

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2004

OR

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

For the transition period from _____ to _____

Commission File Number: 001-14649

Trex Company, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

54-1910453

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

160 Exeter Drive

Winchester, Virginia

(Address of principal executive offices)

22603-8605

(Zip Code)

Registrant's telephone number, including area code: (540) 542-6300

Not Applicable

(Former name, former address and former fiscal year,
if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares of the registrant's common stock, par value \$.01 per share, outstanding at October 29, 2004 was 14,810,718 shares.

TREX COMPANY, INC.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

TREX COMPANY, INC.

Condensed Consolidated Balance Sheets
(In thousands)

	December 31, 2003	September 30, 2004
		(unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 8,151	\$ 61,857
Trade accounts receivable, net	5,829	12,752
Inventories	45,950	21,908
Prepaid expenses and other assets	1,899	4,297
Deferred income taxes	2,169	2,471
Total current assets	63,998	103,285
Property, plant, and equipment, net	138,062	143,700
Goodwill	6,837	6,837
Other assets	1,558	2,012
Total assets	\$ 210,455	\$ 255,834
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	\$ 5,734	\$ 7,152
Accrued expenses	7,563	15,819
Income taxes payable	200	3,493
Current portion of long-term debt	886	8,942
Total current liabilities	14,383	35,406
Deferred income taxes	13,174	15,239
Debt-related derivatives	2,202	1,937
Long-term debt, net of current portion	53,490	44,778
Total liabilities	83,249	97,360
Stockholders' equity:		
Preferred stock, \$0.01 par value, 3,000,000 shares authorized; none issued and outstanding	—	—
Common stock, \$0.01 par value, 40,000,000 shares authorized; 14,702,231 and 14,808,396 shares issued and outstanding at December 31, 2003 and September 30, 2004, respectively	147	148
Additional capital	55,889	59,056
Deferred compensation	(1,829)	(1,402)
Accumulated other comprehensive loss	(1,387)	(1,220)
Retained earnings	74,386	101,892
Total stockholders' equity	127,206	158,474
Total liabilities and stockholders' equity	\$ 210,455	\$ 255,834

SEE ACCOMPANYING NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (UNAUDITED).

TREX COMPANY, INC.**Condensed Consolidated Statements of Operations**
(unaudited)

(In thousands, except share and per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2004	2003	2004
Net sales	\$ 41,224	\$ 64,350	\$ 169,100	\$ 224,014
Cost of sales	21,779	39,667	92,999	132,366
Gross profit	19,445	24,683	76,101	91,648
Selling, general and administrative expenses	10,457	12,947	38,919	45,614
Income from operations	8,988	11,736	37,182	46,034
Interest expense, net	(858)	(640)	(2,655)	(2,549)
Income before taxes	8,130	11,096	34,527	43,485
Income taxes	3,008	3,995	12,775	15,979
Net income	\$ 5,122	\$ 7,101	\$ 21,752	\$ 27,506
Basic earnings per common share	\$ 0.35	\$ 0.48	\$ 1.50	\$ 1.88
Basic weighted average common shares outstanding	14,561,950	14,654,891	14,505,037	14,613,877
Diluted earnings per common share	\$ 0.35	\$ 0.48	\$ 1.48	\$ 1.86
Diluted weighted average common shares outstanding	14,731,373	14,856,343	14,715,170	14,791,463

**SEE ACCOMPANYING NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (UNAUDITED).**

TREX COMPANY, INC.
Condensed Consolidated Statements of Cash Flows
(unaudited)
(In thousands)

	Nine Months Ended September 30,	
	2003	2004
OPERATING ACTIVITIES		
Net income	\$ 21,752	\$ 27,506
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred income taxes	2,817	2,326
Equity method losses	150	37
Amortization of deferred compensation and financing costs	677	678
Depreciation	9,206	10,209
Loss on disposal of property, plant and equipment	21	79
Changes in operating assets and liabilities:		
Trade accounts receivable	(12,248)	(6,923)
Inventories	(5,104)	24,042
Prepaid expenses and other assets	(939)	(2,398)
Trade accounts payable	5,196	61
Accrued expenses	(1,043)	9,613
Income taxes payable	612	3,293
Net cash provided by operating activities	21,097	68,523
INVESTING ACTIVITIES		
Loans to Denplax, S.A.	—	(740)
Expenditures for property, plant and equipment	(13,290)	(15,926)
Net cash used in investing activities	(13,290)	(16,666)
FINANCING ACTIVITIES		
Principal payments under mortgages	(611)	(656)
Proceeds from employee stock purchase and option plans	646	2,505
Proceeds from exercise of warrant	5,268	—
Net cash provided by financing activities	5,303	1,849
Net increase in cash and cash equivalents	13,110	53,706
Cash and cash equivalents at beginning of period	14,893	8,151
Cash and cash equivalents at end of period	\$ 28,003	\$ 61,857
Supplemental Disclosure:		
Cash paid for interest	\$ 2,641	\$ 2,578
Cash paid for income taxes	\$ 9,219	\$ 9,855

**SEE ACCOMPANYING NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (UNAUDITED).**

TREX COMPANY, INC.

Notes to Condensed Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2003 and 2004
(unaudited)

1. BUSINESS AND ORGANIZATION

Trex Company, Inc., a Delaware corporation (together with its subsidiaries, the "Company"), was incorporated in 1998. The Company manufactures and distributes wood/plastic composite products primarily for residential and commercial decking applications. Trex Wood-Polymer® lumber ("Trex") is manufactured in a proprietary process that combines waste wood fibers and polyethylene. The Company operates in one business segment.

2. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, the accompanying condensed consolidated financial statements do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal and recurring adjustments) considered necessary for a fair presentation have been included in the accompanying condensed consolidated financial statements. The consolidated results of operations for the three-month and nine-month periods ended September 30, 2004 are not necessarily indicative of the results that may be expected for the full fiscal year. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements as of December 31, 2002 and 2003 and for each of the three years in the period ended December 31, 2003 included in the annual report of Trex Company, Inc. on Form 10-K, as filed with the Securities and Exchange Commission.

Reclassifications

Certain prior year amounts have been reclassified to conform to the 2004 presentation.

3. INVENTORY

Inventories (at LIFO value) consist of the following (in thousands):

	December 31, 2003	September 30, 2004
Finished goods	\$ 36,227	\$ 12,538
Raw materials	9,723	9,370
	<u>\$ 45,950</u>	<u>\$ 21,908</u>

An actual valuation of inventory under the LIFO (last-in, first-out) method can be made only at the end of each year based on the inventory levels and costs at that time. Accordingly, interim LIFO calculations are based on management's estimates of expected year-end inventory levels and costs. Since inventory levels and costs are subject to factors beyond management's control, interim results are subject to the final year-end LIFO inventory valuation.

4. ACCRUED EXPENSES

Accrued expenses consist of the following (in thousands):

	December 31, 2003	September 30, 2004
Accrued sales and marketing costs	\$ 1,732	\$ 3,757
Accrued compensation and benefits	3,131	5,523
Professional fees and legal costs	465	2,136
Accrued interest	156	1,047
Deferred rent	383	424
Other	1,696	2,932
Accrued expenses	<u>\$ 7,563</u>	<u>\$ 15,819</u>

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5. DEBT

The Company's outstanding debt consists of senior secured notes and real estate loans. The Company also has a revolving credit facility that provides for borrowing up to \$20.0 million. Amounts drawn under the revolving credit facility are subject to a borrowing base consisting of accounts receivable and finished goods inventories. At September 30, 2004, no borrowings were outstanding under the revolving credit facility.

The revolving credit facility, real estate loans and the senior secured notes contain negative and financial covenants. At September 30, 2004, the Company was in compliance with these covenants.

On September 30, 2004, the Company amended the revolving credit facility and certain real estate loans. The amendment extended the maturity date of the revolving credit facility from June 30, 2005 to September 30, 2007 and the maturity date of the real estate loans from June 30, 2005 to September 30, 2009. The revolving credit facility and real estate loans accrue interest at annual rates equal to LIBOR plus specified margins. The specified margins are determined based on the Company's ratio of total consolidated debt to consolidated earnings before interest, taxes, depreciation and amortizations, as computed under the credit facility. The amendment reduced the margins for the credit facility from a range of 1.5% to 3.25% to a range of 1.25% to 1.75% and the real estate loans from a range of 1.75% to 3.50% to a range of 1.50% to 2.50%. Under the amendment, the lender released its security interest in the Company's assets under the revolving credit facility. The amendment also made less restrictive some of the negative and financial covenants in the revolving credit facility.

The Company uses interest-rate swap contracts to manage its exposure to fluctuations in the interest rates under its real estate loans. At September 30, 2004, the Company had effectively capped its interest rate exposure at an annual rate of approximately 8.1% on all of its \$13.7 million principal amount of floating-rate real estate loans.

