, HOWEVER, that no change in GAAP that would affect the method of calculation of any of the covenants, standards or terms shall be given effect in such calculations until such provisions are amended, in a manner satisfactory to the Bank, to so reflect such change in accounting principles.

SECTION 11.11. BINDING EFFECT. This Agreement shall become effective when it shall have been executed by the Company and the Bank and thereafter shall be binding upon and inure to the benefit of the Company and the Bank and their respective successors and assigns, except that the Company shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of the Bank. The Bank may assign, sell or participate out to any financial institution all or any part of, or any interest (undivided or divided) in, the Bank's rights and benefits under this Agreement, and to the extent of that assignment, sale or participation such transferee shall have the same rights and benefits against the Company hereunder as it would have had if such transferee were the Bank issuing or paying under the Letters of Credit hereunder.

SECTION 11.12. SEVERABILITY. Any provision of this 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 affecting the validity, enforceability or legality of such provision in any other jurisdiction.

SECTION 11.13. GOVERNING LAW AND JURISDICTION. This Agreement shall be governed by, and construed in accordance with, the laws of the State of California. Any legal action or proceeding with respect to this Agreement, the Collateral Agreement, the Escrow Agreement or any other Related Document may be brought in the courts of the State of California or of the United States of America for the Northern District of California, and, by execution and delivery of this Agreement, the Company and the Bank each accepts, for itself and in respect of its property, generally and unconditionally, the jurisdiction of the aforesaid courts. Nothing herein shall prevent either party from commencing legal proceedings or from otherwise proceeding against the other party or its property in any other jurisdiction.

SECTION 11.14. CURRENT RATING. The Bank makes no promise, representation or warranty that its current long and short term debt ratings with any Rating Agency shall continue until the Expiration Date.

SECTION 11.15. COUNTERPARTS. This Agreement may be executed 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.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first above written.

Hexcel Corporation

/s/ William P. Meehan

By: William P. Meehan
Title: V.P. and CFO

Banque Nationale de Paris, acting
through its San Francisco Agency

/s/ Katherine Wolf

By: Katherine Wolf
Title: Vice President

/s/ William J. La Herran

By: William J. La Herran
Title: Assistant Vice President

EXHIBIT A
to
Restated and Amended Reimbursement Agreement

CERTAIN DEFINED TERMS

"ADVANCE" means the Advance in the principal amount of \$41,000,000 to be made to the Company by Mutual Series pursuant to the terms of the Standby Purchase Commitment.

"AFFILIATE" of any specified Person means any other Person which directly or indirectly through one or more intermediaries controls, or is controlled by,

or is under common control with, such specified Person; PROVIDED, HOWEVER, that in no case shall any Agent, any Trustee, any Placement Agent, the Bank, or American Body Armor and Equipment, Inc. be deemed to be an Affiliate of the Company or any of its subsidiaries for purposes of this Agreement and, PROVIDED, FURTHER, that Hexcel Foundation shall not be deemed an Affiliate of the Company for so long as it maintains its status as a not-for-profit corporation under California law. For the purposes of this definition, "control", when used with respect to any specified Person means the power to direct the management and policies of such Person directly or indirectly, whether through the ownership of Voting Stock by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"AGENT", as used in connection with any Indenture or any Hexcel Bonds, shall have the meaning given to that Indenture; PROVIDED, that in connection with the Skagit Indenture the term "Agent" shall refer to the "Tender Agent" as that term is used in the Skagit Indenture.

"AGREEMENT" means this Restated and Amended Letter of Credit and Reimbursement Agreement, dated as of February 1, 1995, between the Company and the Bank, as amended from time to time in accordance with its terms.

"ALLOWED PRIORITY TAX CLAIMS" are those federal, state or local tax claims the payment of which has been deferred in accordance with the Reorganization Plan, which claims are shown on Schedule 5.8 attached to this Agreement.

"ALTERNATE CREDIT FACILITY", as used in connection with any Indenture, shall have the meaning assigned to such term in the applicable Indenture.

"AUTHORIZED OFFICER", as used in connection with the Company, means any of the following: the President, the Chairman of the Board, the Chief Executive Officer, any Executive or any Senior Vice President; PROVIDED, HOWEVER, that in connection with any financial document or certificate, "Authorized Officer" means the Controller, Chief Accounting Officer, Treasurer or Chief Financial Officer. In connection with any Trustee or Agent, the term "Authorized Officer" shall also include any Trust Officer assigned responsibility for the applicable Hexcel Bonds.

Exhibit A

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"BANK" means Banque Nationale de Paris, a banking corporation organized under the laws of the Republic of France, acting through its San Francisco Agency, its successors and assigns.

"BANK INFORMATION" has the meaning assigned to that term in Section 11.6 of the Agreement.

"BANKRUPTCY CODE" means the Federal Bankruptcy Code, 11 U.S.C. Sections 101 ET SEQ., as amended from time to time, and any other successor federal legislation hereafter enacted serving substantially similar purposes.

"BANKRUPTCY COURT" means the United States Bankruptcy Court for the Northern District of California, Oakland Division.

"BOND FACILITY" means any land, buildings, facilities, plants, improvements, fixtures, equipment and related Property, in whole or in part, which was acquired, financed, purchased, constructed or improved using proceeds from the sale of any of the Hexcel Bonds.

"BUSINESS DAY" means a day of the year which is not a Saturday or Sunday or a day on which banking institutions located in New York or California are required or authorized to remain closed or on which any applicable Placement Agent or the New York Stock Exchange is closed.

"CAPITAL EXPENDITURES" means, for any period, the aggregate of all expenditures (whether payable in cash or other Property or accrued as a liability (but without duplication)) during such period that, in conformity with GAAP, are required to be included in or reflected by the Company's or any of the Restricted Subsidiaries' fixed asset accounts as reflected in any of their respective balance sheets; PROVIDED, HOWEVER, (i) Capital Expenditures shall include (A) that portion of Capital Leases which is incurred and capitalized during such period on the balance sheet of the Company and the Restricted Subsidiaries and (B) expenditures for equipment which is purchased simultaneously with the trade-in or disposal of existing equipment owned by the Company or any of the Restricted Subsidiaries, to the extent the gross purchase price of the purchased equipment exceeds the actual value attributed to such equipment at the time of such trade-in or disposal; and (ii) Capital Expenditures shall exclude, whether or not such a designation would be in conformity with GAAP, expenditures made in connection with the replacement or restoration of Property, to the extent reimbursed or financed from insurance or condemnation proceeds.

"CAPITAL LEASE", as applied to any Person, means any lease of any Property (whether real, personal or mixed) by that Person as lessee which, in conformity with GAAP, is accounted for as a capital lease on the balance sheet of that Person.

"CAPITAL STOCK", with respect to any Person, means any capital stock of such Person, regardless of class or designation, and all warrants, options, purchase rights, conversion or exchange rights, voting rights, calls or claims of any character with respect thereto.

Exhibit A

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"CASE" means the case under Chapter 11 of the Bankruptcy Code commenced by the Company in the Bankruptcy Court, styled In Re Hexcel Corporation, Case No. 93-48535 T (Chapter 11), in respect of which the Company has obtained the Confirmation Order.

"CASH INTEREST EXPENSE" means, for any period on a combined basis for any Person, all of the following as determined in conformity with GAAP, (i) total interest expense, whether paid or accrued (without duplication) (including the interest component of Capital Lease obligations for such period), including, without limitation, all commissions, discounts and other fees and charges owed with respect to letters of credit and net costs under interest rate contracts, but excluding, however, (w) interest accrued prior to the Effective Date of the Company reorganization (as such Effective Date is defined in the Reorganization Plan) and paid on such Effective Date of the Company reorganization in respect of Indebtedness repaid or extinguished on the Effective Date, (x) amortization of discount, (y) interest paid in property other than cash and (z) any other interest expense not payable in cash, MINUS (ii) any net payments received during such period under interest rate contracts.

"CHANGE OF CONTROL" means a Person or entity or group of Persons or entities (other than Mutual Series) acting in concert, shall, as a result of a tender or exchange offer, open market purchases, privately negotiated purchases or otherwise, have become the beneficial owner (within the meaning of Rule 13d.3 under the Securities Exchange Act of 1934, as amended) of securities of the Company (or a holding company holding all of the Capital Stock of the Company) representing more than the greater of (a) 50% of the Company's or such holding company's Voting Stock and (b) the percentage of the Company's or such holding company's Voting Stock beneficially owned by Mutual Series after giving effect to such purchases.

"CODE" means the United States Internal Revenue Code of 1986 (or any successor statute containing the United States income tax law), as amended, and the rulings and regulations (including temporary and proposed regulations) promulgated thereunder.

"COMPANY" means the Hexcel Corporation, a Delaware corporation, its successors and assigns.

"CONFIRMATION ORDER" means that certain confirmation order entered by the Bankruptcy Court on January 10, 1995, confirming the Reorganization Plan.

"CONSTITUENT DOCUMENTS" means, with respect to any entity, (i) the articles/certificate of incorporation (or the equivalent organization documents) of such entity, (ii) the by-laws (or the equivalent governing documents) of such entity, and (iii) any document setting forth the designation, amount and/or relative rights, limitations and preferences of any class or series of such entity's Capital Stock.

"CONTRACTUAL OBLIGATION", as applied to any Person, means any provision of

any Securities issued by that Person or any indenture, mortgage, deed of trust, security agreement, pledge agreement, guaranty, contract, undertaking, agreement or instrument to which that Person

Exhibit A

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is a party or by which it or any of its properties is bound, or to which it or any of its properties is subject.

"CONTROLLED GROUP" means all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with the Company, are treated as a single employer under Section 414(B) or 414(C) of the Code.

"DEBT", as applied to any Person, means, at any time, the principal amount of all Indebtedness (direct or indirect) of such Person, without limitation, but without duplication (i) in respect of borrowed money, evidenced by debt securities, debentures, acceptances, notes or other similar instruments, including, without limitation, term obligations incurred in connection with the purchase of fixed assets and equipment, and (ii) in respect of Capital Lease obligations, together, in each case, with any accrued interest, fees and charges relating thereto.

"DEBT SERVICE DRAWING" refers to Interest, Maturity, Mandatory Redemption, Optional Redemption, and Acceleration Drawings, as each of those terms is defined in the Letters of Credit.

"DEBT SERVICE REIMBURSEMENT OBLIGATION" means the reimbursement obligation of the Company to the Bank arising out of each Debt Service Drawing and, to the extent provided in the first paragraph of Section 3.2 of the Agreement, each Liquidity Drawing.

"DIC" means the joint venture entered into between the Company and Dainippon Ink & Chemicals, Inc. ("Dainippon"), pursuant to that certain Parent Company Agreement dated as of April 17, 1990 under which the Company and Dainippon caused Hexcel Technologies, Inc. and DIC Technologies, Inc., (wholly-owned subsidiaries of the Company and Dainippon, respectively) to enter into that certain Participants Agreement dated as of September 14, 1990 pursuant to which Hexcel Technologies, Inc. and DIC Technologies, Inc. formed Hexcel-DIC Partnership ("HDP") and pursuant to which Hexcel Technologies, Inc. and DIC Technologies Inc., caused HDP to form DIC-Hexcel, Ltd. as a wholly-owned subsidiary of HDP.

"DISCLOSURE STATEMENT" means the written statement, dated November 7, 1994, as amended, supplemented, or modified from time to time, describing the Reorganization Plan (and the transactions and events contemplated thereby) that

is prepared and distributed in accordance with Sections 1125 and 1126(b) of the Bankruptcy Code and Rule 3018 promulgated thereunder, as amended.

"DOLLARS" and "\$" means the lawful currency of the United States of America and, in relation to any payment under this Agreement, same day or immediately available funds.

"DRAWING" means any Debt Service Drawing or any Liquidity Drawing.

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"EBITDA" means, for any period on a combined basis for any Person, (i) the sum of the amounts for such period for such Person of (A) Net Income, (B) depreciation and amortization expense, (C) total interest expense (D) charges for federal, state, local and foreign income taxes and (E) extraordinary losses (including restructuring charges and bankruptcy reorganization charges in connection with the Case and charges in connection with DIC) which have been deducted in the determination of Net Income, MINUS (ii) the sum of (A) extraordinary gains not already excluded from the determination of Net Income (including, without limitation, gains in connection with the sale of Property and gains based upon market valuations of Securities) and (B) interest and other income, including without limitation, equity income from Unrestricted Subsidiaries (or minus equity loss from Unrestricted Subsidiaries).

"EFFECTIVE DATE" means the date on which all of the conditions set forth in Section 4.1 of this Agreement have been satisfied or waived in writing by the Bank, which date shall not be later than February 28, 1995, unless expressly extended in writing by the Bank.

"EMT SALE" means the sale by the Company of its Chandler, Arizona plant and its EMT technology pursuant to the Asset Purchase Agreement dated as of November 3, 1994 by and between the Company and Northrop Grumman Corporation.

"ENVIRONMENTAL CLAIM" means any claim filed in the Hexcel bankruptcy proceedings regarding Hazardous Substances and/or the violation or alleged violation of Hazardous Substance Laws, whether made by any private person or entity or Governmental Authority.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and any successor statute.

"ERISA AFFILIATE" means any (i) corporation which is a member of the same controlled group of corporations (within the meaning of Section 414(b) of the Code) as the Company, (ii) partnership or other trade or business (whether or not incorporated) under common control (within the meaning of Section 414(c) of the Code) with the Company, and (iii) member of the same affiliated service

group (within the meaning of section 414(m) of the Code) as the Company, any corporation described in clause (i) above or any partnership or trade or business described in clause (ii) above.

"ERISA PLAN" means at any time an employee pension plan which is covered by Title IV of ERISA or subject to the minimum funding standards of Section 412 of the Code and is either (i) maintained by the Company or any member of the Controlled Group for the employees of the Company or any member of the Controlled Group or (ii) maintained pursuant to a collective bargaining agreement or any other arrangement under which more than one employer makes contributions and under which the Company or any member of the Controlled Group is then making or within the first five plan years has made such contributions.

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"ESCROW AGREEMENT" means that certain Escrow Agreement to be entered into among the Bank, the Company and an escrow agent in the form attached to the Collateral Agreement as Exhibit A thereto, subject to such changes as shall be acceptable to the Bank, as such agreement may be amended from time to time.

"EUROPEAN RESINS SALE" means the sale by the Company of its resins business in France, Germany, Italy and Spain to an investor group sponsored by management pursuant to the Stock Purchase Agreement dated as of December 27, 1994 by and between the Company and Axson S.A.

"EVENT OF DEFAULT" has the meaning assigned to that term in Section 10.1 of this Agreement.

"EXISTING DEBT" means all Indebtedness of the Company and its Restricted Subsidiaries which is outstanding on the Effective Date.

"EXISTING GUARANTY OBLIGATIONS" means all Guaranty Obligations of the Company and its Restricted Subsidiaries outstanding on the Effective Date.

"EXISTING JOINT VENTURE" means each of (i) Knytex, (ii) DIC and (iii) Fyfe.

"EXISTING LIENS" means all Liens on assets of the Company or any of the Restricted Subsidiaries to secure Debt of the Company or any of the Restricted Subsidiaries which are outstanding as of the Effective Date.

"EXISTING SUBORDINATED DEBT" means all Indebtedness of the Company and its Restricted Subsidiaries as of the Effective Date which is (i) subordinate in right of payment to (A) the Hexcel Obligations and (B) the Hexcel Lyon Subordinated Note and (ii) in an amount no greater than \$25,700,000.

"EXPIRATION DATE" means, for each Letter of Credit, the date on which such

Letter of Credit shall expire in accordance with its terms, subject to extension as provided in paragraph 2 of such Letter of Credit.

"FINAL ORDER" shall have the meaning set forth in the Reorganization Plan.

"FISCAL YEAR" means the fiscal year of the Company, which currently is the four fiscal quarter period ending on the closest Sunday to December 31 of each calendar year.

"FIXED CHARGES" means, for any period for any Person, the sum of the amounts for such period of (i) Cash Interest Expense of such Person, (ii) the higher of scheduled or actual payments of principal on Indebtedness of such Person, including, without limitation, the principal component of Capital Lease obligations, the amount of Reduction Obligations, as that term is defined in the Collateral Agreement and the amount of payments made to DIC,

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but excluding Indebtedness repaid or extinguished on the Effective Date and (iii) cash dividends paid by the Company.

"FIXED CHARGE COVERAGE RATIO" means, with respect to any period, the ratio of (i) EBITDA of the Company and the Restricted Subsidiaries for such period, MINUS Capital Expenditures paid by the Company and the Restricted Subsidiaries during such period, MINUS current federal, state and local income taxes actually accrued by the Company and the Restricted Subsidiaries during such period, MINUS investments made by the Company and the Restricted Subsidiaries in Unrestricted Subsidiaries, PLUS Net Cash Proceeds received after the Effective Date (including, without limitation, Net Cash Proceeds received after the Effective Date in respect of the EMT Sale, the Company's domestic resins business and the Graham Texas Real Property) received during such period to the extent not included in the calculation of EBITDA for such period to (ii) Fixed Charges of the Company and the Restricted Subsidiaries for such period.

"FIXED RATE", as applied to any Hexcel Bonds, has the meaning assigned to that term in the applicable Indenture.

"FYFE" means the joint venture entered into between the Company and Fyfe Associates pursuant to an Agreement dated as of October 13, 1992 for the sale and installation of high strength architectural wrap.

"GAAP" means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board, the American Institute of Certified Public Accountants and the Financial Accounting Standards Board or in such other statements by such other entity as may be in general use by significant segments of the accounting profession as in effect on the date

hereof (unless otherwise specified pursuant to Section 11.10).

"GOVERNMENTAL AUTHORITY" means any nation or government, any federal, state or local government or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to such government or political subdivision.

