

HEXCEL CORP /DE/
Form PREC14A
March 07, 2008

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934

Filed by the Registrant x

Filed by a Party other than the Registrant o

Check the appropriate box:

- x Preliminary Proxy Statement
 o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
 o Definitive Proxy Statement
 o Definitive Additional Materials
 o Soliciting Material Pursuant to §240.14a-12

HEXCEL CORPORATION

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- x No fee required.
 o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
- | | |
|-----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (1) | Title of each class of securities to which transaction applies: |
| (2) | Aggregate number of securities to which transaction applies: |
| (3) | Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined): |
| (4) | Proposed maximum aggregate value of transaction: |
| (5) | Total fee paid: |
- o Fee paid previously with preliminary materials.
 o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
- | | |
|-----|-----------------------------------------------|
| (1) | Amount Previously Paid: |
| (2) | Form, Schedule or Registration Statement No.: |
| (3) | Filing Party: |
| (4) | Date Filed: |
-

PRELIMINARY PROXY STATEMENT SUBJECT TO COMPLETION DATED MARCH 7, 2008

Hexcel Corporation

Two Stamford Plaza
281 Tresser Boulevard
Stamford, Connecticut 06901-3238

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To be held on May , 2008

The Annual Meeting of Stockholders of Hexcel Corporation will be held at _____, on May , 2008 at 10:30 a.m. for the following matters:

1. To elect ten individuals to serve as directors until the next annual meeting of stockholders and until their successors are duly elected and qualified;
2. To ratify the appointment of PricewaterhouseCoopers LLP as independent registered public accounting firm for 2008; and
3. To transact such other business as may properly come before the meeting or any adjournments or postponements thereof.

Stockholders of record at the close of business on March 19, 2008 will be entitled to vote at the meeting and any adjournments or postponements. A list of these stockholders will be available for inspection at the executive offices of Hexcel and will also be available for inspection at the annual meeting.

By order of the board of directors

Ira J. Krakower
Senior Vice President, General Counsel and Secretary

Dated: April , 2008

YOUR VOTE IS EXTREMELY IMPORTANT THIS YEAR IN LIGHT OF THE PROXY CONTEST BEING CONDUCTED BY OSCAR S. SCHAFFER & PARTNERS II LP AND CERTAIN OF ITS AFFILIATES

*****CAUTION*****

HEXCEL HAS RECEIVED A NOTICE FROM OSCAR S. SCHAFFER & PARTNERS II LP AND CERTAIN OF ITS AFFILIATES (OSS) THAT THEY INTEND TO NOMINATE MESSRS. EDWARD A. BLECHSCHMIDT, TIMOTHY D. LEULIETTE AND JOACHIM V. HIRSCH FOR ELECTION TO HEXCEL S BOARD OF DIRECTORS AT THE ANNUAL MEETING. THE BOARD OF DIRECTORS AND MANAGEMENT FIRMLY BELIEVE THAT THE ELECTION OF OSS S NOMINEES WOULD BE CONTRARY TO YOUR BEST INTERESTS AS A STOCKHOLDER.

Whether or not you plan to attend the meeting, and whatever the number of shares you own, please complete, sign, date and promptly return the enclosed GOLD proxy/voting instruction card. Please use the accompanying envelope, which requires no postage if mailed in the United States. Alternatively, if you own shares in street name through a bank, broker or other nominee, you may vote your shares by telephone or Internet by following the instructions on the proxy/voting instruction form. Please note, however, that if you wish to vote at the meeting and your shares are held of record by a broker, bank or other nominee, you must obtain a proxy issued in your name from that record holder.

THE BOARD URGES YOU NOT TO SIGN ANY WHITE PROXY CARDS SENT TO YOU BY OSS EVEN AS A PROTEST VOTE AGAINST OSS. IF YOU HAVE PREVIOUSLY SIGNED A WHITE PROXY CARD SENT TO YOU BY OSS, YOU CAN REVOKE IT BY SIGNING, DATING AND MAILING THE ENCLOSED GOLD PROXY CARD IN THE ENVELOPE PROVIDED.

If you have any questions or need assistance in voting your shares of Hexcel s common stock, please call Morrow & Co., LLC at (800) 607-0088.

TABLE OF CONTENTS

	Page
<u>THE MEETING</u>	1
<u>Revoking a Proxy</u>	2
<u>Matters of Business, Votes Needed and Recommendations of the Board of Directors</u>	2
<u>How to Vote Your Shares</u>	3
<u>ELECTION OF DIRECTORS</u>	4
<u>Information Regarding the Directors</u>	4
<u>Solicitation of Proxies by Certain of the Company's Stockholders</u>	7
<u>Independence of Directors</u>	9
<u>Meetings and Standing Committees of the Board of Directors</u>	10
<u>Executive Sessions</u>	13
<u>Contacting the Board</u>	13
<u>Code of Business Conduct</u>	13
<u>EXECUTIVE OFFICERS</u>	14
<u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u>	16
<u>Stock Beneficially Owned by Principal Stockholders</u>	16
<u>Stock Beneficially Owned by Directors and Officers</u>	17
<u>COMPENSATION DISCUSSION AND ANALYSIS</u>	19
<u>Compensation Objectives and Policies</u>	19
<u>The Compensation Committee's Processes</u>	19
<u>Components of Executive Compensation for 2007</u>	22
<u>Perquisites</u>	36
<u>Stock Ownership Guidelines</u>	37
<u>Potential Impact on Compensation from Executive Misconduct</u>	37
<u>The Impact of Tax Regulations on our Executive Compensation</u>	38
<u>Severance and Change in Control Arrangements</u>	38
<u>Additional Agreements and Arrangements</u>	40
<u>Compensation Committee Interlocks and Insider Participation</u>	41
<u>Equity Compensation Plan Information</u>	41
<u>COMPENSATION COMMITTEE REPORT</u>	42
<u>EXECUTIVE COMPENSATION</u>	43
<u>Summary Compensation Table</u>	43
<u>Grants of Plan-Based Awards in 2007</u>	45
<u>Employment Agreement with Mr. Berges</u>	46
<u>Service Agreement with Mr. Hunt</u>	47
<u>Outstanding Equity Awards at 2007 Fiscal Year-End</u>	47
<u>Option Exercises and Stock Vested in 2007</u>	48
<u>Pension Benefits in Fiscal 2007</u>	49
<u>Nonqualified Deferred Compensation in Fiscal Year 2007</u>	53
<u>Potential Payments Upon Termination or Change in Control</u>	54
<u>Benefits Payable Upon Termination of Employment on December 31, 2007</u>	59
<u>Director Compensation</u>	60
<u>AUDIT COMMITTEE REPORT</u>	62
<u>RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	63
<u>General</u>	63
<u>Fees</u>	63
<u>Audit Committee Pre-Approval Policies and Procedures</u>	64
<u>Vote Required</u>	64
<u>CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS</u>	64

<u>Review and Approval of Related Person Transactions</u>	64
<u>Related Person Transactions</u>	64
<u>SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE</u>	65
<u>OTHER MATTERS</u>	65
<u>STOCKHOLDER PROPOSALS</u>	65
<u>CERTAIN INFORMATION REGARDING PARTICIPANTS IN THE SOLICITATION OF PROXIES</u>	65
<u>COST OF SOLICITATION</u>	65
<u>IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDER MEETING</u>	66
<u>ANNUAL REPORT</u>	66
<u>ANNEX A</u>	A-1

PRELIMINARY PROXY STATEMENT SUBJECT TO COMPLETION DATED MARCH 7, 2008

Hexcel Corporation

Two Stamford Plaza
281 Tresser Boulevard
Stamford, Connecticut 06901-3238

PROXY STATEMENT

ANNUAL MEETING OF STOCKHOLDERS

To be held on May , 2008

THE MEETING

This proxy statement is furnished to the holders of Hexcel Corporation (Hexcel or the Company) common stock (the Common Stock), in connection with the solicitation of proxies on behalf of the Board of Directors of the Company (the Board of Directors or the Board) for use at the Annual Meeting of Stockholders (the Annual Meeting) to be held on May , 2008, or any adjournments or postponements thereof. This proxy statement and the accompanying proxy/voting instruction card are first being mailed to stockholders on or about April , 2008.

Only stockholders of record at the close of business on March 19, 2008, will be eligible to vote at the Annual Meeting or any adjournments or postponements thereof. As of that date, shares of Common Stock were issued and outstanding and such shares were held by holders of record. The holders of shares will constitute a quorum at the meeting.

Edgar Filing: HEXCEL CORP /DE/ - Form PREC14A

Each share of Common Stock entitles the holder thereof to one vote with respect to each matter that is subject to a vote at the Annual Meeting. All shares that are represented by effective proxies received by the Company in time to be voted shall be voted at the Annual Meeting or any adjournments or postponements thereof. Where stockholders direct how their votes shall be cast, shares will be voted in accordance with such directions. Proxies submitted with abstentions and broker non-votes (as defined below) will be included in determining whether or not a quorum is present. Broker non-votes will not be counted in tabulating the number of votes cast on proposals submitted to stockholders.

Pursuant to the rules of the New York Stock Exchange (NYSE), because of the election contest, if you hold your shares in street name through a broker, your broker is permitted to vote your shares on Proposal 1 below (election of directors) only if you give your broker specific instructions as to how to vote. If you are a street name holder and do not provide instructions to your broker on Proposal 1 below, your shares that are voted on any other matter will count toward a quorum but your broker cannot vote your shares on the election of directors (a broker non-vote). Accordingly, a broker non-vote will not be counted as a vote on Proposal 1.

The proxy also confers discretionary authority to vote on all matters that may properly come before the Annual Meeting, or any adjournments or postponements thereof, respecting (i) matters of which the Company did not have timely notice but that may be presented at the meeting; (ii) the election of any person as a director if a nominee is unable to serve or for good cause will not serve; and (iii) all matters incident to the conduct of the meeting.

Revoking a Proxy

Any stockholder giving a proxy may revoke it at any time prior to the voting thereof by:

- mailing a revocation to Mr. Ira Krakower, the Secretary of the Company, at the above address with a later date than any previously completed proxy so long as it is received prior to the Annual Meeting;
- submitting another properly completed proxy dated later than any previously completed proxy so long as it is received prior to the Annual Meeting;
- by filing a written revocation at the Annual Meeting with Mr. Krakower, the Secretary of the Company; or
- by casting a ballot at the meeting.

If you are an employee stockholder, you may revoke voting instructions given to the Trustee by following the instructions under **Employee Stockholder** in this proxy statement.

The Board strongly urges you to revoke any WHITE or other proxy card you may have returned which you received from OSS or its affiliates. Even if you have previously completed a proxy card sent by OSS, you have every right to change your vote. You may revoke that proxy and vote as recommended by your Board by either (i) signing, dating and returning the enclosed GOLD proxy card in the postage-paid envelope provided or (ii) if you hold your shares in street name, voting by telephone or Internet pursuant to the instruction on the GOLD proxy/voting instruction form.

Matters of Business, Votes Needed and Recommendations of the Board of Directors

Proposal 1 Election of Directors

Each outstanding share of our stock is entitled to one vote for as many separate nominees as there are directors to be elected. There are ten directors to be elected. The Board of Directors has nominated Joel S. Beckman, David E. Berges, Lynn Brubaker, Jeffrey C. Campbell, Sandra L. Derickson, W. Kim Foster, Jeffrey A. Graves, David C. Hill, David C. Hurley and David L. Pugh for election to Board of Directors. Each of these ten nominees, except Mr. Hill, is currently a director of the Company. Mr. Hill is being nominated by the Board to replace H. Arthur Bellows, Jr., who is not standing for re-election to the Board this year as he has reached our retirement age of 70. A plurality of the votes cast in person or by proxy at the Annual Meeting and entitled to vote is required to elect each of the nominees for director. If you do not wish

your shares to be voted for a particular nominee on the enclosed GOLD PROXY CARD, you may withhold your vote as provided on the proxy form. **The Board of Directors recommends that you vote FOR the election of each of the Board's nominees for director on the enclosed GOLD PROXY CARD.**

Proposal 2 Ratification of Independent Registered Public Accounting Firm

Ratification of the appointment of PricewaterhouseCoopers LLP to audit the Company's financial statements for 2008 requires the favorable vote of a majority of the shares present in person or by proxy and entitled to vote on the matter at the Annual Meeting once a quorum is present. Abstentions will be counted and will have the same effect as a vote against the proposal. Broker non-votes, if any, will have no effect on the outcome of this proposal. The audit committee is directly responsible for appointing the Company's independent registered public accounting firm, regardless of outcome of this vote. The audit committee is not bound by the outcome of this vote but will, however, consider these voting results when selecting the Company's independent auditor for 2008. **The Board of Directors recommends that you vote FOR the ratification of the selection of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for 2008.**

How to Vote Your Shares

Voting shares you hold through a nominee

If you hold shares through someone else, such as a stockbroker, bank or nominee, you will receive material from that firm asking you for instructions on how your shares should be voted. You can complete that firm's voting instruction form and return it as requested by the firm. If the firm offers Internet or telephone voting, the voting form will contain instructions on how to vote using those voting methods.

Returning a signed proxy without voting instruction

If you do return a signed GOLD PROXY CARD without providing voting instructions, your shares will be voted in favor of each of the director candidates nominated by the Board of Directors, in favor of the ratification of the selection of PricewaterhouseCoopers LLP as the Company's independent auditor for 2008, and in the discretion of the proxy holders on any other matters that may come before the Annual Meeting or any adjournments or postponements thereof.

If You Plan to Attend the Meeting

Please note that attendance will be limited to stockholders as of the record date. Admission will be on a first-come, first-served basis. Each stockholder may be asked to present valid picture identification, such as a driver's license or passport. Stockholders holding stock in brokerage accounts or by a bank or other nominee may be required to show a brokerage statement or account statement reflecting stock ownership as of the record date. Cameras, recording devices and other electronic devices will not be permitted at the Annual Meeting. You may contact _____ at _____ to obtain directions to the site of the Annual Meeting. The doors to the meeting will open at 10:00 a.m. local time and the meeting will begin at 10:30 a.m. local time.

Voting in person

If you are a registered stockholder, you may vote your shares in person by ballot at the Annual Meeting.

If you hold your shares in a stock brokerage account or through a bank or other nominee, you will not be able to vote in person at the Annual Meeting unless you have previously requested and obtained a legal proxy from your broker, bank or other nominee and present it at the Annual Meeting along with a properly completed ballot.

Inspectors of Election

At the Annual Meeting, IVS Associates, Inc. will count the votes. Its officers or employees will serve as inspectors of election.

Employee Stockholders

If you are a participant in at least one of the Company's Employee Stock Ownership Plans or Tax-Deferred Savings Plans, you will receive a separate voting instruction form to instruct the Trustee as to how to vote your shares. All shares of Common Stock for which the Trustee has not received timely directions shall be voted by the Trustee in the same proportion as the shares of Common Stock for which the Trustee received timely directions, except in the case where to do so would be inconsistent with the provisions of Title I of ERISA. If the voting instruction form is returned signed without directions marked for one or more items, your shares will be voted in favor of each of the director candidates nominated by the Board of Directors, in favor of the ratification of the selection of PricewaterhouseCoopers LLP as the Company's independent auditor for 2008, and in the discretion of the proxy holders on any other matters that may come before the Annual Meeting or any adjournments or postponements thereof.