6. STOCKHOLDERS' EQUITY

The following table sets forth the computation of basic and diluted earnings per share (in thousands, except share and per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2004	2003	2004
Numerator:				
Net income available to common shareholders	\$ 5,122	\$ 7,101	\$ 21,752	\$ 27,506
Denominator:				
Basic weighted average shares outstanding	14,561,950	14,654,891	14,505,037	14,613,877
Impact of potential common shares:				
Options	103,845	114,360	118,794	93,967
Warrants	—	—	25,339	—
Restricted stock	65,578	87,092	66,001	83,619
Diluted weighted average shares outstanding	14,731,373	14,856,343	14,715,170	14,791,463
Basic earnings per share	\$ 0.35	\$ 0.48	\$ 1.50	\$ 1.88
Diluted earnings per share	\$ 0.35	\$ 0.48	\$ 1.48	\$ 1.86

7. STOCK-BASED COMPENSATION

The Company accounts for its stock-based compensation in accordance with APB No. 25 and its related interpretations. No stock-based compensation cost related to stock option grants has been reflected in net income, as all options granted under the Company's 1999 Stock Option and Incentive Plan had an exercise price equal to the market value of the underlying common stock on the date of grant. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2004	2003	2004
Net income, as reported	\$5,122	\$7,101	\$21,752	\$27,506
Deduct: Additional stock-based employee compensation expense determined under the fair value based method, net of related tax effects	\$ 393	\$ 455	\$ 1,151	1,364
Pro forma net income	\$4,729	\$6,646	\$20,601	\$26,142
Earnings per share:				
Basic-as reported	\$ 0.35	\$ 0.48	\$ 1.50	\$ 1.88
Basic-pro forma	\$ 0.32	\$ 0.45	\$ 1.42	\$ 1.79
Diluted-as reported	\$ 0.35	\$ 0.48	\$ 1.48	\$ 1.86
Diluted-pro forma	\$ 0.32	\$ 0.45	\$ 1.40	\$ 1.77

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In accordance with SFAS No. 123, the fair value was estimated at the grant date using a Black-Scholes option pricing model with the following weighted-average assumptions: risk-free interest rates of 3-6%; no dividends; expected life of the options of approximately five years; and volatility of 53-81%.

8. SEASONALITY

The Company's net sales and income from operations have historically varied from quarter to quarter. Such variations are principally attributable to seasonal trends in the demand for Trex. The Company has historically experienced lower net sales during the fourth quarter because holidays and adverse weather conditions in certain regions reduce the level of home improvement and new construction activity. Net sales during the nine months ended September 30, 2002 and 2003 accounted for approximately 88% and 89% of annual net sales in 2002 and 2003, respectively.

9. NEW ACCOUNTING STANDARDS

In January 2003, the Financial Accounting Standards Board issued Interpretation No. 46 "Consolidation of Variable Interest Entities, an Interpretation of Accounting Research Bulletin No. 51" (the "Interpretation"). The Interpretation requires the consolidation of any variable interest entity for which an enterprise is considered the primary beneficiary. The primary beneficiary absorbs a majority of an entity's expected losses or receives a majority of the entity's expected residual returns, or both, as a result of ownership or contractual or other financial interests in the entity. Previously, an entity was generally consolidated by an enterprise when the enterprise had a controlling financial interest in the entity through ownership of a majority voting interest in the entity. The Company adopted the Interpretation in the three months ended March 31, 2004. The adoption of the Interpretation did not have a material impact on the Company's financial position or results of operations.

In 2000, the Company formed a joint venture, Denplax, S.A., ("Denplax") with a Spanish environmental company and an Italian equipment manufacturer to operate a plant in Spain designed to recycle waste polyethylene. The Company does not control Denplax and records its proportional 35% share of Denplax's operating results using the equity method. Denplax is considered a variable interest entity as defined in the Interpretation, but the Company has determined that it is not the primary beneficiary. In 2000, Denplax was initially financed with equity contributions from the Company and its other partners and with debt financing. In 2003, the Company and the other partners made additional equity contributions. Under a supply agreement, the Company has agreed to purchase up to 27,200 tons of the Denplax plant's production per year, if the production meets certain product specifications. The Company purchased 12,100 tons for approximately \$2.2 million, excluding freight, in the nine months ended September 30, 2003 and 10,700 tons for approximately \$2.3 million, excluding freight, in the nine months ended September 30, 2004. As of September 30, 2004, the carrying value of the Company's investment in Denplax was approximately \$0.8 million. As of September 30, 2004, the Company had prepaid approximately \$0.6 million to Denplax for purchases under the supply agreement. During the nine months ended September 30, 2004, the Company also loaned Denplax approximately \$0.7 million under a financing arrangement.

10. COMMITMENTS AND CONTINGENCIES

As most recently reported in the Company's report on Form 10-Q for the quarterly period ended June 30, 2004, on July 28, 2000, a purported class action case was commenced against the Company in the Superior Court of New Jersey – Essex County, by Michael Kanefsky generally alleging that the Company has violated state and common law by negligently misrepresenting the characteristics of its products, by breaching contracts, by breaching implied or express warranties and/or by defrauding consumers in the sale and promotion of these products. The plaintiffs seek reformation of the Company's warranty, as well as compensatory damages in an unspecified amount. On May 28, 2004, the Superior Court certified the following three class action cases against the Company: (1) a nationwide class for reformation of warranty; (2) a New Jersey class for alleged violation of the New Jersey Consumer Fraud Act; and (3) a New Jersey class for alleged breach of express and implied warranties. On August 24, 2004, the Court preliminarily approved a proposed settlement of the action. Notice of the proposed settlement has been given by the Company to the class members. The final fairness hearing is scheduled for December 10, 2004 at which time the Court will determine whether to grant final approval of the settlement. Although the Company denies the allegations in the complaint, pursuant to the terms of the proposed settlement, the Company has agreed that upon proper proof of claim, it will replace, at the Company's sole expense (including labor), any class member's product that exhibits certain specified characteristics. The Company has also agreed to modify its warranty in certain respects, and to discontinue certain advertising claims. The proposed settlement does not include the payment of any monetary damages by the Company, although the Company has agreed to pay \$1,750,000 in legal fees to plaintiffs' counsel. The Company does not believe that the implementation of the settlement will have a material adverse effect on the Company's financial condition.

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If the proposed settlement is not approved, the Company does not presently expect that the resolution of this matter will have a material adverse effect on the Company's financial condition, although the ultimate resolution of legal proceedings of this nature cannot be predicted with certainty.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. We intend our forward-looking statements in this report to be covered by the safe harbor provisions for forward-looking statements in these sections. All statements regarding our expected financial position and operating results, our business strategy, our financing plans, forecasted demographic and economic trends relating to our industry and similar matters are forward-looking statements. These statements can sometimes be identified by our use of forward-looking words such as "may," "will," "anticipate," "estimate," "expect" or "intend." We cannot promise you that our expectations in such forward-looking statements will turn out to be correct. Our actual results could be materially different from our expectations because of various risks. Such risks include the Company's ability to develop or increase market acceptance of Trex, including new products and applications; the Company's lack of product diversification and reliance on sales of Trex Wood-Polymer® lumber; the Company's plan to increase production levels; the Company's current dependence on its two manufacturing sites; the Company's reliance on the supply of raw materials used in its production process; the Company's sensitivity to economic conditions, which influence the level of activity in home improvements and new home construction; the Company's ability to manage its growth; the Company's significant capital investments and ability to access the capital markets; and the Company's dependence on its largest distributors to market and sell its products. A discussion of these and other risks and uncertainties is contained in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 5, 2004.

Overview

General. The Company's long-term goals are to continue to be the leading producer of a superior non-wood decking alternative product, to increase the Company's market share of the decking market and to expand into new products and geographic markets. The Company's management considers both financial and non-financial indicators and factors in measuring the Company's progress in achieving its goals and as general guides for managing the Company's operations.

Net sales consist of sales and freight, net of returns and discounts. Cost of sales consists of raw material costs, direct labor costs and manufacturing overhead costs, including depreciation and freight. The largest component of selling, general and administrative expenses is branding and other sales and marketing costs. Sales and marketing costs consist primarily of salaries, commissions and benefits paid to sales and marketing personnel, advertising expenses and other promotional costs. General and administrative expenses include salaries and benefits of personnel engaged in research and development, procurement, accounting and other business functions, and office occupancy costs attributable to such functions, as well as depreciation and amortization expense.

In April 2004, the Company entered into an agreement with Home Depot, the world's leading home improvement retailer. In June 2004, the Company began selling decking products through Home Depot in selected markets and making decking and railing products available nationally in Home Depot stores via special order through the Company's existing distribution channels.

Managing raw materials cost and manufacturing performance continued to be one of the Company's principal operating objectives for 2004. Higher manufacturing unit costs in 2004 have contributed to a reduction in gross profit as a percentage of sales. Manufacturing unit costs have increased because of higher raw material costs and lower utilization rates, which have resulted in an unfavorable absorption of fixed manufacturing costs.

The Company has continued to support its branding efforts through advertising campaigns in print publications and on television. Branding expenditures in the first nine months of 2004 have increased over the prior corresponding period in 2003.

