

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Hexcel Corporation
7000 West 5400 Street
Salt Lake City, UT 84118

Attention: David E. Berges, President and Chief Executive Officer

Dear Mr. Berges:

The Bureau of Industry and Security, U. S. Department of Commerce (“BIS”), has reason to believe that Hexcel Corporation (“Hexcel”), of Salt Lake City, Utah, has committed 22 violations of the Export Administration Regulations (the “Regulations”),¹ which are issued under the authority of the Export Administration Act of 1979 (the “Act”).² Specifically, BIS charges that Hexcel committed the following violations:

Charge 1 (15 C.F.R. §764.2(a) - Deemed Export of Technology to Taiwanese National in the United States Without the Required License)

Between on or about October 1, 2001, and October 1, 2002, Hexcel engaged in conduct prohibited by the Regulations by granting a Taiwanese national access to technology to manufacture bismaleimide resin, an item classified under Export Control Classification Number (“ECCN”) 1E001, without the Department of Commerce license required by Section 742.4 of the Regulations. In so doing, Hexcel committed one violation of Section 764.2(a) of the Regulations. See attached Schedule of Violations, which is enclosed herewith, and incorporated herein by reference.

¹ The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2005). The violations charged occurred from 2000 through 2002. The Regulations governing the violations at issue are found in the 2000 - 2002 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2000-2002)). The 2005 Regulations govern the procedural aspects of this case.

² 50 U.S.C. app. §§ 2401- 2420 (2000). From August 21, 1994 through November 12, 2000, the Act was in lapse. During that period, the President, through Executive Order 12924, which had been extended by successive Presidential Notices, the last of which was August 3, 2000 (3 C.F.R., 2000 Comp. 397 (2001)), continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. §§ 1701 - 1706 (2000)) (“IEEPA”). On November 13, 2000, the Act was reauthorized by Pub. L. No. 106-508 and it remained in effect through August 20, 2001. Executive Order 13222 of August 17, 2001 (3 C.F.R., 2001 Comp., p. 783 (2002)), which has been extended by successive Presidential Notices, the most recent being that of August 2, 2005 (70 FR 45273 (August 5, 2005)), continues the Regulations in effect under IEEPA.

Charges 2-20 (15 C.F.R. §764.2(a) - Exporting Carbon Fabric to Various Destinations Without the Required Licenses)

Between on or about May 25, 2000, and November 7, 2002, Hexcel engaged in conduct prohibited by the Regulations by exporting AS4, AS4C or T650 carbon fabric, items classified under ECCN 1C010.b, to various end users in Brazil, Colombia, Israel, Mexico, the People's Republic of China, Singapore, and Taiwan, without the Department of Commerce licenses required by Section 742.4 of the Regulations. In so doing, Hexcel committed 19 violations of Section 764.2(a) of the Regulations. See attached Schedule of Violations, which is enclosed herewith, and incorporated herein by reference.

Charge 21 (15 C.F.R. §764.2(a) - Exporting Carbon Fiber to Saudi Arabia Without the Required License)

On or about January 10, 2002, Hexcel engaged in conduct prohibited by the Regulations by exporting Nextel 312 carbon fiber, an item classified under ECCN 1C010.c, to Saudi Arabia without the Department of Commerce license required by Section 742.4 of the Regulations. In so doing, Hexcel committed one violation of Section 764.2(a) of the Regulations. See attached Schedule of Violations, which is enclosed herewith, and incorporated herein by reference.

Charge 22 (15 C.F.R. §764.2(g) - Misrepresentation of Proper Authorization on Export Control Document)

On or about October 26, 2001, Hexcel made a false or misleading representation, statement, or certification, to the U.S. Government in connection with effecting an export subject to the Regulations. Hexcel filed an SED with the U.S. Government containing a false statement regarding the authorization for the export of certain AS4C Carbon Fabric controlled under ECCN 1C010.b to Taiwan. Hexcel asserted that the export was authorized pursuant to "NLR" (no license required), when in fact a license was required from Commerce. In so doing, Hexcel committed one violation of Section 764.2(g) of the Regulations.