This year's vote at the Annual Meeting is extremely important for the future of Hexcel Corporation

In addition to voting on the nominees being recommended by your current Board of Directors, you may be solicited for support for a dissident slate of director candidates chosen by OSS. Hexcel Corporation strongly urges you not to support their efforts and, instead, to vote for the Board of Directors' slate of directors on the Company's GOLD proxy card.

ELECTION OF DIRECTORS

At the 2008 annual meeting, ten directors will be elected to hold office until the 2009 annual meeting and until their successors are duly elected and qualified. All nominees identified in this proxy statement for election to the Board of Directors, except for Mr. Hill, are currently serving as directors of Hexcel. Mr. Hill was unanimously nominated by the incumbent directors to fill the vacancy resulting from the retirement of Mr. Bellows, who has reached our retirement age of 70.

Shares represented by an executed and returned GOLD proxy card will be voted for the election of the ten nominees recommended by the Board of Directors, unless the proxy is marked to withhold authority to vote. Proxies cannot be voted for more than ten persons. If any nominee for any reason is unable to serve, the shares of common stock represented by the GOLD proxy card will be voted for an alternate person as the Board may nominate. We are not aware of any nominee who will be unable to or will not serve as a director. Each of the nominees has consented to being named in this proxy statement and to serve if elected.

A plurality of the votes cast in person or by proxy at the Annual Meeting and entitled to vote is required to elect directors. Under the rules of the New York Stock Exchange, brokers who hold shares in street name have the authority to vote on some matters when they do not receive instructions from beneficial owners. Because of the election contest, brokers that do not receive instructions are prohibited from voting on the election of directors. Accordingly, a broker non-vote will not be counted as a vote to elect directors.

Information Regarding the Directors

Edgar Filing: HEXCEL CORP /DE/ - Form PREC14A

All of our current directors have been nominated for re-election to the Board of Directors except for Mr. Bellows who is retiring from the Board because he has reached our retirement age of 70. Set forth below is certain information concerning each of our current directors, except for Mr. Bellows, and Mr. Hill, who is a director nominee but not a current director. There are no family relationships among any of our executive officers and any of the nominees.

Name	Age	Director Since	Position(s) With Hexcel
David E. Berges	58	2001	Chairman of the Board; Chief Executive Officer; Director
Joel S. Beckman	52	2003	Director
Lynn Brubaker	50	2005	Director
Jeffrey C. Campbell	47	2003	Director
Sandra L. Derickson	55	2002	Director
W. Kim Foster	59	2007	Director
Jeffery A. Graves	46	2007	Director
David C. Hill	61	N/A	Director Nominee
David C. Hurley	67	2005	Director
David L. Pugh	59	2006	Director

[insert picture]

DAVID E. BERGES has served as Chairman of the Board of Directors and Chief Executive Officer of Hexcel since July 2001, and was President of Hexcel from February 2002 to February 2007. Prior to joining Hexcel, Mr. Berges was President of the Automotive Products Group of Honeywell International Inc.

from 1997 to July 2001 and Vice President and General Manager, Engine Systems and Accessories, at AlliedSignal Aerospace from 1994 to 1997. Previously Mr. Berges was President and Chief Operating Officer of Barnes Aerospace, a division of Barnes Group Inc. Mr. Berges spent the first fifteen years of his career in a variety of managerial and technical positions with the General Electric Company. Mr. Berges joined the board of directors of Dana Corporation in April 2004.

[insert picture]

JOEL S. BECKMAN has been a director of Hexcel since March 2003, and is a member of Hexcel's compensation committee. Mr. Beckman is a Managing Partner of Greenbriar Equity Group LLC, a private equity fund focused exclusively on making investments in transportation and transportation-related companies. Prior to founding Greenbriar in 2000, Mr. Beckman was a Managing Director and Partner of Goldman, Sachs & Co., which he joined in 1981. Mr. Beckman is a member of the board of directors of American Tire Distributors, Inc., Stag-Parkway, Inc., Grakon International, Inc. and Western Peterbilt, Inc. and is active in various civic organizations.

[insert picture]

LYNN BRUBAKER has been a director of Hexcel since December 2005, and is a member of the compensation committee and nominating and corporate governance committee of Hexcel. She recently retired after spending over 25 years in the aerospace industry in a variety of executive, operations, sales and marketing and customer support roles. From 1999 until June 2005 she was Vice President/General Manager - Commercial Aerospace for Honeywell International, with her primary focus in that role being on business strategies and customer operations for Honeywell's global commercial markets. From 1997 to 1999, Ms. Brubaker was Vice President Americas for Honeywell, and from 1995 to 1997, prior to AlliedSignal's merger with Honeywell, she was Vice President, Marketing, Sales and Support Operations, for AlliedSignal. Prior to joining AlliedSignal, Ms. Brubaker held a variety of management positions with McDonnell Douglas, Republic (predecessor to Northwest Airlines), and Comair. Ms. Brubaker currently serves on the board of a variety of private companies and other business organizations.

[insert picture]

JEFFREY C. CAMPBELL has been a director of Hexcel since November 2003, and is a member of the audit committee of Hexcel. Mr. Campbell has served as Executive Vice President and Chief Financial Officer of McKesson Corporation, a leading healthcare services, information technology and distribution company, since January 2004. Mr. Campbell was Senior Vice President and Chief Financial Officer of AMR Corp, the parent company of American Airlines, from June 2002 to December 2003, served as a Vice President of American Airlines from 1998 to June 2002 and served in various management positions of American Airlines from 1990 to 1998.

[insert picture]

SANDRA L. DERICKSON has been a director of Hexcel since February 2002. Ms. Derickson is Chair of the nominating and corporate governance committee

and is a member of the compensation committee of Hexcel. Ms. Derickson retired from HSBC in February 2007. She held several management positions at HSBC from September 2000 to February 2007 including President and Chief Executive Officer, HSBC Bank USA; Vice Chairman, HSBC Finance; and Group Executive, HSBC Finance. During her tenure, she was responsible for private label credit cards, insurance services, taxpayer services, auto financing and some of the Group's mortgage businesses. From 1976 to 1999, Ms. Derickson held various management positions with General Electric Capital Corporation, the last of which was President of GE Capital Auto Financial Services. Ms. Derickson was also an officer of the General Electric Company.

[insert picture]

W. KIM FOSTER has been a director of Hexcel since May 2007, and is a member of the audit committee of Hexcel. Mr. Foster has served as Senior Vice President and Chief Financial Officer of FMC Corporation, a chemical manufacturer serving various agricultural, industrial and consumer markets, since 2001. Prior to serving in his current role, Mr. Foster held numerous other executive and management positions with FMC, including Vice President and General Manager Agricultural Products Group from 1998 to 2001; Director, International, Agricultural Products Group from 1996 to 1998; and General Manager, Airport Products and Systems Division, 1991 to 1996.

[insert picture]

JEFFREY A. GRAVES has been a director of Hexcel since July 2007. Dr. Graves has served as President and Chief Executive Officer of C&D Technologies, Inc., a producer of electrical power storage systems, since 2005. From 2001 to 2005 he was employed by Kemet Corporation as Chief Executive Officer (2003 to 2005); President and Chief Operating Officer (2002 to 2003); and Vice President of Technology and Engineering (2001 to 2002). From 1994 to 2001 Dr. Graves was employed by the General Electric Company, holding a variety of Management positions in GE's Power Systems Division from 1996 to 2001, and in the Corporate Research and Development Center from 1994 to 1996. Prior to General Electric, Dr. Graves was employed by Rockwell International and Howmet Corporation, now a part of Alcoa Corporation. Dr. Graves is also a member of the Board of Directors of C&D Technologies, Inc. and Teleflex, Inc.

[insert picture]

DAVID C. HILL has been nominated for election to the Board at the annual meeting. Dr. Hill served as President and Chief Executive Officer of Sun Chemical Corporation, a producer of printing inks and pigments, from 2001 until his retirement in Dec 2007. During this time he was also a Supervisory Board member of Sun Chemical Group B.V. Prior to joining Sun Chemical Corporation in 2001, Dr. Hill spent four years at JM Huber Corporation as President of Engineered Materials. From 1980 to 1997, Dr. Hill served at AlliedSignal Inc., where he was President, Fibers from 1991 to 1994, Chief Technology Officer, Engineered Materials from 1994 to 1995 and President,

Specialty Chemicals through 1997. Dr. Hill began his career at Union Carbide Corporation in 1970, and has also been Director of Exploratory and New Ventures Research at Occidental Petroleum Corporation. He holds a Ph.D. in Materials Science and Engineering as well as an M.S. in Engineering and a B.S. in Materials Science and Engineering from Massachusetts Institute of Technology. Dr. Hill is a member of the Board of Directors of Symyx Technologies, Inc., and serves as a member of its Compensation and Governance Committees.

[insert picture]

DAVID C. HURLEY has been a director of Hexcel since November 2005, and is a member of the audit committee of Hexcel. He is currently the Vice Chairman of PrivatAir, a corporate aviation services company based in Geneva, Switzerland, where he served as Chief Executive Officer from 2000 to February 2003. Prior to 2000, Mr. Hurley was the Chairman and Chief Executive Officer of Flight Services Group (FSG), a corporate aircraft management and sales company, which he founded in 1984 and was acquired by PrivatAir in 2000. Before founding FSG, Mr. Hurley served as Senior Vice President of Domestic and International Sales for Canadair Challenger. He currently serves on the Boards of Genesee & Wyoming Inc., Genesis Lease Limited, Ionatron, Inc., and ExelTech Aerospace, Inc., and is the Chairman of the Board of the Smithsonian Institution's National Air and Space Museum and a variety of private companies.

[insert picture]

DAVID L. PUGH has been a director of Hexcel since July 2006, and is a member of the compensation committee of Hexcel. Mr. Pugh has served as the Chairman of Applied Industrial Technologies Inc., one of North America's leading industrial product distributors, since October 2000, and as Applied's Chief Executive Officer since January 2000. He was President of Applied from 1999 to October 2000. Prior to joining Applied, Mr. Pugh was senior vice president of Rockwell Automation and general manager of Rockwell's Industrial Control Group. Prior to joining Rockwell, Mr. Pugh held various sales, marketing and operations positions at Square D. Co. and Westinghouse Electric Corp. Mr. Pugh is a director of OM Group, Inc.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR
ELECTION OF EACH OF THE NOMINEES FOR DIRECTOR**

Solicitation of Proxies by Certain of the Company's Stockholders

In the spring of 2007, the Company received communications from OSS regarding OSS's views on the Company's operating performance and requesting that the Board form a committee of independent directors to retain an investment bank for advice on maximizing shareholder value. On March 9, 2007, OSS indicated a desire to submit for the Board's consideration a director candidate to replace Martin L. Solomon, a director that was retiring from the Board. Representatives of the Company's senior management met and communicated with OSS, and OSS was invited to present their views to the full Board on May 10, 2007. At this meeting, OSS presented their views on the Company's operating performance. The Board carefully considered the presentation by OSS and, after a review of OSS's suggestions, subsequently concluded that the Company should continue with its strategic plan for delivering

increased performance and enhancing shareholder value.

The Company received additional communications from OSS in the summer and fall of 2007.

On October 22, 2007, our Chairman and CEO, Mr. David Berges, received a telephone call from Oscar S. Schafer, Senior Managing Member of the general partner of OSS, indicating that OSS had three candidates that OSS wanted to be considered for positions on the Board. Shortly thereafter, OSS e-mailed to our Chairman the candidates' resumes, which our Chairman forwarded to the Chair of our Nominating and Corporate Governance Committee (Nominating Committee).

On October 29, 2007, the Chair of our Nominating Committee, Ms. Sandra L. Derickson, spoke with Mr. Schafer, during which conversation Ms. Derickson indicated that the Nominating Committee was beginning the process of a search for a candidate to replace a director retiring at the next annual meeting and would be interested in speaking with OSS's candidates. Ms. Derickson said she would personally call the OSS candidates within the next two weeks for a preliminary discussion.

Three days later, Mr. Schafer called Ms. Derickson to ask why she had not yet spoken with the candidates. At that time, Mr. Schafer informed Ms. Derickson that OSS was withdrawing the name of one of its previous three candidates and would be forwarding the resumes of two additional candidates. Mr. Schafer also indicated that OSS's desire was to have three of his candidates join the Board, which could be accomplished by expanding the size of the Board as permitted by the Company's Bylaws.

On November 6, 2007, Ms. Derickson received a facsimile from OSS in which OSS requested that all four candidates be interviewed and appropriately vetted and that the Board make a definitive decision on the candidates in eight business days.

On November 7, 2007, a special meeting of the Board was held at which the Board was apprised of the recent developments with OSS. After careful consideration, the Board affirmed its commitment to the Nominating Committee's established process of assessing whether director candidates possess the requisite skills and are fully qualified to serve as directors, and otherwise fully vetting them before presentation to the full Board. The Board authorized the Nominating Committee to continue its evaluation of the OSS candidates in addition to engaging a professional search firm to assist the Nominating Committee in conducting a search for qualified candidates meeting the needs previously identified by the Board. In light of the significant governance issues presented by OSS's request to expand the size of the Board, the Board deferred any decision on expanding the Board.

On November 8, 2007, Ms. Derickson wrote a letter to Mr. Schafer summarizing the results of the Board meeting, describing the qualifications of the five directors added in the previous two years and stating a willingness to include all qualified OSS candidates in the search process that was underway for the next Board opening, including having the candidates reviewed by the search firm. Ms. Derickson stated that the request for a definitive decision regarding the addition of three directors for one stockholder in eight business days was unreasonable and contrary to good governance standards.

On November 26, 2007, the Company received notice from OSS of their intention to nominate the following three candidates for election at the 2008 Annual Meeting of Stockholders: Messrs. J.V. Hirsch, Edward A. Blechschmidt and Timothy D. Leuliette. On November 26, 2007, OSS also made a demand for a stockholder list under Delaware law, with which the Company subsequently complied.

In an amendment to OSS's Schedule 13D filed on November 27, 2007, OSS indicated that they beneficially owned approximately 5.53% of the Company's outstanding shares and that OSS intended to solicit proxies at the 2008 Annual Meeting in support of their three nominees.

In December 2007 and January 2008, the Nominating Committee, in accordance with its regular procedures for the review and consideration of director candidates, met with and interviewed each of OSS's director candidates, along with other director candidates identified by the professional search firm engaged by the Nominating Committee.

On January 8, 2008, Mr. Schafer met briefly with Mr. Berges and Ms. Derickson in the Company's offices. The meeting had been requested by Mr. Schafer. At the meeting, he reiterated his request that the Board be expanded and that three of his candidates be nominated. Ms. Derickson advised him that the Nominating Committee was still conducting interviews with potential candidates and that no decision had been made on altering the size of the Board. She said she expected to complete the process in thirty to forty days and agreed to communicate her conclusions to him at that time. Mr. Schafer indicated that unless all three of his candidates were chosen as nominees, he would likely engage in a proxy contest.