To support further growth, the Company must maintain sufficient manufacturing capacity. Although the Company's production capacity at its two existing manufacturing sites will be sufficient to meet anticipated demand for Trex through 2004, the Company has begun the process of developing a third manufacturing site. It has acquired the land for this site, commenced construction of a facility and placed its initial equipment orders. Completion of a third site will require substantial capital expenditures in the fourth quarter of 2004 and in subsequent years.

Three Months Ended September 30, 2004 Compared with Three Months Ended September 30, 2003

Net Sales. Net sales in the three months ended September 30, 2004 (the "2004 quarter") increased 56.1% to \$64.4 million from \$41.2 million in the three months ended September 30, 2003 (the "2003 quarter"). The increase in net sales was primarily attributable to an increase in sales volume of 38.3% and, to a lesser extent, to an increase in revenue per product unit. The increase in revenue per

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product unit resulted from sales of the higher-priced Accents product and, to a lesser extent, a price increase, of 5.0% for the Origins product and a price increase of 9.0% for railing products. The number of dealer outlets remained at approximately 3,300 at September 30, 2004 and 2003.

Gross Profit. Gross profit increased 26.9% to \$24.7 million in the 2004 quarter from \$19.4 million in the 2003 quarter. The increase was primarily attributable to the increase in net sales. The unit manufacturing costs were negatively affected by higher costs for purchased polyethylene and lower manufacturing utilization compared to the 2003 quarter. Purchased polyethylene costs increased 13.4% over the third quarter of 2003. Manufacturing utilization in the 2004 quarter was negatively affected by new product start up activities, product quality initiatives and equipment downtime for repairs. Gross profit as a percentage of net sales decreased to 38.4% in the 2004 quarter from 47.2% in the 2003 quarter.

Selling, General and Administrative Expenses Selling, general and administrative expenses increased 23.8% to \$12.9 million in the 2004 quarter from \$10.5 million in the 2003 quarter. The higher selling, general and administrative expenses resulted principally from a \$1.3 million increase in compensation and benefits, \$0.6 million in non-branding-related marketing expenses, and a \$0.6 million increase in professional fees and legal costs, including expenses relating to ongoing litigation. In the 2003 quarter, the Company reversed \$1.3 million in incentive compensation accruals made earlier in 2003. The reversal resulted from management's assessment that lesser amounts would be earned and payable under the programs for 2003. As a percentage of net sales, selling, general and administrative expenses decreased to 20.1% in the 2004 quarter from 25.4% in the 2003 quarter primarily due to the growth in net sales.

Interest Expense. Net interest expense decreased to \$0.6 million in the 2004 quarter from \$0.9 million in the 2003 quarter. The decrease in net interest expense resulted from an increase in interest income, which was attributable to increased interest earned on the Company's higher 2004 cash balances. The Company capitalized \$0.4 million and \$0.3 million of interest on construction in process in the 2004 and 2003 quarters, respectively.

Provision for Income Taxes. The Company recorded a provision for income taxes of \$4.0 million in the 2004 quarter compared to a provision of \$3.0 million in the 2003 quarter. The provisions reflect an effective tax rate of approximately 36.0% in the 2004 quarter and a rate of approximately 37.0% in the 2003 quarter.

Nine Months Ended September 30, 2004 Compared with Nine Months Ended September 30, 2003

Net Sales. Net sales in the nine months ended September 30, 2004 (the "2004 nine-month period") increased 32.5% to \$224.0 million from \$169.1 million in the nine months ended September 30, 2003 (the "2003 nine-month period"). The increase in net sales was primarily attributable to an increase in sales volume of 17.2% and, to a lesser extent, to an increase in revenue per product unit. The increase in revenue per product unit resulted from sales of the higher-priced Accents product and, to a lesser extent, a price increase of 5.0%, for the Origins product and a price increase of 9.0% for railing products. This increase was partially offset by the effects of discounts and incentives offered to customers as part of the Company's "early buy" sales programs.

Gross Profit. Gross profit increased 20.4% to \$91.6 million in the 2004 nine-month period from \$76.1 million in the 2003 nine-month period. The increase was primarily attributable to the increase in net sales. The effect of the higher net sales was partially offset by the effects of discounts and incentives offered to customers as part of the Company's "early buy" sales programs and higher unit manufacturing costs arising primarily from increased raw material costs and lower utilization rates, which resulted in decreased absorption of fixed manufacturing expenses. Manufacturing utilization in the 2004 nine-month period was negatively affected by new product start up activities, product quality initiatives and equipment downtime for repairs. Gross profit as a percentage of net sales decreased to 40.9% in the 2004 nine-month period from 45.0% in the 2003 nine-month period.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased 17.2% to \$45.6 million in the 2004 nine-month period from \$38.9 million in the 2003 nine-month period. The higher selling, general and administrative expenses resulted principally from a \$2.9 million increase in compensation and benefit expenses, a \$1.3 million increase in sales and marketing expenses, a \$0.6 million increase in branding expenses and a \$2.1 million increase in professional fees and legal costs, including expenses related to ongoing litigation. As a percentage of net sales, selling, general and administrative expenses decreased to 20.4% in the 2004 nine-month period from 23.0% in the 2003 nine-month period primarily due to the growth in net sales.

Interest Expense. Net interest expense decreased to \$2.5 million in the 2004 nine-month period from \$2.7 million in the 2003 nine-month period. The decrease in net interest expense resulted from an increase in interest income, which was attributable to increased interest earned on the Company's higher 2004 cash balances. The Company capitalized \$0.9 million and \$0.8 million, respectively, of interest on construction in process the 2004 and 2003 nine-month periods.

Provision for Income Taxes. The Company recorded a provision for income taxes of \$16.0 million in the 2004 nine-month period compared to a provision of \$12.8 million in the 2003 nine-month period. The provisions reflect an effective tax rate of approximately 36.7% in the 2004 nine-month period, and a rate of approximately 37.0% in the 2003 nine-month period.

Liquidity and Capital Resources

The Company has financed its operations and growth primarily with cash flow from operations, borrowings under its credit facility and other loans, operating leases and normal trade credit terms.

Sources and Uses of Cash. The Company's cash provided by operating activities for the 2004 nine-month period was \$68.5 million compared to cash provided by operating activities of \$21.1 million for the 2003 nine-month period. The level of cash flow in the 2004 nine-month period was positively affected by higher net sales and a decrease in inventory levels. The effect of these factors was offset in part by a increase in accounts receivable. The Company's inventories decreased from \$46.0 million at December 31, 2003 to \$21.9 million at September 30, 2004, as sales volume exceeded production volume. Receivables increased from \$5.8 million at December 31, 2003 to \$12.8 at September 30, 2004 as a result of higher net sales in September 2004. Operating cash flow for the 2004 nine-month period was positively affected by compensation and benefit expenses accrued but not required to be paid until 2005.

The Company's cash used in investing activities totaled \$16.7 million in the 2004 nine-month period, compared to cash used in investing activities of \$13.3 million in the 2003 nine-month period, and related primarily to expenditures for the purchase of property, plant and equipment to support expanding manufacturing capacity. The increase in the 2004 nine-month period was principally applied to expenditures for the purchase of the land and plant equipment for the Company's third manufacturing site.

The Company's cash provided by financing activities was \$1.8 million in the 2004 nine-month period compared to cash provided by financing activities of \$5.3 million in the 2003 nine-month period. In the 2003 nine-month period, the lender under the Company's former senior bank credit facility exercised a warrant to purchase 353,779 shares of the Company's common stock for a total purchase price of approximately \$5.3 million.

Capitalization. As of September 30, 2004, the Company's indebtedness totaled \$55.7 million and had an annualized overall weighted average interest rate of approximately 8.3%. The Company's ability to borrow under its revolving credit facility is tied to a borrowing base that consists of certain receivables and inventories. As of September 30, 2004, the borrowing base was \$22.3 million and no borrowings were outstanding under the facility. In June 2005, the first of five principal payments of \$8.0 million on the senior secured notes will be payable.

On September 30, 2004, the Company amended the revolving credit facility and certain real estate loans. The amendment extended the maturity date of the revolving credit facility from June 30, 2005 to September 30, 2007 and the maturity date of the real estate loans from June 30, 2005 to September 30, 2009. The revolving credit facility and real estate loans accrue interest at annual rates equal to LIBOR plus specified margins. The specified margins are determined based on the Company's ratio of total consolidated debt to consolidated earnings before interest, taxes, depreciation and amortizations, as computed under the credit facility. The amendment reduced the margins for the credit facility from a range of 1.50% to 3.25% to a range of 1.25% to 1.75% and the real estate loans from a range of 1.75% to 3.50% to a range of 1.50% to 2.50%. Under the amendment, the lender released its security interest in the Company's assets under the revolving credit facility. The amendment also made less restrictive some of the negative and financial covenants in the revolving credit facility.

Interest. The Company uses interest-rate swap contracts to manage its exposure to fluctuations in the interest rates under a majority of its real estate loans. At September 30, 2004, the Company had effectively capped its interest rate exposure at an annual rate of approximately 8.1% on all of its \$13.7 million principal amount of floating-rate real estate loans.