Accordingly, Hexcel is hereby notified that an administrative proceeding is instituted against it pursuant to Section 13(c) of the Act and Part 766 of the Regulations for the purpose of obtaining an order imposing administrative sanctions, including any or all of the following:

The maximum civil penalty allowed by law of up to \$120,000 per violation;³

Denial of export privileges; and/or

Exclusion from practice before BIS.

If Hexcel fails to answer the charges contained in this letter within 30 days after being served with notice of issuance of this letter, that failure will be treated as a default. (Regulations, Sections 766.6 and 766.7). If Hexcel defaults, the Administrative Law Judge may find the charges alleged in this letter are true without a hearing or further notice to Hexcel. The Under Secretary of Commerce for Industry and Security may then impose up to the maximum penalty on the charges in this letter.

Hexcel is further notified that it is entitled to an agency hearing on the record if Hexcel files a written demand for one with its answer. (Regulations, Section 766.6). Hexcel is also entitled to be represented by counsel or other authorized representative who has power of attorney to represent it. (Regulations, Sections 766.3(a) and 766.4).

The Regulations provide for settlement without a hearing. (Regulations, Section 766.18). Should Hexcel have a proposal to settle this case, Hexcel or its representative should transmit it through the attorney representing BIS named below.

The U.S. Coast Guard is providing administrative law judge services in connection with the matters set forth in this letter. Accordingly, Hexcel's answer must be filed in accordance with the instructions in Section 766.5(a) of the Regulations with:

U.S. Coast Guard ALJ Docketing Center
40 S. Gay Street
Baltimore, Maryland 21202-4022

³ Pursuant to 15 C.F.R. § 6.4(a)(7) the maximum penalty for violations 5 through 8 is \$120,000 per violation. Pursuant to 15 C.F.R. § 6.4(a)(2), the maximum penalty for all other violations alleged herein is \$11,000 per violation.

Hexcel Corporation
Proposed Charging Letter
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In addition, a copy of Hexcel's answer must be served on BIS at the following address:

Office of Chief Counsel for Industry and Security
Attention: David Wolitz
Room H-3839
United States Department of Commerce
14th Street and Constitution Avenue, N.W.
Washington, D.C. 20230

David Wolitz is the attorney representing BIS in this case; any communications that Hexcel may wish to have concerning this matter should occur through him. He may be contacted by telephone at (202) 482-5301.

Sincerely,

Michael D. Turner
Director
Office of Export Enforcement

Enclosure

**SCHEDULE OF VIOLATIONS
HEXCEL CORPORATION**

CHARGE	DATE	COMMODITY	ECCN	DESTINATION	VALUE (\$)
1	10/01 - 10/02	Technology to Bismaleimide Resin	1E001	Taiwan	0
2	5/25/00	AS4 Carbon Fabric	1C010.b	Brazil	8,528
3	9/12/00	AS4C Carbon Fabric	1C010.b	Taiwan	3,813
4	10/13/00	AS4C Carbon Fabric	1C010.b	Taiwan	15,773
5	11/21/00*	AS4C Carbon Fabric	1C010.b	Brazil	2,772
6	12/1/00*	AS4 Carbon Fabric	1C010.b	Brazil	3,144
7	3/22/01*	AS4C Carbon Fabric	1C010.b	Taiwan	15,773
8	6/4/01*	AS4 Carbon Fabric	1C010.b	Singapore	4,028
9	9/7/01	AS4C Carbon Fabric	1C010.b	Brazil	3,106
10, 22	10/26/01	AS4C Carbon Fabric	1C010.b	Taiwan	4,111
11	11/9/01	AS4C Carbon Fabric	1C010.b	Colombia	9,955
12	12/5/01	AS4C Carbon Fabric	1C010.b	Brazil	1,522
13	3/12/02	AS4C Carbon Fabric	1C010.b	China	41,197
14	4/29/02	AS4C Carbon Fabric	1C010.b	Taiwan	34,960
15	5/3/02	AS4C Carbon Fabric	1C010.b	China	39,181
16	7/17/02	AS4C Carbon Fabric	1C010.b	China	26,278
17	7/31/02	AS4 Carbon Fabric	1C010.b	Singapore	1,530
18	8/8/02	AS4C Carbon Fabric	1C010.b	Colombia	6,612
19	9/18/02	AS4C Carbon Fabric	1C010.b	Mexico, DF	3,467

