

HEXCEL CORP /DE/  
Form DEFA14A  
April 17, 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 (Amendment No. )

Filed by the Registrant ☒ X

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Check the appropriate box:

- ☐ Preliminary Proxy Statement  
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(Name of Registrant as Specified In Its Charter)

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Key Correspondence  
Between Hexcel and OSS

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October 30, 2007

Mr. Oscar S. Schafer

Managing Partner

O.S.S. Capital Management LP

598 Madison Avenue

New York, NY 10022

Dear Oscar,

David Berges sent me the information regarding your suggestions for possible Board nominees. The Governance and Nominating Committee is beginning its process in connection with Hexcel's 2008 annual meeting. The Committee will be following its standard procedures for considering and evaluating potential nominees and, accordingly, I will contact each of the suggested candidates.

During our phone conversation on October 29, you provided me with phone numbers for two of the candidates. You agreed to advise them to expect my call which I will make within the next two weeks. In the meantime, if there is any additional information concerning the three suggested candidates which you wish the Committee to consider, please forward it to me promptly.

I look forward to talking to you soon.

Regards,

/s/ Sandra L. Derickson

Sandra L. Derickson



cc: David E. Berges

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O.S.S. Capital Management LP

598 Madison Avenue

New York, NY 10022-1603

Tel. (212) 756-8700

Fax. (212) 756-8701

November 6, 2007

Ms. Sandra L. Derickson

Director

Hexcel Corporation

Two Stamford Plaza

281 Tresser Boulevard

Stamford, CT 06901

Dear Sandy:

As you know, over the past several weeks we have proposed four candidates for positions on the Board of Directors of Hexcel Corporation. We have proposed these candidates because we believe they would be of great benefit to the Board of Hexcel in serving the interests of all Hexcel shareholders, and we urge that the Nominating Committee promptly approve them. We believe that this matter deserves prompt attention, and that if it is taken seriously there is no legitimate reason why a decision cannot be made reasonably soon. Accordingly, we request a definitive decision from the Board as to the status of these candidates by the close of business on November 16, 2007.

We recognize that everyone has busy schedules but feel there is ample time in the next 11 days to appropriately vet these candidates. We are surprised that apparently none of our candidates have yet been contacted by the Nominating Committee to schedule an interview. You are welcome to use our counsel, Marc Weingarten, of Schulte Roth & Zabel, as an intermediary to expedite these meetings. He can be reached in New York at 212-756-2280.

Sincerely,

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/s/ Oscar S. Schafer

/s/ Andrew J. Goffe

/s/ Peter J. Grondin

Oscar S. Schafer

Andrew J. Goffe

Peter J. Grondin

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November 8, 2007

Mr. Oscar S. Schafer

O.S.S. Capital Management LP

598 Madison Avenue

New York, NY 10022

Dear Oscar,

Your letter of November 6th was a surprise to me. I thought we were pursuing a reasonable, thoughtful path in considering potential candidates to the Hexcel Board. In order to help avoid any future misunderstandings, I would like to summarize my view of what has transpired during our communication, share the conclusions of a special Board meeting called on November 7th to address your letter and propose a reasonable and productive path forward.

Recent Hexcel/OSS communications

October 22. You called Hexcel Chairman David Berges telling him you had three candidates you wanted considered for positions on the Hexcel Board. Mr. Berges said there were no current openings, but that he would forward your suggestions to me, the Presiding Director and the Nominating and Governance Committee Chair. He later received an e-mail from your analyst Peter Grondin with three resumes (including Mr. Grondin). Mr. Berges subsequently sent the resumes to me and sent a letter to you confirming that fact and saying that you would be hearing from me.

October 29. You and I had a phone conversation during which I agreed I would be interested in talking to your candidates and committed to call them within the next two weeks, a time frame to which you did not object. I confirmed the discussion in a letter.