Debt Covenants. To remain in compliance with its credit facility and senior secured note covenants, the Company must maintain specified financial ratios based on its levels of debt, capital, net worth, fixed charges, and earnings (excluding extraordinary gains and extraordinary non-cash losses) before interest, taxes, depreciation and amortization. As of September 30, 2004, the Company was in compliance with these covenants.

Capital Requirements. The Company made capital expenditures in the 2004 nine-month period totaling \$15.9 million, primarily to expand manufacturing capacity. The Company currently estimates that its capital requirements in 2004 will total approximately \$25 to \$35 million. The Company expects that it will continue to make significant capital expenditures in subsequent years as the Company completes its construction in process and its new manufacturing site to meet an anticipated increase in the demand for Trex.

The Company believes that cash on hand, cash flow from operations and borrowings expected to be available under the Company's existing revolving credit facility and other debt financing will provide sufficient funds to enable the Company to fund its planned capital expenditures, make scheduled principal and interest payments, meet its other cash requirements and maintain compliance with terms of its borrowing agreements for at least the next 12 months. Thereafter, significant capital expenditures may be required to provide increased capacity to meet the expected growth in demand for the Company's products. The Company currently expects that it will fund its future capital expenditures from operations and financing activities. The Company may determine that it is necessary or desirable to obtain financing for such requirements through bank borrowings or the issuance of debt or equity securities. Debt financing would increase the Company's level of indebtedness, while equity financing would dilute the ownership of the Company's stockholders. There can be no assurance as to whether, or as to the terms on which, the Company will be able to obtain such financing.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company's most significant market risk exposure is to changing interest rates. The Company's policy is to manage interest rates through the use of a combination of fixed-rate and floating-rate debt. The Company uses interest rate swap contracts to manage its exposure to fluctuations in the interest rates on its floating-rate mortgage debt, all of which is based on LIBOR. At September 30, 2004, the Company had effectively capped its interest rate exposure at an annual rate of approximately 8.1% on its \$13.7 million of floating-rate debt.

The Company has a purchase agreement for polyethylene under which it has certain limited market risk related to foreign currency fluctuations on euros. At current purchase levels, such exposure is not material.

Item 4. Controls and Procedures

The Company's management, with the participation of its Chief Executive Officer, who is the Company's principal executive officer, and its Senior Vice President and Chief Financial Officer, who is the Company's principal financial officer, has evaluated the effectiveness of the Company's disclosure controls and procedures as of September 30, 2004. Based upon that evaluation, the Chief Executive Officer and the Senior Vice President and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective in alerting them in a timely manner to material information relating to Trex Company, including its consolidated subsidiaries, required to be included in this report and the other reports that the Company files or submits under the Securities Exchange Act of 1934.

During the third fiscal quarter of 2004, there have been no changes in the Company's internal control over financial reporting that have materially affected, or that are reasonably likely to materially affect, its internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

As most recently reported in the Company's report on Form 10-Q for the quarterly period ended June 30, 2004, on July 28, 2000, a purported class action case was commenced against the Company in the Superior Court of New Jersey – Essex County, by Michael Kanefsky generally alleging that the Company has violated state and common law by negligently misrepresenting the characteristics of its products, by breaching contracts, by breaching implied or express warranties and/or by defrauding consumers in the sale and promotion of these products. The plaintiffs seek reformation of the Company's warranty, as well as compensatory damages in an unspecified amount. On May 28, 2004, the Superior Court certified the following three class action cases against the Company: (1) a nationwide class for reformation of warranty; (2) a New Jersey class for alleged violation of the New Jersey Consumer Fraud Act; and (3) a New Jersey class for alleged breach of express and implied warranties. On August 24, 2004, the Court preliminarily approved a proposed settlement of the action. Notice of the proposed settlement has been given by the Company to the class members. The final fairness hearing is scheduled for December 10, 2004, at which time the Court will determine whether to grant final approval of the settlement. Although the Company denies the allegations in the complaint, pursuant to the terms of the proposed settlement, the Company has agreed that upon proper proof of claim, it will replace, at the Company's sole expense (including labor), any class member's product that exhibits certain specified characteristics. The Company has also agreed to modify its warranty in certain respects, and to discontinue certain advertising claims. The proposed settlement does not include the payment of any monetary damages by the Company, although the Company has agreed to pay \$1,750,000 in legal fees to plaintiffs' counsel. The Company does not believe that the implementation of the settlement will have a material adverse effect on the Company's financial condition.

Item 6. Exhibits

The Company files herewith the following exhibits:

- 3.1 Amended and Restated By-Laws of Trex Company, Inc.
- 10.1 Release and Severance Agreement dated as of July 15, 2004 between Trex Company, Inc. and A. Catherine Lawler.
- 10.2 Addendum dated August 3, 2004 to Release and Severance Agreement between A. Catherine Lawler and Trex Company, Inc. dated July 15, 2004.
- 10.3 Trex Company Inc. Amended and Restated 1999 Incentive Plan for Outside Directors.
- 10.4 Second Amendment to Credit Agreement dated as of September 30, 2004 among Trex Company, Inc. and Branch Banking and Trust Company of Virginia.
- 31.1 Certification of Chief Executive Officer of Trex Company, Inc. pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
- 31.2 Certification of Senior Vice President and Chief Financial Officer of Trex Company, Inc. pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
- 32 Certifications pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. § 1350.

SIGNATURE

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

TREX COMPANY, INC.

Date: November 4, 2004

By: /s/ Paul D. Fletcher

Paul D. Fletcher

Senior Vice President and Chief Financial Officer

(Duly Authorized Officer and

Principal Financial Officer)

EXHIBIT INDEX

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TREX COMPANY, INC.

AMENDED AND RESTATED
BY-LAWSARTICLE I
OFFICES

Section 1. Registered Office. The registered office of the Corporation in the State of Delaware is 9 E. Loockerman Street, Suite 1B in the city of Dover, Delaware 19901. The name of its registered agent at such address is National Registered Agents, Inc.

Section 2. Other Offices. The Corporation may also have offices at such other places both within and without the State of Delaware as the Board of Directors may from time to time determine or the business of the Corporation may require.

ARTICLE II
STOCKHOLDERS MEETINGS

Section 1. Places of Meetings. All meetings of stockholders shall be held at such place or places in or outside of the State of Delaware as shall be designated from time to time by the Board of Directors and stated in the notice of meeting or waiver of notice thereof, subject to any provisions of the laws of the State of Delaware.

Section 2. Annual Meetings. Unless otherwise determined from time to time by the Board of Directors, the annual meeting of stockholders shall be held each year for the election of directors and the transaction of such other business as may properly come before the meeting at such date and time as may be designated by the Board of Directors. Written notice of the time and place of the annual meeting shall be given by mail to each stockholder entitled to vote at such meeting, at the stockholder's address as it appears on the records of the Corporation, not less than ten (10) nor more than sixty (60) days prior to the scheduled date thereof.

Section 3. Special Meetings. A special meeting of the stockholders of the Corporation may be called at any time by the Chairman of the Board or by the Board of Directors pursuant to a resolution adopted by a majority of the total number of directors which the Corporation would have if there were no vacancies, but such special meeting may not be called by any other person or persons. Written notice of the date, time, place and specific purpose or purposes for which such

meeting is called shall be given by mail to each stockholder entitled to vote thereat at such stockholder's address as it appears on the records of the Corporation not less than ten (10) nor more than sixty (60) days prior to the scheduled date thereof. Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice.

Section 4. Voting. At all meetings of stockholders, each stockholder entitled to vote on the record date as determined under these By-Laws or, if not so determined, as prescribed under the laws of the State of Delaware, shall be entitled to one vote for each share of stock standing on record in such stockholder's name, subject to any voting powers, restrictions or qualifications set forth in the Restated Certificate of Incorporation of the Corporation or any amendment thereto (the "Restated Certificate of Incorporation").

Section 5. Quorum; Voting. At any stockholders meeting, a majority of the voting power of the shares of stock outstanding and entitled to vote thereat, present in person or by proxy, shall constitute a quorum, but a smaller interest may adjourn any meeting from time to time, and the meeting may be held as adjourned without further notice, subject to such limitations as may be imposed under the laws of the State of Delaware. When a quorum is present at any meeting, the affirmative vote of the holders of a majority of the voting power of the shares of stock entitled to vote thereon, present in person or by proxy, shall decide any question brought before such meeting unless such question is one upon which a different vote is required by express provision of the Restated Certificate of Incorporation, these By-Laws, the rules or regulations of the New York Stock Exchange, Inc. or any law or other rule or regulation applicable to the Corporation, in which case such express provision shall govern.

Section 6. Inspectors of Election; Opening and Closing the Polls. The Board of Directors may, by resolution, appoint one or more inspectors, which inspector or inspectors may include individuals who serve the Corporation in other capacities, including, without limitation, as officers, employees, agents or representatives of the Corporation, to act at a meeting of stockholders and make a written report thereof. One or more persons may be designated as alternative inspectors to replace any inspector who fails to act. If no inspector or alternate has been appointed to act, or if all inspectors or alternates who have been appointed are unable to act at a meeting of stockholders, the chairman of the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before discharging his or her duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability. The inspectors shall have the duties prescribed by the General Corporation Law of the State of Delaware.