20	11/7/02	T650 Carbon Fabric	1C010.b	Singapore	1,560
21	1/10/02	Nextel 312 Carbon Fiber	1C010.c	Saudi Arabia	1,600
TOTAL:					\$228,910

* Note that these transactions occurred while the Export Administration Act was in effect.

UNITED STATES DEPARTMENT OF COMMERCE
BUREAU OF INDUSTRY AND SECURITY
WASHINGTON, D.C. 20230

In the Matter of:)
)
Hexcel Corporation)
Two Stamford Plaza)
281 Tresser Boulevard)
Stamford, CT 06901)
)
Respondent)

SETTLEMENT AGREEMENT

This Settlement Agreement (“Agreement”) is made by and between Hexcel Corporation (“Hexcel”), and the Bureau of Industry and Security, U.S. Department of Commerce (“BIS”) (collectively, the “Parties”), pursuant to Section 766.18(a) of the Export Administration Regulations (currently codified at 15 C.F.R. Parts 730-774 (2006)) (the “Regulations”),¹ issued pursuant to the Export Administration Act of 1979, as amended (50 U.S.C. app. §§ 2401-2420 (2000)) (the “Act”),²

¹ The violations charged occurred from 2000 through 2002. The Regulations governing the violations at issue are found in the 2000 - 2002 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2000-2002)). The 2006 Regulations establish the procedures that apply to this matter.

² From August 21, 1994 through November 12, 2000, the Act was in lapse. During that period, the President, through Executive Order 12924, which had been extended by successive Presidential Notices, the last of which was August 3, 2000 (3 C.F.R., 2000 Comp. 397 (2001)), continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. §§ 1701-1706 (2000)) (“IEEPA”). On November 13, 2000, the Act was reauthorized and it remained in effect through August 20, 2001. Since August 21, 2001, the Act has been in lapse and the President, through Executive Order 13222 of August 17, 2001 (3 C.F.R., 2001 Comp. 783 (2002)), as

WHEREAS, Hexcel filed a voluntary self-disclosure with BIS's Office of Export Enforcement in accordance with Section 764.5 of the Regulations concerning the transactions at issue herein;

WHEREAS, BIS has notified Hexcel of its intention to initiate an administrative proceeding against Hexcel, pursuant to the Act and the Regulations;

WHEREAS, BIS has issued a proposed charging letter to Hexcel that alleged that Hexcel committed 22 violations of the Regulations, specifically:

1. *One Violation of 15 C.F.R. §764.2(a) - Deemed Export of Technology to Taiwanese National in the United States Without the Required License:* Between on or about October 1, 2001, and October 1, 2002, Hexcel engaged in conduct prohibited by the Regulations by granting a Taiwanese national access to technology to manufacture bismaleimide resin, an item classified under Export Control Classification Number ("ECCN") 1E001, without the Department of Commerce license required by Section 742.4 of the Regulations.
2. *19 Violations of 15 C.F.R. §764.2(a) - Exporting Carbon Fabric to Various Destinations Without the Required Licenses:* Between on or about May 25, 2000, and November 7, 2002, Hexcel engaged in conduct prohibited by the Regulations by exporting fabric made from AS4, AS4C or T650 carbon fiber, items classified under ECCN 1C010.b, to various end users in Brazil, Colombia, Israel, Mexico, the People's Republic of China, Singapore, and Taiwan, without the Department of Commerce licenses required by Section 742.4 of the Regulations.

extended by the Notice of August 2, 2005 (70 Fed. Reg. 45,273 (Aug. 5, 2005)), has continued the Regulations in effect under IEEPA.