"GUARANTY OBLIGATION" means any Contractual Obligation, contingent or otherwise, of one Person with respect to any Debt of another, if the primary purpose or intent thereof by the Person incurring the Guaranty Obligation is to provide assurance to the obligee of such Debt of another that such Debt shall be paid or discharged, or that any agreements relating thereto shall be complied with, or that the holders thereof shall be protected (in whole or in part) against loss in respect thereof.

"HAZARDOUS SUBSTANCE" means any: (a) substance, product, waste or other material of any nature whatsoever which is or becomes listed, regulated, or addressed pursuant to any or all of the following statutes and regulations, as the same may be amended from time to time: (i) the Comprehensive Environmental Response, Compensation and Liability Act,

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42 U.S.C. Sections 9601 ET SEQ.; (ii) the Hazardous Materials Transportation Act, 49 U.S.C. Sections 1801, ET SEQ.; (iii) the Resource Conservation and Recovery Act, 42 U.S.C. Sections 6901, ET SEQ.; (iv) the Toxic Substances Control Act, 15 U.S.C. Sections 2601, ET SEQ.; (v) the Clean Water Act, 33 U.S.C. Sections 1251, ET SEQ.; (vi) all other existing and future federal, state and local laws, ordinances, rules, regulations, orders, requirements, and decrees regulating, relating to, or imposing liability or standards of conduct concerning any hazardous, toxic or dangerous waste, substance or material; (b) any substance, product, waste or other material of any nature whatsoever which may give rise to liability (i) under any of the statutes or regulations described in part (a) above; (ii) under any statutory or common law theory, including negligence, trespass, intentional tort, nuisance or strict liability; or (iii) under any reported decisions of any state or federal court; (c) petroleum, petroleum products and by-products, gasoline or crude oil, other than petroleum and petroleum products contained within regularly operated motor vehicles; and (d) asbestos or asbestos containing materials.

"HAZARDOUS SUBSTANCE CLAIMS AND LOSSES" means all claims, damages, losses, liabilities, legal or administrative proceedings, suits, injuries, costs, Liens, interest, fines, charges, penalties and expenses made or assessed against the Company and which (a) may have a material adverse effect on the Company's ability to perform its obligations under this Agreement, and (b) directly or indirectly arise out of or relate to any or all of the following: (i) the

existence, presence, use, storage, generation, production, treatment, disposal, or handling of any Hazardous Substance in, on, under, or about any Real Property or any Surrounding Property; (ii) the release, discharge, or transport of any Hazardous Substance onto or from any Real Property; (iii) the violation of any Hazardous Substance Laws; (iv) any repair, cleanup, remediation, removal, closure, or decontamination activity relating to any Hazardous Substance in, on, under or about any Real Property or any Surrounding Property; or (v) any personal injury, death, or property damage resulting from or relating to any or all of the matters described in clauses (i) through (iv) above.

"HAZARDOUS SUBSTANCE LAWS" means all existing and future laws, ordinances, rules, regulations, orders and requirements of all Governmental Authorities (including the statutes and regulations identified in part (a) of the definition of Hazardous Substance and all licenses, permits, plans and approvals granted or issued under or pursuant to such statutes and regulations) relating to any Hazardous Substance, including the use, storage, generation, production, treatment, disposal, handling, release, discharge, transportation, repair, cleanup, remediation, removal or decontamination of any Hazardous Substance.

"HEXCEL BONDS" means any bond issued in connection with any or all of the following series of bonds:

(a) California Pollution Control Financing Authority Multi-Modal Interchangeable Rate Pollution Control Revenue Refunding Bonds (Hexcel Corporation Project), Series 1988;

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(b) Industrial Development Authority of the City of Casa Grande Multi-Modal Interchangeable Rate Industrial Development Revenue Refunding Bonds (Hexcel Corporation Project), Series 1988;

(c) Guadalupe-Blanco River Authority Industrial Development Corporation Multi-Modal Interchangeable Rate Industrial Development Revenue Refunding Bonds, Series 1988 (Hexcel Corporation Project);

(d) Industrial Development Authority of the County of Los Angeles Multi-Modal Interchangeable Rate Industrial Development Revenue Refunding Bonds (Hexcel Corporation Project), Series 1988;

(e) City of Lancaster Multi-Modal Interchangeable Rate Industrial Development Revenue Refunding Bonds (Hexcel Corporation Project), Series 1988;

(f) Young County #1 Industrial Development Corporation Multi-Modal Interchangeable Rate Industrial Development Revenue Refunding Bonds (Hexcel

Corporation Project), Series 1988; and

(g) Port of Skagit Industrial Development Corporation Variable Rate Demand Revenue Bonds, 1989 (Hexcel Corporation Project).

"HEXCEL LYON" means Hexcel S.A., a French corporation, the Voting Stock of which is substantially owned by the Company.

"HEXCEL LYON SUBORDINATED NOTE" means the subordinated promissory note in the principal amount of \$2,613,000, dated the Effective Date, payable by the Company to Hexcel Lyon and subordinated as to the payment of the Revolving Credit Obligations to be delivered to Hexcel Lyon pursuant to Section 8.19 of the Revolving Credit Agreement.

"HEXCEL OBLIGATIONS" means any obligation of the Company arising out of or in connection with this Agreement, the Collateral Agreement, the Escrow Agreement or any other Related Agreement, including, without limitation, contingent and unliquidated obligations arising out of the obligation of the Company to reimburse the Bank for possible future payments under one or more of the Letters of Credit.

"INDEBTEDNESS", as applied to any Person, means, at any time, any obligation for the payment of money which is a Contractual Obligation, and shall include, without limitation but without duplication, (a) all indebtedness, obligations or other liabilities of such Person (i) for borrowed money or evidenced by debt securities, debentures, acceptances, notes or other similar instruments, and any accrued interest, fees and charges relating thereto, (ii) under profit payment agreements or in respect of obligations to redeem, repurchase or exchange any Securities of such Person or to pay cash dividends in respect of any stock, (iii) with respect to letters of credit issued for such Person's account, (iv) to pay the deferred purchase price of property or services, except accounts payable and accrued expenses arising

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in the ordinary course of business, (v) in respect of Capital Leases, (vi) which are Guaranty Obligations, (vii) upon which interest charges are customarily paid (including zero coupon instruments) or (viii) under conditional sale or other title retention agreements relating to property purchased by such Person; (b) all indebtedness, obligations or other liabilities of such Person or others secured by a Lien on any property of such Person, whether or not such indebtedness, obligations or liabilities are assumed by such Person, all as of such time; (c) all indebtedness, obligations or other liabilities of such Person in respect of interest rate contracts and currency agreements, net of liabilities owed to such Person by the counterparts thereon; and (d) all contingent Contractual Obligations with respect to any of the foregoing.

"INDENTURE" or "INDENTURES" refers to the following indentures of trust:

(a) that certain Indenture of Trust, dated as of April 1, 1988, between the Company and the Bank of California, with respect to \$750,000 California Pollution Control Financing Authority Multi-Modal Interchangeable Rate Pollution Control Revenue Refunding Bonds (Hexcel Corporation Project), Series 1988, including the Standard Terms incorporated therein, as amended from time to time in accordance with the terms thereof;

(b) that certain Indenture of Trust, dated as of March 1, 1988, between the Company and the Bank of California, with respect 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, including the Standard Terms incorporated therein, as amended from time to time in accordance with the terms thereof;

(c) that certain Indenture of Trust, dated as of April 1, 1988, between the Company and the Bank of California, with respect to \$3,150,000 Guadalupe-Blanco River Authority Industrial Development Corporation Multi-Modal Interchangeable Rate Industrial Development Revenue Refunding Bonds, Series 1988 (Hexcel Corporation Project), including the Standard Terms incorporated therein, as amended from time to time in accordance with the terms thereof;

(d) that certain Indenture of Trust, dated as of March 1, 1988, between the Company and the Bank of California, with respect 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, including the Standard Terms incorporated therein, as amended from time to time in accordance with the terms thereof;

(e) that certain Indenture of Trust, dated as of April 1, 1988, between the Company and the Bank of California, with respect to \$1,000,000 City of Lancaster Multi-Modal Interchangeable Rate Industrial Development Revenue Refunding Bonds (Hexcel Corporation Project), Series 1988, including the Standard Terms

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incorporated therein, as amended from time to time in accordance with the terms thereof;

(f) that certain Indenture of Trust, dated as of April 1, 1988, between the Company and the Bank of California, with respect to \$800,000 Young County #1 Industrial Development Corporation Multi-Modal

Interchangeable Rate Industrial Development Revenue Refunding Bonds (Hexcel Corporation Project), Series 1988, including the Standard Terms incorporated therein, as amended from time to time in accordance with the terms thereof; and

(g) the Skagit Indenture.

"INDENTURE/STANDARD TERMS" means the Standard Terms and Conditions of Trust, with respect to each of the Indentures (except the Skagit Indenture), dated the date of the applicable Indenture, incorporated by reference into such Indenture, as amended from time to time in accordance with the terms of such Indenture.

"INITIAL PROJECTIONS" means the financial projections dated as of February 2, 1995, prepared by the management of the Company with respect to the Company and the Restricted Subsidiaries on a combined basis and on a quarterly basis for Fiscal Years 1995 through 1997 and supporting materials delivered in connection therewith, delivered by the Company to the Bank on or prior to the Effective Date.

"INTEREST COMPONENT", with respect to each Letter of Credit, has the meaning given to such term in such Letter of Credit.

"INTEREST DRAWING", with respect to each Letter of Credit, has the meaning given to such term in such Letter of Credit.

"KNYTEX" means the joint venture entered into between the Company and Owens-Corning Fiberglas Corporation pursuant to a Limited Liability Company Agreement dated as of June 14, 1993 for the production and marketing of stitchbonded fabrics.

"LETTERS OF CREDIT" means those Letters of Credit issued by the Bank in support of Hexcel Bonds, each as amended from time to time in accordance with its terms. The Letters of Credit are described in Schedule 2.1 attached to this Agreement.

"LEVERAGE RATIO" means, for any period, the ratio of Debt as of the end of such period to Net Worth for such Period.

"LIEN" means any mortgage, deed of trust, pledge, security interest, encumbrance or lien of any kind or nature whatsoever in respect of any property of a Person intended to assure payment of any Debt, but does not include the interest of a lessor under an operating lease.

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"LIQUIDITY DRAWING" has the meaning assigned to that term in paragraph 3 of the Letters of Credit.

"LIQUIDITY RATE" means the per annum rate of interest equal from time to time to the Prime Rate plus 2 percent. The Liquidity Rate shall change on each date that the Prime Rate changes.

"LIQUIDITY REIMBURSEMENT OBLIGATION" means the reimbursement obligation of the Company to the Bank resulting from each Liquidity Drawing, except to the extent that a Liquidity Drawing shall result in a Debt Service Reimbursement Obligation as provided in the first paragraph of Section 3.2 of the Agreement.

"LOAN AGREEMENT" means each Loan Agreement as defined in each of the Indentures.

"LOC BENEFICIARY" means (i) with respect to each Letter of Credit other than the Letter of Credit issued in connection with the Skagit Indenture, either of the Trustee or the Agent, as joint beneficiaries of the Letter of Credit, and their respective transferees as provided in the Letter of Credit, and (ii) with respect to the Letter of Credit issued in connection with the Skagit Indenture, the Trustee.

"LOC COMMISSION" has the meaning assigned to that term in Subsection 2.3.1 of this Agreement.

"LOC COMMISSION PERIOD" shall be each of the calendar quarters beginning on the first day of each January 1, April 1, July 1, and October 1 between the Effective Date and the date on which the final outstanding Letter of Credit expires or is terminated in accordance with its terms; PROVIDED, HOWEVER, that the first LOC Commission Period shall begin on the earlier of the Effective Date and February 1, 1995, and the last LOC Commission Period shall end on the date on which the final outstanding Letter of Credit expires or is terminated in accordance with its terms.

"MATERIAL ADVERSE EFFECT" means a material adverse effect on (a) the operations or financial condition of the Company alone or the Company and the Subsidiaries on a combined basis, or (b) the ability of the Company to pay or perform the Hexcel Obligations in accordance with the terms of this Agreement and the other Related Documents.

"MOODY'S" means Moody's Investors Service, Inc., a Delaware corporation, its successors and assigns and, if such corporation shall be dissolved or liquidated or no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Company with the approval of the Bank.

"MULTIEMPLOYER PLAN" means a "multiemployer plan" as defined in Section 4001(a)(3) of ERISA which is, or within the immediately preceding three (3) years was, contributed to by either the Company or any ERISA Affiliate.

"MUTUAL SERIES" means Mutual Series Fund Inc., its successors and assigns.

"NET CASH PROCEEDS" means, with respect to any sale or disposition, including refinancing, of any asset by the Company, the aggregate consideration, including insurance proceeds or condemnation awards, received by the Company from such sale or disposition in cash or cash equivalents, but excluding any payments or proceeds received by or for the account of the Company with respect to the YIP Transaction to the extent required to be remitted to First Trust of California, as trustee or escrow agent for the Industrial Development Authority of the County of Los Angeles, LESS the sum of (i) the amount of liabilities for income taxes payable by the Company in connection with such sale or disposition (after taking into account available deductions, credit, carry-backs, carry-forwards or similar items) and in no event based on a tax rate higher than the standard federal corporate tax rate then in effect, (ii) the reasonable amount of fees and commissions payable to Persons other than the Company or any Affiliate of the Company, legal, title and recording or sales tax expenses and other costs and expenses reasonably related to such sale or disposition that are to be paid by the Company, and (iii) the amount of any Indebtedness secured by a Lien on the asset sold and required to be repaid or prepaid by the Company as a result of such sale or disposition.

"NET INCOME" means, for any period for any Person, the net income (or loss) after taxes for such period taken as a single accounting period, determined in conformity with GAAP.

"NET WORTH" means, with respect to any Person, at any time, (i) total consolidated assets of such Person PLUS (ii) any negative (or MINUS any positive) cumulative foreign currency translation adjustments applicable to such Person in accordance with GAAP MINUS (iii) total consolidated liabilities of such Person PLUS any negative (or minus any positive) in minimum pension obligation adjustments included in the shareholders' equity account of such Person in accordance with GAAP. Assets and liabilities shall be determined in accordance with GAAP.

"NEW PLACEMENT AGENT AGREEMENTS" means the following documents:

(a) that certain Remarketing and Interest Services Agreement, dated as of January 21, 1995, between the Company and Bear, Stearns & Co. Inc. as Placement Agent, with respect to \$750,000 California Pollution Control Financing Authority Multi-Modal Interchangeable Rate Pollution Control Revenue Refunding Bonds (Hexcel Corporation Project), Series 1988;

(b) that certain Remarketing and Interest Services Agreement, dated as of January 21, 1995, between the Company and Bear, Stearns & Co. Inc. as Placement Agent, with respect 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;

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(c) that certain Remarketing and Interest Services Agreement, dated as of January 21, 1995, between the Company and Bear, Stearns & Co. Inc. as Placement Agent, with respect to \$3,150,000 Guadalupe-Blanco River Authority Industrial Development Corporation Multi-Modal Interchangeable Rate Industrial Development Revenue Refunding Bonds, Series 1988 (Hexcel Corporation Project);

(d) that certain Remarketing and Interest Services Agreement, dated as of January 21, 1995, between the Company and Bear, Stearns & Co. Inc. as Placement Agent, with respect 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;

(e) that certain Remarketing and Interest Services Agreement, dated as of January 21, 1995, between the Company and Bear, Stearns & Co. Inc. as Placement Agent, with respect to \$1,000,000 City of Lancaster Multi-Modal Interchangeable Rate Industrial Development Revenue Refunding Bonds (Hexcel Corporation Project), Series 1988;

(f) that certain Remarketing and Interest Services Agreement, dated as of January 21, 1995, between the Company and Bear, Stearns & Co. Inc. as Placement Agent, with respect to \$800,000 Young County #1 Industrial Development Corporation Multi-Modal Interchangeable Rate Industrial Development Revenue Refunding Bonds (Hexcel Corporation Project), Series 1988.

"OFFICER'S CERTIFICATE" means a certificate executed on behalf of the Company by an Authorized Officer of the Company, unless this Agreement requires that the certificate be executed by a particular officer.

"OPTIONAL REDEMPTION DRAWING" has the meaning given to that term in paragraph 3 of each of the Letters of Credit.

"OVERDUE RATE" means the per annum rate of interest equal from time to time to the Prime Rate plus 4 percent. The Overdue Rate shall change on each date that the Prime Rate changes.

"PAYMENT DATE" means (a) the Effective Date and (b) each January 1, April 1, July 1, and October 1, between the Effective Date and the later of the date on which the last outstanding Letter of Credit expires or is terminated in accordance with its terms or the date on which the principal portion of the final Liquidity Reimbursement Obligation together with interest accrued thereon is paid.

"PBGC" means the Pension Benefit Guaranty Corporation and any entity succeeding to any or all of its functions under ERISA.

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"PERMITS" means any permit, approval, authorization license, variance, or permission required from a Governmental Authority under an applicable Requirement of Law.

"PERSON" means an individual, partnership, corporation, business trust, joint stock company, trust, unincorporated association, joint venture, Governmental Authority or other entity of whatever nature.

"PLACEMENT AGENT" means (a) U.S. Bank of Washington, National Association, with respect to the Hexcel Bonds issued pursuant to the Skagit Indenture, and any successor Placement Agent appointed pursuant to the terms of the Skagit Indenture and acceptable to the Bank, and (b) Bear, Stearns & Co. Inc. with respect to the Hexcel Bonds issued pursuant to the Indentures other than the Skagit Indenture, and any successor Placement Agent or Placement Agents appointed pursuant to the terms of the applicable Indenture and acceptable to the Bank.