In late January 2008, prior to the regularly scheduled February Board meeting, our advisors contacted OSS's advisors to ascertain whether OSS was still insisting on three of their nominees being added to the Board. OSS's advisors subsequently responded that OSS required that the Board add three new directors, at least two of which had to be candidates specified by OSS and a third candidate that had to be mutually acceptable. OSS's advisors also indicated that OSS wanted their candidates seated on the Board in advance of the 2008 Annual Meeting.

On February 19, 2008, Ms. Derickson sent a letter to OSS to inform them that the full Board had met and, in the interest of avoiding a costly and disruptive proxy contest, was prepared to expand its size by one director immediately to add one OSS candidate, Mr. Edward Blechschmidt, and to nominate Mr. Blechschmidt for election at the 2008 Annual Meeting and offer him a choice of Board committees on which to serve. Ms. Derickson also informed OSS that the Board requested OSS's support to nominate another independent director candidate, Mr. David C. Hill, who had been identified by the Nominating Committee to replace a retiring director, H. Arthur Bellows, for election to the Board at the 2008 Annual Meeting. The letter to OSS indicated that the Board had asked the Nominating Committee to seek out a candidate with strong technical qualifications related to Hexcel's businesses, with particular focus on capital intensive process manufacturing or experience in high performance fiber technology. The letter pointed out that Mr. Hill, being an MIT trained PhD, with a career in large scale chemical and engineered materials companies, met the needs identified by the Board and also had the operational and technical expertise necessary to address the alleged operational performance issues perceived by OSS. Ms. Derickson informed OSS that the Company welcomed the opportunity for OSS to meet Mr. Hill to confirm his outstanding credentials and qualifications.

On February 19, 2008, less than two hours of receiving the Board's proposal, OSS rejected the proposal and insisted that the Board nominate two of their candidates for election at the 2008 Annual Meeting. On February 25, 2008, OSS sent a letter to Ms. Derickson stating that they would be filing preliminary proxy materials with the SEC that week to support the election of their three candidates to the Board. On February 28, 2008, OSS filed preliminary proxy materials with the SEC indicating that they intended to solicit proxies for the election of their three candidates to the Board.

Independence of Directors

In February 2008, the Board of Directors affirmatively determined that each of our directors other than Mr. Berges, our Chairman and Chief Executive Officer, meets the director independence requirements of the listing standards of the NYSE. While the Board has not yet had an opportunity to make a determination regarding Mr. Hill's independence, we are currently not aware of any reason why the Board would not determine that Mr. Hill is independent. We expect that the Board will make a determination regarding Mr. Hill's independence in the near future.

In making these determinations our Board considered all relevant facts and circumstances including whether a director has a material relationship with Hexcel as contemplated by the NYSE listing standards. One non-employee director has a direct or indirect relationship with Hexcel other than as a director of Hexcel. Ms. Brubaker is a director of a private aerospace company that is a customer of Hexcel. In determining that Ms. Brubaker is independent, our Board

considered, among other things, the sales to the private aerospace company as a percentage of Hexcel's total sales, and that Ms. Brubaker has no significant direct or indirect pecuniary interest in the business relationship between Hexcel and the private aerospace company. Under applicable NYSE listing standards, Mr. Berges is not independent by virtue of his being employed by Hexcel.

Prior to March 15, 2006, Mr. Beckman was on our Board as a result of being nominated for election by certain investment entities controlled by affiliates of Greenbriar Equity Group LLC and Berkshire Partners LLC (the Berkshire/Greenbriar investors). Since March 15, 2006 the Berkshire/Greenbriar investors have not had any right to nominate persons to sit on our Board. Our Board determined in February 2008 that Mr. Beckman was independent under the listing standards of the NYSE. Our Board considered, among other things, that Mr. Beckman held a senior management position with the Berkshire/Greenbriar investors, and considered the former relationships and transactions between Hexcel and the Berkshire/Greenbriar investors, including the purchase by the Berkshire/Greenbriar investors of convertible preferred stock along with certain board representation rights and registration rights, and the payment by us to the Berkshire/Greenbriar investors of certain fees and expenses in connection with the investment. In concluding that this relationship and the transactions did not result in a material relationship between Hexcel and Mr. Beckman, our Board considered, among other things, that many of the investors' rights and obligations arose directly as a result of their Hexcel stock ownership, and that the fees and expenses paid with respect to the preferred stock investment made in 2003 and the secondary offerings of common stock in December 2004, August 2005 and March 2006 were not material to the investors.

Meetings and Standing Committees of the Board of Directors

General

During 2007 there were ten meetings of the Board of Directors and twenty meetings in the aggregate of the three standing committees of the Board of Directors. The Board of Directors also acted once by written consent. Each of the incumbent directors who served on the Board of Directors and its committees during 2007 attended or participated in at least 75% of the aggregate number of Board of Directors meetings and applicable committee meetings held during 2007 during the time such person was a director. A director is expected to regularly attend and participate in meetings of the Board and of committees on which the director serves, and to attend the annual meeting of stockholders.

The Board of Directors has established the following standing committees: audit committee; compensation committee; and nominating and corporate governance committee. The Board of Directors may establish other special or standing committees from time to time. Members of committees serve at the discretion of the Board of Directors. Each of our three standing committees operates under a charter adopted by the Board. The charter for each of these committees requires that all members of these committees be independent as required by NYSE listing standards. In addition, our Board of Directors has adopted a set of corporate governance guidelines. All of these documents can be viewed on the investor relations section of our website, www.hexcel.com, under corporate governance. You may obtain a copy of any of these documents, free of charge, by directing your request to Hexcel Corporation, Attention: Investor Relations Manager, Two Stamford Plaza, 281 Tresser Boulevard, Stamford, CT 06901, telephone (203) 352-6826.

Audit Committee

The audit committee assists the Board's oversight of the integrity of our financial statements, our compliance with legal and regulatory requirements, our independent registered public accounting firm's qualifications, independence and performance, and our internal audit function. During 2007 the audit committee held twelve meetings and acted once by written consent. Additional information regarding the audit committee, including additional detail about the functions performed by the audit committee, is set forth in the Audit Committee Report included on page 62 of this proxy statement. The current members of the audit committee are Messrs. Bellows (Chair), Campbell, Foster and Hurley.

NYSE listing standards require each member of the audit committee to be independent, as described above under Independence of Directors. Members of the audit committee are also required to satisfy an additional SEC independence

requirement, which provides that they may not accept directly or indirectly any consulting, advisory or other compensatory fee from Hexcel or any of its subsidiaries other than directors' compensation. NYSE listing standards also require that each member of the audit committee be financially literate and that at least one member of the committee have accounting or related financial management expertise. Finally, SEC rules require that we disclose whether our audit committee has an audit committee financial expert, which generally means a person with an understanding of financial and accounting matters, including internal controls and audit committee functions, who has acquired this understanding through appropriate professional experience.

Each member of our audit committee is independent under NYSE listing standards and satisfies the additional SEC independence requirement described above. All members of our audit committee meet the financial literacy requirements of the NYSE and at least one member has accounting or related financial management expertise as required by the NYSE. In addition, our Board has determined that Jeffrey C. Campbell, who currently is Executive Vice President and Chief Financial Officer of McKesson Corporation, is an audit committee financial expert under SEC rules. In making this determination, the Board considered, among other things, Mr. Campbell's extensive knowledge and experience with respect to the financial reporting process for public companies, including his former position as Senior Vice President and Chief Financial Officer of AMR Corp, the parent company of American Airlines, his experience as an auditor for a predecessor of Deloitte & Touche, and his formal education.

The audit committee has adopted procedures for the receipt, retention and handling of concerns regarding accounting, internal accounting controls and auditing matters by employees, stockholders and other persons. Any person with such a concern should report it to the Board as set forth under "Contacting the Board" on page 13. The audit committee has also adopted procedures for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters. Employees should consult the Hexcel Code of Business Conduct for information on how to report any such concern.

The audit committee has established policies and procedures for the pre-approval of all services provided by the independent registered public accounting firm. These policies and procedures are described on page 64 of this proxy statement.

Nominating and Corporate Governance Committee

The nominating and corporate governance committee identifies and recommends to the Board individuals qualified to serve as directors and on committees of the Board; advises the Board with respect to Board and committee procedures; developed and recommended to the Board, and reviews periodically, our corporate governance principles; and oversees the evaluation of the Board, the committees of the Board and management. The current members of the nominating and corporate governance committee are Ms. Derickson (Chair), Ms. Brubaker, and Messrs. Bellows and Graves, each of whom is independent under NYSE listing standards. During 2007 the nominating and corporate governance committee held one meeting and acted once by written consent.

The nominating and corporate governance committee believes that each nominee for director should demonstrate, by significant accomplishment in his or her field, an ability to make a meaningful contribution to the Board's oversight of the business and affairs of Hexcel. The committee also considers the following when selecting candidates for recommendation to the Board: knowledge; experience, expertise, diversity, personal and professional integrity, character, business judgment, time availability in light of other commitments, dedication, potential conflicts of interest and such other factors that the committee considers appropriate, from time to time, in the context of the needs or stated requirements of the Board.

Edgar Filing: HEXCEL CORP /DE/ - Form PREC14A

The committee will consider director candidates recommended by stockholders, as well as by other means such as our non-management directors, our chief executive officer, and other executive officers. In considering candidates submitted by stockholders, the committee will take into consideration the needs of the Board and the qualifications of the candidate. To have a candidate considered by the committee, a stockholder must submit the recommendation in writing to our corporate secretary at the address listed below under [Contacting the Board](#) so that it is received at least 120 days prior to the anniversary date of the notice

given to stockholders regarding our prior year's annual meeting of stockholders. The stockholder must supply the following information with his or her recommendation:

- The name and record address of the stockholder and evidence of the stockholder's ownership of Hexcel stock, including the class and number of shares owned of record or beneficially and the length of time the shares have been held
- The name, age, business address and residence address of the candidate, a listing of the candidate's qualifications to be a director, and the person's consent to be named as a director if selected by the committee and nominated by the Board
- Any information about the candidate which would be required to be disclosed in a proxy statement or other filing relating to the election of directors
- A representation that the stockholder intends to appear in person at the annual meeting to nominate the candidate
- Any material interest of the stockholder relating to the nomination of the candidate, including a description of all arrangements or understandings between the stockholder and the candidate
- A description of all arrangements or understandings between the stockholder and any other person, naming such other person, relating to the recommendation of such candidate

The committee's evaluation process does not vary based on whether or not a candidate is recommended by a stockholder, although the Board may take into consideration the number of shares held by a recommending stockholder and the length of time that such shares have been held.

The elections of Messrs. Graves and Hill to our Board are being voted upon by stockholders for the first time at the 2008 Annual Meeting. When we have a vacancy on our Board, we may engage a professional search firm to perform customary services in connection with a director search process, such as identifying and evaluating potential candidates based on criteria provided by the nominating and corporate governance committee. Both Mr. Graves and Mr. Hill were initially recommended by a professional search firm. No member of our Board or of senior management was acquainted with either Mr. Graves or Mr. Hill prior to the search firm's recommendation.

Compensation Committee

The compensation committee oversees, reviews and approves our compensation and benefit plans and programs and defines the goals of compensation policy. In this capacity, the compensation committee administers our incentive plans and makes grants of stock options and/or awards of restricted stock units or other equity based compensation to executive officers, other key employees, directors and consultants. The current members of the compensation committee are Mr. Pugh (Chair), Mr. Beckman, Ms. Brubaker and Ms. Derickson, each of whom is independent under NYSE listing standards. During 2007 the compensation committee held seven meetings and acted three times by written consent.

Additional information regarding the compensation committee, including additional detail about the objectives, policies, processes and procedures of the compensation committee, is set forth in Compensation Discussion and Analysis on page 19 of this proxy statement.

Executive Sessions

The independent directors are required under our corporate governance guidelines to meet in executive session, without management, a minimum of two times a year. Each executive session is presided over by a presiding director. If our Chairman of the Board is independent, then our Chairman will be the presiding director. If the chairman is not independent, as is the case with Mr. Berges, then the chairs of our standing committees rotate as the presiding director for these meetings. However, if the chair of any standing committee is not independent under NYSE listing standards then that person will not be included in this rotation.

Contacting the Board

Stockholders and other interested parties may contact the non-management members of the Board or the presiding director by sending their concerns to: Board of Directors, c/o Corporate Secretary, Hexcel Corporation, Two Stamford Plaza, 281 Tresser Boulevard, Stamford, CT 06901; facsimile number (203) 358-3972; e-mail address boardofdirectors@hexcel.com. The Corporate Secretary will review all communications and forward them to the presiding director. The Corporate Secretary may, however, filter out communications that do not relate to our business activities, operations or our public disclosures, but will maintain a record of these communications and make them available to the presiding director. Any communications received by the presiding director regarding concerns relating to accounting, internal accounting controls or auditing matters will be immediately brought to the attention of the audit committee and will be handled in accordance with the procedures established by the audit committee to address these matters.

Code of Business Conduct

It is our policy that all of our officers, directors and employees worldwide conduct our business in an honest and ethical manner and in compliance with all applicable laws and regulations. Our Board of Directors has adopted the Hexcel Code of Business Conduct in order to clarify, disseminate and enforce this policy. The Code applies to all of our officers, directors and employees worldwide, including our chief executive officer, chief financial officer and controller. The Code can be viewed on the investor relations section of our website, www.hexcel.com, under corporate governance. In addition, you may obtain a free copy of the Code by directing your request to Hexcel Corporation, Attention: Investor Relations Manager, Two Stamford Plaza, 281 Tresser Boulevard, Stamford, CT 06901, telephone (203)

Edgar Filing: HEXCEL CORP /DE/ - Form PREC14A

352-6826. Any amendment to the Code of Business Conduct (other than technical, administrative or non-substantive amendments), or any waiver of a provision of the Code that applies to Hexcel's Chief Executive Officer, Chief Financial Officer or Corporate Controller, will be promptly disclosed on the investor relations section of our website under corporate governance.

EXECUTIVE OFFICERS

Set forth below is certain information concerning each of our current executive officers. For additional information concerning Mr. Berges, see Election of Directors Information Regarding the Directors on page 4.

Name	Age	Executive Officer Since	Position(s) With Hexcel
David E. Berges	58	2001	Chairman of the Board; Chief Executive Officer; Director
William Hunt	65	1996	President
Wayne C. Pensky	52	2007	Senior Vice President; Chief Financial Officer
Ira J. Krakower	67	1996	Senior Vice President; General Counsel; Secretary
Robert G. Hennemuth	52	2006	Senior Vice President, Human Resources
Andrea Domenichini	60	2007	Vice President, Operations
Mark I. Clair	47	2007	Corporate Controller; Chief Accounting Officer
Michael J. MacIntyre	47	2003	Treasurer

WILLIAM HUNT has served as President since February 2007, and served as President of the former Hexcel Composites business unit from November 1998 through January 2007 and as President of the former Hexcel EuroMaterials business unit from February 1996 to October 1998. Mr. Hunt served as President of the EuroMaterials unit of the Composites Business of Ciba-Geigy Ltd. from 1991 to February 1996 and as Managing Director of Ciba-Geigy Plastics from 1990 to 1991. Prior to joining Ciba-Geigy Ltd. in 1990, Mr. Hunt held various other technical and managerial positions, including the position of Managing Director of Illford Limited (Photographic) Co.