3. *One Violation of 15 C.F.R. §764.2(a) - Exporting Ceramic Fabric to Saudi*

Arabia Without the Required License: On or about January 10, 2002, Hexcel engaged in conduct prohibited by the Regulations by exporting fabric made from Nextel 312 ceramic fiber, an item classified under ECCN 1C010.c, to Saudi Arabia without the Department of Commerce license required by Section 742.4 of the Regulations.

4. *One Violation of 15 C.F.R. §764.2(g) - Misrepresentation of Proper Authorization*

on Export Control Document: On or about October 26, 2001, Hexcel made a false or misleading representation, statement, or certification, to the U.S. Government in connection with effecting an export subject to the Regulations. Hexcel filed an SED with the U.S. Government containing a false statement regarding the authorization for the export of certain AS4C Carbon Fabric controlled under ECCN 1C010.b to Taiwan. Hexcel asserted that the export was authorized pursuant to “NLR” (no license required), when in fact a license was required from Commerce.

WHEREAS, Hexcel has reviewed the proposed charging letter and is aware of the allegations made against it and the administrative sanctions which could be imposed against it if the allegations are found to be true;

WHEREAS, Hexcel fully understands the terms of this Agreement and the Order (“Order”) that the Assistant Secretary of Commerce for Export Enforcement will issue if he approves this Agreement as the final resolution of this matter;

WHEREAS, Hexcel enters into this Agreement voluntarily and with full knowledge of its rights;

WHEREAS, Hexcel states that no promises or representations have been made to it other than the agreements and considerations herein expressed;

WHEREAS, Hexcel neither admits nor denies the allegations contained in the proposed charging letter;

WHEREAS, Hexcel wishes to settle and dispose of all matters alleged in the proposed charging letter by entering into this Agreement; and

WHEREAS, Hexcel agrees to be bound by the Order, if entered;

NOW THEREFORE, the Parties hereby agree as follows:

1. BIS has jurisdiction over Hexcel, under the Regulations, in connection with the matters alleged in the proposed charging letter.

2. The following sanction shall be imposed against Hexcel in complete settlement of the alleged violations of the Regulations relating to the transactions specifically detailed in the proposed charging letter and voluntary self-disclosure:

a. Hexcel shall be assessed a civil penalty in the amount of \$203,400, which shall be paid to the U.S. Department of Commerce within 30 days from the date of entry of the Order.

b. The timely payment of the civil penalty agreed to in paragraph 2.a is hereby made a condition to the granting, restoration, or continuing validity of any export license, permission, or privilege granted, or to be granted, to Hexcel. Failure to make timely payment of the civil penalty set forth above may result in the denial of all of Hexcel's export privileges under the Regulations for a period of one year from the date of imposition of the penalty.

3. Subject to the approval of this Agreement pursuant to paragraph 8 hereof, Hexcel hereby waives all rights to further procedural steps in this matter (except with respect to any alleged violations of this Agreement or the Order, if entered), including, without limitation, any right to: (a) an administrative hearing regarding the allegations in any charging letter; (b) request a refund of any civil penalty paid pursuant to this Agreement and the Order, if entered; (c) request any relief from the Order, if entered, including without limitation relief from the terms of a denial order under 15 C.F.R. § 764.3(a)(2); and (d) seek judicial review or otherwise contest the validity of this Agreement or the Order, if entered.

4. Upon entry of the Order and timely payment of the \$203,400 civil penalty, BIS will not initiate any further administrative proceeding against Hexcel in connection with any violation of the Act or the Regulations arising out of the transactions identified in the proposed charging letter and the voluntary self-disclosure.