November 1. You called and asked why I had not yet talked to the candidates. I reminded you that only three days of the two weeks had passed. You then informed me you were withdrawing the name of Mr. Grondin and forwarding two additional candidates for consideration. Also, for the first time, you made it clear that your expectation was for Hexcel to expand its Board of Directors by three seats to immediately allow for your candidates. Your stated aim was to add some industrial experience to the board people who knew how to make widgets to help the Company improve margins. Since expanding the Board is a matter for the full Board of Directors, I began discussions with management and the Company's advisors about what process would be required to give consideration to your request.

November 6. I received your fax stating that you had provided candidates over several weeks (actually 11 business days) and that you expected in-person interviews and a definitive response on them by November 16<sup>th</sup> (in eight business days).

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Until our phone call of November 1, I thought we were on a path to consider your candidates for the opening we expect to have with the retirement of one director at the next annual meeting. Understanding that you were expecting Hexcel to add three of your candidates to the existing Board prompted us to call a special meeting of the Hexcel Board of Directors November 7<sup>th</sup> to consider your request.

View of the Board

For quite some time now, the Board generally has felt that in addition to many other requirements for a balanced and productive board, some experienced operational leadership is essential. In fact, with a regular process of needs polling we have sought to balance the experience mix on our Board by seeking and adding directors with aerospace relationships, strong operational experience, and technical capabilities as well as sitting CFO/CEO's of public companies with diversity in mind. I feel it important to review the five Directors added in just the last couple of years.

David Hurley (2005), a well known and respected leader amongst aerospace CEO's world wide with a long history in commercial aerospace sales as well as a US Government Secret clearance and contacts in the defense industry.

Lynn Brubaker (2005), with 25 years in the aerospace industry spanning roles in two airlines, McDonnell Douglas, AlliedSignal and Honeywell.

David Pugh (2006), CEO of Applied Industrial Technologies, a leading industrial products distributor with an operational career in Rockwell Automation, Square D, and Westinghouse Electric.

W. Kim Foster (2007), CFO of FMC Corporation, a chemical manufacturer with a background in a wide range of operational and financial roles in chemical businesses, as well as defense equipment and airport products and systems.

Dr. Jeffrey Graves (2007), CEO of C&D Technologies, Inc., an industrial battery manufacturer and a PhD with an impressive technical experience base including management positions at GE's corporate R&D center and a design manager in GE's power generation group (home of their wind energy business). A Six Sigma Blackbelt, Dr. Graves also has industrial experience from positions at Kemet, Rockwell International and Howmet.

With a solid base of operational and technical experience, these new directors are already contributing to shareholder value. Each has been fully engaged in Board activities including Committee work, Strategic Planning reviews, and plant and customer visits.

I believe that Hexcel is fortunate to have a talented, dedicated and fully engaged Board of Directors, with extensive experience in aerospace, business and finance. Our Board is overwhelmingly independent and Mr. Berges is the only insider. While we recognize that you may not at all times agree with us and we fully respect your right to disagree, we do ask that you understand that we take the views of our shareholders and our fiduciary responsibilities very seriously.



The Board is aligned and agrees with the strategic direction of the Company and is satisfied with the performance of the management team's implementation to date. We agree (as does management) that continued margin expansion is an important goal, one of many being addressed to deliver both short and long term profitable growth.

It is the consensus view of the Board that we have a board selection process that is thoughtful and effective. Your request for this Board to agree to the expansion and addition of three directors for one shareholder in eight business days is considered unreasonable and contrary to good governance standards.

Proposed Path Forward

As one of our Directors will reach the age of 70 before the next Annual Meeting, he will not be standing for re-election in 2008. As is our practice, I am asking our Directors to assess the desired skills/attributes/experiences of a replacement candidate. The Nominating and Governance Committee is in the process of engaging a professional search firm to conduct the search and vet the candidates. The Committee will interview them as appropriate and make their recommendations to the full Board. We hope to have identified a candidate for inclusion in the Proxy Statement for election at the Annual Meeting.

We are happy to include any shareholder's qualified candidates in the search process. As I committed to you, I am planning to call your candidates for pre-screening.