The chairman of the meeting shall fix and announce at the meeting the date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at the meeting.

Section 7. List of Stockholders. At least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order and showing the address and the number of shares registered in the name of each stockholder, shall be prepared by the Secretary or the transfer agent in charge of the stock ledger of the Corporation. Such list shall be open for examination by any stockholder as required by the laws of the State of Delaware. The stock ledger shall be the only evidence as to who are the stockholders entitled to examine such list or the books of the Corporation or to vote in person or by proxy at such meeting.

Section 8. Written Consent in Lieu of Meeting. Except as otherwise provided for or fixed pursuant to the provisions of the Restated Certificate of Incorporation relating to the rights of the holders of any series of preferred stock, no action that is required or permitted to be taken by the stockholders of the Corporation at any annual or special meeting of stockholders may be effected by written consent of stockholders in lieu of a meeting of stockholders, unless the action to be effected by written consent of the stockholders and the taking of such action by written consent have been expressly approved in advance by the Board of Directors.

Section 9. Conduct of Meetings. The date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting shall be announced at the meeting by the person presiding over the meeting. The Board of Directors may, to the extent not prohibited by law, adopt by resolution such rules and regulations for the conduct of the meeting of stockholders as it shall deem appropriate. Except to the extent inconsistent with such rules and regulations as adopted by the Board of Directors, the chairman of any meeting of stockholders shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chairman, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board of Directors or prescribed by the chairman of the meeting, may to the extent not prohibited by law include, without limitation, the following: (i) the establishment of an agenda or order of business for the meeting; (ii) rules and procedures for maintaining order at the meeting and the safety of those present; (iii) limitations on attendance at or participation in the meeting to stockholders of record of the Corporation, their duly authorized and constituted proxies or such other persons as the chairman of the meeting shall determine; (iv) restrictions on entry to the meeting after the time fixed for the commencement thereof; and (v) limitations on the time allotted to questions or comments by participants. Unless and to the extent determined by the Board of

Directors or the chairman of the meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure.

Section 10. Notice of Stockholder Business and Nominations.

(a) Nominations of persons for election to the Board of Directors and the proposal of business to be considered by the stockholders may be made at an annual meeting of stockholders only (i) pursuant to the Corporation's notice of meeting (or any supplement thereto), (ii) by or at the direction of the Board of Directors or (iii) by any stockholder of the Corporation who was a stockholder of record of the Corporation at the time the notice provided for in this Section 10 is delivered to the Secretary of the Corporation, who is entitled to vote at the meeting and who complies with the notice procedures set forth in this Section 10.

(b) For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (iii) of paragraph (a) of this Section 10, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation, and such other business must otherwise be a proper matter for stockholder action. To be timely, a stockholder's notice shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the ninetieth (90th) day nor earlier than the close of business on the one hundred twentieth (120th) day prior to the first anniversary of the preceding year's annual meeting (provided, however, that in the event that the date of the annual meeting is more than thirty (30) days before or more than seventy (70) days after such anniversary date, notice by the stockholder must be so delivered not earlier than the close of business on the one hundred twentieth (120th) day prior to such annual meeting and not later than the close of business on the later of the ninetieth (90th) day prior to such annual meeting or the tenth (10th) day following the day on which public announcement of the date of such meeting is first made by the Corporation). In no event shall the public announcement of an adjournment or postponement of an annual meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above. Such stockholder's notice shall set forth: (i) as to each person whom the stockholder proposes to nominate for election or reelection as a director, all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected; (ii) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the text of the proposal or business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal

to amend the By-Laws, the language of the proposed amendment), the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and (iii) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (a) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner, (b) the class and number of shares of capital stock of the Corporation which are owned beneficially and of record by such stockholder and such beneficial owner, (c) a representation that the stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear, in person or by proxy, at the meeting to propose such business or nomination and (d) a representation whether the stockholder or the beneficial owner, if any, intends or is part of a group which intends to (A) deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Corporation's outstanding capital stock required to approve or adopt the proposal or elect the nominee and/or (B) otherwise solicit proxies from stockholders in support of such proposal or nomination. The Corporation may require any proposed nominee to furnish such other information as it may reasonably require to determine the eligibility of such proposed nominee to serve as a director of the Corporation.

(c) Notwithstanding anything in the second sentence of paragraph (b) of this Section 10 to the contrary, in the event that the number of directors to be elected to the Board of Directors at an annual meeting is increased and there is no public announcement by the Corporation naming all of the nominees for director or specifying the size of the increased Board of Directors at least one hundred (100) days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this Section 10 shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary of the Corporation at the principal executive offices of the Corporation no later than the close of business on the tenth (10th) day following the day on which such public announcement is first made by the Corporation.

(d) Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting. Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected pursuant to the Corporation's notice of meeting (i) by or at the direction of the Board of Directors or (ii) provided that the Board of Directors has determined that directors shall be elected at such meeting, by any stockholder of the Corporation who is a stockholder of record at the time the notice provided for in this Section 10 is delivered to the Secretary of the Corporation, who shall be entitled to vote at the meeting and upon such election, and who complies with the notice procedures set forth in this Section 10. In the event the Corporation calls a special

meeting of stockholders for the purpose of electing one or more directors to the Board of Directors, any such stockholder entitled to vote in such election of directors may nominate a person or persons (as the case may be) for election to such position or positions as specified in the Corporation's notice of meeting, if the stockholder's notice required by paragraph (b) of this Section 10 shall be delivered to the Secretary at the principal executive offices of the Corporation not earlier than the close of business on the one hundred twentieth (120th) day prior to such special meeting and not later than the close of business on the later of the ninetieth (90th) day prior to such special meeting, or the tenth (10th) day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. In no event shall the public announcement of an adjournment or postponement of a special meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above.

(e) Except as otherwise provided by law, only such persons who are nominated in accordance with the procedures set forth in this Section 10 shall be eligible to be elected at an annual or special meeting of stockholders of the Corporation to serve as directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 10. Except as otherwise provided by law or the Restated Certificate of Incorporation, the chairman of the meeting shall have the power and duty to (i) determine whether a nomination or any business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the procedures set forth in this Section 10 and (ii) if any proposed nomination or business is not in compliance with this Section 10 (including whether the stockholder or beneficial owner, if any, on whose behalf the nomination or proposal is made solicits (or is part of a group which solicits), or fails to so solicit (as the case may be), proxies in support of such stockholder's proposal in compliance with such stockholder's representation as required by clause (iii)(d) of paragraph (b) of this Section 10, to declare that such defective nomination shall be disregarded or that such proposed business shall not be transacted.

(f) For purposes of this Section 10, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(g) Notwithstanding the foregoing provisions of this Section 10, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rule and regulations thereunder with respect to the matters set forth in this Section 10. Nothing in this Section 10 shall be deemed to affect any rights (i) of stockholders to request inclusion of proposals in the Corporation's proxy statement

ARTICLE III
BOARD OF DIRECTORS

Section 1. Number and Qualification. The authorized number of directors that shall constitute the full Board of Directors of the Corporation shall be fixed from time to time as provided in the Restated Certificate of Incorporation. Directors need not be stockholders of the Corporation.

Section 2. Powers. The business and affairs of the Corporation shall be carried on by or under the direction of the Board of Directors, which shall have all the powers authorized by the laws of the State of Delaware, subject to such limitations as may be provided by the Restated Certificate of Incorporation or these By-Laws. Except as otherwise expressly provided herein or in the Restated Certificate of Incorporation, the vote of the majority of directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

The Chairman of the Board, when present, shall preside at all meetings of the stockholders and of the Board of Directors.

Section 3. Compensation. The Board of Directors may from time to time by resolution authorize the payment of fees or other compensation to the directors for services as such to the Corporation, including, but not limited to, fees for attendance at all meetings of the Board or of the executive or other committees, and determine the amount of such fees and compensation. Nothing herein contained shall be construed to preclude any director from serving the Corporation in any other capacity and receiving compensation therefor in amounts authorized or otherwise approved from time to time by the Board.

Section 4. Meetings and Quorum. Meetings of the Board of Directors may be held either in or outside of the State of Delaware. At all meetings of the Board, a majority of the then authorized number of directors shall constitute a quorum. If a quorum shall not be present at any meeting of the Board of Directors, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

The first meeting of the Board of Directors after the election of a new class of directors shall be held immediately after the annual meeting of stockholders and at the same place, and no notice of such meeting shall be necessary to the newly elected directors in order legally to constitute the meeting,

provided a quorum shall be present. In the event such meeting is not held at such time and place, the meeting may be held at such time and place as shall be specified in a notice given as hereinafter provided for special meetings of the Board of Directors, or as shall be specified in a written waiver signed by all the directors.

Regular meetings of the Board of Directors may be held without notice at such time and at such place as shall from time to time be determined by the Board. Notice of special meetings shall be given to each director on 24 hours notice to each director, either personally, by mail, telegram, facsimile, personal delivery or similar means. Special meetings may be called by the President or the Chairman of the Board of Directors and shall be called by the President or Secretary in the manner and on the notice set forth above upon the written request of a majority of the total number of directors which the Corporation would have if there were no vacancies.