WAYNE C. PENSKY has served as Senior Vice President and Chief Financial Officer since April 2007. Prior to serving in his current role, Mr. Pensky served as Vice President, Finance and Controller of our Composites global business unit since 1998. From 1993 to 1998 Mr. Pensky was our Corporate Controller and Chief Accounting Officer. Prior to joining Hexcel in 1993, Mr. Pensky was a partner at Arthur Andersen & Co., where he had been employed since 1979.

IRA J. KRAKOWER has served as Senior Vice President, General Counsel and Secretary of Hexcel since September 1996. Prior to joining Hexcel, Mr. Krakower served as Vice President and General Counsel to Uniroyal Chemical Corporation from 1986 to August 1996 and served on the board of directors and as Secretary of Uniroyal Chemical Company, Inc. from 1989 to 1996.

ROBERT G. HENNEMUTH has served as Senior Vice President, Human Resources since March 2006. Prior to joining Hexcel, Mr. Hennemuth served as Vice President Human Resources of Jacuzzi Brands, Inc. from July 2003 to September 2005. Previously, he was employed by Honeywell International, formerly known as AlliedSignal Inc., where he served as Vice President of Human Resources & Communications for various businesses from December 1996 to June 2003, including Honeywell Consumer Products Group.

ANDREA DOMENICHINI has served as Vice President, Operations of Hexcel since January 2007, and served as Vice President, Operations of the former Hexcel Composites business unit from November 2001 through December 2006. Mr. Domenichini served as Head of Hexcel's Matrix Systems Business from October 1997 through October 2001. Prior to joining Hexcel in 1996, Mr. Domenichini held various managerial positions with Hercules Incorporated from 1973 to May 1996, the latest being Managing Director of Hercules Aerospace Spain.

Edgar Filing: HEXCEL CORP /DE/ - Form PREC14A

MARK I. CLAIR has served as Vice President, Corporate Controller and Chief Accounting Officer since July 2007. Mr. Clair served as Assistant Controller Corporate of Terex Corporation, a diversified global manufacturer of capital equipment, from June 2005 to July 2007. From 1988 to June 2005, Mr. Clair

held various positions for United States Steel Corporation, including Director - General and Consolidation Accounting from June 2003 through May 2005, and Controller of US Steel's Minnesota Ore Operations from June 1999 through May 2003.

MICHAEL J. MACINTYRE has served as Hexcel's Treasurer since December 2002 and was Assistant Treasurer from October 2000 to December 2002. Prior to joining Hexcel, Mr. MacIntyre served as Assistant Treasurer of Hitachi America Capital, Ltd, a US financing subsidiary of Hitachi America, Ltd, a sales and manufacturing company serving the US electronics markets, from 1998 to 2000, and held various treasury management positions with Hitachi America, Ltd. from 1988 to 1998.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**Stock Beneficially Owned by Principal Stockholders**

The following table sets forth certain information as of February 29, 2008 with respect to the ownership by any person (including any group as that term is used in Section 13(d)(3) of the Securities Exchange Act of 1934 (the Exchange Act)) known to us to be the beneficial owner of more than five percent of the issued and outstanding shares of Hexcel common stock:

Name and Address	Number of Shares of Common Stock(1)	Percent of Common Stock(1)
Jeffrey L. Gendell (2) 55 Railroad Avenue Greenwich, CT 06830	9,432,617	9.8%
Lord, Abbett & Co. LLC (3) 90 Hudson Street Jersey City, NJ 07302	8,217,337	8.6%
Earnest Partners LLC (4) 1180 Peachtree Street NE, Suite 2300 Atlanta, GA 30309	6,903,437	7.2%
FMR Corp. (5) 82 Devonshire Street Boston, MA 02109	6,487,700	6.8%
O.S.S. Capital Management LP (6) 598 Madison Avenue New York, NY 10022	5,285,900	5.5%
Ingalls & Snyder LLC (7) 61 Broadway New York, NY 10006	5,079,385	5.3%

(1) Number of Shares is based on information contained in a Statement on Schedule 13D, 13D/A, 13G or 13G/A filed with the SEC as indicated in footnotes (2) through (7) below. The Percent of Common Stock is based on such number of shares and on 95,834,233 shares of common stock issued and outstanding as of February 29, 2008.

(2) Based on information contained in a Statement on Schedule 13G/A filed with the SEC on January 25, 2008. This Schedule 13G/A was also filed on behalf of the following entities: Tontine Capital Partners, L.P.; Tontine Capital Management, L.L.C.; Tontine Partners, L.P.; Tontine Management, L.L.C.; and Tontine Overseas Associates, L.L.C.

(3) Based on information contained in a Statement on Schedule 13G/A filed with the SEC on February 14, 2008.

(4) Based on information contained in a Statement on Schedule 13G/A filed with the SEC on January 31, 2008.

(5) Based on information contained in a Statement on Schedule 13G/A filed with the SEC on February 14, 2008. This Schedule 13G/A was also filed on behalf of the following persons or entities: Edward C. Johnson, 3d and members of his family; FMR LLC; Fidelity Management & Research Company; Pyramis Global Advisors Trust Company; and Fidelity International Limited.

(6) Based on information contained on Schedule 13D/A filed with the SEC on February 25, 2008. The Schedule 13D/A was also filed on behalf of the following persons or entities: Oscar S. Schafer & Partners I LP; Oscar S. Schafer & Partners II LP; O.S.S. Overseas Fund Ltd.; O.S.S. Advisors LLC; Schafer Brothers LLC; Oscar S. Schafer; and Peter J. Grondin.

(7) Based on information contained in a Statement on Schedule 13G/A filed with the SEC on February 7, 2008.

Stock Beneficially Owned by Directors and Officers

The following table contains information regarding the beneficial ownership of shares of Hexcel common stock as of February 29, 2008 by our current directors, one director nominee who is not a current director and the executive officers listed in the Summary Compensation Table below, and by all directors (including the director nominee who is not a current director) and executive officers as a group. The information for the Number of Shares was supplied to us by the persons listed in the table.

Name	Number of Shares of Common Stock(1)	Percent of Common Stock(2)(3)
David E. Berges	1,568,903	1.6%
Joel S. Beckman	5,090(4)	*
H. Arthur Bellows, Jr.	58,693	*
Lynn Brubaker	6,303	*
Jeffrey C. Campbell	18,791	*
Sandra L. Derickson	56,343	*
W. Kim Foster	2,132	*
Jeffrey A. Graves	1,658	*
David Hill	0	0%
David C. Hurley	6,261	*
David L. Pugh	9,394	*
William Hunt	273,727	*
Wayne C. Pinsky	151,031	*
Ira J. Krakower	456,466	*
Robert G. Hennemuth	24,267	*
Stephen C. Forsyth	95,801	*
Joseph H. Shaulson	251,704	*
All executive officers and directors as a group (20 persons)	3,014,985	3.1%

(1) Includes shares underlying stock-based awards that either were vested as of February 29, 2008, will vest within sixty days of this date or would vest upon retirement of the individual. These shares are beneficially owned as follows: Mr. Berges 1,245,301; Mr. Beckman 5,090; Mr. Bellows 48,693; Ms. Brubaker 3,500; Mr. Campbell 16,593; Ms. Derickson 26,757; Mr. Foster 2,132; Mr. Graves 1,658; Mr. Hill 0; Mr. Hurley 6,261; Mr. Pugh 4,394; Mr. Hunt 170,810; Mr. Pinsky 137,135; Mr. Krakower 395,822; Mr. Hennemuth 17,039; Mr. Forsyth 0; Mr. Shaulson 235,755; and all other executive officers and directors as a group 2,344,588. None of our directors or named executive officers has directly pledged any of our common stock as security; however, a total of 10,000 shares are held by Mr. Bellows, and a total of 1,497 shares are held by Mr. Hennemuth, in a margin account.

(2) Based on 95,834,233 shares of common stock issued and outstanding as of February 29, 2008. As required by SEC rules, for each individual person listed in the chart the percentage is calculated assuming that the shares listed in footnote (1) above for such person are outstanding, but that none of the other shares referred to in footnote (1) above are outstanding. In particular, shares underlying stock-based awards are deemed outstanding to the extent they are vested as of February 29, 2008 or will vest within sixty days of this date, or would vest upon retirement of the individual.

(3) An asterisk represents beneficial ownership of less than 1%.

(4) Includes 1,590 shares underlying stock-based awards granted to Mr. Beckman that are held for the benefit of Greenbriar Equity Group LLC. Mr. Beckman disclaims beneficial ownership of these shares.

COMPENSATION DISCUSSION AND ANALYSIS

This section describes and analyzes the material elements of 2007 compensation for our executive officers identified in the Summary Compensation Table on page 43. We refer to these individuals as the named executive officers, or NEOs. The Compensation Committee (the committee) of the Board of Directors is responsible for determining the compensation and benefits of the NEOs, including salary, incentives, equity grants, benefits, perquisites, and other agreements and arrangements that have a compensation component. The committee's approval of the compensation of our CEO is subject to ratification by our independent directors.

Compensation Objectives and Policies

The committee strives to establish a compensation and benefits program that will enable us to attract, retain and motivate a high caliber of executive talent. The principal guidelines we follow in establishing this program are:

- Our compensation should be competitive in the marketplace in which we compete for talent. We strive to provide total compensation in the mid-range of compensation for executives in a group of companies in similar or related industries, adjusted for size, which we define as a comparator group of peer companies.
- Compensation should reflect the level of job responsibility, and be related to individual and company performance. Since the performance of our NEOs greatly impacts our results, a significant portion of their compensation should be variable and based on performance.
- Although our programs tie total compensation to individual and company performance, the twin objectives of pay-for-performance and retention of executive talent must be balanced. We believe competition for executive talent is vigorous, particularly in the commercial aerospace and defense industries. Our compensation programs should ensure that successful, high-achieving executives will remain motivated and committed to us even during periods of temporary downturns in the performance of our business.
- Our compensation program should encourage long-term focus while recognizing the importance of short-term needs. Executives at the highest level should have a significant portion of their compensation dependent upon our long-term performance.
- We establish specific programs where we feel it necessary to remain competitive such as by providing benefits upon retirement or upon other separation from service.
- Our compensation programs are forward-looking. We do not determine current compensation on the basis of prior compensation or gains realized from equity awards. Our compensation-setting processes do, however, include a review of compensation history. We believe it is important to annually review total compensation through the use of tally sheets which include projected payments under existing compensation programs as well as under various termination scenarios such as retirement, involuntary termination and upon a change in control.

- We align executive and shareholder interests by requiring executives to own our stock.
- We provide limited executive perquisites.

The Compensation Committee's Processes

The committee operates under a written charter approved by the Board and reviewed by the committee annually. The charter provides that the committee is accountable for overseeing, reviewing and approving our compensation and benefit plans and programs and for defining the goals of compensation policy. The committee reviews and approves the compensation of the NEOs on an annual basis, including incentive awards and equity

grants. The committee is also the designated body responsible for overseeing the administration of benefit plans applicable to all of our employees, including the NEOs.

The committee has established a number of procedures to assist it in aligning our executive compensation program to meet its objectives:

Compensation Consultant. The committee retains Frederic W. Cook & Co. (FWC), a compensation consultant, to assist it in establishing and reviewing executive compensation. The committee has the sole authority to approve FWC's fees and the other terms of FWC's engagement. FWC does not provide any services to us other than consulting regarding our executive compensation. The committee periodically receives written presentations from FWC, and exchanges correspondence and confers with FWC on a variety of compensation matters, both with and without senior management present. The CEO may, with the consent of the committee, confer with FWC when developing recommendations for the other NEOs. On behalf of the committee, senior management periodically confers with FWC on our executive compensation programs and may request FWC's views regarding the advisability of changing programs or adopting new programs. The committee reviews data developed for us by FWC reflecting competitive compensation practices of our comparator group of companies, as well as general industry survey data obtained from other compensation resources which encompasses a broader and larger group of companies.

Benchmarking. Each year the committee specifically reviews and authorizes the salaries, incentives and equity grants for the NEOs. In making these determinations the committee considers prevailing compensation practices of the comparator group. The comparator group is comprised of companies which have attributes such that, when viewed as a whole, represent a reasonable comparison to us in a number of relevant respects. The comparator group is selected by the committee based on recommendations by FWC with input from management on the relevance of potential peer companies to our company. The peer companies are reviewed annually for their continued relevance as comparison companies for Hexcel. The comparator group companies considered by the committee in determining NEO compensation for 2007 are:

A. Schulman, Inc.	Crane Co.	H.B. Fuller Company
AAR Corp.	Cytec Industries Inc.	Kaman Corporation
Alliant Techsystems Inc.	Esterline Technologies Corp.	PerkinElmer, Inc.
Barnes Group Inc.	FMC Corporation	Precision Castparts Corp.
BE Aerospace, Inc.	Goodrich Corporation	Rockwell Collins, Inc.
Cabot Corporation		

This comparator group was selected based on the following criteria relevant to us:

- Industry, such as aerospace, defense and specialty chemicals
- Competitor or provider of similar products
- Revenues, net income, and total assets
- Market capitalization and number of employees
- Business complexity and international presence

Edgar Filing: HEXCEL CORP /DE/ - Form PREC14A

The comparator group used for purposes of determining 2006 compensation included Engelhard Corporation, which has since been acquired by BASF. The 2006 comparator group did not include AAR, BE Aerospace or Esterline Technologies. The committee added these three companies for 2007 to replace companies that had been part of our comparator group in prior years but had since been acquired. With FWC's guidance, the committee concluded that a group of sixteen companies would provide an appropriate sampling of executive compensation data to indicate prevailing compensation practices among companies comparable to us.

The committee compares each NEO's salary, target bonus and long-term incentive compensation, both separately and in the aggregate, to the compensation of similarly situated executives of the comparator group companies. With the aid of FWC, the committee strives to establish an executive compensation program in the mid-range of target compensation of similar executive positions in the comparator group.

In late 2006, the committee reviewed available comparator group executive compensation data obtained by FWC. FWC's data were adjusted by regression analysis in order to meaningfully compare compensation paid by comparator group companies with substantially higher or lower revenues than ours to the compensation of our NEOs in similar positions. In order to provide comparable compensation data with respect to Mr. Hunt, who is based in the UK, FWC relied upon a UK executive compensation consulting firm, New Bridge Street Consultants, to assist it in developing recommendations with respect to Mr. Hunt's compensation. New Bridge Street is retained directly by FWC and provides no services directly to us. The committee also reviewed a large, multiple-industry compensation survey purchased by the company from Towers Perrin. This market survey was not prepared specifically for us, and included hundreds of companies in various industries, including aerospace, chemicals, automotive and defense. The committee considered the FWC data as most relevant since it reflected the comparator group, but also viewed the Towers Perrin data as relevant to provide assurance that the comparator group data reflects compensation practices similar to those in a broader industry index of companies.