The Directors have also agreed to review best practice data and discuss the optimum size of the Board at its December meeting. Should a Board expansion be deemed appropriate, your candidates would be considered in the subsequent selection process as well.

Oscar, we clearly understand you have a sense of urgency. We take your concerns seriously as evidenced by our invitation to you to present your concerns to the Board last May. We also feel strongly that any action we take needs to be done in an orderly and thoughtful manner and with the best interests of all shareholders kept in balance.

Thank you again for your interest in Hexcel. So as to avoid any delays in the event I am traveling, I suggest you include Noel Maull at Hexcel with any communications as she is acting as my administrative assistant in these matters.

Sincerely,

/s/ Sandra L. Derickson

Sandra L. Derickson



cc: Hexcel Board of Directors

February 19, 2008

Mr. Oscar S. Schafer

Managing Partner

O.S.S. Capital Management LP

598 Madison Avenue

New York, NY 10022

Dear Oscar:

On behalf of Hexcel's Board of Directors, I am writing to advise you that our Nominating and Corporate Governance Committee has recently completed its evaluation process and the full Board of Directors has met to discuss the nomination of directors for election to the Board at the 2008 Annual Meeting of Shareholders.

Although the Nominating Committee did not think that your request for early election of your three candidates to the Board was appropriate, we did agree to meet with and consider the candidates as we deliberated on the proper size and composition of the Board. Over the last three months, the Nominating Committee conducted a thorough review of the director candidates you proposed, as well as several other potential director candidates. Upon completion of this evaluation process, and in order to reach a suitable settlement agreement, the Nominating Committee and the Board have concluded that one of your candidates, Mr. Edward Blechschmidt, has the necessary experience, skills and other attributes that potentially could be beneficial to the Board at this time. In addition, the Nominating Committee has identified an outstanding candidate we think you would agree would add critical skills to the Board. We would ask you to support his inclusion on the Board's slate of directors for the 2008 Annual Meeting to replace H. Arthur Bellows, who is retiring this year.

The Board had previously guided the Nominating Committee to identify a replacement director with strong technical qualifications related to Hexcel's businesses, with particular focus on capital intensive process manufacturing. The advancement of Hexcel's carbon fiber technology and the implementation of a well planned and executed capital investment program are seen as crucial to the long term success of the company. The candidate identified by the Nominating Committee is an MIT-trained PhD in Material Science and Engineering with a career in large scale chemical and engineered materials companies. He has significant executive experience, including having served as a president and chief executive officer of a leading specialty chemicals company, as well as president and chief technology officer in the fibers, advanced materials and chemicals divisions of a large diversified industrials company. We believe that

this candidate's background would address both the defined needs of the Board and also provide the operational and technical expertise necessary to address the operational performance you perceive to be lacking. We would welcome the opportunity for you to meet this candidate so that you can confirm his outstanding credentials and qualifications.

In the interest of avoiding what undoubtedly would be a costly and disruptive proxy contest, which would not be our preferred course of action, we are prepared to expand the size of the Board immediately by adding Mr. Blechschmidt. We would nominate Mr. Blechschmidt and the other candidate identified by the Nominating Committee to replace Mr. Bellows for election to the Board at the 2008 Annual Meeting. We will also allow Mr. Blechschmidt to select the board committee(s) on which he believes he could add the most value. If you find our proposal acceptable, I will ask our counsel to prepare an appropriate settlement agreement, which will set forth the Board composition arrangements, as well as a customary standstill agreement for this shareholders' meeting and, assuming Mr. Blechschmidt is re-nominated, next year's meeting.

If you accept this proposal, and all of the Board's nominees, including Mr. Blechschmidt, are elected at the 2008 Annual Meeting, the Board will consist of one management director and 10 independent directors with strong operational and leadership experience, and technical capabilities in our industry.

We would appreciate hearing your response as soon as possible.

Regards,

/s/ Sandra L. Derickson

Sandra L. Derickson  
Chair, Nominating and Corporate Governance Committee

cc: Board of Directors