"PLACEMENT AGREEMENTS" means the New Placement Agreements and that certain Remarketing Agreement dated as of December 1, 1989, by and among the Company, the Port of Skagit County Industrial Development Corporation and Security Pacific Securities, Inc.

"PLAN" means an employee benefit plan defined in Section 3(2) of ERISA in respect of which the Company or any ERISA Affiliate is, or within the immediately preceding three years was, an "employer" as defined in Section 3(5) of ERISA.

"PLEDGE AGREEMENT" or "PLEDGE AGREEMENTS" means any or all of the following documents:

(a) that certain Pledge and Security Agreement, dated as of April 1, 1988, by and among the Company, the Bank, and Morgan Guaranty Trust Company of New York relating to \$750,000 California Pollution Control Financing

Authority Multi-Modal Interchangeable Rate Pollution Control Revenue Refunding Bonds (Hexcel Corporation Project), Series 1988;

(b) that certain Pledge and Security Agreement, dated as of March 1, 1988, by and among the Company, the Bank, and Morgan Guaranty Trust Company of New York 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;

(c) that certain Pledge and Security Agreement, dated as of April 1, 1988, by and among the Company, the Bank, and Morgan Guaranty Trust Company of New York relating to \$3,150,000 Guadalupe-Blanco River Authority Industrial Development Corporation Multi-Modal Interchangeable Rate Industrial Development Revenue Refunding Bonds, Series 1988 (Hexcel Corporation Project);

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(d) that certain Pledge and Security Agreement, dated as of March 1, 1988, by and among the Company, the Bank, and Morgan Guaranty Trust Company of New York 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;

(e) that certain Pledge and Security Agreement, dated as of April 1, 1988, by and among the Company, the Bank, and Morgan Guaranty Trust Company of New York relating to \$1,000,000 City of Lancaster Multi-Modal Interchangeable Rate Industrial Development Revenue Refunding Bonds (Hexcel Corporation Project);

(f) that certain Pledge and Security Agreement, dated as of April 1, 1988, by and among the Company, the Bank, and Morgan Guaranty Trust Company of New York relating to \$800,000 Young County #1 Industrial Development Corporation Multi-Modal Interchangeable Rate Industrial Development Revenue Refunding Bonds (Hexcel Corporation Project), Series 1988; and

(g) that certain Pledge and Security Agreement, dated as of December 1, 1989, by and among the Company, the Bank, and Bankers Trust Company of New York, National Association, relating to \$3,000,000 Port of Skagit County Industrial Development Corporation Variable Rate Demand Revenue Bond Series 1989 (Hexcel Corporation Project).

"PLEDGED BONDS" means the Hexcel Bonds purchased or deemed to be purchased or otherwise acquired for the account of the Company with the proceeds of Liquidity Drawings during any period in which the Bank has not been reimbursed for such Liquidity Drawings.

"POST-PETITION OBLIGATIONS" means all obligations of the Company due and owing to the Bank on or after December 6, 1993, including, but not limited to, unreimbursed Letter of Credit Drawings, Drawing fees, Letter of Credit commission fees, tender agent fees and any other expenses paid by the Bank to Morgan Guaranty Trust Company of New York, and remarketing fees and any other expenses paid by the Bank to J. P. Morgan Securities, Inc.

"POTENTIAL DEFAULT" means any event or occurrence which, given the passage of time, the giving of notice, or both, would constitute an Event of Default.

"PRE-PETITION OBLIGATIONS" means all obligations of the Company due and owing to the Bank prior to December 6, 1993, including, but not limited to, unreimbursed Letter of Credit Drawings, Drawing fees, Letter of Credit commission fees, attorney fees and costs, and remarketing fees and any other expenses paid by the Bank to J. P. Morgan Securities, Inc.

"PRIME RATE" means the rate of interest announced from time to time by the Bank in San Francisco, California as its prime or reference rate. Such Prime Rate shall change as and when such announced Prime Rate changes effective as of the opening of business on

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the day announced. Such Prime Rate is determined by the Bank on the basis of a variety of economic and business factors as are in the judgment of the Bank relevant to that determination, and extensions of credit made by the Bank may bear rates below, at or above such Prime Rate.

"PRINCIPAL COMPONENT", with respect to each Letter of Credit, has the meaning given to such term in such Letter of Credit.

"PRIOR REIMBURSEMENT AGREEMENT" or "PRIOR REIMBURSEMENT AGREEMENTS" means any or all of the following documents:

(a) Letter of Credit and Reimbursement Agreement dated as of April 1, 1988 relating to \$750,000 California Pollution Control Financing Authority Multi-Modal Interchangeable Rate Pollution Control Revenue Refunding Bonds Series 1988 (Hexcel Corporation Project), as amended;

(b) Letter of Credit and Reimbursement Agreement dated as of March 1, 1988 relating to \$2,050,000 Industrial Development Authority of the City of Casa Grande, Arizona Multi-Modal Interchangeable Rate Industrial Development Revenue Refunding Bonds Series 1988 (Hexcel Corporation Project), as amended;

(c) Letter of Credit and Reimbursement Agreement dated as of April 1,

1988 relating to \$3,150,000 Guadalupe-Blanco River Authority Industrial Development Corporation Multi-Modal Interchangeable Rate Industrial Development Revenue Refunding Bonds, Series 1988 (Hexcel Corporation Project), as amended;

(d) Letter of Credit and Reimbursement Agreement dated as of March 1, 1988 relating to \$6,200,000 Industrial Development Authority of the County of Los Angeles Multi-Modal Interchangeable Rate Industrial Development Revenue Refunding Bonds Series 1988 (Hexcel Corporation Project), as amended;

(e) Letter of Credit and Reimbursement Agreement dated as of April 1, 1988 relating to \$1,000,000 City of Lancaster Ohio Multi-Modal Interchangeable Rate Industrial Development Revenue Refunding Bonds, Series 1988 (Hexcel Corporation Project), as amended;

(f) Letter of Credit and Reimbursement Agreement dated as of April 1, 1988 relating to \$800,000 Young County #1 Industrial Development Corporation Multi-Modal Interchangeable Rate Industrial Development Revenue Refunding Bonds Series 1988 (Hexcel Corporation Project), as amended; and

(g) Letter of Credit and Reimbursement Agreement dated as of December 1, 1989 relating to \$3,000,000 Port of Skagit County Industrial Development Corporation Variable Rate Demand Revenue Bond Series 1989 (Hexcel Corporation Project), as amended.

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"PROPERTY" means any Real Property or personal property, plant, building, facility, structure, underground storage tank or unit, equipment, inventory, general intangible, receivable, or other asset owned, leased or operated by the Company or any of its Subsidiaries, as applicable (including any surface water thereon or adjacent thereto, and soil and groundwater thereunder).

"RATING AGENCY" means Moody's and/or S&P.

"REAL PROPERTY" means all of the Company's present and future right, title and interest (including, without limitation, any leasehold estate) in (i) any plots, pieces or parcels of land, (ii) any improvements, buildings, structures and fixtures now or hereafter located or erected thereon or attached thereto of every nature whatsoever (the rights and interests described in clauses (i) and (ii) above being the "Premises"), (iii) all easements, rights of way, gores of land or any lands occupied by streets, ways, alleys, passages, sewer rights, water courses, water and mineral rights and powers, and public places adjoining such land, and any other interests in property constituting appurtenances to the Premises, or which hereafter shall in any way belong, relate or be appurtenant

thereto, (iv) all hereditaments, gas, oil, minerals (with the right to extract, sever and remove such gas, oil and minerals), and easements, of every nature whatsoever, located in or on the Premises and (v) all other rights and privileges thereunto belonging or appertaining and all extensions, additions, improvements, betterments, renewals, substitutions and replacements to or of any of the rights and interests described in clauses (iii) and (iv) above.

"REIMBURSEMENT OBLIGATION" means any and all Debt Service Reimbursement Obligations and Liquidity Reimbursement Obligations.

"RELATED DOCUMENTS" means the Indentures, the Resolutions, the Hexcel Bonds, the Loan Agreements, the Pledge Agreements, the Placement Agreements, the Company certificate referred to in Section 4.1(o), the Collateral Agreement, the Escrow Agreement, and such other agreements, documents or certificates as were or will be delivered to the Bank in connection with the issuance of the Letters of Credit and this Agreement.

"REORGANIZATION PLAN" means the First Amended Plan of Reorganization Proposed by the Debtor and the Official Committee of Equity Security Holders of Hexcel, dated as of November 7, 1994.

"REPORTABLE EVENT" means any of the events described in Section 4043 of ERISA, the reporting of which has not been waived pursuant to regulations promulgated thereunder.

"REQUIREMENTS OF LAW" means, as to any Person, the charter and by-laws or other organizational or governing documents of such Person, and any law, rule or regulation, or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject including, without limitation, the Securities Act of 1933, as amended from time to time, and any successor statute, the Securities Exchange Act of 1934,

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as amended from time to time, and any successor statute, Regulations G, U and X of the Federal Reserve Board, each as in effect from time to time, ERISA, the Fair Labor Standards Act, Hazardous Substance Laws, and any certificate of occupancy, zoning ordinance, building, or land use requirement or Permit or labor or employment rule or regulation.

"RESOLUTIONS" refers to each resolution adopted by the issuer of each series of Hexcel Bonds, authorizing the issuance of such series of Hexcel Bonds.

"RESTRICTED SUBSIDIARY" means a Subsidiary of the Company which is

organized and existing under the laws of the United States of America, any State thereof, the District of Columbia, Puerto Rico or the United States Virgin Islands.

"REVOLVING CREDIT AGREEMENT" means, collectively, (i) the Credit Agreement dated as of February 8, 1995, among Hexcel Corporation, the financial institutions from time to time party thereto as "Lenders" and "Issuing Banks" and Citicorp USA, Inc., in its separate capacity as agent for the "Lenders" and "Issuing Banks", as the same may be amended, renewed, supplemented, or otherwise modified at the option of the parties thereto, and (ii) any other agreement pursuant to which any of the indebtedness, commitments, obligations, costs, expenses, fees, reimbursements and other indemnities payable or owing thereunder may be refinanced, restructured, renewed, extended, refunded or increased, as any such other agreement may from time to time at the option of the parties thereto be amended, supplemented, renewed or otherwise modified.

"REVOLVING CREDIT LENDER" means, collectively, Citicorp USA, Inc., as Agent under the Revolving Credit Agreement (together with its successors as agent) and each of the institutions which are from time to time party thereto in the capacity of "Lenders" or "Issuing Banks" (together with their respective successors and assigns).

"REVOLVING CREDIT OBLIGATIONS" shall have the meaning given to the term "Obligations" in the Revolving Credit Agreement.

"RIGHTS OFFERING" shall have the meaning ascribed to such term in the Reorganization Plan.

"S&P" means Standard and Poor's Corporation, a New York corporation, its successors and assigns and, if such corporation shall be dissolved or liquidated or no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Company with the approval of the Bank.

"SECURITIES" means any stock, shares, voting trust certificates, bonds, debentures, notes or other evidences of indebtedness, secured or unsecured, convertible, subordinated or otherwise, or any certificates of interest, shares, or participation in temporary or interim certificates for the purchase or acquisition of, or any right to subscribe to, purchase or acquire any of the foregoing.

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"SKAGIT INDENTURE" means that certain Indenture of Trust, dated as of December 1, 1989, between the Company and Bankers Trust Company of California, with respect to \$3,000,000 Port of Skagit Industrial Development Corporation

Variable Rate Demand Revenue Bonds, 1989 (Hexcel Corporation Project), as amended from time to time in accordance with the terms thereof.

"STANDBY LETTER OF CREDIT" has the meaning assigned to that term in the Collateral Agreement.

"STANDBY PURCHASE COMMITMENT" means the Conditional Standby Purchase Commitment dated as of October 24, 1994 by and among the Company, Mutual Series, and the Official Committee of Equity Security Holders of Hexcel.

"STATED AMOUNT", with respect to each Letter of Credit, has the meaning given to such term in such Letter of Credit.

"SUBORDINATED DEBENTURES" means the 7% Convertible Subordinated Debentures due 2011 issued by the Company in the aggregate original principal amount of up to \$35,000,000 and governed by the terms of the Subordinated Debenture Indenture.

"SUBORDINATED DEBENTURE INDENTURE" means that certain Indenture dated as of August 1, 1986 between the Company and The Bank of California, N.A., as trustee (succeeded as trustee by First Trust of California, National Association), as such agreement may be amended, supplemented or otherwise modified from time to time.

"SUBORDINATED DEBT" means (a) Existing Subordinated Debt, (b) any subordinated indebtedness incurred after the Effective Date which is permitted under Section 8.1 and (c) any other subordinated Indebtedness expressly consented to in writing by the Bank.

"SUBSIDIARY" means 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 the Company or a Subsidiary of the Company; PROVIDED, HOWEVER, that Hexcel Foundation shall not be deemed a Subsidiary of the Company for so long as it maintains its status as a not-for-profit corporation for purposes of California law.

"SUBSIDIARY OF A PERSON" means 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 or controlled by such Person, one or more of the other subsidiaries of such Person or any combination thereof.

"SURROUNDING PROPERTY" means all real property which is located adjacent to or in the general vicinity or locale of any part of any Real Property.

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"TRANSACTION DOCUMENTS" means the Loan Documents (as such term is defined in the Revolving Credit Agreement), this Agreement, the Reorganization Plan, the Subordinated Debentures, the Subordinated Debenture Indenture, the Standby Purchase Commitment, the Hexcel Lyon Subordinated Note and all other agreements or instruments executed and delivered or to be executed and delivered pursuant hereto or thereto or in connection herewith or therewith or any of the transactions contemplated hereby or thereby.

"TRUSTEE" has the meaning assigned to that term in each of the Indentures.

"UNRESTRICTED SUBSIDIARY" means any Subsidiary of the Company other than a Restricted Subsidiary.

"VOTING STOCK" means, with respect to any Person, securities with respect to any class or classes of Capital Stock of such Person entitling the holders thereof (whether at all times or only so long as no senior class of stock has voting power by reason of any contingency) to vote in the election of members of the board of directors of such Person.

"YIP TRANSACTION" means the transaction pursuant to which BCY Industrial Enterprises acquired the Company's Real Property located in The City of Industry, California by assuming the Company's obligation to repay \$2,340,000 in aggregate principal amount of industrial revenue bonds issued by the Industrial Redevelopment Authority of the County of Los Angeles to finance such Real Property.

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EXHIBIT B

to

Restated and Amended Reimbursement Agreement

FORM OF COLLATERAL AGREEMENT

This Collateral Agreement (this "Agreement"), dated as of February 1, 1995, 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"). The parties hereby agree as follows:

SECTION 1. REIMBURSEMENT AGREEMENT. This Agreement is entered into in connection with that certain Restated and Amended Reimbursement Agreement, dated

as of February 1, 1995, by and between the Company and the Bank (as amended from time to time in accordance with its terms, the "Reimbursement Agreement"). Capitalized terms used in this Agreement and not defined herein shall have the meanings assigned to those terms in the Reimbursement Agreement.

SECTION 2. REDUCTION OF BANK RISK. The Company shall reduce the contingent liability of the Bank as represented by the Letters of Credit by redeeming Hexcel Bonds in the principal amount of not less than \$600,000 per quarter, as more specifically set forth in Section 3. The initial reduction shall occur not later than April 1, 1995, and each subsequent reduction shall occur not later than each succeeding Payment Date to and including October 1, 1998. In lieu of redeeming Hexcel Bonds, the Company may, at its option, on or before each Payment Date provide collateral in the amount of not less than \$600,000 per quarter for the actual or contingent Hexcel Obligations in the form of a cash deposit, as more specifically set forth in Section 4, or a standby letter of credit, as more specifically set forth in Section 5. This obligation of the Company either to reduce the contingent liability of the Bank by redemption of Hexcel Bonds or to collateralize the Hexcel Obligations with a cash deposit or by a standby letter of credit, as more specifically set forth in this Agreement, is hereafter referred to generally in this Agreement as the "Reduction Obligation". The schedule of reduction or collateralization of the Bank's contingent liability as represented by the Letters of Credit shall be as follows:

Payment Date	Aggregate Reduction Obligation
April 1, 1995	\$ 600,000.00
July 1, 1995	1,200,000.00
October 1, 1995	1,800,000.00
January 1, 1996	2,400,000.00
April 1, 1996	3,000,000.00
July 1, 1996	3,600,000.00

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October 1, 1996	4,200,000.00
January 1, 1997	4,800,000.00
April 1, 1997	5,400,000.00
July 1, 1997	6,000,000.00
October 1, 1997	6,600,000.00
January 1, 1998	7,200,000.00
April 1, 1998	7,800,000.00
July 1, 1998	8,400,000.00
October 1, 1998	9,000,000.00

The Reduction Obligation is subject to increase as provided in paragraph (b) of Section 8 of this Agreement. The Reduction Obligation on any Payment Date may be satisfied by any combination of redemption of Hexcel Bonds pursuant to Section 3, deposit of cash into the Escrow Account pursuant to Section 4 and delivery of a Standby Letter of Credit pursuant to Section 5.

In the event that the expiration of any Letter of Credit is extended by the Bank at the request of the Company, unless otherwise expressly agreed in writing by the Bank and the Company in connection with such extension, the Company's Reduction Obligation shall likewise be extended to the Payment Date immediately preceding the extended expiration date. Anything in this Agreement to the contrary notwithstanding, in no event shall the Company's Reduction Obligation or any other term or provision of this Agreement require that the aggregate amount of the sum of (i) funds held in the Escrow Account (as defined below), (ii) the aggregate available amounts of all outstanding Standby Letters of Credit (as defined below), and (iii) the principal amount of Hexcel Bonds optionally redeemed after the Effective Date, at any time be in excess of the sum of (a) the aggregate Stated Amounts of all Letters of Credit (as reduced and reinstated from time to time in accordance with the terms of the respective Letters of Credit) and (b) all outstanding Reimbursement Obligations, whether or not then due and payable.