Assessment of Our Performance. We provide the opportunity for both cash and stock incentives based on achievement of individual and company performance measures. Annual cash awards are available under the Management Incentive Compensation Plan (MICP). Performance Share Awards (PSAs) are made under our 2003 Incentive Stock Plan (ISP) and are earned over a cumulative two-year performance cycle followed by a one-year service period. The committee approves performance measures and the formulae that determine the size of cash awards payable under the MICP and the number of shares of our common stock that may be awarded under the PSAs. These performance measures, as well as the levels of attainment of the performance measures that will lead to payout of the award at the threshold, target and maximum levels of performance, are established in consultation with FWC and senior management. They reflect the committee's views on the achievability of the performance measure based on the business plan presented to the Board by senior management. The committee believes that consultation with management is important to understanding the relevance of the performance measure and the specific performance goals to our overall business objectives in the measurement period.

Assessment of Individual Performance. At the beginning of each year we establish individual performance objectives for the CEO for the year and we evaluate the CEO's performance against the objectives set for the preceding year. For 2007 we based the CEO's MICP award opportunity solely on company performance which was a departure from past practice where 70% of his MICP award was based on company performance and 30% was based on individual objectives. We made this change to link his MICP award opportunity entirely to company results. However, we consider achievement of his individual objectives in deciding whether to exercise negative discretion to reduce his MICP award, and in setting his target compensation for the subsequent year. Periodically during 2007 the independent directors reviewed the CEO's performance and the Presiding Director discussed the Board's assessment of his performance with the CEO. This performance assessment included a review of overall performance of the company, the degree to which strategic objectives were met, leadership accomplishments and other factors deemed relevant to the CEO's performance. Our compensation committee charter requires that all decisions regarding CEO compensation must be ratified by our independent directors as a group.

Mr. Berges' employment agreement is evergreen for additional one-year periods unless notice is given by us or Mr. Berges of an intention not to extend for an additional year. Each year the Board, prior to the automatic renewal of the agreement, considers whether or not to extend the term of his employment for an additional year, based on an assessment of his performance as CEO. In 2007 the Board decided to continue Mr. Berges' employment agreement at least to its current expiration date in July 2009.

At the beginning of each year, in addition to setting financial targets and variable pay formulae for all NEOs, the committee requests that the CEO establish individual performance objectives for the other NEOs and evaluate their attainment of the prior year's objectives as part of an annual review of their performance. Each year the committee receives the CEO's assessment of the degree to which each NEO has attained individual objectives, and of each NEO's overall performance, criticality to business strategy, career potential and retention risk. In addition, the CEO makes a compensation recommendation for each NEO. These recommendations are reviewed by FWC to assure that the recommended compensation for each NEO is reasonable and within competitive norms. While the committee gives appropriate weight to benchmarking data and the CEO's recommendations, the committee also exercises its judgment based on the committee's interactions with the NEOs.

Total Compensation Review. As part of the committee's review of the annual target compensation of the NEOs, the committee reviews tally sheets for each of the NEOs which reflect other elements of compensation such as deferred compensation, retirement benefits, severance payments and perquisites under various scenarios including termination of employment for death or disability, or by us with or without cause, or by the executive with or without good reason, and termination benefits resulting from a change of control (see pages 54-60 for a complete description of benefits and enhancements upon termination). The tally sheets also reflect realized and unrealized amounts from awards of equity incentives.

Consistent with the committee's views that an executive's annual compensation should reflect individual and company performance and reflect competitive practices, the compensation previously earned by the NEOs, including realized and unrealized gains under equity grants, are not a determinant in setting compensation for subsequent years. However, the committee does consider the tally sheet data to understand the impact that compensation actions under consideration could have on future payments on retirement, termination and change in control scenarios. With the assistance of FWC, the committee also uses the tally sheets to provide assurance that our compensation programs and payments upon termination under various scenarios are reasonable and in line with competitive norms.

Components of Executive Compensation for 2007

For 2007, executive compensation consisted of four primary components—salary, cash incentive bonus, equity awards and a benefits package. Total target cash compensation, which equals salary and annual cash bonus at target, remained constant for Mr. Berges, and increased an average of 5.5% for the other NEOs, excluding Mr. Pensky, from 2006 to 2007. In 2005 we decided to increase the value of our annual equity awards to the NEOs, determined as a percentage of salary, in two steps over 2006 and 2007. These increases were based on a review of competitive compensation data which indicated that our long-term target incentives for NEOs were below competitive practices. We made the second of these increases effective for 2007. This is discussed on pages 28-29.

The following chart shows the total target compensation of each of our NEOs in 2007, which includes salary, target cash bonus under the MICP, and the value of 2007 equity awards. The value of an equity award is determined in a manner consistent with the manner used to determine these values for purposes of the summary compensation table on page 43. The percentages shown reflect the percentage of total direct target compensation represented by each compensation component for each NEO.

Edgar Filing: HEXCEL CORP /DE/ - Form PREC14A

NEO	Salary	Target Cash Bonus	Value of 2007 Equity Awards
Berges	\$ 837,000(22%)	\$ 837,000(22%)	\$ 2,092,500(56%)
Hunt	\$ 466,206(27%)	\$ 279,724(16%)	\$ 1,002,765(1) (57%)
Pensky(2)	\$ 325,000(36%)	\$ 178,750(20%)	\$ 390,000(44%)
Krakower	\$ 317,029(34%)	\$ 174,366(19%)	\$ 443,841(47%)
Hennemuth	\$ 300,000(35%)	\$ 150,000(17%)	\$ 420,000(48%)
Forsyth(2)	\$ 392,792(31%)	\$ 216,036(17%)	\$ 667,746(52%)
Shaulson(3)	\$ 298,325(31%)	\$ 298,325(4) (31%)	\$ 357,990(38%)

(1) The equity award value for Mr. Hunt reflects one-half of the value of a promotional grant received by Mr. Hunt in 2007 when he became President, which grant will vest in full in April 2009 so long as Mr. Hunt is employed with us as of that date. This value is \$227,125. If this amount were excluded, the percentages for Mr. Hunt represented by salary, bonus and equity awards for 2007 would be 31%, 18% and 51%.

(2) Mr. Pensky was promoted to Senior Vice President and Chief Financial Officer effective April 27, 2007, which date was the last day of Mr. Forsyth's employment with us.

(3) Mr. Shaulson's last day of employment with us was August 17, 2008.

(4) The target cash bonus for Mr. Shaulson reflects the opportunity for Mr. Shaulson's bonus to be doubled if the business he was responsible for managing in 2007 met its target EBITDA. If this doubling is ignored, the percentages for Mr. Shaulson represented by salary, bonus and equity awards for 2007 would be 37%, 19% and 44%.

Each of these compensation components is described in detail below.

Salary. The committee sets salaries for NEOs using the comparative data described above under "Benchmarking" as a guide and targets the mid-range of the comparator group, but is also influenced by various other factors. These factors include job responsibilities, internal equity among the NEOs, individual performance, retention risk, and experience.

At the request of Mr. Berges, the committee did not increase his salary in 2007. In January 2007 the CEO presented the committee his recommendations regarding salary increases for our other NEOs, other than Mr. Pensky who first became an NEO in April 2007. Mr. Berges recommended, and the committee approved, salary increases for the NEOs as follows:

- Mr. Hunt: 10.0%
- Mr. Forsyth: 3.5%
- Mr. Krakower: 3.5%

Edgar Filing: HEXCEL CORP /DE/ - Form PREC14A

- Mr. Hennemuth: 7.1%
- Mr. Shaulson: 2.9%

Mr. Pensky was promoted to CFO in April 2007, at which time the committee approved a salary for him of \$325,000.

Analysis

Mr. Berges recommended to the committee that his salary remain unchanged from 2006 due to

- Business circumstances. During 2006, a variety of factors, such as an unexpected decline in ballistics sales and production delays announced by Airbus for the A380 aircraft launch, resulted in us not meeting certain internal financial performance targets established prior to 2006.
- The substantial increase in salary Mr. Berges received in 2006, which was partly related to the elimination in January 2006 of perquisites to which Mr. Berges was entitled prior to 2006.

The committee accepted Mr. Berges' recommendation.

The committee determined salary increase for the other NEOs, other than Mr. Pensky, based on the following considerations:

- Mr. Hunt received an increase in salary in recognition of his promotion to President which reflected his expanded role as the sole business head of our consolidated business operations that, following the restructuring of our global operations, now included the reinforcements for composites and engineered products businesses.
- Each of Messrs. Forsyth, Krakower and Hennemuth received pay increases based upon the committee's review of the CEO's recommendations on performance, and the relative position of salary to that of peers in the comparator group.
- Mr. Shaulson received a more modest increase, reflecting the committee's decision to provide him with more substantial incentives relating to his primary responsibilities managing and selling the non-core portions of our former reinforcements business.

The committee considered the following in determining Mr. Pensky's salary upon his promotion to CFO in April 2007 following the departure of Mr. Forsyth:

- The competitive range of salaries from the FWC data for chief financial officers within the comparator group and as indicated in the Towers Perrin survey
- The fact that this was Mr. Pensky's first experience as the chief financial officer of a publicly traded company
- The salary level of our then current CFO, Mr. Forsyth, who had been our CFO for almost ten years

Cash Incentive Bonuses. We maintain the MICP, a shareholder-approved plan, to provide for an annual cash bonus opportunity to select key employees including the NEOs. The MICP aligns employees' incentives with our financial goals for the current year. The bonuses paid for 2007 appear in the Summary Compensation Table under the Non-equity Incentive Plan Compensation column. Under the plan, competitively-based bonus target amounts, expressed as a percentage of salary, are established for participants at the beginning of each year by the committee. Bonus awards for the year are determined based on the degree of attainment of predetermined objective financial performance measures, and, except for the CEO, on the satisfaction of individual objectives. The MICP provides for qualified awards, which are intended to qualify as performance-based compensation for purposes of Section 162(m) of the Internal Revenue Code, and for non-qualified awards that are not qualified under Section 162(m). At the end of the performance period, the committee has discretion to adjust a qualified award downward, but not upward, from the objectively determined level of attainment of the performance measure. Non-qualified awards can be adjusted upward or downward. The MICP does, however, give the committee the authority to make appropriate adjustments in all awards to reflect the impact of unusual, non-recurring or extraordinary income or expense not reflected in the performance measures at the time they are set. The following describes the setting of awards for 2007:

- **Bonus Targets.** Bonus targets were as follows, based on a percentage of salary: Mr. Berges - 100%; Mr. Hunt - 60%; Messrs. Pensky, Krakower and Forsyth - 55%; Messrs. Hennemuth and Shaulson - 50%

Analysis

The committee made no adjustments to bonus targets from 2006 to 2007. Mr. Berges' employment contract provides him with an annual target bonus opportunity of at least 100% of his salary, with a maximum opportunity equal to 200% of salary. In approving these percentages for our CEO, the committee concluded that these award opportunities were competitive with the CEO's peers in the comparator group. For each of the other NEOs, the committee considered the FWC data regarding such NEO's peers in the comparator group, internal equity among the NEOs based on the CEO's assessment of performance, the importance of each NEO's position to our strategic goals and tenure in position. The FWC data indicated that target cash awards for these NEOs were below competitive norms. Nevertheless, the committee decided not to increase cash bonus targets for 2007. The committee made this determination because the equity grant targets for these NEOs were being increased in 2007 under a two-year adjustment adopted in 2005 to align their equity compensation with competitive levels, and the committee viewed a stepped approach to achieving competitive compensation as a more appropriate exercise of its discretion.

- **Company Performance Measure.** In January 2007 the committee established company objectives for all participants in the MICP including our NEOs (there were 149 participants overall). The committee adopted EBITDA as the sole performance measure to be used for determining MICP awards, other than for Mr. Shaulson and other participants in the US electronics, ballistics and general industrial business (EBGI) that we were offering for sale. As noted above, the committee determined that 100% of Mr. Berges' award would be tied to company performance, subject to the committee's exercise of negative discretion. For the other NEOs, 70% of the award would be based on the company's attainment of EBITDA and 30% on individual performance measures. Under the MICP, each NEO's award can range from zero to 200% of target.

EBITDA means operating income plus the sum of depreciation, intangible asset amortization, business consolidation and restructuring expense, expense computed in accordance with Statement of Financial Accounting Standards No. 123(R) *Share-Based Payment* (FAS 123(R)) relating to the fair value of equity awards and other non-operating expenses or losses, minus non-operating income or gains.

The following chart indicates the award that would be paid, as a percentage of target award, at various EBITDA results. The EBITDA results are expressed as a percentage of the target EBITDA. No award is paid if the EBITDA attained is below the threshold amount of \$145 million.

The committee determined that Mr. Shaulson would not participate in the 2007 MICP but could earn an award based on the EBITDA of the EBGI business. If the EBGI business was sold during 2007, Mr. Shaulson would be eligible for a cash award based on the year-to-date EBITDA of EBGI measured against the year-to-date EBITDA in the EBGI business plan. In addition, the award for Mr. Shaulson and all other EBGI employees eligible for a 2007 cash bonus award would be doubled if the year-to-date EBITDA of the EBGI business was at or above the year-to-date plan target at the time of sale.

Analysis

The committee adopted company EBITDA as the 2007 performance measure because it believed it to be the most meaningful measure of profitability performance which employees could directly relate to results they could influence. EBITDA directly relates to our objective of reducing debt leverage which we measure as the ratio of total debt, net of cash, to EBITDA. With the recent reversal of the majority of our valuation allowance against our US net deferred tax assets, and the volatility introduced by FIN 48 tax accounting, the committee concluded that EBITDA would more meaningfully relate to the operational performance of the business than other key measures of profitability tracked by the company such as operating income and net income.

In setting the objective performance target we considered the company's target performance under the 2007 business plan reviewed by the Board and the scaling of potential awards at different levels of EBITDA achievement. For EBITDA over target, we believe it is appropriate to provide for leverage in the awards to recognize superior performance. The EBITDA performance target for 2007 required significant year-over-year growth in our business and we determined that performance exceeding target was not easy to achieve. For example, a 14% growth in EBITDA from \$160.2 million in 2006 was required in order to achieve the target 2007 EBITDA of \$182.2 million, and a 36% increase from 2006 EBITDA was required for a maximum award at 2007 EBITDA of \$218.6 million. These EBITDA amounts exclude the results of the discontinued operations sold in 2007.

The performance measure for Mr. Shaulson, EBITDA of the EBGI business, was chosen because Mr. Shaulson's responsibilities in 2007 were exclusively related to managing this business and the sale process. We set the target level of EBITDA at the same level of EBITDA presented to potential buyers in the sale process. Payout at this target level required significant growth in EBITDA from 2006. The EBITDA performance target for 2007 of \$19.4 million required a 23% increase over 2006 EBITDA of \$15.8, and a maximum payout required a 47% increase from 2006 to EBITDA of \$23.3 million in 2007. The committee provided for doubling awards for all EBGI participants, including Mr. Shaulson, if the target year-to-date EBITDA level was achieved as of the date of sale, recognizing

- that it is difficult to motivate employees to maintain a high level of performance when it is public knowledge that a business is being offered for sale, due to uncertainties such as job stability and how the business might change after a sale
- that it was critical to the sale process to maintain a level of EBITDA consistent with projections presented to potential buyers, which led to the determination to provide for doubling bonus awards if the year-to-date EBITDA level was met or exceeded at the time of sale
- **Individual Performance Measure.** In January 2007, individual performance objectives were set for each of our NEOs, other than Mr. Shaulson, as described on page 21 under "Assessment of Individual Performance."