Notice of any meeting shall state the time and place of such meeting, but need not state the purposes thereof unless otherwise required by the laws of the State of Delaware, the Restated Certificate of Incorporation, these By-Laws or the Board of Directors.

Section 5. Executive Committee. The Board of Directors may designate an Executive Committee to exercise, subject to applicable provisions of law, all the powers of the Board in the management of the business and affairs of the Corporation when the Board is not in session, including without limitation the power to declare dividends and to authorize the issuance of the Corporation's capital stock, and may, by resolution similarly adopted, designate one or more other committees, including such committees specified in Section 6 of this Article III. The Executive Committee shall consist of two or more directors of the Corporation. The Board may designate one or more directors as alternate members of the Executive Committee, who may replace any absent member at any meeting of the Executive Committee. The members of the Executive Committee present at any meeting, whether or not constituting a quorum, may unanimously appoint another member of the Board to act at the meeting in the place of any such absent member. The Executive Committee shall keep written minutes of its proceedings and shall report such proceedings to the Board when required.

A majority of the Executive Committee may determine its action and fix the time and place of its meetings, unless the Board shall otherwise provide. Notice of such meetings shall be given to each member of the Executive Committee in the manner provided for in Section 4 of this Article III. The Board shall have power at any time to fill vacancies in, to change the membership of, or to dissolve the Executive Committee.

Section 6. Other Committees.

(a) The Board may appoint the following standing committees, the members of which shall serve at the pleasure of the Board: a Nominating / Corporate Governance Committee, a Compensation Committee and an Audit Committee. The Board may appoint such other committees among the directors of the Corporation as it deems necessary and appropriate for the proper conduct of the Corporation's business and may appoint such officers, agents or employees of the Corporation to assist the committees of the Board as it deems necessary and appropriate. Meetings of committees may be called by the chairman of the committee on 24 hours notice to each committee member, either personally, by mail, telegram, facsimile or similar means and shall be called by the chairman of the committee in like manner and on like notice on the written request of a committee member. Each committee shall keep regular minutes of its meetings and report the same to the Board of Directors when required.

(b) The Nominating / Corporate Governance Committee shall consist of no fewer than three members of the Board, all of whom shall meet the independence requirements of the New York Stock Exchange. The Nominating / Corporate Governance Committee shall be responsible for proposing to the Board nominees for election as directors and shall possess and may exercise such additional powers and authority as may be delegated to it by the Board from time to time. The Nominating / Corporate Governance Committee shall report its actions to the Board at the next meeting of the Board following such actions. Vacancies in the membership of the Nominating / Corporate Governance Committee shall be filled by the Board of Directors.

(c) The Compensation Committee shall consist of no fewer than three members of the Board. The members of the Compensation Committee shall meet the independence requirements of the New York Stock Exchange and any legal requirements relevant to the proper administration of the Company's executive compensation program, including requirements under the federal securities laws and the Internal Revenue Code of 1986. The Compensation Committee shall be responsible for establishing salaries, bonuses and other compensation for the executive officers of the Corporation and for administering the Corporation's benefit plans, and shall possess and may exercise such additional powers and authority as may be delegated to it by the Board from time to time. The Compensation Committee shall report its actions to the Board at the next meeting of the Board following such actions. Vacancies in the membership of the Compensation Committee shall be filled by the Board of Directors.

(d) The Audit Committee shall consist of no fewer than three members of the Board. The members of the Audit Committee shall meet the independence requirements of the New York Stock Exchange, and any legal

requirements relevant to the proper administration of the Company's financial reporting. The Audit Committee shall have general oversight responsibility with respect to the Corporation's financial reporting, shall engage the independent auditors and oversee, evaluate and, where appropriate, replace the independent auditors. Any engagement of the independent auditors by the Audit Committee may be subject to stockholder approval or ratification, as determined by the Board of Directors. The Audit Committee shall review with the independent auditors the scope of their examination and other matters (relating to both audit and non-audit activities), and review generally the internal auditing procedures of the Corporation. In undertaking the foregoing responsibilities, the Audit Committee shall have unrestricted access, if necessary, to personnel of the Corporation and documents and shall be provided with the resources and assistance necessary to discharge its responsibilities, including periodic reports from management assessing the impact of regulation, accounting, and reporting of other significant matters that may affect the Corporation. The Audit Committee shall review the financial reporting and adequacy of internal controls of the Corporation, consult with the internal auditors and certified public accountants, and from time to time, but not less than annually, report to the Board. Vacancies in the membership of the Audit Committee shall be filled by the Board of Directors.

Section 7. Conference Telephone Meetings. Any one or more members of the Board of Directors or any committee thereof may participate in meetings by means of a conference telephone or similar communications equipment and such participation in a meeting shall constitute presence in person at the meeting.

Section 8. Action Without Meetings. Any action required or permitted to be taken at any meeting of the Board of Directors or any committee thereof may be taken by unanimous written consent without a meeting to the extent and in the manner authorized by the laws of the State of Delaware.

ARTICLE IV OFFICERS

Section 1. Titles and Election. The officers of the Corporation may consist of a Chairman, a Chief Executive Officer, a President, one or more Vice Presidents (who may be designated as corporate Vice Presidents, Senior Vice Presidents, Executive Vice Presidents or Group Vice Presidents) a Secretary and a Treasurer, as appointed by the Board of Directors. The Corporation may have such additional or assistant officers as the Board of Directors may deem necessary for the Corporation's business and may appoint from time to time. The Board of Directors shall also have the authority, but shall not be required, to designate officers as the Chief Operating Officer, the Chief Financial Officer or similar such titles. Any two or more offices may be held by the same person.

The officers of the Corporation shall be appointed annually by the Board of Directors at the first meeting of the Board held after each annual meeting of the stockholders. If officers are not appointed at such meeting, such appointment shall occur as soon as possible thereafter, or may be left vacant. Each officer shall hold office until a successor shall have been appointed and qualified or until said officer's earlier death, resignation, or removal.

If a director has not been designated as Chairman, or if the designated Chairman is not present at a meeting, the Board of Directors shall elect a Chairman from amongst its members to serve as Chairman of the Board of Directors for such meeting. The Chairman shall preside at all meetings of the Board of Directors, and shall have such other powers as the Board may determine.

Section 2. Duties. Subject to such extension, limitations, and other provisions as the Board of Directors or these By-Laws may from time to time prescribe or determine, the following officers shall have the following powers and duties:

(a) Chief Executive Officer. The Chief Executive Officer shall have general charge and supervision of the business of the Corporation, shall see that all orders, actions and resolutions of the Board of Directors are carried out, and shall have such other authority and shall perform such other duties as set forth in these Bylaws or, to the extent consistent with the Bylaws, such other authorities and duties as prescribed by the Board.

(b) Authority and Duties of Other Officers. Each officer other than the Chief Executive Officer shall have the authority and shall perform the duties prescribed by the Board of Directors, by the Chief Executive Officer, or by an officer authorized by the Board to prescribe the duties of such officer. Any designation of duties by the Chief Executive Officer or other officer shall be subject to review by the Board of Directors but shall be in full force and effect in the absence of such review.

In the absence or disability of the President, the Vice Presidents in order of seniority may, unless otherwise determined by the Board, exercise the powers and perform the duties pertaining to the office of President, except that if one or more executive Vice Presidents has been elected or appointed, the person holding such office in order of seniority shall exercise the powers and perform the duties of the office of President.

(c) Delegation of Authority. The Board of Directors may at any time delegate the powers and duties of any officer for the time being to any other officer, director or employee.

ARTICLE V
RESIGNATIONS AND VACANCIES

Section 1. Resignations. Any director or officer may resign at any time by giving written notice thereof to the Board of Directors, the President or the Secretary. Any such resignation shall take effect at the time specified therein or, if the time be not specified, upon receipt thereof; and unless otherwise specified therein, the acceptance of any resignation shall not be necessary to make it effective.

Section 2. Vacancies.

(a) Directors. Except for the rights of the holders of any series of preferred stock to elect additional directors, newly created directorships resulting from any increase in the authorized number of directors and any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal, or other cause shall be filled only by the affirmative vote of a majority of the remaining directors then in office, even though less than a quorum of the Board of Directors. Any director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the class of directors in which the new directorship was created or in which the vacancy occurred and until such director's successor is duly elected and has been qualified. The directors also may reduce the authorized number of directors by the number of vacancies on the Board. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

(b) Officers. The Board of Directors may at any time or from time to time fill any vacancy among the officers of the Corporation.

ARTICLE VI
CAPITAL STOCK

Section 1. Certificate of Stock. Every stockholder shall be entitled to a certificate or certificates for shares of the capital stock of the Corporation in such form as may be prescribed or authorized by the Board of Directors, duly numbered and setting forth the number and kind of shares represented thereby. Such certificates shall be signed by the Chairman of the Board, the President or a Vice President and by the Treasurer or an assistant Treasurer or by the Secretary or an assistant Secretary. Any or all of such signatures may be in facsimile if and to the extent authorized under the laws of the State of Delaware.