SECTION 3. REDEMPTION OF HEXCEL BONDS. The Company may satisfy its Reduction Obligation by causing the redemption of Hexcel Bonds in the aggregate amounts and by the Payments Dates indicated in Section 2. Hexcel Bonds shall be considered "redeemed" for the purposes of this Agreement when, but only when, either (a) Hexcel Bonds have been redeemed in accordance with the terms of the applicable Indenture (the deposit of funds with the applicable Trustee for the purpose of redemption, whether or not coupled with notice of redemption, shall not be sufficient to consider bonds redeemed), or (b) Hexcel Bonds have been defeased in accordance with the terms of the applicable Indenture and the Bank has been notified in writing by the applicable Trustee of such defeasance and of the resulting irrevocable reduction or termination of the applicable Letter of Credit. Hexcel Bonds redeemed prior to the Effective Date shall not be applied toward satisfaction of the Reduction Obligation. Redemptions of Hexcel Bonds in excess of the minimum requirements stated in Section 2 (the "Excess Payment") may, at the option of the Company and upon written notice by the Company to the Bank, be applied to (i) satisfy future Reduction Obligations (for example, if \$1,500,000 of Hexcel Bonds are redeemed on March 1, 1995,

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the Company may, by written notice to the Bank, apply such redemptions to satisfy the Company's April 1, 1995 Reduction Obligation, the Company's July 1, 1995 Reduction Obligation and \$300,000 of the Company's October 1, 1995 Reduction Obligation) or (ii) replace Collateral (as defined below) previously

delivered to the Bank, whether in the form of a Standby Letter of Credit (as defined in Section 5) or cash deposited in the Escrow Account, so that in such event, the Company may terminate any or all Standby Letters of Credit or withdraw cash from the Escrow Account in the aggregate amount up to the amount of the Excess Payment.

SECTION 4. DELIVERY OF CASH DEPOSIT. In lieu of the redemption of Hexcel Bonds in the aggregate amounts and by the Payment Dates specified in Section 2 of this Agreement, the Company may deposit cash into the Escrow Account (as that term is defined in the Escrow Agreement referred to below) on or before each Payment Date in an amount equal to the difference between (A) the aggregate Reduction Obligation as of such Payment Date and (B) the sum of (i) the aggregate principal amount of Hexcel Bonds redeemed following the Effective Date which the Company has elected, by written notice to the Bank, to apply toward the Reduction Obligation, (ii) the aggregate amount deposited by the Company into the Escrow Account (excluding any amounts withdrawn by the Company with the consent of the Bank), and (iii) the aggregate amount available for payment under all then outstanding Standby Letters of Credit (as defined in Section 5). Each deposit shall be in immediately available United States dollars (provided that payment may be made by check or other acceptable means of payment so long as the deposit is not deemed made until the check has cleared or "good funds" are otherwise available).

a. ESCROW AGREEMENT. The Company, the Bank and the Escrow Agent shall enter into an Escrow Agreement in substantially the form attached to this Agreement as Exhibit A, subject only to such modifications as are acceptable to the Bank and the Company. The Escrow Agent shall be a financial institution designated by the Bank and acceptable to the Company. The Bank and the Company each agree that any of Bank of the West, Bank of America and First Trust of California would be acceptable Escrow Agents. The Company shall not be permitted to satisfy any Reduction Obligation by deposit of funds into the Escrow Account pursuant to this Section 4, unless the Company, the Bank and an Escrow Agent shall have entered into the Escrow Agreement at least 10 days prior to the initial deposit.

b. SECURITY INTEREST. In order to secure the obligations of the Company to the Bank pursuant to this Agreement and the Reimbursement Agreement, including, without limitation, the payment of all Reimbursement Obligations in full in cash when due, whether at stated maturity, by acceleration or otherwise, the Company hereby pledges, assigns, transfers, hypothecates and sets over to the Bank and hereby grants to the Bank a security interest in all of the Company's right, title and interest in the Escrow Account, all cash, funds, investments, securities, instruments and other items now or hereafter contained in the Escrow Account, and any and all products and proceeds of the above (collectively, the "Collateral"). The cash and investments held in the Escrow Account shall be invested in accordance with the terms of the Escrow Agreement, and funds may be withdrawn by the

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Company from the Escrow Account only to the extent expressly permitted by the Escrow Agreement.

SECTION 5. DELIVERY OF STANDBY LETTER OF CREDIT. In lieu of the redemption of Hexcel Bonds in the aggregate amounts and by the Payment Dates specified in Section 2 of this Agreement, the Company may deliver to the Bank an irrevocable standby letter of credit in substantially the form attached to this Agreement as Exhibit B (each a "Standby Letter of Credit") on or before each Payment Date in an amount equal to the difference between (A) the aggregate Reduction Obligation due on such Payment Date and (B) the sum of (i) the aggregate principal amount of Hexcel Bonds redeemed following the Effective Date which the Company has elected, by written notice to the Bank, to apply toward the Reduction Obligation, (ii) the aggregate amount deposited by the Company into the Escrow Account (excluding any amounts withdrawn by the Company with the consent of the Bank), and (iii) the aggregate amount available for payment under all then outstanding Standby Letters of Credit. Each Standby Letter of Credit shall be for a term of not less than one year (except that in no event shall any Standby Letter of Credit be required to expire later than 30 days after the expiration date of the Letter of Credit having the latest expiration date), and shall be issued by a financial institution acceptable to the Bank in its sole and absolute discretion; provided that any financial institution with offices in either San Francisco, California or New York, New York, having assets in excess of \$100,000,000 and having a long term and short term rating equal to or higher than AA/A-1 with S&P and Aa/P-1 with Moody's shall be deemed acceptable to the Bank. The Bank and Hexcel each agree that Citibank, N.A. is an acceptable issuer of any Standby Letter of Credit.

a. EXTENSION OF STANDBY LETTERS OF CREDIT. Unless the Company has redeemed Hexcel Bonds in a principal amount at least equal to the available amount of a Standby Letter of Credit and/or deposited a like amount into the Escrow Account, the Company shall from time to time arrange for the extension of the term of such Standby Letter of Credit to and including the 30th day following the expiration date of the Letter of Credit having the latest expiration date. Each such extension shall be for a term of not less than one year (except that in no event shall any Standby Letter of Credit be required to expire later than 30 days after the expiration date of the Letter of Credit having the latest expiration date).

b. DRAWS ON STANDBY LETTER OF CREDIT. The Bank may, but shall not be obligated to, make demand for payment in accordance with the terms of any Standby Letter(s) of Credit if (1) an Event of Default (as that term is defined in the Reimbursement Agreement) has occurred and is continuing, or (2) as to any particular Standby Letter of Credit, the Bank has not received by the 30th day prior to the expiration of such Standby Letter of Credit an extension thereof if and as required herein or evidence satisfactory to the Bank that the Company has either redeemed Hexcel Bonds in a principal amount at least equal to the

available amount of the expiring Standby Letter of Credit or deposited into the Escrow Account an amount of cash at least equal to the available amount of the expiring Standby Letter of Credit. Upon receipt of payment under any Standby Letter of Credit, the Bank shall, at its option, either (i) apply the funds thereby received to any

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Reimbursement Obligation due and payable by the Company to the Bank at such time, (ii) deposit the funds thereby received into the Escrow Account, or (iii) deliver the funds thereby received to one or more of the Trustees for the Hexcel Bonds together with instructions that such funds be used solely to redeem Hexcel Bonds, which instructions will be promptly endorsed in writing by the Company upon the demand of the Bank. Failure for any reason by the Bank to draw or make demand for payment under any Standby Letter of Credit shall not excuse any obligation of the Company to the Bank to pay any Reimbursement Obligation pursuant to the Reimbursement Agreement nor shall it excuse the obligation of the Company to satisfy at all times the aggregate Reduction Obligations required pursuant to Section 2 of this Agreement. If any Standby Letter of Credit shall expire without having been drawn upon by the Bank, and unless the Company shall have extended such Standby Letter of Credit as required herein or redeemed a like amount of Hexcel Bonds or deposited a like amount into the Escrow Account, then the Company shall immediately replace such Standby Letter of Credit or deposit into the Escrow Account an amount of cash equal to the available amount of the expired Standby Letter of Credit.

SECTION 6. REPRESENTATIONS AND WARRANTIES. In addition to the representations and warranties of the Company set forth in the Reimbursement Agreement, which are incorporated herein by this reference, the Company represents and warrants to the Bank that:

a. The Company is and will continue to be the sole and complete owner, subject to the transfer and security interest herein contained, of the Collateral (or, in the case of after-acquired Collateral, at the time the Company acquires rights in such Collateral), free from any Lien other than the security interest herein granted.

b. (i) This Agreement creates a security interest which is enforceable against the Collateral in which the Company now has rights and will create a security interest which is enforceable against the Collateral in which the Company hereafter acquires rights at the time the Company acquires any such rights; (ii) this Agreement will create a security interest which is enforceable against all amounts deposited into the Escrow Account (and all products and proceeds thereof) by or on behalf of the Company immediately upon each such deposit whenever made; and (iii) the Bank has a perfected and first priority security interest in the

Collateral in which the Company now has rights, and will have a perfected first priority security interest in the Collateral immediately upon deposit thereof into the Escrow Account subject to no other Lien.

SECTION 7. COVENANTS. In addition to the covenants of the Company contained in the Reimbursement Agreement, which are incorporated herein by this reference, so long as any Hexcel Obligations or any obligation of the Company under this Agreement remains unsatisfied or any Letter of Credit shall remain outstanding, the Company agrees that:

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a. The Company will appear in and defend any action, suit or proceeding which may affect to a material extent its title to, or right, title or interest in, or the rights, title or interest of the Bank under or in connection with the Escrow Agreement, the Escrow Account, the Collateral, or any material portion thereof, or any Standby Letter of Credit, including, without limitation, the rights of the Bank to withdraw funds from the Escrow Account as provided in this Agreement and in the Escrow Agreement and the right of the Bank to demand and receive payment under any Standby Letter of Credit.

b. The Company shall maintain, preserve and protect the Bank's first priority perfected security interest in the Collateral at all times, subject to no other Liens than the Lien herein granted to the Bank.

c. The Company shall execute and deliver to the Bank upon demand all financing statements, continuation financing statements, notices of security interest and all other documents and instruments, in form satisfactory to the Bank, and take all other action as the Bank may reasonably request to perfect and continue perfected, maintain the priority of or provide notice of the Bank's security interest in the Collateral and to accomplish the purposes of this Agreement and the Escrow Agreement.

SECTION 8. LATE SATISFACTION OF REDUCTION OBLIGATION.

(a) If, for any reason, any Reduction Obligation is not satisfied (whether by redemption, deposit into the Escrow Account, delivery of a Standby Letter of Credit or any combination thereof) by the fifth Business Day after the applicable Payment Date, the Company shall pay to the Bank a late payment charge in the amount of \$1,000 per instance of non-timely satisfaction of the Reduction Obligation. This late payment charge represents liquidation of administration fees and expenses to be incurred by the Bank in connection with the Company's failure timely to satisfy the Reduction Obligation on the date due, and the Company and the Bank acknowledge that this provision is not unreasonable under

the circumstances existing at the time this Agreement was entered into.

(b) In addition, if, for any reason, any Reduction Obligation is not satisfied (whether by redemption, deposit into the Escrow Account, delivery of a Standby Letter of Credit or any combination thereof) by the fifth Business Day after the applicable Payment Date, the amount of the Reduction Obligation due on the applicable Payment Date shall be increased by \$50,000 for each month or portion of a month that satisfaction of the Reduction Obligation is delayed. The Company and the Bank acknowledge that the increase in the Reduction Obligation provided for in this paragraph (b) does not constitute a penalty but rather is an incentive to timely satisfaction of the Reduction Obligations which is not unreasonable under the circumstances existing at the time this Agreement was entered into. As with other Reduction Obligations, the proceeds of any increase in the Reduction Obligation required by this paragraph will ultimately be applied to outstanding Reimbursement Obligations (including interest thereon) or will be returned to the Company, as is more

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specifically set forth in Section 10 of this Agreement, and will not otherwise be used by the Bank.

(c) By way of illustration of the terms of this Section, if a Reduction Obligation due on April 1, 1996, is not satisfied until May 15, 1996, the Company shall pay to the Bank a \$1,000 late charge fee and the amount of the Reduction Obligation due on April 1, 1996 (and satisfied, in the example, on May 15, 1996) shall be increased by \$100,000 to \$700,000.

SECTION 9. REMEDIES. Upon the occurrence and during the continuation of any Event of Default (as that term is defined in the Reimbursement Agreement), the Bank may, at any time, without prior demand for performance, notice of nonperformance, presentment or other notice of any kind, other than such notice as may be required pursuant to the Reimbursement Agreement with respect to the Event of Default:

a. withdraw all or any portion of the funds, investments or securities contained in the Escrow Account, whereupon the Bank shall, at the option of the Bank (i) apply such funds and the proceeds thereof to any Reimbursement Obligations then due and payable, whether upon maturity, acceleration or otherwise, or (ii) deliver such funds to one or more of the Trustees for the Hexcel Bonds together with instructions to apply such funds solely to the redemption of Hexcel Bonds on the earliest date permitted for such redemption (which instructions shall, upon the demand of the Bank, immediately be endorsed in writing by the Company);

b. demand payment of all or any portion of one or more Standby

Letters of Credit, whereupon the Bank shall, at the option of the Bank (i) apply such funds and the proceeds thereof to any Reimbursement Obligations then due and payable, whether upon maturity, acceleration or otherwise, or (ii) deposit such funds and the proceeds thereof into the Escrow Account, or (iii) deliver such funds to one of more of the Trustees for the Hexcel Bonds together with instructions to apply such funds solely to the redemption of Hexcel Bonds on the earliest date permitted for such redemption (which instructions shall, upon the demand of the Bank, immediately be endorsed in writing by the Company);

c. exercise such other rights or remedies as the Bank may have under this Agreement, the Escrow Agreement, the Reimbursement Agreement or any other Related Document; or

d. exercise such other rights or remedies as the Bank may have at law or in equity.

SECTION 10. APPLICATION OF PROCEEDS. The proceeds actually received from the liquidation of investments contained in the Escrow Account and the withdrawal of funds, investments, or securities therefrom, from demand for payment pursuant to any Standby

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Letter(s) of Credit (except for such amounts as are deposited by or on the instruction of the Bank into the Escrow Account), and any other amounts received in respect of Collateral the application of which is not otherwise provided for herein, shall be applied (1) first to the payment of the costs and expenses of obtaining such funds and of liquidating any investments, including without limitation all reasonable fees and disbursements of attorneys for the Bank, (2) next to payment of any fees, costs or expenses, including without limitation, reasonable attorneys' fees and disbursements, due under the Reimbursement Agreement, (3) next to any interest due and unpaid pursuant to the Reimbursement Agreement, and (4) last to any other Hexcel Obligation due under the Reimbursement Agreement. The Company shall be liable for any deficiency which exists after any application of Collateral or Standby Letter of Credit proceeds to Hexcel Obligations. Upon expiration or other termination of the last outstanding Letter of Credit and satisfaction of all Hexcel Obligations, the Bank shall (a) return any outstanding Standby Letter of Credit to the issuer thereof and (b) instruct the Escrow Agent to transfer any funds and investments in the Escrow Account to the Company.

SECTION 11. CERTAIN WAIVERS. Except for notices required to be given pursuant to the Reimbursement Agreement, the Company waives, to the fullest extent permitted by law (A) any right to require the Bank (1) to proceed against any Person, including any issuer of any Standby Letter of Credit, (2) to exhaust

any Collateral or security for any Hexcel Obligations, (3) to pursue any remedy in the Bank's power, or (4) to make or give any presentments, demands for performance, notices of nonperformance, protests or notices of dishonor in connection with any Standby Letter of Credit or any of the Collateral, and (B) all claims, damages and demands against the Bank arising out of the possession, retention, sale or application in accordance with the terms of this Agreement, of any Standby Letter of Credit, any proceeds thereof and any funds or proceeds received by the Bank from the Escrow Account, except for any such claims, damages or demands arising out of the gross negligence or willful misconduct of the Bank.

SECTION 12. NOTICES. All notices or other communications hereunder shall be given in the manner and to the addresses as specified, and shall be effective as provided, in the Reimbursement Agreement.

SECTION 13. AMENDMENTS; WAIVERS. No amendment or waiver of any provision of this Agreement, nor consent to any departure by the Company herefrom, shall in any event be effective unless the same shall be in writing and signed by the Bank and, in the case of amendment, by the Company and then such amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. No failure on the part of the Bank to exercise, and no delay in exercising, any right, remedy, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, remedy, power or privilege preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. Unless otherwise specified in any such waiver or consent, a waiver or consent given hereunder shall be effective only in the specific instance and for the specific purpose for which given.

Exhibit B

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SECTION 14. CUMULATIVE REMEDIES. The rights, powers and remedies of the Bank under this Agreement are cumulative and shall be in addition to all rights, powers and remedies available to the Bank pursuant to the Reimbursement Agreement, the other Related Documents and at law or in equity, all of which rights, powers and remedies shall be cumulative and may be exercised successively or concurrently without impairing the Bank's rights hereunder.

SECTION 15. BINDING EFFECT; TRANSFERABILITY; NO THIRD PARTY BENEFICIARIES. This Agreement shall be binding upon, inure to the benefit of and be enforceable by the Company and the Bank, their respective successors and assigns, provided, however, that the Company may not assign any of its rights hereunder or interests herein without the prior written consent of the Bank.

SECTION 16. GOVERNING LAW. This Agreement shall be governed by, and construed in accordance with, the internal laws of the State of California,

except as required by mandatory provisions of law and to the extent the validity or perfection of the security interests hereunder, or the remedies hereunder, in respect of any collateral are governed by the law of a jurisdiction other than California, provided that the Bank shall retain all rights arising under federal law.