Analysis

The committee decided to continue setting individual performance objectives under the MICP for all NEOs. It determined that 30% of the award opportunity of the NEOs, other than the CEO, would be

based on achievement of individual objectives because the committee believed that incentivizing individual objectives was important despite the potential loss of tax deductibility under section 162(m) of the Internal Revenue Code. With respect to the CEO, in early 2007 the committee determined to provide an award based solely on attainment of EBITDA since it wanted the CEO to focus on financial objectives, and the committee concluded that individual objectives could still be relevant to negatively impacting the CEO's 2007 MICP award and to setting his compensation for 2008.

The individual objectives for the NEOs other than the CEO were established by the CEO in early 2008. For each such NEO, individual objectives included key tasks, milestones and scheduled completion dates that were operational or functional, depending on the executive. The committee may consider other measures of performance when ultimately deciding if individual objectives were met, especially if events arise during the year that assume a greater prominence than objectives set at the beginning of the year.

The process of management by objectives is a key performance tool utilized throughout the company for salaried and professional employees, and represents 30% of the potential bonus opportunity for all MICP participants, except the CEO. The company uses this performance tool to ensure alignment between the annual objectives established in the company's business plan or other key objectives, and individual performance of NEOs and other key employees.

- **MICP bonuses paid for 2007.** Using the MICP chart described above, in January 2008 the committee certified and approved awards for each of the NEOs. The committee performed appropriate due diligence prior to certifying and approving the awards. Our EBITDA for 2007 was \$185 million, which resulted in a 109.1% of target award payout with respect to the portion of our MICP awards that were based on EBITDA. Each NEO, other than Messrs. Forsyth and Shaulson, received a total MICP award equal to 109.1% of target award. Mr. Shaulson received an award equal to 363% of his target, pro-rated for the portion of 2007 he was employed by us, which reflected the doubling of his bonus as discussed above, as the EBGI business met its target year to date EBITDA as of the date of sale. Mr. Forsyth did not receive an MICP award, as he left the company prior to mid-year, and the MICP plan does not provide for payment of an award to an employee who voluntarily leaves the company prior to mid-year.

Analysis

The bonus amounts paid for Messrs. Berges and Shaulson, and the financial performance portions of the bonuses for our other NEOs, were objectively determined from the award chart established under the MICP and, for Mr. Shaulson, the attainment of the EBGI EBITDA target. The committee decided that Mr. Berges had met his individual objectives for 2007 set at the start of the year which included business portfolio actions, restructuring projects, investor relations objectives, new aircraft program penetration, R&T product development and organizational planning. The Board also reviewed company performance and stockholder returns for 2007. Accordingly, the committee decided not to exercise negative discretion with respect to his 2007 MICP award. Bonus amounts relating to the individual performance portion for each of Messrs. Hunt, Pensky, Krakower and Hennemuth were paid at 109.1%, which was the target amount available for achievement of individual objectives resulting from the EBITDA level achieved. The committee determined that these NEOs met their individual performance objectives which defined specific goals relating to:

- Mr. Hunt: penetration into existing and new aircraft programs, development of innovative technologies and competitive products on a timely basis, and progress regarding expansion of our global operations
- Mr. Pensky: effective transition into the CFO role in April 2007, including recruitment of key professionals in the corporate finance department, achieving the confidence of the audit committee and Board of Directors regarding external reporting and internal planning activities, and successfully maintaining positive relationships between the company and its investors and lenders.

- Mr. Krakower: effective managing of investigations and litigation, advancing contract negotiations on significant new programs, and implementing the EBGI sale process
- Mr. Hennemuth: improving management development and succession planning processes and developing and implementing new recruiting, compensation, performance management and leadership development processes.

Equity Incentives. We make awards of equity incentives to participants in the Incentive Stock Plan (ISP), our general plan that provides for the granting of various stock-based awards, on an annual basis. In 2007 there were 161 participants in the ISP. On occasion we make individual awards when special recognition is warranted. In 2007, we used three forms of equity incentives granted to the NEOs under the ISP: non-qualified stock options (NQOs), Restricted Stock Units (RSUs) and PSAs. In its meeting in January 2007, the committee approved the dollar value of an NEO s aggregate equity award for 2007 as a percentage of the NEO s salary for 2007 and the forms in which the awards would be granted: 50% of total award value in NQOs, and 25% of total award value in each of RSUs and PSAs. On January 29, 2007, the grant date for such awards as provided by our equity grant policy (which is described below on page 30), the dollar values were converted into a number of NQOs, RSUs and PSAs based on the valuation methodology used by us to determine accounting expense for the fair value of the awards under FAS 123(R). The RSUs and PSAs were valued, for each share they represented, at the closing price of our common stock on the NYSE on January 29, 2007 (\$18.17). The NQOs awarded to NEOs were valued at \$8.61 for each share based on a Black-Scholes value determined as 47.4% of the closing price of a share.

The value of each executive s equity awards, expressed as a percentage of 2007 salary, was 250% for Mr. Berges; 170% for each of Messrs. Forsyth and Hunt; 140% for each of Messrs. Krakower and Hennemuth; and 120% for each of Messrs. Shaulson and Mr. Pensky. Mr. Pensky received equity awards in January based on his position prior to becoming CFO, and then upon becoming CFO received an additional grant of RSUs that, when added together with his prior award, resulted in his total 2007 equity compensation equaling 120% of his new salary. Mr. Hunt received an additional promotional grant of 25,000 RSUs on January 28, 2007 in recognition of his promotion to president of the company and as a special retention grant that will vest if he remains employed by us on April 1, 2009.

Analysis

These equity incentives foster the long-term perspective necessary for continued success in our business. They also align the interests of our NEOs with shareholder value and are an important element of our goal to be competitive with peer companies. The committee s overall objective was to set the aggregate grant-date values for all equity awards, determined as a percentage of salary, consistent with the mid-range of the comparator group data and other industry survey data described above under Compensation Consultants. Consistent with our compensation philosophy NEOs received a greater proportion of total pay in the form of equity than other executives.

In 2005, the committee reviewed a variety of factors to determine if our long-term target incentive percentages for our NEOs were competitive with our peers. In addition to performing a general review and assessment of the comparator group data presented by FWC, the committee analyzed the aggregate value transferred to equity grant recipients based on FWC s market value transfer method which permits a comparison among companies based on the percent of market capitalization transferred. The committee also compared our equity award overhang to data supplied by FWC on competitive practices. The committee also reviewed the potential impact of equity awards as a charge to earnings. After evaluating these factors, the committee determined that the long-term target incentive percentages for our NEOs were below market and decided to increase the target value of NEO annual equity awards to competitive levels by 2007 in two annual increments. For 2007, we implemented the second incremental increase to target values.

Edgar Filing: HEXCEL CORP /DE/ - Form PREC14A

For 2007, the committee allocated the total equity award value as follows: 50% to NQOs and 25% each to RSUs and PSAs. This allocation was established after engaging FWC to complete a comprehensive analysis of our compensation programs in 2005. After reviewing that analysis, we concluded that RSUs continued to serve as an important retention vehicle, but starting in 2006 we deemphasized stock options and introduced PSAs as a form of equity grant. These design changes were intended to more closely align our equity grant program with the programs of those in the comparator group, and to place a greater emphasis on performance in our equity grant program. For

2007, the committee determined that this allocation continued to create an acceptable balance between incentivizing shareholder return and retention of key executive talent.

With respect to Mr. Pensky, his initial 2007 equity award was based on his position as a vice president-finance, in one of our business units. The committee decided to provide Mr. Pensky with a supplemental equity grant upon promotion to CFO in April 2007 to bring his 2007 equity value in line with the lower end of the competitive range within the data from the comparator group provided by FWC and data from the Towers Perrin survey.

The committee did not increase the value of Mr. Shaulson's equity grant from the level in 2006. This was primarily because of the understanding that Mr. Shaulson's employment with us would terminate once the EBGI business was sold. In addition, Mr. Shaulson was provided with substantial cash incentive opportunities tied to the sale, including his 2007 cash bonus opportunity (see pages 24-26) and a sale incentive bonus (see page 40).

The awards in 2007, 2006 and 2005 for the NEOs were as follows:

Name	Total value of 2005 equity grants expressed as a percentage of salary	Total value of 2006 equity grants expressed as a percentage of salary	Total value of 2007 equity grants expressed as a percentage of salary
David E. Berges	200%	225%	250%
William Hunt	168%(1)	170%	220%(2)
Wayne C. Pensky	50%(3)	55%(3)	120%
Ira J. Krakower	90%	120%	140%
Robert G. Hennemuth	n/a	100%(4)	140%
Stephen C. Forsyth	115%	130%	170%
Joseph H. Shaulson	100%	120%	120%

(1) The 168% figure for Mr. Hunt for 2005 was calculated by including one-half of a one-time award of 50,000 RSUs granted in February 2004 that vested on the second anniversary of the grant date. Excluding the impact of this award, Mr. Hunt's percentage for 2005 would have been 110%.

(2) The 220% figure for Mr. Hunt for 2007 was calculated by including one-half of a one-time award of 25,000 RSUs granted in January 2007 that vests if he is employed by us on April 1 2009. Excluding the impact of this award, Mr. Hunt's percentage for 2007 would have been 170%.

(3) Mr. Pensky was not an executive officer prior to his promotion to Senior Vice President and Chief Financial Officer in April 2007.

(4) The 100% figure for Mr. Hennemuth for 2006 excluded a sign-on award of 9,606 RSUs.

Equity Award Policy

In November 2006 we adopted a policy regarding the granting of all equity awards. Under this policy:

Edgar Filing: HEXCEL CORP /DE/ - Form PREC14A

- The grant date for annual equity awards to employees is the third full trading day after we issue our year-end earnings release
- The grant date for equity awards to directors is the date of initial election and/or re-election to the Board
- The grant date of any other award, such as for a new hire award or a special recognition or retention grant to an existing employee or director, is the third trading day following the first date on which financial results for a quarter are publicly disclosed following the date the award was authorized
- The exercise price of a stock option shall not be less than the closing price of our common stock on the NYSE on the date of grant
- Equity awards shall be valued in the same manner for compensation and accounting purposes -- in accordance with FAS 123(R) as of the grant date
- All awards must be in the form of a specified number of shares or the approval of an amount or percent of base pay along with a pre-defined algorithm by which the number of shares can be calculated with certainty on the grant date
- Equity awards may only be authorized by the Board or the compensation committee or by an equity grant committee, if specifically authorized by the Board or the compensation committee
- Each authorization of granting authority to the equity grant committee must state the aggregate maximum number of shares, the relevant period, the eligible recipients, and the maximum number of shares that may be granted to any single person; in addition, the compensation committee must be informed of all awards made by the equity grant committee each quarter

In early 2007 the committee designated the CEO as the equity grant committee and authorized him to grant equity awards to non-executives during 2007 for new hires, retention and special recognition, in aggregate up to 100,000 shares, but no individual award may exceed 10,000 shares.

We chose to value equity grants and to set the exercise price of an NQO on the third trading day after we next release earnings following a grant authorization. This allows the public market an opportunity to digest our financial results and establish the fair market value of a share of our common stock on the date of grant.

Stock Options

Stock options provide for financial gain derived from the potential appreciation in stock price from the date that the option is granted until the date that the option is exercised. The exercise price for our stock option grants is set at the closing price of our common stock on the NYSE on the grant date. Our long-term performance ultimately determines the value of stock options, as gains from stock option exercises are entirely dependent on an increase in our stock price. Stock options granted generally vest and are exercisable at the rate of one-third on each of the first three anniversaries after the grant date and expire ten years from the grant date.

The income of an NEO attributed to the exercise of our stock options is considered performance-based compensation under Section 162(m) of the Internal Revenue Code, and so we are generally permitted to deduct, on an unlimited basis, the compensation expense associated with any such income.

Analysis

Because financial gain from stock options is only possible after the price of our common stock has increased, we believe grants encourage NEOs and other employees to focus on behaviors and initiatives that should lead to an increase in the price of our common stock, which aligns the interests of our NEOs and employees with those of our shareholders.

Restricted Stock Units

RSUs represent units that generally vest and convert into shares of our common stock on a one-to-one basis at the rate of one-third on each of the first three anniversaries of the grant date or at some other schedule of vesting. Since RSUs are valued at the closing price of common stock on the date of grant, a grant of equity award value in the form of RSUs results in the issuance of fewer shares and less dilution than would result from providing the same value in the form of NQOs.

Dividend equivalents are not paid on RSUs. Our annual awards of RSUs do not qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code, and so may not be deductible to the extent that when they vest, their fair market value, when aggregated with an NEO's other aggregate compensation in the year of vesting which does not qualify as performance-based compensation under Section 162(m), exceeds \$1 million.

Analysis

Unlike NQOs, which have no value if the stock price does not increase from the date of grant, RSUs always have some value so long as the stock is not worthless. RSUs therefore have a retentive feature that should ensure that successful, high-achieving employees will remain motivated and committed to us despite temporary downturns in our performance. Because a higher stock price increases the value of RSUs, we believe that, similar to the case with NQOs, grants encourage NEOs to focus on behaviors and initiatives that should lead to an increase in the price of our common stock, which aligns the interests of our NEOs receiving RSUs with those of our shareholders.

Performance Share Awards

PSAs provide NEOs with an opportunity to receive shares of our common stock depending upon a measure of our performance over a two-year period. After completion of the two-year performance period, provided the threshold level of performance is met, PSAs convert into a number of RSUs which, after an additional one-year service period, convert into shares of our common stock on a one-for-one basis.

Analysis

PSAs strengthen the connection between operating performance and equity grants. If we fail to achieve the threshold level of performance, the PSAs have no value. In addition, following the conclusion of the two-year performance period there is a one-year service period before the underlying RSUs vest, which helps us retain and motivate our NEOs and employees, including during temporary downturns in our performance.

PSA grants encourage NEOs and other employees to focus on improved medium-term financial performance and a long-term increase in the price of our common stock. The medium-term performance determines how many shares are acquired, and our long-term performance increases the value of the shares acquired after the service period. This serves to align the interests of our NEOs and other employees receiving PSAs with those of our shareholders.

Modification of 2006-2007 PSAs

For the 2006-2007 period, we used EBITDA as the performance measure. For this purpose, EBITDA was defined exactly as it is defined above with respect to MICP awards for 2007. In January 2008, the committee adjusted the PSA awards earned for the 2006-2007 period by modifying the target EBITDA and actual EBITDA attained to exclude the contributions from discontinued operations, and the one-time charge we took relating to the termination of our previously frozen US pension plan. Once EBITDA was so adjusted, the committee determined the award by following the original scaling of award size to the level of achievement. In modifying EBITDA the committee

- Adjusted the target EBITDA of \$432 million to \$381 million by excluding \$51 million of the target EBITDA of the divested businesses

- Adjusted the attained EBITDA of our continuing operations from \$336 million to \$345 million by adding back the one-time pension charge of \$9 million.