In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed on a certificate has ceased to be such officer, transfer agent or registrar before the certificate has been issued, such certificate

may nevertheless be issued and delivered by the Corporation with the same effect as if such person were such officer, transfer agent or registrar at the date of issue.

Section 2. Transfer of Stock. Shares of the capital stock of the Corporation shall be transferable only upon the books of the Corporation upon the surrender of the certificate or certificates properly assigned and endorsed for transfer. If the Corporation has a transfer agent or agents or transfer clerk and registrar of transfers acting on its behalf, the signature of any officer or representative thereof may be in facsimile.

The Board of Directors may appoint a transfer agent and one or more co-transfer agents and a registrar and one or more co-registrars of transfer and may make or authorize the transfer agents to make all such rules and regulations deemed expedient concerning the issue, transfer and registration of shares of stock.

Section 3. Record Dates.

(a) In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix in advance a record date which, in the case of a meeting, shall not be less than ten (10) nor more than sixty (60) days prior to the scheduled date of such meeting and which, in the case of any other action, shall be not more than the maximum or less than the minimum number of days prior to any such action permitted by the laws of the State of Delaware.

(b) If no such record date is fixed by the Board, the record date shall be that prescribed by the laws of the State of Delaware.

(c) A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

Section 4. Lost Certificates. In case of loss or mutilation or destruction of a stock certificate, a duplicate certificate may be issued upon such terms as may be determined or authorized by the Board of Directors or by the President if the Board does not do so.

ARTICLE VII
FISCAL YEAR, BANK DEPOSITS, CHECK, ETC.

Section 1. Fiscal Year. The fiscal year of the Corporation shall commence or end at such time as the Board of Directors may designate.

Section 2. Bank Deposits, Checks, etc. The funds of the Corporation shall be deposited in the name of the Corporation or of any division thereof in such banks or trust companies in the United States or elsewhere as may be designated from time to time by the Board of Directors, or by such officer or officers as the Board may authorize to make such designations.

All checks, drafts or other orders for the withdrawal of funds from any bank account shall be signed by such person or persons as may be designated from time to time by the Board of Directors. The signatures on checks, drafts or other orders for the withdrawal of funds may be in facsimile if authorized in the designation.

ARTICLE VIII
BOOKS AND RECORDS

Section 1. Place of Keeping Books. Unless otherwise expressly required by the laws of the State of Delaware, the books and records of the Corporation may be kept outside of the State of Delaware.

Section 2. Examination of Books. Except as may otherwise be provided by the laws of the State of Delaware, the Restated Certificate of Incorporation or these By-Laws, the Board of Directors shall have power to determine from time to time whether and to what extent and at what times and places and under what conditions any of the accounts, records and books of the Corporation are to be open to the inspection of any stockholder. No stockholder shall have any right to inspect any account or book or document of the Corporation except as prescribed by the laws of the State of Delaware or authorized by express resolution of the Board of Directors.

ARTICLE IX
NOTICES

Section 1. Requirements of Notice. Whenever notice is required to be given by the laws of the State of Delaware, the Restated Certificate of Incorporation or these By-Laws, it shall not mean personal notice unless so specified, but such notice may be given in writing by depositing the same in a post office, letter box, or mail chute postpaid and addressed to the person to whom such notice is directed at the address of such person on the records of the Corporation,

and such notice shall be deemed given at the time when the same shall be thus mailed.

Section 2. Waivers. Any stockholder, director or officer may, in writing or by telegram or cable, at any time waive any notice or other formality required by statute, the Restated Certificate of Incorporation or these By-Laws. Such waiver of notice, whether given before or after any meeting or action, shall be deemed equivalent to notice. Presence of a stockholder either in person or by proxy at any stockholders meeting and presence of any director at any meeting of the Board of Directors shall constitute a waiver of such notice as may be required by any statute, the Restated Certificate of Incorporation or these By-Laws.

ARTICLE X
SEAL

The corporate seal of the Corporation shall consist of two concentric circles between which shall be the name of the Corporation and the date of its incorporation, and in the center of which shall be inscribed "Corporate Seal, Delaware."

ARTICLE XI
POWERS OF ATTORNEY

The Board of Directors may authorize one or more of the officers of the Corporation to execute powers of attorney delegating to named representatives or agents power to represent or act on behalf of the Corporation, with or without power of substitution.

In the absence of any action by the Board, the President, any Vice President, the Secretary or the Treasurer of the Corporation may execute for and on behalf of the Corporation waivers of notice of stockholders meetings and proxies for such meetings in any company in which the Corporation may hold voting securities.

ARTICLE XII
INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 1. Definitions. As used in this article, the term "person" means any past, present or future director or officer of the Corporation or any subsidiary or operating division thereof.

Section 2. Indemnification Granted. The Corporation shall indemnify, to the full extent and under the circumstances permitted by the General Corporation Law of the State of Delaware in effect from time to time, any person as defined above, made or threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or

investigative, by reason of the fact that such person is or was a director or officer of the Corporation or a subsidiary or operating division thereof, or is or was serving at the specific request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, or by reason of any action alleged to have been taken or omitted in such capacity, against costs, charges, expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person or on such person's behalf in connection with such action, suit or proceeding and any appeal therefrom, if such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe that his or her conduct was unlawful. The termination of any action, suit, or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that such conduct was unlawful.

Section 3. Requirements for Indemnification Relating to an Action or Suit by or in the Right of the Corporation. The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that such person is or was a director or officer of the Corporation, or a subsidiary thereof or a designated officer of an operating division of the Corporation, or is or was serving at the specific request of the Corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise, or by reason of any action alleged to have been taken or omitted in such capacity, against costs, charges and expenses (including attorneys' fees) actually and reasonably incurred by such person or on such person's behalf in connection with the defense or settlement of such action or suit and any appeal therefrom, if such person acted in good faith and in a manner that such person reasonably believed to be in or not opposed to the best interest of the Corporation except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery of Delaware or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of such liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such costs, charges and expenses which the Court of Chancery or such other court shall deem proper.

Section 4. Success on Merits of Any Action. Notwithstanding any other provision of this Article XII, to the extent that a director or officer of the

Corporation or any subsidiary or operating division thereof has been successful on the merits or otherwise, including, without limitation, the dismissal of an action without prejudice, in defense of any action, suit or proceeding referred to in this Article XII, or in defense of any claim, issue or matter therein, such person shall be indemnified against all costs, charges and expenses (including attorneys' fees) actually and reasonably incurred by such person or on such person's behalf in connection therewith.

Section 5. Determination of Standard of Conduct. Any indemnification under Sections 2 and 3 of this Article XII (unless ordered by a court) shall be paid by the Corporation only after a determination has been made (1) by a majority vote of the directors who are not parties to such action, suit or proceeding, even though less than a quorum, or (2) by a committee of such directors designated by majority vote of such directors, even though less than a quorum, or (3) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion, or (4) by the stockholders, that indemnification of the director or officer is proper in the circumstances of the specific case because such person has met the applicable standard of conduct set forth in Sections 2 and 3 of this Article XII.

Section 6. Advance Payment; Representation by Corporation. Costs, charges and expenses (including attorneys' fees) incurred by a person referred to in Sections 2 and 3 of this Article XII in defending a civil or criminal action, suit or proceeding shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding; provided, however, that the payment of such costs, charges and expenses incurred by a director or officer in such capacity as officer or director (and not in any other capacity and which service was or is rendered by such person while a director or officer) in advance of the final disposition of such action, suit or proceeding shall be made only upon receipt of an undertaking by or on behalf of the director or officer to repay all amounts so advanced in the event that it shall ultimately be determined that such director or officer is not entitled to be indemnified by the Corporation as authorized in this Article XII. Such costs, charges and expenses incurred by other employees and agents may be so paid upon such terms and conditions, if any, as the Board of Directors deems appropriate. The Corporation may, in the manner set forth above, and upon approval of such director or officer, authorize the Corporation's counsel to represent such person, in any action, suit or proceeding, whether or not the Corporation is a party to such action, suit or proceeding.

Section 7. Procedure for Obtaining Indemnity. Any indemnification under Sections 2, 3 and 4, or advance of costs, charges and expenses under Section 6, of this Article XII shall be made promptly, and in any event within sixty (60) days, of the written notice of the director or officer. The right to indemnification or advances as granted by this Article XII shall be enforceable by

the director or officer in any court of competent jurisdiction if the Corporation denies such request, in whole or in part, or if no disposition thereof is made within sixty (60) days. Such person's costs and expenses incurred in connection with successfully establishing a right to indemnification or advancement of expenses, in whole or in part, in any action shall also be indemnified by the Corporation. It shall be a defense to any such action (other than an action brought to enforce a claim for the advance of costs, charges and expenses under Section 6 of this Article XII where the required undertaking, if any, has been received by the Corporation) that the claimant has not met the standard of conduct set forth in Section 2 or 3 of this Article XII, but the burden of proving such defense shall be on the Corporation. Neither failure of the Corporation (including its Board of Directors, a committee thereof, its independent legal counsel, and its stockholders) to have made a determination that indemnification of the claimant is proper in the circumstances because such person has met the applicable standard of conduct set forth in Section 2 or 3 of this Article XII, nor the fact that there has been an actual determination by the Corporation (including its directors, a committee thereof, its independent legal counsel and its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

Section 8. Indemnification Not Exclusive. This right of indemnification shall not be deemed exclusive of any other rights to which a person indemnified herein may be entitled by law, agreement, vote of stockholders or disinterested directors or otherwise, and shall continue as to a person who has ceased to be a director, officer, designated officer, employee or agent and shall inure to the benefit of the heirs, executors, administrators and other legal representatives of such person. It is not intended that the provisions of this Article XII be applicable to, and they are not to be construed as granting indemnity with respect to, matters as to which indemnification would be in contravention of the laws of Delaware or of the United States of America, whether as a matter of public policy or pursuant to statutory provision.