SECTION 17. ENTIRE AGREEMENT. This Agreement together with the Reimbursement Agreement contains the entire agreement of the parties with respect to the subject matter hereof.

SECTION 18. SEVERABILITY. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under all applicable laws and regulations. If, however, any provision of this Agreement shall be prohibited by or invalid under any such law or regulation in any jurisdiction, it shall, as to such jurisdiction, be deemed modified to conform to the minimum requirements of such law or regulation in any jurisdiction, it shall, as to such jurisdiction, be deemed modified to conform to the minimum requirements of such law or regulation, or, if for any reason it is not deemed so modified, it shall be ineffective and invalid only to the extent of such prohibition or invalidity without affecting the remaining provisions of this Agreement, or the validity or effectiveness of such provision in any other jurisdiction.

Exhibit B

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SECTION 19. COUNTERPARTS. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the date first above written.

HEXCEL CORPORATION

By:
Title:

BANQUE NATIONALE DE PARIS, acting through
its San Francisco Agency

By:

Title:

By:

Title:

Exhibit B

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EXHIBIT C

to

Restated and Amended Reimbursement Agreement

FORM OF LETTER OF CREDIT AMENDMENT

BANQUE NATIONALE DE PARIS
San Francisco Agency
180 Montgomery Street
San Francisco, California 94104

IRREVOCABLE DIRECT-PAY LETTER OF CREDIT

CERTIFICATE OF ELECTION TO EXTEND

Letter of Credit No. _____

February __, 1995

First Trust of California,
National Association
101 California Street
Suite 1150
San Francisco, CA 94111
Attn: Corporate Trust Department

Morgan Guaranty Trust Company of New York
30 West Broadway, 14th Floor
New York, N.Y. 10015
Attn: Corporate Trust Department

Re: Letter of Credit No. _____, issued _____, relating to _____
Multi-Modal Interchangeable Rate Industrial Development Revenue
Refunding Bonds Series 1988 (Hexcel Corporation Project), as amended
(the "Letter of Credit")

Ladies and Gentlemen:

We hereby notify you, in accordance with the terms of the Letter of Credit, that we have elected to extend the Expiration Date (as defined in the Letter of Credit) to December 31, 1998.

Banque Nationale de Paris,
San Francisco Agency

_____ By Title	_____ By Title
Consented to: Date: February ____, 1995	Hexcel Corporation
Accepted: Date: February ____, 1995	_____ By Title First Trust of California, National Association, as Trustee
Accepted: Date: February ____, 1995	_____ By Title Morgan Guaranty Trust Company of New York, as Tender Agent
	_____ By

Exhibit C

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The schedules to this agreement have been omitted and are available upon request.

HEXCEL CORPORATION
INFORMATION STATEMENT
DATED FEBRUARY 15, 1995

This Information Statement is being furnished to those persons (the "Record Holders") who held of record on February 9, 1995 (the "Effective Date") shares of common stock, par value \$.01 per share, of Hexcel Corporation (the "Company") issued prior to the Effective Date ("Old Common Stock"), in connection with the distribution to the Record Holders by the Company of rights (the "Rights") to subscribe for shares of the Company's common stock, par value \$.01 per share, issued on or after the Effective Date following the Company's emergence from proceedings under Chapter 11 of the Bankruptcy Code ("New Common Stock").

The Rights are being distributed to Record Holders pursuant to the terms of the First Amended Plan of Reorganization Proposed by the Debtor and the Official Committee of Equity Security Holders (the "Equity Committee"), dated as of November 7, 1994, as modified (the "Plan"). The Plan was approved by order of the United States Bankruptcy Court for the Northern District of California (the "Bankruptcy Court"), dated January 10, 1995 and entered on January 12, 1995 (the "Confirmation Order"), and became effective on February 9, 1995. A copy of the Confirmation Order (including the Plan) was filed with the Securities and Exchange Commission (the "SEC") on January 23, 1995 as an exhibit to a report by the Company on Form 8-K. The distribution of the Rights and the New Common Stock issuable in connection with exercise of the Rights is exempt from registration under the Securities Act of 1933, as amended, by operation of Section 1145 of the United States Bankruptcy Code.

NEITHER THE RIGHTS NOR THE UNDERLYING SHARES OF NEW COMMON STOCK HAVE BEEN REGISTERED WITH OR APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES REGULATORY AUTHORITY, NOR HAS THE SEC, ANY STATE SECURITIES REGULATORY AUTHORITY OR THE UNITED STATES BANKRUPTCY COURT PASSED UPON OR ENDORSED THE MERITS OF THE RIGHTS OFFERING OR THE ACCURACY OR ADEQUACY OF THIS INFORMATION STATEMENT.

All holders of record of the Company's Old Common Stock on November 9, 1994 were previously sent copies of the First Amended Disclosure Statement Pursuant to Section 1125 of the Bankruptcy Code for the First Amended Plan of Reorganization Proposed by the Debtor and the Official Committee of Equity Security Holders, dated as of November 7, 1994 (the "Disclosure Statement"), in connection with the solicitation of their votes on the Plan. The Disclosure Statement, as supplemented by this Information Statement, contains important information about the Company. YOU ARE URGED TO CAREFULLY REVIEW THE DISCLOSURE STATEMENT AND THIS INFORMATION STATEMENT BEFORE YOU DECIDE WHETHER TO EXERCISE YOUR RIGHTS.

The exercise of Rights will be governed by the terms of the Subscription Rights Plan (the "Subscription Rights Plan"), a copy of which is being delivered to Record Holders along with this Information Statement. Chemical Bank is acting as the Subscription Agent and Information Agent for the Rights offering. If you were not a record holder of Old Common Stock on November 9, 1994 and you did not receive a copy of the Disclosure Statement, you may obtain a copy of the Disclosure Statement by contacting the Information Agent at (800) 758-4652. Any questions about the Subscription Rights Plan or how to exercise Rights should be directed to the Information Agent at the same telephone number.

This Information Statement describes certain significant events that occurred after November 9, 1994, the date that the Bankruptcy Court approved the Disclosure Statement as containing adequate information under Section 1125 of the Bankruptcy Code. These events were anticipated by the Disclosure Statement, and the events which occurred prior to the Effective Date have been previously reported by the Company in press releases and filings with the SEC on Form 8-K. They include (i) the selection, pursuant to the Plan, of the Company's initial Board of Directors, which took office on the Effective Date, (ii) the sale of the Company's manufacturing facility located in Chandler, Arizona and related assets and technology, which was consummated on January 6, 1995, and (iii) the sale of the Company's European resins business, which was consummated on December 29, 1994. In addition, this Information Statement describes certain events which occurred after the date of the Disclosure Statement which affect the Company's business plan and certain other information which was disclosed at the January 10, 1995 hearing on confirmation of the Plan.

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RECENT EVENTS

EFFECTIVENESS OF THE PLAN

The Plan became effective on February 9, 1995. On the Effective Date, the Company (i) closed under a \$45 million revolving credit facility (the "Exit Financing Facility"), (ii) entered into an amended reimbursement agreement with Banque Nationale de Paris (the bank which provides the letters of credit supporting certain industrial development revenue bond issues which benefit the Company), and (iii) held the first closing under the Standby Purchase Commitment, dated October 24, 1994 (the "Standby Purchase Commitment"), among

the Company, the Equity Committee and Mutual Series Fund Inc. ("Mutual Series"). The Exit Financing Facility was provided by a lending group (the "Lenders") consisting of Citicorp USA, Inc. ("Citicorp"), Heller Financial, Inc. and TransAmerica Business Credit Corporation, with Citicorp acting as the agent for the Lenders. In addition, prior to the Effective Date, the Company received authorization from the New York Stock Exchange and the Pacific Stock Exchange for the listing of the additional shares issued and to be issued pursuant to the Plan, including the shares to be issued in connection with the Rights offering and the Standby Purchase Commitment and the shares to be sold to John J. Lee.

ISSUANCE OF NEW COMMON STOCK AND RIGHTS TO RECORD HOLDERS

Pursuant to the Plan, on the Effective Date all of the Old Common Stock was cancelled and each Record Holder is receiving, in exchange for each share of Old Common Stock held of record on the Effective Date, one share of New Common Stock plus 1.21273 Rights. STOCKHOLDERS ARE NOT REQUIRED TO EXCHANGE THEIR STOCK CERTIFICATES EVIDENCING THE OLD COMMON STOCK, AND SUCH CERTIFICATES WILL CONTINUE TO REPRESENT AN EQUAL NUMBER OF SHARES OF NEW COMMON STOCK. ANY STOCKHOLDER WHO DESIRES A NEW STOCK CERTIFICATE MAY, HOWEVER, SURRENDER HIS OR HER OLD STOCK CERTIFICATE TO THE COMPANY'S TRANSFER AGENT, CHEMICAL TRUST COMPANY OF CALIFORNIA, AND RECEIVE A NEW STOCK CERTIFICATE IN EXCHANGE.

Each Right entitles the owner to purchase one share of New Common Stock at an exercise price of \$4.625 per share. A total of approximately 8,854,143 shares of New Common Stock may be subscribed for and purchased from the Company pursuant to the exercise of the Rights. In addition, each Record Holder (and each beneficial owner of stock held of record on the Effective Date by a bank, trust company, depository or securities broker or dealer) who exercises all of the Rights issued by the Company directly to such Record Holder (or to such beneficial owner's institutional nominee for his or her account) will have the right ("Oversubscription Right") to subscribe for the shares of New Common Stock, if any, which are designated for the "Stockholder Pool," at an exercise price of \$4.625 per share and subject to proration in the event that there are insufficient shares designated in the Stockholder Pool to fulfill all exercised Oversubscription Rights. The number of shares in the Stockholder Pool will equal 75% of the excess of (i) the number of shares of New Common Stock which are subject to Basic Subscription Rights which expire unexercised over (ii) 108,108 shares, which are to be sold to John J. Lee. The maximum aggregate number of shares which can be acquired from the Stockholder Pool (assuming that only one Basic Subscription Right is exercised) is approximately 6,570,000. Reference is made to the Subscription Rights Plan for a more complete description of the Rights, the Oversubscription Rights and the method of proration. The Rights, but not the Oversubscription Rights, are transferable. The Rights may only be exercised in accordance with the terms of the Subscription Rights Plan on or after February 24, 1995 and no later than 5:00 P.M. New York City time on March 27, 1995.

CLOSING WITH MUTUAL SERIES

On the Effective Date, the first closing was held under the Standby Purchase Commitment. At the closing, Mutual Series purchased from the Company 1,945,946 shares of New Common Stock for a purchase price of \$9,000,000 (\$4.625 per share) and loaned the Company \$41,000,000 (the "Advance"). As required by the Standby Purchase Commitment, the Company paid Mutual Series a \$500,000 commitment fee and reimbursed Mutual Series for approximately \$506,000 of out-of-pocket costs and expenses. The Advance is secured by the proceeds from the Rights offering. A copy of the Standby Purchase Commitment is included in the Disclosure Statement as Exhibit B to the Plan.

EXIT FINANCING

The Exit Financing Facility is a three-year revolving credit facility of up to \$45,000,000 (which includes a subfacility of up to \$20,000,000 for letters of credit). The maximum credit available at any time is based on a specified percentage of the value of the Company's eligible inventory, receivables, equipment and real property, and 65% of the capital stock of Hexcel S.A. (Lyon), the Company's French subsidiary. On the Effective Date, the

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maximum amount available to the Company under this Exit Financing Facility was approximately \$39,000,000. The Company may use the proceeds of loans, and the issuance of letters of credit, pursuant to the Exit Financing Facility for the purpose of (i) funding distributions to creditors to be made on or after the Effective Date under the Plan and related transaction costs, fees and expenses, and (ii) providing for the ongoing working capital needs of the Company after the Effective Date and other general corporate purposes. Substantially all of the assets of the Company and of certain of its domestic subsidiaries were pledged to the Lenders to secure the Company's repayment obligations under the Exit Financing Facility.

CHANGES TO CERTIFICATE OF INCORPORATION AND BYLAWS

Pursuant to the Plan, on the Effective Date the Company's Certificate of Incorporation was amended and restated as provided in Exhibit C to the Plan and its Bylaws were amended and restated as provided in Exhibit D to the Plan. The

authorized capital stock of the Company was increased to 40,000,000 shares of New Common Stock and 1,500,000 shares of preferred stock. The Company's Board of Directors is no longer classified. As a result, an election for the entire Board of Directors will be held at the next annual meeting of the Company's stockholders. The next annual meeting of stockholders will be held on a date selected by the Board of Directors which will be no earlier than nine months after the Effective Date, unless otherwise agreed by the directors designated by the Equity Committee and the directors designated by Mutual Series.

NEW BOARD OF DIRECTORS

The Company's Board of Directors was reconstituted as of the Effective Date, and now consists of the following eight persons, all of whom were designated in accordance with the terms of the Plan and the Standby Purchase Commitment: John J. Lee and Peter Langerman, who were designated by Mutual Series, Joseph L. Harrosh, Robert L. Witt and Peter D. Wolfson, who were designated by the Equity Committee, and Dr. George S. Springer, Franklin S. Wimer and Marshall S. Geller, who were designated by joint selection of the Equity Committee and Mutual Series. A ninth seat on the Board is reserved for the new Chief Executive Officer, who will join the Board immediately upon commencement of his or her employment. In addition, if upon the consummation of the Rights offering Mutual Series owns more than 50% of the shares of New Common Stock, Mutual Series will designate one additional director; if upon the consummation of the Rights offering Mutual Series owns less than 25% of the shares of New Common Stock, then one additional director will be designated by mutual agreement of those directors previously designated by the Equity Committee, on the one hand, and those directors previously designated by mutual agreement of the Equity Committee and Mutual Series, on the other hand.

The following biographical information was furnished by the eight persons who became directors of the Company on the Effective Date:

John J. Lee, age 58, has been a director of the Company since May of 1993, Chairman of the Board and Co-Chief Executive Officer of the Company from July 1993 to December 1993, Chairman of the Board and Chief Executive Officer of the Company from January 1994 to the Effective Date and Chief Executive Officer since Effective Date. Mr. Lee has served as Chairman of the Executive Committee of XTRA Corporation, a transportation equipment leasing company, since 1990, and Chairman of the Board, President and Chief Executive Officer of Lee Development Corporation, a merchant banking company, since 1987. Mr. Lee has 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 and as President and Chief Operating Officer of Tosco from 1990 through April 1993. Mr. Lee is also a director of Playtex Products, Inc. and Aviva Petroleum Corp.

Dr. George S. Springer, age 60, has been a director of the Company since January 1993. 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 University's faculty in 1983.

Peter A. Langerman, age 39, is a director and the Executive Vice President of Mutual Series, a diversified open-end management investment company registered under the Investment Company Act of 1940 and a research analyst with Heine Securities Corporation, an investment advisor. Mr. Langerman has been the Executive Vice President of Mutual Series since March 1988 and has been a research analyst at Heine Securities since 1986.

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Mr. Langerman has also been a director of Zenith Laboratories since 1989, and President and a director of S-O Equities Holding Company since 1993. On the Effective Date, Mutual Series became the single largest stockholder of the Company.

Franklin S. Wimer, age 58, is the President and principal of UniRock Management Corporation ("UniRock"), a private merchant banking firm based in Denver, Colorado. Mr. Wimer has been with UniRock since January of 1987. UniRock has acted as the Company's strategic consultant since December 27, 1993. Mr. Wimer is currently Chairman of the Board of Vista Restaurants, Inc., a 12-unit Perkins Family Restaurant franchisee, and a director of RAMI, Inc., Denver Paralegal Institute, Stainless Fabrication Company, Inc., and Western Filter Company.

Marshall S. Geller, age 55, has been a director of the Company since August of 1994. Mr. Geller is a Senior Managing Partner of Golenberg & Geller, a merchant banking firm. From 1989 to 1990, he was Vice Chairman of Gruntal & Company, an investment banking firm. Mr. Geller is a director of Players International; a director and, from 1992 to 1993, President and Chief Executive Officer of Sports-Tech International, Inc.; Interim President and Chief Executive Officer and a director of Lottery Enterprises; and a director of the Angeles Corporation, Amerihost Properties, Inc., MTC Electronics, Value Vision International, Inc., and Las Vegas Major League Sports, Inc. Mr. Geller also

serves on the Boards of the Coro Foundation, the Jewish Federation of Los Angeles, San Francisco and Chicago, and The Center for the Partially Sighted.

Joseph L. Harrosh, age 54, is a private investor. He has been the Chairman of the Equity Committee since its inception in December of 1993. He has also been the Chairman of the Board of Tri-City Sporting Goods Inc. since 1971. Mr. Harrosh is one of the five largest stockholders of the Company.

Robert L. Witt, age 54, is a member of the Equity Committee. From 1986 through 1993, he was the Chief Executive Officer of the Company and held other offices with the Company dating back to 1969. He is a director of Bay View Federal Bank, World Auxiliary Power Company and the Dentists Company.

Peter D. Wolfson, age 41, is an attorney and member of the firm of Marcus Montgomery Wolfson P.C., which was founded in 1993. From 1989 through 1993, Mr. Wolfson was a member of the law firm of Milgrim Thomajan & Lee P.C., which in 1992 changed its name to Veret Marcus & Fink P.C. Mr. Wolfson's law firm is counsel to the Equity Committee.