5. BIS will make the proposed charging letter, this Agreement, and the Order, if entered, available to the public.

6. This Agreement is for settlement purposes only. Therefore, if this Agreement is not accepted and the Order is not issued by the Assistant Secretary of Commerce for Export Enforcement pursuant to Section 766.18(a) of the Regulations, no Party may use this Agreement in any administrative or judicial proceeding and the Parties shall not be bound by the terms contained in this Agreement in any subsequent administrative or judicial proceeding.

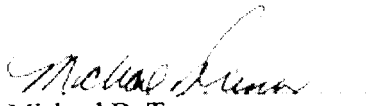
7. No agreement, understanding, representation or interpretation not contained in this Agreement may be used to vary or otherwise affect the terms of this

Agreement or the Order, if entered, nor shall this Agreement serve to bind, constrain, or otherwise limit any action by any other agency or department of the U.S. Government with respect to the facts and circumstances addressed herein.

8. This Agreement shall become binding on the Parties only if the Assistant Secretary of Commerce for Export Enforcement approves it by entering the Order, which will have the same force and effect as a decision and order issued after a full administrative hearing on the record.

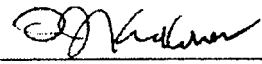
9. Each signatory affirms that he has authority to enter into this Settlement Agreement and to bind his respective party to the terms and conditions set forth herein.

BUREAU OF INDUSTRY AND SECURITY
U.S. DEPARTMENT OF COMMERCE


Michael D. Turner
Director
Office of Export Enforcement

Date: 4/26/06

HEXCEL CORPORATION


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

Date: 26-Apr-2006

UNITED STATES DEPARTMENT OF COMMERCE
BUREAU OF INDUSTRY AND SECURITY
WASHINGTON, D.C. 20230

In the Matter of:)
)
Hexcel Corporation)
Two Stamford Plaza)
281 Tresser Boulevard)
Stamford, CT 06901)
)
)
Respondent)

ORDER RELATING TO HEXCEL CORPORATION

The Bureau of Industry and Security, U.S. Department of Commerce (“BIS”) has notified Hexcel Corporation (“Hexcel”), of its intention to initiate an administrative proceeding against Hexcel pursuant to Section 766.3 of the Export Administration Regulations (currently codified at 15 C.F.R. Parts 730-774 (2006)) (the “Regulations”),¹ and Section 13(c) of the Export Administration Act of 1979, as amended (50 U.S.C. app. §§ 2401-2420 (2000)) (the “Act”),² through the issuance of a proposed charging letter to

¹ The violations charged occurred from 2000 through 2002. The Regulations governing the violations at issue are found in the 2000 - 2002 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2000-2002)). The 2006 Regulations establish the procedures that apply to this matter.

² From August 21, 1994 through November 12, 2000, the Act was in lapse. During that period, the President, through Executive Order 12924, which had been extended by successive Presidential Notices, the last of which was August 3, 2000 (3 C.F.R., 2000 Comp. 397 (2001)), continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. §§ 1701-1706 (2000)) (“IEEPA”). On November 13, 2000, the Act was reauthorized and it remained in effect through August 20, 2001. Since August 21, 2001, the Act has been in lapse and the President, through Executive Order 13222 of August 17, 2001 (3 C.F.R., 2001 Comp. 783 (2002)), as extended by the Notice of August 2, 2005 (70 Fed. Reg. 45,273 (Aug. 5, 2005)), has continued the Regulations in effect under IEEPA.