Based on these modifications, all participants, including the NEOs except for Mr. Forsyth, received a number of RSUs equal to 68.5% of their target number of RSUs for the 2006-2007 period. Mr. Forsyth did not receive any RSUs since he terminated his employment with us prior to the end of the vesting period. These RSUs will convert into shares in early 2009 after expiration of a one-year service period, although Mr. Shaulson has already received his shares as his employment was terminated by us during the performance period. The amount of shares received by Mr. Shaulson was reduced pro-rata to reflect the portion of the performance period he was employed by us.

Modification of 2006-2007 PSAs Analysis

The committee adjusted the PSA payout schedule for 2006-2007 because it considered that the sale of the divested business and the termination of the pension plan were in the best interests of the company and the resulting effect on EBITDA was not representative of the performance of the company's continuing operations. In particular, the sale divested the remaining non-core operations of the company and permitted a restructuring of the remaining businesses to focus on our core composites business. The termination of the frozen US pension plan eliminated certain company costs that were being incurred annually. The committee determined that employees who were granted PSAs should not be adversely affected for advancing these corporate interests.

2007-2008 PSAs

Since PSAs were first introduced in 2006 for the 2006-2007 performance period, the committee decided to review the design of this incentive in early 2007. In January 2007 the committee adopted Return on Net Capital Employed or RONCE as the financial measure for the 2007-2008 period. RONCE is defined as the average return for 2008 and 2009 divided by the average capital employed as of December 31, 2007, 2008 and 2009, where:

- Return generally means operating income, adjusted for non-operating gains and losses, and
- Capital employed generally means shareholder equity plus net debt.

The following chart indicates the scaling of awards for the 2007-2008 period at various levels of attained RONCE. In the chart, RONCE results are expressed as a percentage of target RONCE amount:

This payout structure is depicted by a straight line, meaning that a fixed increase in RONCE results in the same increase in the payout level regardless of where on the line the increase occurs. Similar to MICP, the structure of the 2007-2008 PSAs require a threshold level of performance before any payout is earned, and establish target and maximum award levels.

2007-2008 PSAs - Analysis

The committee adopted RONCE as the performance measure for the 2007-2008 PSAs for two reasons. First, RONCE could be derived directly from the audited financial statements. Second, using RONCE would focus management in operating returns, cash flow and net assets employed, at a time when we anticipate growth in our sales and increased levels of capital expenditure to service this growth. Under these circumstances, it is important, the committee reasoned, to provide an incentive for the efficient utilization of our net assets and to motivate improvement in the return that we earn on these net assets.

Target levels were established by the committee in early 2007 based on the business plan for 2007 and the company's longer-range planning projections for 2008. The target levels chosen were challenging, yet attainable, giving consideration to

- the expected increase in capital expenditures over the 2007-2008 period, and
- the fact that, in the aerospace industry, there is a substantial time lag between the investment of capital and the realization of return on capital investment.

Management Stock Purchase Plan

Through 2007, a select group of senior executives, including all of our NEOs, were eligible to participate in the Management Stock Purchase Plan (MSPP), a stockholder approved plan. These senior executives are not permitted to participate in our employee stock purchase plan, which is available to substantially all employees worldwide and permits the purchase of shares of Hexcel stock at a 15% discount through payroll deductions.

Prior to the beginning of each year, the compensation committee approves the list of executives eligible to participate in the MSPP. We offered these executives the opportunity to elect to receive up to 50% of the cash award under the MICP for that year in the form of restricted stock units (MSPP RSUs). MSPP RSUs were issued at a 20% discount from the average of the closing prices of our common stock for the five days preceding the date of grant, which was the date the committee determined MICP awards. The RSUs vest one-third on each of the first three anniversaries of the grant date and convert into shares of our common stock on a one-to-one basis at the end of the three-year vesting period. In January 2008, following the committee's determination of 2007 MICP awards, we issued 6,824 MSPP RSUs valued at \$16.03 each to four executives who made an election for 2007. Mr. Pensky was the only NEO who participated in this plan in 2007. MSPP RSUs qualify as performance-based compensation so long as the bonus with respect to which a portion is deferred to purchase the RSUs qualifies as performance-based compensation.

Analysis

Edgar Filing: HEXCEL CORP /DE/ - Form PREC14A

The committee first authorized the use of this plan to encourage additional ownership in Hexcel stock by our executive team, in order to align the interests of our executives with those of our shareholders, and to assist executives subject to stock ownership requirements to reach their ownership levels. In 2006, we revised our stock ownership guidelines by eliminating any specified time period for compliance and instead requiring executives to retain one-half of any stock received under an equity grant until their ownership target was reached. As a consequence, the strategic value of maintaining the MSPP as designed has decreased, and in accordance with advice from FWC regarding the market prevalence of such plans, we decided to suspend future participation in the plan pending a more comprehensive review of our executive deferred compensation plans. Should the plan be retained, the committee is considering eliminating the discount and making other amendments.

Benefits and Retirement Plans. Our employees are offered participation in a variety of retirement, health and welfare, and paid time-off benefit plans which generally are comparable to plans offered by other employers in the markets from which we recruit our workforce. These benefits ensure that we can offer competitive benefits and

promote employee well-being and retention. Our NEOs may participate in these plans to the same extent as our other employees. These plans may be tax-qualified or otherwise subject to tax and regulatory regimes of the jurisdiction in which employees are located. These legal requirements may limit benefits payable under the plan or impose adverse consequences if benefits are paid based on compensation above certain levels. We offer to supplement these benefits where these and other considerations are important to maintaining competitive benefits. Our NEOs receive the following supplemental benefits:

- Our US-based NEOs are eligible to participate in the nonqualified deferred compensation plan described on page 53 under Nonqualified Deferred Compensation in Fiscal Year 2007
- We have entered into the following supplemental retirement agreements with our NEOs, which are described on page 49 under Pension Benefits in Fiscal 2007 :
 - Supplemental executive retirement agreements (SERPs) with Messrs. Berges, Krakower and Forsyth
 - Executive deferred compensation arrangements (EDCAs) with Messrs. Pensky, Hennemuth and Shaulson
 - A supplemental pension arrangement with Mr. Hunt
- We provide a death benefit for each of our US-based NEOs while employed by us equal to two times the sum of (i) the NEO's salary on the date of death and (ii) the average annual cash incentive bonuses paid over the 24 months prior to death. This benefit is in the form of insurance paid by us up to a maximum insured amount of \$1,500,000 for Mr. Berges and \$750,000 each for Messrs. Pensky, Krakower, Hennemuth, Forsyth and Shaulson. This benefit expired with the termination of employment by Mr. Forsyth and continues for Mr. Shaulson until the first anniversary of his termination of employment under the terms of his severance agreement. With respect to Messrs. Pensky, Krakower, Hennemuth and Shaulson, to the extent the death benefit exceeds the maximum insured amount we will make a payment to the estate of the NEO for the excess amount. Mr. Berges' death benefit is capped at \$1,500,000.
- We provide Mr. Hunt with additional life insurance while employed by us that provides for a death benefit equal to \$1,601,448, and additional private health insurance and disability/personal accident and illness insurance

Our cost of providing the supplemental death and insurance benefits to our NEOs are reflected in the All Other Compensation column of the Summary Compensation Table on page 43 and are described in more detail in footnote (7) to that table with respect to our US based NEOs, and footnote (10) to that table with respect to Mr. Hunt.

Our qualified 401(k) Plan allows all US employees to contribute up to 20% percent of their cash compensation (salary and bonus under the MICP), up to the compensation limit imposed by the Internal Revenue Code on a pre-tax or after-tax basis (the limit was \$45,000 for 2007). The Internal Revenue Code further limits the amount that may be contributed on a pre-tax basis; that amount was \$15,500 for 2007 (\$20,500 for persons age 50 or older). The plan further provides:

- that Employee contributions and earnings thereon are 100% vested at all times.
- for a 50 percent match on employee contributions, up a maximum of 6% of total cash compensation.
- for a discretionary profit sharing contribution into the plan annually

Edgar Filing: HEXCEL CORP /DE/ - Form PREC14A

- for a fixed contribution of an additional 2% of each employee's cash compensation each year, or 4% for employees who were 45 years of age on or before December 31, 2000 and employed by us as of such date
- for all matching, discretionary and fixed contributions and earnings to vest at the rate of 20% for each year of service with us meaning they are 100% vested when contributed after five years
- for an array of investment options as selected by plan fiduciaries from time to time
- for distributions to be made in a lump sum or in a series of monthly, quarterly or annual installments after termination of service
- for loans and in-service distributions under certain circumstances, such as a hardship, attainment of age 59 1/2 or a disability

One of the investment options in the 401(k) plan is a Hexcel stock fund. Senior executives, including all the NEOs, are not permitted to invest in this fund. Other employees may only invest company contributions, and not their own contributions and earnings, in the Hexcel stock fund. Senior executives, including all NEOs, are also prohibited from taking loans.

The Hexcel Corporation Pension Plan, a tax-qualified defined benefit plan, was frozen as of December 31, 2000, and no additional benefits were accrued after that date. Messrs. Pensky, Forsyth, Krakower and Shaulson participated in the plan until December 31, 2000, and each had accrued a benefit under the plan. In December 2006, the Board decided to terminate the plan, which required that we fully fund the plan's liabilities and provide each participant with a choice of receiving a lump sum payment or a deferred annuity representing the participant's accrued benefit. In deciding to terminate the plan, the Board considered a variety of factors, including the additional after-tax contribution required to fully fund the plan, and the estimated annual cost savings resulting from plan termination. Final termination of the plan occurred in December 2007. The value of the amount paid to Messrs. Pensky, Forsyth, Krakower and Shaulson is included in the chart under Pension Benefits in Fiscal 2007 on page 49.

Mr. Hunt, as a UK-based executive, participates in the Hexcel Composites Limited Pension Scheme, a tax qualified defined benefit plan available to all of our UK employees. We have also entered into a supplemental pension arrangement with Mr. Hunt. The Hexcel Composites Limited Pension Scheme and the supplemental arrangement with Mr. Hunt are described on pages 50-51.

Amendments to SERP and EDCA Agreements

As discussed on page 49, on December 31, 2007, we amended the SERPs between us and each of Messrs. Berges and Krakower. The amendment:

- Permitted Messrs. Berges and Krakower to make an election prior to the end of 2007, under the transitional election rules of Section 409A of the Internal Revenue Code, regarding the form of payment of benefits in 2008 in the event the employment of Mr. Berges or Mr. Krakower terminates in 2008. This election would become effective immediately. Absent this amendment, any such election would not have been effective for one year. Messrs. Berges and Krakower have elected to receive lump sum payments of their respective retirement benefits.
- Changes the form of payment in the event of disability from an annuity to an actuarially equivalent lump sum.

As discussed on page 51, on December 31, 2007, we amended and restated the EDCA between us and each of Messrs. Pensky and Hennemuth. The vast majority of the changes were made to comply with Section 409A, and relate to matters such as the timing of elections as to forms of payment and the timing of payments. The amendment and restatement also:

- Permits the executive to elect to receive his retirement income payments in the form of an actuarially equivalent lump sum instead of an annuity.

- Converts our obligation to provide health, dental and certain life insurance after termination and until age 75 to a fixed amount, to be paid as part of the benefits under the EDCA in the form of either a lump sum or annuity.

- Provides that the value of the insurance benefits is paid regardless whether the executive receives his retirement income payments in the form of an annuity or a lump sum. Previously, had the executive received his retirement income payments in the form of a lump sum, he would have given up the health, dental and life insurance benefits.

Most of the changes to the SERPs and EDCAs were made to comply with 409A or to permit the executive to receive a lump sum that is actuarially equivalent to a payment stream to which the executive was entitled under the agreement. Because the cost to the company (and the value to an executive) of an executive receiving an annuity or lump sum is actuarially equivalent, the committee determined that the executive should not forfeit the insurance benefits based on this choice, nor be incentivized by plan design to elect one form of payment over another. Therefore, the committee decided that whether the executive should be entitled to certain insurance benefits under an EDCA should not depend on whether the executive receives an annuity or lump sum which are essentially equivalent in value.

Perquisites

In 2006, at the request of Mr. Berges the committee eliminated Mr. Berges' perquisites allowance, which provided him with approximately \$37,000 of additional benefits. The committee considered the elimination of Mr. Berges' perquisites allowance when setting his salary for 2006.

For each of Messrs. Pensky, Forsyth, Krakower, Hennemuth and Shaulson our perquisites program provides for an annual car allowance of \$12,000, and an additional annual allowance of \$10,600 (for Messrs. Pensky, Forsyth and Krakower), and \$5,600 (for Messrs. Hennemuth and Shaulson). The additional allowance may be used for:

- reimbursement of club membership dues
- expenses incurred for financial counseling and tax preparation
- premiums for supplemental life and health insurance beyond the standard life and health insurance available to our executives
- to reimburse the NEO for taxes due on the income recognized by the NEO as a result of receiving these reimbursements

As a non-US based executive, Mr. Hunt does not participate in the same perquisites program as our US executives. Mr. Hunt is entitled to the following perquisites:

- An annual allowance of \$24,022 for reimbursement of housing expenses for housing in Duxford, England, where Hexcel Composites Limited's offices are located, and for travel expenses between Duxford and Mr. Hunt's residence in Cheshire, England. This arrangement existed between Mr. Hunt and his former employer, Ciba-Geigy Ltd, and was continued by us when we purchased Ciba-Geigy's composites business in 1996 and Mr. Hunt became employed by us. A portion of the allowance is intended to be used to cover tax liabilities related to the income realized by Mr. Hunt as a result of receiving this reimbursement.
- A company car and related expenses
- Club dues for one club

Our cost of providing these perquisites to our NEOs is reflected in the All Other Compensation column of the Summary Compensation Table on page 43. The cost is described in more detail in footnote (7) to that table with respect to our US-based NEOs, and footnote (10) to that table with

respect to Mr. Hunt.

Analysis

These perquisites are not part of an executive's base compensation, and therefore are not a factor in calculating pay increases, bonus payouts, equity awards, retirement benefits or any other program tied to base compensation. We believe that the perquisites we offer to our NEOs are reasonable in amount. FWC reviews our perquisites program annually, and has indicated that it agrees with this view.

Stock Ownership Guidelines

Based on a review of prevailing practices provided by FWC, the committee modified our stock ownership guidelines for senior executives and directors in 2006. Under these guidelines:

- the target for compliance is stated in dollar amounts
- the executive or director is required to reach the target dollar value through ownership of shares of unrestricted common stock and to retain those shares until termination of service
- the target dollar value is as follows:

CEO	5x Salary
Executive Officers other than CEO	2x Salary
Directors	3x Annual Retainer Fee

- until the target dollar value is reached, an executive must retain 50%, and a director must retain 100%, of all net shares received under any company equity compensation program
- net shares means all shares remaining after the sale by the executive or director, or the withholding by us of shares to pay the exercise price (in the case of options) and any taxes due in respect of the shares received
- once an executive or director acquires the target amount of shares, he is deemed to be in compliance with the policy so long as he continues to hold at least the target amount of shares

In 2007 the guidelines were amended so that restricted stock units that are vested, but have not yet converted into shares, count toward reaching the guideline dollar value.