OUTSTANDING STOCK

On the Effective Date, there were 9,246,947 shares of New Common Stock issued and outstanding (7,301,001 of which were issued in exchange for the Old Common Stock and 1,945,946 of which were purchased by Mutual Series) and Rights to purchase approximately 8,854,143 shares of New Common Stock have been issued pursuant to the Plan. In addition, \$200,000 worth of New Common Stock, valued at a price equal to the average of the daily average prices of the New Common Stock for the 20 trading days beginning 30 calendar days following the expiration of the Rights, will be distributed to holders of claims in Class 10 under the Plan. The aggregate total of such number of shares cannot be determined at this time. Pursuant to the Plan, upon consummation of the Rights offering, up to approximately 8,962,251 additional shares of New Common Stock will be issued pursuant to the exercise of Rights, the purchase of Standby Shares by Mutual Series and the purchase of shares of New Common Stock by John J. Lee as described above, which will result in there being an aggregate of approximately 18,209,198 outstanding shares of New Common Stock, excluding the shares issuable to holders of Class 10 claims.

The foregoing numbers do not include shares of New Common Stock subject to outstanding employee stock options, stock options to be granted to John J. Lee to purchase 0.625% of the Company's outstanding shares (on a fully diluted basis without giving effect to conversion of the 7% Convertible Subordinated Debentures) as described in the Disclosure Statement, and the conversion of the Company's 7% Convertible Subordinated Debentures. Currently, there are outstanding employee stock options to purchase up to 398,297 shares of New Common Stock at prices ranging from \$5.08 to \$32.06 per share. The exercise price for John J. Lee's options will equal the average of the daily prices of the Company's stock for the 20 trading days beginning 30 calendar days following the expiration of the Rights offering.

SALE OF CHANDLER FACILITY AND RELATED TECHNOLOGY AND ASSETS

On January 6, 1995, pursuant to the terms of that certain Asset Purchase Agreement dated as of November 3, 1994 (the "Chandler Purchase Agreement") between the Company, and Northrop Grumman Corporation, a Delaware corporation ("Northrop"), the Company completed the sale to Northrop of its manufacturing facility located in Chandler, Arizona (the "Chandler Facility") and related assets and technology (the "EMT Technology"). The Bankruptcy Court approved the sale of the Chandler Facility and the EMT Technology by order entered on December 21, 1994.

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The Chandler Facility was constructed in 1988 by the Company primarily to manufacture various materials for a classified defense program. The EMT Technology, as developed by the Company and sold to Northrop, enables the design, fabrication, testing and analysis of electromagnetically tailored materials and assemblies that are used to attenuate, alter, control and/or absorb electromagnetic energy. Under the terms of the Chandler Purchase Agreement, the Company retained a royalty-free, non-exclusive license to use the EMT Technology in non-military applications and will receive royalties from Northrop on certain applications of EMT Technology.

The gross purchase price for the sale of the Chandler facility and the EMT Technology was \$30,000,000 plus the value of existing inventory and certain contingent payments, subject to certain conditions and adjustments. The purchase for the sale took into account certain claims that the parties had against each other, as well as the current requirements of the related classified defense program. To date, the Company has received from Northrop \$28,988,000 in cash. This amount includes (i) the \$30,000,000 fixed purchase price, plus (ii) \$1,288,000 for the inventory purchased, less (iii) \$2,300,000 withheld by Northrop pursuant to the Chandler Purchase Agreement, all or a portion of which amount may be returned to the Company if certain conditions are satisfied.

SALE OF EUROPEAN RESINS BUSINESS

On December 29, 1994, the Company sold its European resins business to Axson S.A., a French corporation ("Axson"), through the sale of all of the Company's

shares in the capital stock of four of its subsidiaries, Hexcel France S.A., Hexcel Espana, S.A., Hexcel GmbH and Hexcel Italia S.r.l. (the "European Resins Subsidiaries"), for a gross purchase price of \$9,000,000, subject to certain adjustments described below. Axson was formed by the management of the European Resins Subsidiaries, Lebon Developpement, a French public company, and Midland Montagu Investissement, a French investment fund. The Bankruptcy Court approved the sale of the Company's European resins business by order filed on December 7, 1994.

The gross purchase price was reduced by the following adjustments: (i) \$1,579,669 for the net intercompany payables owed by the European Resins Subsidiaries to the Company and its remaining subsidiaries as of September 30, 1994, all of which has been paid to the Company, (ii) \$412,445 which was reduced from the purchase price to compensate Axson for a dividend that was declared and paid to the Company by Hexcel Espana, S.A. immediately prior to the closing, and (iii) approximately \$272,500 for certain transaction costs incurred by the Company and the European Resins Subsidiaries prior to the closing date in connection with the sale of the European resins business.

The Company is continuing discussions for the sale of its domestic resins business which is based at its facility in Chatsworth, California. Such a sale would complete the divestiture of the Company's resins business as envisioned by the Disclosure Statement.

1994 FOURTH QUARTER AND YEAR END RESULTS

On February 15, 1995, the Company reported its results for the fourth quarter and year ended December 31, 1994. The Company reported operating income of \$12,642,000 for the fourth quarter, which includes a \$15,900,000 gain on the sale of the Chandler, Arizona manufacturing facility and related assets and technology to Northrop, as well as a \$2,900,000 provision for bankruptcy claim adjustments. This compares with an operating loss of \$16,518,000 for the fourth quarter of 1993, including a \$12,638,000 charge for asset write-downs and other expenses and a \$2,600,000 restructuring charge. The net loss for the fourth quarter of 1994 was \$2,585,000 or \$0.35 per share, including bankruptcy reorganization expenses of \$8,207,000, interest expenses for bankruptcy claims and exit financing of \$2,515,000, and a provision for the settlement of various tax liabilities of \$1,800,000. The net loss for the fourth quarter of 1993 was \$29,431,000 or \$4.03 per share. Sales from continuing operations of \$76,715,000 for the fourth quarter of 1994 were up 4% over sales from continuing operations of \$73,635,000 for the same quarter of 1993.

Operating income was \$7,504,000 for 1994, including an \$8,000,000 third quarter provision to reflect the estimated cost of restructuring or liquidating a joint venture in addition to the fourth quarter items noted above, as compared to a 1993 operating loss of \$64,345,000, which included restructuring charges of \$46,600,000 for the year, as well as the fourth quarter \$12,638,000 charge for asset write-downs and other expenses. In 1994, the net loss was \$29,970,000 or \$4.10 per share, including bankruptcy reorganization expenses of \$20,152,000 and losses from discontinued operations of \$1,890,000. This compares with a 1993 net loss of \$85,995,000 or \$11.73 per share, including losses from discontinued operations of \$10,623,000 and the cumulative benefit of adopting a new accounting standard for income taxes of \$4,500,000. Sales from continuing operations were \$313,795,000 for 1994, essentially unchanged from the \$310,635,000 for 1993.

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Attached as Exhibit A hereto is a copy of the unaudited Condensed Consolidated Statement of Operations of the Company and its subsidiaries for the quarters and years ended December 31, 1994 and December 31, 1993. There can be no assurance that such amounts will not change as a result of the completion of the Company's 1994 audit.

PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET

Attached as Exhibit B hereto is an unaudited Pro Forma Condensed Consolidated Balance Sheet of the Company and its subsidiaries, which sets forth the Company's unaudited December 31, 1994 Condensed Consolidated Balance Sheet as if the consummation of the Plan (including the completion of the Rights offering, the first and second closings with Mutual Series under the Standby Purchase Commitment and the sale of 108,108 shares of New Common Stock to John J. Lee) occurred on such date. The "pre-reorganization balances" as of December 31, 1994 reflect the unaudited results of the Company as of that date. There can be no assurance that such amounts will not change as a result of the completion of the Company's 1994 audit.

CHANGES TO PROJECTIONS BASED ON RECENT EVENTS

The Company has continued the process of updating its financial projections since the Projected Condensed Consolidated Financial Statements included as Exhibit E to the Disclosure Statement (the "Disclosure Statement Projections") were prepared. The Disclosure Statement Projections were based on results through the end of August 1994. The Company now has unaudited financial results through the end of 1994 and more than four months have passed since the Disclosure Statement Projections were prepared. Accordingly, the Company has

prepared updated financial projections which are attached as Exhibit C hereto. While in the aggregate there have not been significant changes, the updated financial projections reflect recent events and changes that have occurred since the Disclosure Statement was filed.

The primary changes that have occurred include the following:

CHANGES IN CASH POSITION. The Company's cash position at the Effective Date was higher due to better than anticipated accounts receivable collections as of that date, higher accounts payable and accrued liabilities attributable to the timing of payments, and settlements of various tax liabilities for less than previously anticipated. This cash improvement was partially offset by certain expenses caused by the delay in the Effective Date of more than a month from the date assumed in the Disclosure Statement Projections. These expenses included higher interest costs, higher "stay on" bonus costs to retain employees and higher legal costs. The cash position as of the Effective Date was approximately \$3,000,000 higher than cash in the Disclosure Statement Projections.

While the working capital improvements discussed above resulted in an improved cash position at the Effective Date, many of these improvements are temporary and due to the timing of payments. Also, projected 1995 and 1996 cash flows benefited from the assumed deferral of the DIC payments (discussed below). Thus, if these timing items reverse by 1997 as expected, the outstanding revolver balance under the Exit Financing Facility at the end of the projection period will be higher than projected in the Disclosure Statement Projections. This is primarily due to additional expenses which amount to more than \$3,500,000 for interest and legal costs from the delay of the Effective Date, the transaction costs of the exit financing and Rights offering being higher than anticipated, the fourth quarter 1994 bankruptcy costs being higher than projected and the amount of allowed claims being higher than projected. The net result is that if all DIC payments occur by the end of 1997, the updated projected revolver balance is estimated to be approximately \$5,000,000 higher than was projected in the Disclosure Statement Projections.

CHANGES IN PROJECTED SALES. Boeing announced that the Boeing non-metallic honeycomb core contract would not be extended beyond March 1, 1995. That contract was expected to provide approximately \$7.5 million per year of sales over the projection period. In addition, there are now delays expected in the introduction of the new high performance core to Boeing due to testing delays. The decrease in projected sales due to loss of the Boeing non-metallic honeycomb core contract and delays in introduction of the new high performance core have all substantially been offset by projected increases in other sales (primarily in the composites recreation tape line) and further cost reductions. On February 2, 1995, Boeing announced additional personnel layoffs, a scale back of production of the 737 and 767 aircraft, and an increase in the production of the 747 wide-bodied jets (although, there will initially be a temporary decline in the 747 production). On February 6, 1995, McDonnell Douglas also announced possible reductions in its build rates. As of the date of this Information Statement, sufficient details were not available to enable a complete analysis of these announcements by Boeing and McDonnell Douglas. However, based on preliminary information and analysis, the Company does not believe these announcements will materially impact the

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Company's financial projections. The updated financial projections do not reflect any adjustments as a result of these announcements. However, there can be no assurance that either these announcements (or future announcements) will not materially affect the Company's financial results. Sales to Boeing and its subcontractors account for approximately 22% of the Company's worldwide sales.

CHANGES IN STOCKHOLDERS' EQUITY. Stockholders' equity as of the Effective Date was approximately \$4,165,000 lower than estimated in the Disclosure Statement Projections. This reduction primarily comes from higher than anticipated settlement costs of allowed claims, the delay in the Effective Date and an increase in projected bankruptcy reorganization expenses.

REVISED DAINIPPON INK & CHEMICALS AGREEMENT. The Disclosure Statement Projections reflect an \$8,000,000 cash payout in the first quarter of 1995 to settle the Company's obligations to either restructure or liquidate its joint venture with Dainippon Ink & Chemicals, Inc. ("DIC"). The Company is in the process of negotiating a revision to the joint venture arrangement which would have the effect of limiting the Company's exposure to \$9,000,000 and extending this payout over time. Of the first \$4,500,000, \$1,437,500 would be payable in the first quarter of 1995, and \$437,500 would be payable in each of the next seven quarters. In addition, as proposed, the Company or its wholly owned subsidiary, Hexcel Technologies, Inc. ("Hexsti"), may be required to pay another \$4,500,000 if before the end of 1996 there is a decision to liquidate the joint venture, but such payment is not expected to be required, if at all, prior to January 1997. Alternatively, if no such decision is reached and DIC is subsequently required to make payments on account of guarantees of certain obligations related to the joint venture, the Company or Hexsti may be required to pay up to 50% of the amount DIC pays on account of its guarantees, up to a maximum of \$4,500,000. The current proposal also requires that Hexsti transfer up to 30% of its interest (up to 15% of the total equity) in the joint venture to DIC's subsidiary without receiving any payments. If the current proposal is put

into effect, the total payout by the Company and Hexti would be no more than \$9,000,000. Although there is no assurance that such agreement will be finalized, the updated financial projections reflect the proposed revisions to the DIC joint venture arrangement. Such arrangement has been approved by the Bankruptcy Court, subject to either Equity Committee or Bankruptcy Court approval of the final documentation. If the Company is unable to conclude this arrangement or a similar extension of its obligations to DIC, the Company may be in default under the Exit Financing Facility. See "Additional Risk Factors" below.

THE PROJECTED CONSOLIDATED FINANCIAL STATEMENTS INCLUDED IN EXHIBIT E TO THE DISCLOSURE STATEMENT AND THE UPDATED PROJECTED CONSOLIDATED FINANCIAL INFORMATION INCLUDED IN THIS INFORMATION STATEMENT REFLECT NUMEROUS ASSUMPTIONS WITH RESPECT TO THE ANTICIPATED FUTURE PERFORMANCE OF THE COMPANY'S CONSOLIDATED OPERATIONS, MARKETS IN WHICH IT COMPETES, GENERAL BUSINESS AND ECONOMIC CONDITIONS, AND OTHER MATTERS WHICH ARE BEYOND THE CONTROL OF THE COMPANY. THEREFORE, THE ACTUAL RESULTS ACHIEVED THROUGHOUT THE PROJECTION PERIOD WILL VARY FROM THE PROJECTED RESULTS. THESE VARIATIONS MAY BE MATERIAL. WHILE THE COMPANY BELIEVES THAT THE ASSUMPTIONS UNDERLYING THE PROJECTIONS, AS ADJUSTED BY THE INFORMATION SET FORTH IN THIS INFORMATION STATEMENT, WHEN CONSIDERED ON AN OVERALL BASIS, ARE REASONABLE IN LIGHT OF CURRENT CIRCUMSTANCES, NO ASSURANCES CAN BE GIVEN THAT THE PROJECTED RESULTS WILL BE REALIZED.

ADDITIONAL RISK FACTORS

AN INVESTMENT IN THE COMPANY INVOLVES MATERIAL RISKS. BEFORE EXERCISING ANY RIGHTS TO PURCHASE ADDITIONAL SHARES OF NEW COMMON STOCK, YOU ARE URGED TO CAREFULLY REVIEW THE DISCLOSURE STATEMENT AND THIS INFORMATION STATEMENT. IN PARTICULAR, YOU SHOULD REVIEW THE SECTION OF THE DISCLOSURE STATEMENT ENTITLED "CERTAIN RISK FACTORS TO BE CONSIDERED." THE RISK FACTORS SET FORTH IN THE DISCLOSURE STATEMENT AND THIS INFORMATION STATEMENT SHOULD NOT BE CONSIDERED EXHAUSTIVE.

THE FOLLOWING RISK FACTORS SHOULD BE CONSIDERED IN ADDITION TO THE RISK FACTORS DESCRIBED IN THE DISCLOSURE STATEMENT:

DILUTION. Rights holders who exercise their Rights will incur immediate and substantial book value dilution of approximately \$2.32 per share based on the PRO FORMA net tangible book value, assuming that a total of 18,144,333 shares will be outstanding after giving effect to the completion of the Rights offering, the purchase of shares by Mutual Series pursuant to the Standby Purchase Commitment, the sale of shares to John J. Lee and the issuance of shares in settlement of Class 10 claims (assuming that the number of shares issued to such holders is based on a price of \$4.625 per share).

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CHANGE IN CONTROL. The credit agreement for the Exit Financing Facility (the "Credit Agreement") provides that a "change in control event" will constitute a default under the Credit Agreement, entitling the Lenders to terminate the credit facility, accelerate the indebtedness thereunder and enforce their remedies as secured creditors with respect to the collateral. The Credit Agreement defines a "change in control" to mean (i) a person or entity or group of persons or entities (other than Mutual Series) acting in concert shall, as a result of a tender or exchange offer, open market purchases, privately negotiated purchases or otherwise, have become the beneficial owner (within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934, as amended) of securities of the Company representing more than the greater of (a) 20% of the Company's voting stock and (b) the percentage of the Company's voting stock beneficially owned by Mutual Series after giving effect to such purchases; or (ii) the Company shall cease to own and control 100% of the outstanding capital stock of each domestic subsidiary of the Company which guaranteed the Company's obligations with respect to the Exit Financing Facility. A "change in control event" is defined as the occurrence and continuance of a change in control, except that a change in control resulting from an acquisition of voting stock (as described in clause (i) of the preceding sentence) will not constitute a change in control event (and thus, will not constitute an event of default under the Credit Agreement) until the earlier of (i) 60 days after Citicorp, as agent for the Lenders, or the requisite Lenders have given notice to the Company that a change in control event will occur in 60 days, or (ii) 90 days after the Company has knowledge of that change in control.

Depending on the results of the Rights offering, or based upon an accumulation of New Common Stock through negotiated transactions among stockholders, open market purchases, a tender offer or some combination of the foregoing, it is possible that a stockholder could acquire more than 20% of the outstanding New Common Stock and more shares of New Common Stock than are beneficially owned by Mutual Series. If that were to occur, there is no assurance that the Lenders would approve such a change in control or, if they did not, that the Company would be able to obtain a substitute credit facility before the Exit Financing Facility became due.

RENEGOTIATION OF JOINT VENTURE ARRANGEMENTS. The Company's revised financial projections assume that the Company will be able to finalize the negotiations with DIC which provide for the Company's obligations with respect to the joint venture to be limited to \$9 million and extended over at least a

two-year period following the Effective Date as described above under "CHANGES TO PROJECTIONS BASED ON RECENT EVENTS -- Revised Dainippon Ink & Chemicals Agreement." There is no assurance that such agreement will be finalized. In the event that the Company is unable to conclude the proposed agreement with DIC and is required to pay between \$8 million and \$9 million to DIC ahead of the proposed schedule, then the Company may default under the Exit Financing Facility unless it is able to obtain a waiver from the Lenders.