Hexcel that alleged that Hexcel committed 22 violations of the Regulations. Specifically, the charges are:

1. *One Violation of 15 C.F.R. §764.2(a) - Deemed Export of Technology to Taiwanese National in the United States Without the Required License:* Between on or about October 1, 2001, and October 1, 2002, Hexcel engaged in conduct prohibited by the Regulations by granting a Taiwanese national access to technology to manufacture bismaleimide resin, an item classified under Export Control Classification Number (“ECCN”) 1E001, without the Department of Commerce license required by Section 742.4 of the Regulations.
2. *19 Violations of 15 C.F.R. §764.2(a) - Exporting Carbon Fabric to Various Destinations Without the Required Licenses:* Between on or about May 25, 2000, and November 7, 2002, Hexcel engaged in conduct prohibited by the Regulations by exporting fabric made from AS4, AS4C or T650 carbon fiber, items classified under ECCN 1C010.b, to various end users in Brazil, Colombia, Israel, Mexico, the People’s Republic of China, Singapore, and Taiwan, without the Department of Commerce licenses required by Section 742.4 of the Regulations.
3. *One Violation of 15 C.F.R. §764.2(a) - Exporting Ceramic Fabric to Saudi Arabia Without the Required License:* On or about January 10, 2002, Hexcel engaged in conduct prohibited by the Regulations by exporting fabric made from Nextel 312 ceramic fiber, an item classified under ECCN 1C010.c, to Saudi Arabia without the Department of Commerce license required by Section 742.4 of the Regulations.

4. *One Violation of 15 C.F.R. §764.2(g) - Misrepresentation of Proper Authorization*

on Export Control Document: On or about October 26, 2001, Hexcel made a false or misleading representation, statement, or certification, to the U.S.

Government in connection with effecting an export subject to the Regulations.

Hexcel filed an SED with the U.S. Government containing a false statement

regarding the authorization for the export of certain AS4C Carbon Fabric

controlled under ECCN 1C010.b to Taiwan. Hexcel asserted that the export was

authorized pursuant to “NLR” (no license required), when in fact a license was

required from Commerce.

WHEREAS, Hexcel filed a voluntary self-disclosure with BIS’s Office of Export Enforcement in accordance with Section 764.5 of the Regulations concerning the above-described transactions;

WHEREAS, Hexcel neither admits nor denies the allegations contained in the proposed charging letter;

WHEREAS, BIS and Hexcel have entered into a Settlement Agreement pursuant to Section 766.18(a) of the Regulations whereby they agreed to settle this matter in accordance with the terms and conditions set forth therein, and

WHEREAS, I have approved of the terms of such Settlement Agreement;

IT IS THEREFORE ORDERED:

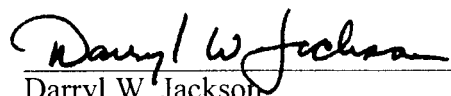
FIRST, that a civil penalty of \$203,400 is assessed against Hexcel, which shall be paid to the U.S. Department of Commerce within 30 days from the date of entry of this Order. Payment shall be made in the manner specified in the attached instructions.

SECOND, that, pursuant to the Debt Collection Act of 1982, as amended (31 U.S.C. §§ 3701-3720E (2000)), the civil penalty owed under this Order accrues interest as more fully described in the attached Notice, and, if payment is not made by the due date specified herein, Hexcel will be assessed, in addition to the full amount of the civil penalty and interest, a penalty charge and an administrative charge, as more fully described in the attached Notice.

THIRD, that the timely payment of the civil penalty set forth above is hereby made a condition to the granting, restoration, or continuing validity of any export license, license exception, permission, or privilege granted, or to be granted, to Hexcel. Accordingly, if Hexcel should fail to pay the civil penalty in a timely manner, the undersigned may enter an Order denying all of Hexcel's export privileges under the Regulations for a period of one year from the date of entry of this Order.

FOURTH, that the proposed charging letter, the Settlement Agreement, and this Order shall be made available to the public.

This Order, which constitutes the final agency action in this matter, is effective immediately.



Darryl W. Jackson
Assistant Secretary of Commerce
for Export Enforcement

Entered this 28th day of April, 2006.