Under these guidelines, Messrs. Berges, Hunt and Krakower hold shares with a value greater than the target dollar value, while Messrs Pensky and Hennemuth, both of whom became an executive officer in the last two years, do not. Messrs. Bellows, Campbell, Hurley and Pugh, and Ms. Brubaker and Ms. Derickson, hold shares with a value greater than the target dollar value; the remaining three non-employee directors do not. For our NEOs and directors who do not hold shares with the requisite target value, until the target value is reached, they are restricted from selling 50% (in the case of our NEOs) and 100% (in the case of our directors) of the net shares received from their equity grants. We

monitor compliance with the guidelines by all NEOs and directors at least annually.

Employees are not permitted to sell short Hexcel stock or to otherwise hedge their economic exposure to the Hexcel stock they own.

Potential Impact on Compensation from Executive Misconduct

If we determine that an executive officer has engaged in fraudulent or intentional misconduct, we would take action to remedy the misconduct, prevent its recurrence, impose appropriate discipline on the individual who engaged in the misconduct and report the misconduct to the audit committee. Discipline would vary depending on the facts and circumstances, and may include:

- termination of employment
- initiating an action for breach of fiduciary duty

- if the misconduct resulted in inaccurate reporting of our financial results, seeking reimbursement of any portion of performance-based or incentive compensation paid or awarded that is greater than would have been paid or awarded if calculated based on the accurate reporting of our financial results

These remedies would be in addition to, and not in lieu of, any actions imposed by law enforcement agencies, regulators or other authorities.

The Impact of Tax Regulations on our Executive Compensation

Deductibility of Compensation Section 162(m). Under Section 162(m) of the Internal Revenue Code there is a \$1.0 million annual limit on the deductibility of nonperformance-based compensation paid to NEOs. Section 162(m) contains a number of requirements for qualifying an award for deductibility, including the adoption of a plan containing performance criteria approved by stockholders, the authorizing of awards by a committee consisting solely of outside directors, the certification of performance results and other requirements. We consider deductibility as one factor along with others that are relevant in setting compensation. The ISP is a qualified plan, and NQOs and PSAs issued under the ISP generally qualify for deductibility. As noted on page 28, we also grant RSUs without any performance requirement as one of the mechanisms we employ to foster retention of key employees. The MICP is a qualified performance-based plan, and provides for both performance-based qualified awards, and for non-qualified awards. We have, at times, made cash awards based on subjective evaluations of performance, which do not qualify for unlimited deductibility under 162(m) (see page 24). RSUs issued under the MSPP qualify as performance-based so long as the bonus with respect to which a portion was deferred to purchase the RSUs was performance-based.

We were able to deduct all expense associated with the compensation paid to our US-based NEOs in 2007 except for

- \$2,193,000 out of \$6,196,000 total expense associated with compensation to Mr. Berges, primarily because the following portion of compensation were not performance-based: Mr. Berges' salary, 2006 MICP award (which was paid in 2007), and RSUs that converted in 2007
- \$26,000 out of \$4,299,000 total expense associated with compensation to Mr. Shaulson, primarily because the following portion of compensation were not performance-based: Mr. Shaulson's salary, 2006 and 2007 MICP award (both of which were paid in 2007) and RSUs that converted in 2007

The expense associated with the income realized from the exercise of options in 2007 and with Mr. Shaulson's sale incentive award was performance-based under 162(m).

Deferred Compensation Rules Section 409A. Section 409A of the Internal Revenue Code generally changes the tax rules that affect most forms of deferred compensation that were not earned and vested prior to 2005. Deferred compensation plans and arrangements are required to be amended by the end of 2008 to be in full compliance with 409A. We have revised some of our deferred compensation arrangements to be in compliance with 409A, and will complete the remaining necessary amendments prior to the end of 2008. We administer all of our compensation arrangements in accordance with our good faith interpretation of the final regulations under the new rules.

Severance and Change in Control Arrangements

As described on pages 54-60 of this proxy statement, we provide certain payments, benefits, or enhancements to our NEOs as a result of certain types of termination of employment or a change in control transaction. In addition, as described on pages 56-57, we accelerate vesting and/or conversion of many of our equity grants upon certain types of terminations and upon a change of control. We have also provided a modified gross-up for taxes incurred by our US-based NEOs on so-called excess parachute payments under 280G of the Internal Revenue Code. The amounts of all of these additional or enhanced payments and benefits are reflected in the tables on pages 59-60.

Analysis

These severance and change of control benefits enhance our ability to attract and retain executives as we compete for talented individuals in a competitive marketplace.

In approving arrangements that provide for payments and enhancements upon termination by us without cause or by the NEO for good reason other than in connection with a change of control, the committee considered the following:

- the need to have competitive benefits to attract and retain talented executives in a competitive marketplace
- the desire to ease the consequences to an NEO of an unexpected termination of employment by providing the NEOs with a guaranteed level of financial protection upon loss of employment
- the likelihood that it will take more time for an executive-level employee to find comparable new employment, and therefore that an enhanced level of benefit is appropriate

In adopting a single-trigger for vesting for most of our equity awards which means the equity awards vest upon a change in control regardless of whether the NEO's employment is terminated the committee considered the following:

- a single trigger on equity vesting can be an especially powerful retention device for senior executives during change in control discussions, as equity represents a significant portion of the total pay package
- the desire to provide employees with the same opportunities as shareholders, who are free to sell their equity at the time of the change in control event and thereby realize the value created at the time of the deal
- Hexcel will no longer exist after a change in control and employees should not be required to have the fate of their outstanding equity tied to the new company's future success

With respect to approving the enhanced benefits to be provided to our NEOs under their SERP and severance agreements following a termination in connection with a change of control, the committee determined that it is important to motivate executives to consider corporate transactions that are in the best interests of Hexcel and its shareholders without undue concern over whether the transactions may jeopardize the NEO's own employment.

With respect to the modified gross-up with respect to excess parachute payments, we were specifically guided in providing this modified benefit by FWC and believe that it serves to support the general principle of preserving the benefits intended to be delivered to the NEO and removing personal interests from decisions that enhance stockholder value. The effects of Section 280G are unpredictable and can have widely divergent and unexpected effects based on an NEO's personal compensation history (such as whether options have been exercised or not in prior years). As described on pages 54-55, Mr. Berges' employment agreement and the severance agreements with each of Messrs. Forsyth, Krakower and Shaulson include post-termination obligations on these executives, principally an obligation to not compete over a period whose duration is tied to the amount of severance payments received. FWC has recommended that the appropriateness of providing this gross-up be reviewed periodically.

Additional Agreements and Arrangements

Agreement with Mr. Forsyth. On April 27, 2007, in connection with Mr. Forsyth's termination, we agreed to extend the period during which Mr. Forsyth could exercise options that were vested to December 31, 2007. This represented an approximate five month extension beyond the standard ninety day post termination period of exercisability for vested options. In return, Mr. Forsyth agreed not to engage in the solicitation for employment or hiring by his new employer of any of our officers or management level employees for two years. The committee believed that securing Mr. Forsyth's agreement not to solicit our senior employees was a fair and reasonable benefit to be received by the company in return for a five-month extension of the period to exercise options after termination of employment.

Sales Incentive Agreement with Mr. Shaulson. In July 2006 we announced our intention to explore selling certain portions of our reinforcements businesses. We wanted Mr. Shaulson, the president of the former reinforcements business, to continue as general manager and also to lead our divestiture efforts. In order to retain and motivate Mr. Shaulson throughout this process, the committee authorized a sales incentive agreement with Mr. Shaulson, the principal terms of which were

- Mr. Shaulson would be entitled to a sales incentive payment, the amount of which would be determined by a formula based on the consideration received by us for the business we were selling (other than a joint venture interest). The incentive would be no less than \$100,000 and no greater than \$1,000,000.
- Mr. Shaulson would assist in any reorganization within the company, including any reorganization of the former Reinforcements business, and would use reasonable efforts to maintain the goodwill and operations of the reinforcements businesses.
- We modified the terms of certain of Mr. Shaulson's equity awards to provide that, upon termination of Mr. Shaulson's employment by us other than for cause, his outstanding stock incentive awards that would have vested within 180 days of the termination date would immediately vest, and the exercise period for any vested stock options would be extended to the first anniversary of termination.

In considering this arrangement with Mr. Shaulson, the committee consulted with both FWC and the investment bankers retained to manage the sale, both of which advised that, while there are no consistent industry standards for such arrangement, the design of the incentive and the potential payments that could be made were reasonable.

We closed the sale of the EBGI business on August 6, 2007, and Mr. Shaulson's last day of employment with us was August 17, 2007. The amount of the sales incentive payment to Mr. Shaulson is reflected in the summary compensation table on page 43.

Additional Relocation Assistance to Messrs. Hennemuth and Pensky. Mr. Hennemuth agreed to relocate from southern Florida to Connecticut when he accepted the position of Senior Vice President - Human Resources in March 2006. Due to the soft housing market in southern Florida, the process of Mr. Hennemuth relocating to Connecticut took longer than expected, and resulted in additional costs to Mr. Hennemuth. In order to help defray Mr. Hennemuth's costs related to his relocation, the committee authorized an additional payment of

Edgar Filing: HEXCEL CORP /DE/ - Form PREC14A

\$100,000 to Mr. Hennemuth. This \$100,000 payment was in addition to the reimbursement of expenses to which Mr. Hennemuth was entitled in accordance with our standard relocation policy. The \$100,000 payment, as well as all other relocation expenses of Mr. Hennemuth paid by us, are reflected in the summary compensation table on page 43.

Mr. Pensky relocated from the San Francisco area to Connecticut when he accepted the position of senior Vice President and Chief Financial Officer. As part of his offer of employment, Mr. Pensky received a promotional bonus of \$100,000, which was payable upon the closing of the purchase of his home in the Stamford, Connecticut area. The committee offered this promotional bonus to provide an additional incentive for Mr. Pensky to accept a new position that would require him to relocate to Connecticut, as well as to encourage Mr. Pensky to promptly complete the relocation process.

Compensation Committee Interlocks and Insider Participation

The following directors were members of the compensation committee during 2007: Joel S. Beckman, Lynn Brubaker, Sandra L. Derickson, David L. Pugh and Martin L. Solomon. Mr. Solomon served on the committee until our annual stockholder's meeting in May 2007, at which time Mr. Beckman joined the committee. Mr. Solomon did not stand for re-election to our Board in 2007, as he had reached our retirement age of 70.

Equity Compensation Plan Information

Edgar Filing: HEXCEL CORP /DE/ - Form PREC14A

The following information is provided as of December 31, 2007:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights(1) (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))(1) (c)
Equity compensation plans approved by security holders	3,700,247(2)	\$10.65(3)	3,433,702(4)
Equity compensation plans not approved by security holders(5)	736,521	\$10.50	0
Total	4,436,768	\$10.62(3)	3,433,702 (4)

- (1) All numbers in these columns refer to shares of Hexcel common stock.

- (2) Includes 422,107 shares of common stock issuable upon the vesting and conversion of restricted stock units, and 303,960 shares of common stock issuable as a result of outstanding PSA. With respect to PSAs for the 2006-2007 performance period, reflects shares to be issued at 68.5% of the target number of shares in early 2009, based on our EBITDA performance during the 2006-2007 period. With respect to the 2007-2008 period, assumes that we will attain the maximum level of the performance measure (RONCE) under the PSAs for the 2007-2008 performance period, which would result in the PSAs converting into the maximum number of RSUs in early 2010. This is an assumption required by SEC rules.

- (3) Excludes the restricted stock units referred to in note 2 above.

- (4) Includes (i) 3,108,984 shares of common stock available for future issuance under the Hexcel Corporation 2003 Incentive Stock Plan, which shares of common stock could be issued in connection with awards other than options, warrants or rights; (ii) 158,676 shares reserved for issuance under the Management Stock Purchase Plan; (iii) 2,680 shares of common stock subject to options as of December 31, 2007 under, and purchased in January 2008 pursuant to, the terms of the Hexcel Corporation 1997 Employee Stock Purchase Plan; and (iv) 163,362 shares of common stock that could after December 31, 2007 become subject to options under, and therefore purchased under, the terms of the Hexcel Corporation 1997 Employee Stock Purchase Plan.

- (5) The only equity compensation arrangements in which equity securities were authorized that have not been approved by stockholders are two option agreements with Mr. Berges entered into in connection with his employment agreement, as described under the heading Employment Agreement with Mr. Berges on page 46.

COMPENSATION COMMITTEE REPORT

The compensation committee has reviewed the Compensation Discussion and Analysis and discussed it with management. Based on its review and discussions with management, the committee recommended to our Board of Directors that the Compensation Discussion and Analysis be included in our 2008 proxy statement and incorporated by reference into our Annual Report on Form 10-K for 2007. This report is provided by the following independent directors who comprise the committee (Mr. Beckman became a member of the compensation committee on May 10, 2007):

David L. Pugh (Chair)

Joel Beckman

Lynn Brubaker

Sandra L. Derickson

EXECUTIVE COMPENSATION

Summary Compensation Table

Edgar Filing: HEXCEL CORP /DE/ - Form PREC14A

The following table sets forth the compensation paid to, or accrued by us for

- our Chief Executive Officer
- each person who served as Chief Financial Officer during 2007
- our next three most highly compensated executive officers who were employed by us on December 31, 2007
- one additional person who, but for the fact that he was not employed by us as on December 31, 2007, would have been included as one of the next three most highly compensation executive officers

We refer to these individuals as the named executive officers, or NEOs.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)(1)(2)	Option Awards (\$)(2)(3)	Non-Equity Incentive Plan Compensation (\$)(4)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)(5)	All Other Compensation (\$)	Total (\$)
David E. Berges; Chairman and CEO	2007	837,000		1,221,197	1,527,605	913,167	2,278,909(6)	78,414(7)	6,856,292
	2006	837,000		876,459	1,644,919	700,000	819,644(6)	103,495	4,981,517
William Hunt; President (8)	2007	466,206		738,336	462,130	305,179	96,881(9)	121,328(10)	2,190,060
	2006	390,189		268,388	403,387	206,441	163,007(9)	103,828	1,535,240
Wayne C. Pensky; SVP and CFO (11)	2007	289,320	100,000(12)	197,006	64,609	195,016(13)	100,670(14)	254,878(7)	1,201,499
Ira J. Krakower; SVP; General Counsel; Secretary	2007	317,029		164,733	277,832	190,234	600,234(15)	58,749(7)	1,608,811
	2006	306,013		179,725	305,050	126,567	35,356(15)	74,363	1,027,074
Robert G. Hennemuth; SVP Human Resources	2007	300,000		186,959	109,277	163,646	48,500(16)	356,905(7)	1,165,287
Stephen C. Forsyth; former EVP and CFO (17)	2007	128,774		139,457	272,755	0	694,771(18)	117,646(7)	1,353,403
	2006	379,143		147,150	242,899	161,819	10,620(18)	82,167	1,023,798
Joseph H. Shaulson;	2007								