ADVERSE AEROSPACE INDUSTRY DEVELOPMENTS. On February 2, 1995, Boeing announced additional personnel layoffs, a scale back of production of the 737 and 767 aircraft, and an increase in the production of the 747 wide-bodied jets (although there will initially be a temporary decline in the 747 production). Also, on February 6, 1995, McDonnell Douglas announced possible reductions in its build rates. As of the date of this Information Statement, sufficient details were not available to enable a complete analysis of these announcements. However, based on preliminary information and analysis, the Company does not believe these announcements will materially impact the Company's financial projections. In addition, escalating trade tensions between the United States and China could adversely affect future build rates of United States aircraft manufacturers. In 1994, shipments to Boeing and its subcontractors accounted for approximately 28% of the Company's domestic sales and approximately 22% of its worldwide sales. Declines or delays in Boeing's build rates could have a material adverse impact on the Company's sales. Other potentially adverse industry developments include the continuing poor financial health of the United States airline industry and the possible consolidation of the European aerospace industry.

EXHIBITS TO INFORMATION STATEMENT

<TABLE>	
<S>	<C>
Exhibit A --	Hexcel Corporation and Subsidiaries Condensed Consolidated Statements of Operations for the Quarters and Years Ended December 31, 1994 and December 31, 1993 (Unaudited)
Exhibit B --	Hexcel Corporation and Subsidiaries Pro Forma Condensed Consolidated Balance Sheet as of December 31, 1994 (Unaudited)
Exhibit C --	Hexcel Corporation and Subsidiaries Projected Condensed Consolidated Financial Information (Unaudited)
</TABLE>	

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EXHIBIT A

HEXCEL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

<TABLE>					
<CAPTION>					
		THE QUARTER ENDED		THE YEAR ENDED	
		DEC 31,	DEC 31,	DEC 31,	DEC 31,
		1994	1993	1994	1993

		(IN THOUSANDS, EXCEPT PER SHARE DATA)			
<S>	<C>	<C>	<C>	<C>	<C>
Net sales.....	\$ 76,715	\$ 73,635	\$ 313,795	\$ 310,635	
Cost of sales.....	(65,736)	(62,778)	(265,367)	(263,090)	

Gross margin.....	10,979	10,857	48,428	47,545	
Other operating costs and expenses:					
Marketing, general and administrative expenses.....	(11,344)	(12,137)	(45,785)	(52,510)	
Other income (expenses).....	13,007	(12,638)	4,861	(12,780)	
Restructuring expenses.....	--	(2,600)	--	(46,600)	

Operating income (loss).....	12,642	(16,518)	7,504	(64,345)	
Interest expenses.....	(4,760)	(2,245)	(11,846)	(8,862)	
Bankruptcy reorganization expenses.....	(8,207)	(641)	(20,152)	(641)	

Loss from continuing operations before income taxes.....	(325)	(19,404)	(24,494)	(73,848)	
Provision for income taxes.....	(2,217)	(9,810)	(3,586)	(6,024)	

Loss from continuing operations.....	(2,542)	(29,214)	(28,080)	(79,872)	
Discontinued operations, net of income taxes.....	(43)	(217)	(1,890)	(10,623)	

Loss before cumulative effect of accounting change.....	(2,585)	(29,431)	(29,970)	(90,495)	
Cumulative effect of change in accounting for income taxes.....	--	--	--	4,500	

Net loss.....	\$ (2,585)	\$ (29,431)	\$ (29,970)	\$ (85,995)	

Net income (loss) per share and equivalent share:					
Primary and fully diluted:					
Continuing operations.....	\$ (0.34)	\$ (4.00)	\$ (3.84)	\$ (10.89)	
Discontinued operations.....	(0.01)	(0.03)	(0.26)	(1.45)	
Cumulative effect of change in accounting for income taxes.....	--	--	--	0.61	

Net loss.....	\$ (0.35)	\$ (4.03)	\$ (4.10)	\$ (11.73)
Weighted average shares and equivalent shares.....	7,310	7,309	7,310	7,330

</TABLE>

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EXHIBIT B

HEXCEL CORPORATION AND SUBSIDIARIES
PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 1994
(UNAUDITED)

<TABLE>
<CAPTION>

	PRE-REORGANIZATION BALANCES	(A) ASSET SALES PROCEEDS	(C) REORGANIZATION ADJUSTMENTS	POST-REORGANIZATION BALANCES
	(IN THOUSANDS)			
<S>	<C>	<C>	<C>	<C>
ASSETS				
Cash.....	\$ 931	\$ 23,651	\$ (20,500)	\$ 4,082
Receivables from asset sales.....	29,340	(27,840)	(1,500)	0
Accounts receivable.....	64,136			64,136
Inventories.....	47,364			47,364
Prepaid expenses & net assets held for sale.....	6,581			6,581
Total current assets.....	148,352	(4,189)	(22,000)	122,163
Net fixed assets.....	83,113			83,113
Other.....	11,992		1,650	13,642
Total assets.....	\$ 243,457	\$ (4,189)	\$ (20,350)	\$ 218,918
LIABILITIES & EQUITY				
Notes payable and current maturities of long-term liabilities.....	\$ 8,531 (c)	\$	\$ 2,911 (d)	\$ 11,442
U.S. revolving debt facility.....	0		13,478	13,478
DIP financing.....	4,189	(4,189)		0
Payables & accruals.....	50,397 (e)		12,535 (e)	62,932
Restructuring accrual.....	11,165			11,165
Total current liabilities.....	74,282	(4,189)	28,924	99,017
Long-term notes payable	15,525 (c)		35,502 (d)	51,027
Long-term accrued liabilities.....	21,758		5,250 (e)	27,008
Liabilities subject to disposition in bankruptcy reorganization.....	137,777		(137,777)	0
Common stock and additional paid-in capital.....	62,699		48,900	111,599
Accumulated deficit and cumulative translation adjustment...	(68,584)		(1,149)	(69,733)
Total equity.....	(5,885)	0	47,751	41,866
Total liabilities & equity.....	\$ 243,457	\$ (4,189)	\$ (20,350)	\$ 218,918

</TABLE>

See accompanying Notes To Pro Forma Condensed Consolidated Balance Sheet.

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EXHIBIT B

HEXCEL CORPORATION
NOTES TO PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
(DOLLARS IN THOUSANDS)
(UNAUDITED)

The following sets forth the adjustments used in preparing the unaudited pro forma condensed consolidated balance sheet as if the consummation of the Plan of Reorganization occurred on December 31, 1994. The "pre-reorganization balances" as of December 31, 1994, reflect the unaudited results of the Company as of that date. There can be no assurances that such amounts will not change as a result of completion of the Company's 1994 audit.

Pro forma amounts do not reflect bankruptcy reorganization expenses incurred after January 1, 1995 and the Company anticipates that such expenses will continue after the Effective Date. The Company has expensed and will expense

bankruptcy reorganization costs as incurred. See Exhibit C, Projected Consolidated Income Statements, for projected bankruptcy reorganization expenses for 1995.

(a) Represents proceeds from asset sales that were received after December 31, 1994, but before the Effective Date. The receipt of these proceeds were an integral part of the Plan of Reorganization. These proceeds include \$26,546 received on January 6, 1995 from the sale of the Chandler business. The monies were used to repay the remaining outstanding balance on the Debtor-in-Possession financing and the rest was held as cash. The remaining amounts include \$936 from the sale of Euro Resins, which was received by Hexcel S.A. (Lyon) as repayment of monies previously advanced by them to Euro Resins.

(b) Sources and uses on the Effective Date are as follows:

<TABLE> <CAPTION> SOURCES		USES	
<S>	<C>	<C>	<C>
Reinstated Debt & Other Obligations	\$ 38,413	Reinstated Debt & Other Obligations	\$ 38,413
US Revolving Debt Facility	13,478	Unsecured Claims, Including Interest	78,554
Additional Accrued Liabilities	17,785	Claims Converted to Equity	200
Rights Offering and Stock Purchase, Net of Transaction Costs	48,700	Environmental, Legal & Other Contingent Claims	17,785
Equity Issued to Creditors	200	Employee & management incentives	2,825
Escrow proceeds from Euro Resins Sale	1,500	Liabilities Subject to Disposition in Bankruptcy Reorganization	137,777
Excess Domestic Cash	20,500	Financing Costs of Reinstated debt	1,650
		Interest & Other Costs from 1/1/95 to Effective Date	1,149
TOTAL SOURCES	\$ 140,576	TOTAL USES	\$ 140,576

</TABLE>

(c) The \$24,056 of long term debt on the pre-reorganization condensed consolidated balance sheet, including the current portion of long term debt, represents the debt of European subsidiaries and \$3,725 of U.S. debt reinstated prior to the Effective Date. The \$3,725 of reinstated U.S. debt includes \$4,900 of IDR obligations related to the City of Industry facility less \$2,340 of obligations assumed by the purchaser of that facility which was sold in November 1994. Such debt was reclassified from liabilities subject to disposition in bankruptcy reorganization prior to December 31, 1994.

EXHIBIT B

HEXCEL CORPORATION
NOTES TO PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
(DOLLARS IN THOUSANDS)
(UNAUDITED)

(d) The reorganization adjustments to long term debt (including the current portion of long term debt) consist of the following pre-petition claims which are either reinstated debt instruments or new deferred payment obligations:

<TABLE> <CAPTION> OBLIGATION	TOTAL DEBT	CURRENT PORTION	LONG-TERM PORTION
<S>	<C>	<C>	<C>
7% Subordinated Debentures.....	\$ 25,625	\$ 0	\$ 25,625
Industrial Development Revenue Bonds (IDRB).....	10,750	2,400	8,350
Mortgages.....	576	263	313
Priority Tax Deferred Payments, 5%.....	1,462	248	1,214
Totals.....	\$ 38,413	\$ 2,911	\$ 35,502

</TABLE>

The above table does not reflect certain pre-petition debt which was reinstated prior to the Effective Date, as discussed in (c) above.

(e) Pre-reorganization payables and accruals consist of liabilities incurred by European operations and U.S. post-petition payables and accruals incurred during the normal course of business subsequent to December 6, 1993. Reorganization adjustments of \$17,785 (\$5,250 of which is in long term liabilities) primarily represent the reinstatement of pre-petition environmental and legal reserves, and the reserve for the Dainippon Ink and Chemicals, Inc.

EXHIBIT C

HEXCEL CORPORATION AND SUBSIDIARIES
PROJECTED CONDENSED CONSOLIDATED INCOME STATEMENTS
YEARS ENDING DECEMBER 31, 1995 THROUGH 1998
(UNAUDITED)

<TABLE>
<CAPTION>

	YEAR ENDING DECEMBER 31,			
	1995	1996	1997	1998
	(IN THOUSANDS, EXCEPT PER SHARE DATA)			
<S>	<C>	<C>	<C>	<C>
Net sales.....	\$ 306,925	\$ 336,868	\$ 357,608	\$ 367,501
Cost of sales.....	(245,198)	(261,337)	(276,261)	(283,811)
Gross margin.....	61,727	75,531	81,347	83,690
Operating expenses.....	(45,367)	(47,810)	(50,096)	(51,669)
Other income (expenses).....	1,296	(980)	(941)	(352)
Operating income.....	17,656	26,741	30,310	31,669
Interest expense, net.....	(8,842)	(8,108)	(7,184)	(5,871)
Bankruptcy reorganization expenses.....	(2,662)	0	0	0
Income before taxes.....	6,152	18,633	23,126	25,798
Provision for income taxes.....	(1,596)	(4,363)	(6,690)	(7,430)
Net income.....	\$ 4,556	\$ 14,270	\$ 16,436	\$ 18,368
Net income per share and equivalent share:				
Primary and fully diluted.....	\$ 0.25	\$ 0.79	\$ 0.91	\$ 1.01
Weighted average shares and equivalent shares.....	18,144	18,144	18,144	18,144

</TABLE>

See accompanying Notes and Assumptions to Projected Condensed Consolidated Financial Statements.
These Projected Condensed Consolidated Financial Statements and the accompanying Notes and Assumptions have not been subject to audit or review.

EXHIBIT C

HEXCEL CORPORATION AND SUBSIDIARIES
PROJECTED CONDENSED CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 1994 THROUGH 1998
(UNAUDITED)

<TABLE>
<CAPTION>

	PRO FORMA				
	12/31/94	12/31/95	12/31/96	12/31/97	12/31/98
	(IN THOUSANDS)				
<S>	<C>	<C>	<C>	<C>	<C>
ASSETS					
Cash.....	\$ 4,082	\$ 4,109	\$ 3,853	\$ 3,500	\$ 6,083
Accounts receivable.....	64,136	64,371	69,990	74,296	76,291
Inventories.....	47,364	44,662	46,555	49,122	50,651
Prepaid expenses & other assets.....	6,581	4,247	4,457	4,672	4,817
Total current assets.....	122,163	117,389	124,855	131,590	137,842
Net fixed assets.....	83,113	84,749	82,614	79,983	76,701
Other noncurrent assets.....	13,642	13,232	11,388	10,085	9,668
Total assets.....	\$ 218,918	\$ 215,370	\$ 218,857	\$ 221,658	\$ 224,211

<CAPTION>

LIABILITIES & EQUITY

<S>	<C>	<C>	<C>	<C>	<C>
Notes payable and current maturities of long-term liabilities.....	\$ 11,442	\$ 8,821	\$ 8,176	\$ 5,175	\$ 1,256

U.S. revolving debt facility.....	13,478	24,653	20,126	14,663	2,824
Payables & accruals.....	62,932	48,607	52,008	53,675	54,868
Restructuring accrual.....	11,165	3,832	0	0	0
	-----	-----	-----	-----	-----
Total current liabilities.....	99,017	85,913	80,310	73,513	58,948
Long-term notes payable.....	51,027	55,021	51,799	47,664	45,817
Long-term accrued liabilities.....	27,008	27,889	25,931	23,227	23,826
Common stock and additional paid-in capital.....	111,599	111,599	111,599	111,599	111,599
Accumulated deficit and cumulative translation adjustment.....	(69,733)	(65,052)	(50,782)	(34,345)	(15,979)
	-----	-----	-----	-----	-----
Total equity.....	41,866	46,547	60,817	77,254	95,620
	-----	-----	-----	-----	-----
Total liabilities & equity.....	\$ 218,918	\$ 215,370	\$ 218,857	\$ 221,658	\$ 224,211
	-----	-----	-----	-----	-----

</TABLE>

See accompanying Notes and Assumptions to Projected Condensed Consolidated Financial Statements.
These Projected Condensed Consolidated Financial Statements and the accompanying Notes and Assumptions have not been subject to audit or review.

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EXHIBIT C

HEXCEL CORPORATION AND SUBSIDIARIES
PROJECTED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDING DECEMBER 31, 1995 THROUGH 1998
(UNAUDITED)

<TABLE>
<CAPTION>

	YEAR ENDING DECEMBER 31,			
	1995	1996	1997	1998
	(IN THOUSANDS)			
<S>	<C>	<C>	<C>	<C>
Cash provided by operations				
Net income.....	\$ 4,556	\$ 14,270	\$ 16,436	\$ 18,368
Adjustments:				
Depreciation & amortization.....	13,084	13,984	14,767	14,874
(Gain) loss on sale of assets.....	(2,300)	0	0	0
Changes in working capital:				
(Incr.) decr. in accounts receivable.....	(1,210)	(5,619)	(4,306)	(1,995)
(Incr.) decr. in inventories.....	790	(1,892)	(2,566)	(1,529)
(Incr.) decr. prepaids & other assets.....	(367)	(210)	(215)	(145)
Incr. (decr.) in payable & accruals.....	6,016	(326)	(2,903)	2,018
Incr. (decr.) in other liabilities.....	768	1,167	2,465	(227)
	-----	-----	-----	-----
Total changes in working capital.....	5,997	(6,880)	(7,525)	(1,878)
	-----	-----	-----	-----
Cash provided by operations.....	21,337	21,374	23,678	31,364
Cash used by investing activities				
Capital expenditures.....	(12,519)	(12,736)	(11,280)	(11,287)
Proceeds from the disposition of assets.....	6,038	180	180	180
Cash restructuring costs.....	(6,691)	(1,489)	0	0
Other investing activities.....	(1,979)	808	(333)	(68)
	-----	-----	-----	-----
Cash used by investing activities.....	(15,151)	(13,237)	(11,433)	(11,175)
Cash used by financing activities				
Net proceeds/(repayments) of debt.....	(33,525)	(8,393)	(12,598)	(17,606)
Other financing activities.....	0	0	0	0
	-----	-----	-----	-----
Cash provided (used) by financing activities.....	(33,525)	(8,393)	(12,598)	(17,606)
	-----	-----	-----	-----
Net cash provided/(used).....	(27,339)	(256)	(353)	2,583
Cash balance, beginning of period.....	31,448 (a)	4,109	3,853	3,500
	-----	-----	-----	-----
Cash balance, end of period.....	\$ 4,109	\$ 3,853	\$ 3,500	\$ 6,083
	-----	-----	-----	-----

</TABLE>

(a) Includes cash proceeds from asset sales received in January, 1995.

See accompanying Notes and Assumptions to Projected Condensed Consolidated Financial Statements.
These Projected Condensed Consolidated Financial Statements and the accompanying Notes and Assumptions have not been subject to audit or review.

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HEXCEL CORPORATION AND SUBSIDIARIES
 PROJECTED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 1995 THROUGH 1998
 NOTES AND ASSUMPTIONS
 (DOLLARS IN THOUSANDS)
 (UNAUDITED)

The Company continued the process of updating its financial projections since the Projected Consolidated Financial Statements included as Exhibit E to the Disclosure Statement (the "Disclosure Statement Projections") were prepared. The Company now has unaudited results through December 31, 1994 and more than four months have passed since the Disclosure Statement Projections were prepared. While in the aggregate there have not been significant changes, the updated projections reflect recent events and changes that have occurred since the Disclosure Statement was filed. The updated projected condensed consolidated financial statements for Hexcel Corporation ("Hexcel" or the "Debtor") and Subsidiaries are presented for the four years ending December 31, 1998.

The unaudited Pro Forma Condensed Consolidated Balance Sheet as of December 31, 1994 sets forth the results as if the consummation of the Plan of Reorganization occurred on such date. The actual Effective Date was February 9, 1995.

These projected condensed consolidated financial statements should be read in conjunction with the "Additional Risk Factors" and "Changes to Projections Based On Recent Events" sections of this Information Statement.

The projected condensed consolidated financial statements are presented in accordance with generally accepted accounting principles consistent with Hexcel's current accounting policies and practices. Fresh Start Accounting, as defined by the American Institute of Certified Public Accountants, Statement of Position 90-7, is not applicable to Hexcel and has not been applied to these projected condensed consolidated financial statements.

THE PROJECTED CONSOLIDATED FINANCIAL STATEMENTS INCLUDED IN EXHIBIT E TO THE DISCLOSURE STATEMENT AND THE UPDATED PROJECTED FINANCIAL INFORMATION INCLUDED IN THIS INFORMATION STATEMENT REFLECT NUMEROUS ASSUMPTIONS WITH RESPECT TO THE ANTICIPATED FUTURE PERFORMANCE OF THE COMPANY'S CONSOLIDATED OPERATIONS, MARKETS IN WHICH IT COMPETES, GENERAL BUSINESS AND ECONOMIC CONDITIONS, AND OTHER MATTERS WHICH ARE BEYOND THE CONTROL OF THE COMPANY. THEREFORE, THE ACTUAL RESULTS ACHIEVED THROUGHOUT THE PROJECTION PERIOD WILL VARY FROM THE PROJECTED RESULTS. THESE VARIATIONS MAY BE MATERIAL. WHILE THE COMPANY BELIEVES THAT THE ASSUMPTIONS UNDERLYING THE PROJECTIONS, AS ADJUSTED BY THE INFORMATION SET FORTH IN THIS INFORMATION STATEMENT, WHEN CONSIDERED ON AN OVERALL BASIS, ARE REASONABLE IN LIGHT OF CURRENT CIRCUMSTANCES, NO ASSURANCES CAN BE GIVEN THAT THE PROJECTED RESULTS WILL BE REALIZED.

SETTLEMENT OF BANKRUPTCY CLAIMS

The projected consolidated financial statements are based on the settlement of liabilities subject to disposition in bankruptcy reorganization as presented in the Plan. The reader is encouraged to refer to the Plan and related Disclosure Statement for a more detailed discussion of financial terms. A summary of the major points of the Plan are as follows:

1. ADMINISTRATIVE EXPENSES AND PRIORITY TAX CLAIMS

Administrative expenses of \$3,675 were paid in cash as of the Effective Date. These expenses included management bonuses and certain exit financing costs. Professional fees relating to the bankruptcy will be paid in the ordinary course of business as allowed by the Bankruptcy Court.

Priority tax claims, including certain post-petition tax liens, paid on the Effective Date totaled \$1,247. Priority tax claims in the amount of \$1,462 will be paid in equal annual cash payments over six years, bearing a fixed annual rate of interest of 5%.

2. CLASS 2 -- SECURED CLAIMS

The secured claims (defined as the Graham Industrial Mortgage, the Greater Pottsville Mortgage and the Pottsville (Schuylkill) Mortgage) were reinstated. Pre-petition and post-petition interest was paid in cash on the Effective Date.

3. CLASSES 3 & 4 -- INDUSTRIAL DEVELOPMENT REVENUE BONDS (IDRBS) AND BNP LETTERS OF CREDIT

Seven of the IDRBS (including the California Pollution Control Financing Authority Bonds, the Industrial Development Authority of the City of Casa Grande Bonds, the Young County #1 Industrial Development Corporation Bonds, the Guadalupe-Blanco River Authority Industrial Development Corporation Bonds, the

Port of Skagit County Industrial Development Corporation Bonds, the Industrial Development Authority of the County of Los Angeles Bonds and the City of Lancaster Bonds) and the letters of credit supporting them were reinstated. A cash payment of \$1,270 was made to BNP on the Effective Date for all pre- and post-petition unreimbursed drawings, draw fees, letter of credit fees, attorneys' fees and other fees and out of pocket expenses including those paid by BNP to the remarketing agent. BNP also received a cash payment of \$500 for BNP's modification of covenants and commitment to extend the letters of credit until October 1, 1998. Commencing April 1, 1995, and every 3 months thereafter until the expiration of the BNP Letters of Credit, the Debtor will reduce by \$600 BNP's contingent liability with respect to the BNP Letters of Credit, by either redeeming \$600 of IDRBs secured thereby, obtaining a \$600 backup letter of credit in BNP's favor, or depositing \$600 in a sinking fund in which BNP and/or the trustees for the IDRBs will hold a first priority security interest.

4. CLASS 5 -- GENERAL UNSECURED CLAIMS

The general unsecured claims (including the Revolver Bank claims, Thermoplastics note claim, trade claims and other pre-petition claims) were paid in cash as of the Effective Date. In addition, the claimants were paid in cash for interest of 5% on the pre-petition balance for the period December 6, 1993 through the Effective Date. The Thermoplastics note claim received the settled amount of \$1,129. This class also included the estimated Dainippon Ink and Chemicals, Inc. contingent claim which is expected to be paid in cash over a two year period as discussed previously in this Information Statement.

The litigation claims will be paid in cash if and when they become allowed claims. Management estimated the cash requirements relating to these claims and reflected these payments in the projected condensed consolidated financial statements.

5. CLASS 6 -- PRINCIPAL MUTUAL NOTES

On the Effective Date, the Principal Mutual 10.12% Note and the 8.75% Note were extinguished for \$36,762 in cash in satisfaction of outstanding principal and pre-petition and post-petition accrued interest on these notes and as compensation for prepayment of both notes.

6. CLASS 7 -- ENVIRONMENTAL CLAIMS

Settlements of \$137 for certain environmental claims were paid on the Effective Date. Certain other environmental claims will be paid in cash if and when they become allowed claims. The other environmental claims will be paid through the ordinary course of business. Management estimated the cash requirements relating to these claims and reflected these payments in the projected condensed consolidated financial statements.

7. CLASS 8 -- HEXCEL S.A. (LYON) NOTE AND OTHER INTERCOMPANY PAYABLES

The holder of the Hexcel S.A. (Lyon) claim received a note for the principal amount of the claim and accrued interest which will be due on demand after December 31, 1998 and will bear interest at 6.9% payable semi-annually. Other miscellaneous intercompany payables will also be paid after December 31, 1998, and will bear no interest. As these are intercompany claims, they were not reflected in the projected condensed consolidated financial statements.

8. CLASS 9 -- SUBORDINATED DEBENTURES

On the Effective Date, the subordinated debentures, with an interest rate of 7.0%, due August 1, 2011, were reinstated at their total principal amount of \$25,625. Bondholders, through the bond trustee, received cash on the Effective Date totaling \$2,844 for pre-petition and post-petition accrued interest.

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9. CLASS 10 -- SECTION 510B TRADING CLAIMS

Class 10 claims include three civil actions filed against the Debtor prior to December 6, 1993. Each holder of allowed Class 10 claims will receive his or her pro rata share of \$200 of Reorganized Hexcel Common Stock.

10. CLASS 11 -- HEXCEL EQUITY HOLDERS

Each holder of Hexcel Common Stock, as of the Effective Date, received one share of Reorganized Hexcel Common Stock for each share of Hexcel Common Stock. Additionally, each holder of Hexcel Common Stock, as of the Effective Date, will receive certain Rights entitling such holder to purchase additional shares of Reorganized Hexcel Common Stock.

11. CLASS 12 -- HEXCEL OPTIONS

All holders of issued and vested Hexcel Options retained their Hexcel Options.

12. ASSUMED EXECUTORY CONTRACTS AND CAPITAL LEASES

The Hexcel FYFE obligation and the capital leases were assumed during the post-petition period. The reinstated payment schedules for the capital leases were reflected in the projected condensed consolidated financial statements. Also, Hexcel's motion to begin immediate payment of the Hexcel FYFE obligations was approved on June 22, 1994 and the approved payment schedule was also reflected in the projected condensed consolidated financial statements.

SUMMARY TERMS OF POST-REORGANIZATION DEBT

Revolving Credit Facility

- Line of credit of up to \$45,000
- 1.5% above prime
- Maturity of 2/9/98
- Secured by substantially all assets of Hexcel

Subordinated Debentures

- \$25,625 principal
- 7.0% interest rate
- Maturity of 8/1/11
- Semi-annual interest payments

IDRBs

- 7 Bonds totaling \$15,650
- Fluctuating rates estimated at 4.0% to 6.0%
- Maturities ranging from 2007 through 2024
- Letters of credit supporting IDRBs require sinking fund payments of \$600 every three months beginning April 1, 1995

Mortgages

- Three secured mortgages totaling \$543
- Interest rates range from 2% to 9%
- Maturities range from 1998 to 2007

Capital Leases

- One capital lease was assumed during the post petition period
- Effective date principal balances include \$709 @ 9.09% maturing 11/21/99
- Additional capital lease added in 1994 with principal balance of \$682 and payments through 2009

Hexcel -- FYFE

- Effective date balance of \$500
- 5.31% interest rate
- Quarterly principal payments of \$250 plus interest
- Terms approved by Bankruptcy Court in June 1994

European Debt

- Various instruments principally consisting of revolving debt facilities outstanding at Hexcel S.A. (Belgium) and Hexcel S.A. (Lyon)

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EXHIBIT C

OPERATING ASSUMPTIONS

NET SALES

DOMESTIC SALES. Hexcel's forecasting models were used as the basis of the sales forecast in conjunction with significant input from Hexcel's sales and marketing personnel and product managers. Sales were forecasted for 1995 on an individual customer level and product line basis. The detailed sales forecast by customer is then compared to the marketing department's top down view of aggregate sales based on build rates, industry trends, etc. Sales for the years 1996 through 1998 were held constant from 1995 business plan levels, adjusted for major program changes. Much of the expected increase in sales from 1996 to 1998 is due to the forecasted increase in shipments for the Boeing 777 program. The Company's ceramics development efforts are likely to provide inroads into the aircraft jet engines market. Several initiatives are underway to capitalize on Hexcel's positions in the recreational markets. In addition, automotive and seismic retrofit products sold to the industrial segment show significant promise beyond the time frame of this plan.

INTERNATIONAL SALES. Hexcel's international business was forecasted on a subsidiary by subsidiary basis. Each subsidiary was responsible for forecasting its financial performance based on local market conditions. Assumptions for major program changes were provided by Hexcel's sales and marketing personnel and product managers. Much of the increase in foreign sales is due to strong demand within the electrical and decorative markets.

SALE OF RESINS. The plan assumes the sale of the U.S. Resins operations in the first quarter of 1995. The disposition of U.S. Resins will be treated as Discontinued Operations for financial reporting purposes in 1995. Accordingly, U.S. Resins sales and costs for the 1st quarter of 1995 are included in other income.

GROSS MARGINS

Variable margins in years 1995 through 1998 are based on 1994 actual margins adjusted for process improvements and material yield opportunities that have been identified and quantified. The U.S. business otherwise assumes no inflation for either revenue or factory costs based on the assumption that price increases or production improvements will be sufficient to offset any factory cost increases. The European revenues and factory costs reflect annual inflation of approximately 3%.

Fixed plant costs for 1995 assume no additional plant closures, other than completing the closing of the Graham facility and the sale of U.S. Resins. Domestic fixed plant costs for 1996 through 1998 are maintained at the fourth quarter 1995 run rates, adjusted for the sale of the Chandler facility. European fixed costs are adjusted for the sale of Euro-Resins and further margin improvements are projected in Europe as a result of restructuring initiatives in Belgium.

SALES & MARKETING EXPENSES

A reduction in personnel occurred in the sales and marketing departments in April 1994. Sales and marketing expenses for 1995 through 1998 are held at the same levels as the fourth quarter of 1994, adjusted for inflation of 3% per year.

GENERAL AND ADMINISTRATIVE EXPENSES

Significant reductions in general and administrative personnel have been made over the last two years. Most of these occurred in the summer and fall of 1993 in conjunction with the change from strategic business units to a functional organization. Minor staff reductions were completed during April 1994. General and administrative expenses in 1995 and beyond are generally held at the same levels as the fourth quarter of 1994, adjusted for inflation of 3% per year.

RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses have been estimated at approximately 2.7% of sales in 1995 through 1998, consistent with Hexcel's recent experience in actual spending. Successful research and development activities are critical to Hexcel's future, and Hexcel will need to continue to balance its needs to effectively invest in research and development and to control its costs. Hexcel undertook a rigorous analysis of its research and development projects in the late summer of 1993. Based on this assessment, Hexcel significantly reduced the number of projects in order to better focus its activities and more effectively spend its money.

EXHIBIT C

INCOME TAXES

Taxable income is forecasted to be substantially offset by utilization of Net Operating Loss Carryforwards ("NOLs"). It is assumed that the total amount of NOLs will not be materially reduced by the reorganization because the full recoveries of creditors under the Plan do not result in taxable debt cancellation income.

Because of the ownership change which is expected to occur under the Plan, the utilization of NOLs in the U.S. after the Effective Date will be affected. It is expected that the Debtor will make use of Section 382(l)(6) of the Internal Revenue Code, whereby the annual allowable NOL deduction will be limited to an amount equal to the product of the fair market value of the Hexcel stock immediately following the ownership change caused by the Plan and the long term federal tax-exempt rate (currently 6.05%). The Debtor will not qualify for other rules permitting unlimited use of NOLs due to the makeup of the post reorganization equity ownership.

At this time it is uncertain whether the Debtor has a net unrealized built-in gain or loss, however, Hexcel believes that it does not have a net unrealized built-in loss and therefore it is assumed that future tax deductions or losses on restructuring charge items will be fully deductible. Due to the uncertainty of the existence of a net unrealized built-in gain, no increase in the annual limit on NOLs has been assumed.

Hexcel S.A. (Belgium) has sufficient NOLs to offset its estimated taxable income during the period shown. Hexcel S.A. (Lyon) does not have any NOLs.

NET INCOME PER SHARE

Net income per share is based on the estimated average number of shares outstanding (18,144,333 shares) after giving effect to the completion of the Rights offering, the purchase of shares by Mutual Series pursuant to the Standby Purchase Commitment, the sale of shares to John J. Lee and the issuance of

shares in settlement of Class 10 claims (assuming that the number of shares issued to such holders is based on a price of \$4.625 per share). Fully diluted and primary earnings per share are estimated to be the same. This assumes no exercise of options. The actual number of shares outstanding may vary.

CAPITAL EXPENDITURES

Capital expenditures for 1990 to 1992 averaged over \$18,000 per year. For several years prior to 1990, capital expenditures were even greater due to the addition of the Chandler facility. Due to the low cash levels in 1993, Hexcel tightly monitored capital expenditures, and they were reduced to \$6,500 in 1993 and \$9,044 in 1994. Ongoing capital expenditures during the projection period are set at levels between \$11,600 and \$13,000 per year. These amounts include expenditures for process improvements, equipment replacement, environmental and discretionary items.

CASH RESTRUCTURING COSTS

The cash restructuring costs include the Graham closure, the relocation of certain product lines from Chandler to Casa Grande, severance, consulting fees, certain MIS implementation costs and some relocation expenditures.

BALANCE SHEET ASSUMPTIONS

CASH

Hexcel U.S. is assumed to have a minimum cash balance of \$1,000, with all cash flow from the U.S. being swept into the revolving credit facility to repay outstanding balances. Cash balances in Europe are assumed to remain in Europe as working capital with the exception of proceeds from the sale of the Euro-Resins business. The cash in Europe is generally not available to finance the U.S. operations.

WORKING CAPITAL ACCOUNTS

Working capital accounts (inventory, accounts receivable, prepaid expenses, accounts payable and accrued liabilities) are individually projected based on management's estimates of underlying business trends.

EXHIBIT C

NOTES PAYABLE AND CURRENT MATURITIES OF LONG-TERM LIABILITIES AND LONG-TERM NOTES PAYABLE

The unaudited December 31, 1994 pro forma current and long-term portions of long-term notes payable consist of reinstated debt instruments, new debt instruments and new deferred payment obligations as follows:

<TABLE>
<CAPTION>

OBLIGATION	TOTAL DEBT	CURRENT PORTION	LONG-TERM PORTION
<S>	<C>	<C>	<C>
European Debt -- various.....	\$ 19,062	\$ 7,882	\$ 11,180
Subordinated Debentures, 7%.....	25,625	0	25,625
Industrial Development Revenue Bonds.....	15,650	2,400	13,250
Less Obligation Assumed.....	(2,340)		(2,340)
Priority Tax Deferred Payments, 5%.....	1,462	248	1,214
Secured Mortgages & Capital Lease Obligations.....	2,510	412	2,098
Hexcel -- FYFE 5.31% Note.....	500	500	0
Totals.....	\$ 62,469	\$ 11,442	\$ 51,027

</TABLE>

LONG-TERM ACCRUED LIABILITIES

Accrued liabilities are primarily comprised of accruals of post retirement benefits and the long-term portion of the DIC settlement.

COMMON STOCK

Common Stock is adjusted for the rights offering and the issuance of stock in settlement of Class 10 claims.