Section 9. Invalidity of Certain Provisions. If this Article XII or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify each director, officer, employee and agent of the Corporation or any subsidiary or operating division thereof as to costs, charges and expenses (including attorneys' fees), judgments, fines and amounts paid in settlement with respect to any action, suit or proceeding, whether civil, criminal, administrative or investigative, including any action by or in the right of the Corporation, to the full extent permitted by any applicable portion of this Article XII that shall not have been invalidated and to the full extent permitted by applicable law.

Section 10. Miscellaneous. The Board of Directors may also on behalf of the Corporation grant indemnification to any individual other than a person defined herein to such extent and in such manner as the Board in its sole discretion may from time to time and at any time determine.

ARTICLE XIII
AMENDMENTS

These By-Laws may be altered, amended or repealed, and new By-Laws may be made, by the affirmative vote of a majority of the directors then in office.

Adopted by the Board of Directors on March 22, 1999, and amended on November 20, 2003 and April 27, 2004.

RELEASE AND SEVERANCE AGREEMENT

This Release and Severance Agreement is made as of July 15, 2004 by and between Trex Company, Inc., a Delaware corporation ("Trex"), and A. Catherine Lawler, residing at 229 Fairfield Drive, Winchester, VA 22602 ("Employee"). The parties, desiring to settle all differences between them, hereby agree as follows:

1. Termination and Payment of Salary. The parties acknowledge that Employee's employment with Trex is terminated as of the date first set forth above, thereby discontinuing any employer/employee relationship between Trex and Employee as of that date. Employee will be paid all salary and accrued vacation earned through that date, minus deductions required by law, on the next regularly scheduled pay date, paid by check mailed to Employee's address listed above.
2. Severance Pay. In addition to the payment described in Section 1 above, in consideration for Employee entering into this Agreement, Trex shall pay Employee an additional 26 weeks salary, minus deductions required by law, which shall be paid in accordance with Trex's regular salary payment schedule. Payment shall be made by check mailed to Employee's address listed above. In addition, Employee's health insurance coverage with Trex shall be continued during the 26 week period Employee receives severance. Health insurance premiums will be deducted from Employee's paycheck during this time. Trex shall provide Employee with notice concerning Employee's rights under COBRA to continue health coverage at Employee's own expense after conclusion of this period. Trex Company will provide Employee out-placement assistance for a period of six months.
3. Waiver and Release of Claims.
 - (a) Employee on behalf of Employee and any related individuals and entities, and Employee's heirs, successors and assigns, hereby unconditionally releases and forever discharges Trex and its past and present parents, subsidiaries and divisions, its related or affiliated companies, their predecessors, successors, assigns past and present, and partners, officers, directors, agents, representatives, attorneys, employees or trustees of any or all of the aforesaid entities (hereinafter collectively referred to as "Trex"), from any and all claims, causes of action, charges, debts, liabilities, demands, obligations, promises, acts, agreements, damages and costs of any nature whatsoever, in law or equity, whether known or unknown, (collectively referred to as "claims") which Employee has or may have against Trex arising up to and including the date of execution of this Agreement, including any and all claims arising out of Employee's employment and/or termination of employment with Trex.

- (b) Without limiting the general nature of the foregoing waiver and release in subsection (a), Employee acknowledges and agrees that the release and waiver includes, but is not limited to, any statutory, civil or administrative claim, whether arising under any contract, tort, federal, state or local statutes, ordinances or common law, any claim arising under federal, state, and local laws relating to wages and hours or which prohibits discrimination on the basis of race, sex, age, disability or any other form of discrimination, any claim for wrongful termination, and any claim based upon or connected with Employee's employment with Trex including, but not limited to compensation, benefits, expenses and terms of employment.
 - (c) Employee also agrees not to initiate any legal action, charge or complaint against Trex in any forum whatsoever to the extent that such legal action, charge or complaint would relate to matters covered or contemplated by this Agreement, or which is based on events which took place up to the execution hereof. In the event such actions, charges or complaints are asserted in the future by Employee, a material breach of this Agreement shall be deemed to have occurred, entitling Trex, in addition to any remedies available to it under law or equity, the return of the consideration set forth in Section 2 of this Agreement. Employee agrees to pay for any legal fees or costs incurred by Trex as a result of any knowing breach of Employee's agreement in this subsection (c).
 - (d) For purposes of the waiver and release set forth in this section 3 and the covenants contained herein, references to Trex shall include Trex and its officers, directors, employees, agents, representatives, related entities, successors and assigns.
4. Confidential Information. Employee will not disclose to any person or use for Employee's own benefit any confidential or proprietary information concerning the customers, suppliers, price lists, catalogs, products, operations, sales techniques or other business related information of Trex. Employee also agrees to fully abide by any confidentiality agreements executed previously. Employee represents that Employee has returned all property and information belonging to Trex and that Employee has not kept any copies nor made or retained any abstracts or notes of such information.
5. Developments. Employee agrees that all ideas, inventions, trade secrets, know how, documents and data ("Developments") developed either during, in connection with, or pursuant to Employee's employment with Trex, shall remain and become the exclusive property of Trex. Employee agrees to provide all reasonable assistance to Trex in perfecting and maintaining its rights to the Developments. Trex shall have the right to use the

Developments for any purpose without any additional compensation to Employee.

6. Agreement Not to Compete. Employee acknowledges that the principal business of Trex is the manufacture and sale of outdoor wood-alternative products, and Employee agrees that for a period of three years following execution of this Agreement, Employee shall not directly or indirectly, own, manage, operate, control, represent, participate in, or work for any business, firm, corporation, partnership or other entity which engages in the manufacture and sale of outdoor wood-alternative products, in any State of the United States where Trex products were manufactured or sold during the two-year period preceding execution of this Agreement.
7. No Solicitation of Trex Employees. For a period of two years following execution of this Agreement, Employee agrees not to induce or attempt to influence any employee of Trex to terminate employment with Trex or to enter into any employment or any other business relationship with any other person (including Employee), business, firm, corporation, partnership or other entity.
8. Further Covenants by Employee. Employee agrees: (a) not to make any public statement or statements concerning Trex, its business objectives, its management practices, or other sensitive information without first receiving Trex's written approval; and (b) not to take any action which would cause Trex or its employees or agents any embarrassment or humiliation or otherwise cause or contribute to Trex's or any such person's being held in disrepute by the general public or Trex's employees, clients, or customers.
9. Litigation Support. Employee agrees to cooperate with, and assist, Trex in the defense of any claim, lawsuit or action instituted against Trex, where Employee has knowledge or information useful to the defense of the claim, suit or action, such cooperation to include Employee's appearance as a witness, with or without subpoena, at any hearing, trial or deposition, provided Trex reimburses Employee for reasonable costs of travel and accommodation.
10. Non-Disclosure. The parties agree that they will not disclose the terms and conditions of this Agreement except in connection with any action to enforce the terms of this Agreement or as necessary to respond to legitimate governmental requests for information or as may be required by law. In addition, any party may reveal the terms of this Agreement to such party's accountants or attorneys.
11. No Admission of Liability. The parties agree and understand that neither this Agreement nor anything contained herein shall be construed as an admission by Trex of any liability whatsoever, which liability is expressly denied.

12. Knowing and Voluntary Waiver. Employee acknowledges that (a) Employee has carefully read and fully understands all the provisions of this Agreement; (b) Employee has been advised to consult an attorney, and that if Employee has not consulted with an attorney Employee has done so voluntarily; (c) Employee has not relied upon any representation or statement, written or oral, not contained herein; and (d) Employee has entered into this Agreement knowingly and voluntarily.
13. Acknowledgement of Consideration. Employee acknowledges that Employee's waiver and release of rights and claims, and Employee's undertaking of agreements and obligations as set forth in this Agreement are in exchange for valuable consideration which Employee would not otherwise be entitled to receive.
14. Severability. The parties agree that the provisions of this Agreement are divisible and separable so that if any provision or provisions hereof shall be held unreasonable, unlawful or unenforceable, such holding shall not impair or void the remaining provisions of this Agreement. Employee further acknowledges that the covenants on her part contained in this Agreement are reasonable notwithstanding the expense or hardship they may impose on her. Employee further acknowledges that she has received or will receive fair and adequate consideration for making such covenants, and she agrees that if any of the provisions of this Agreement are or become unenforceable, such provisions shall nevertheless remain binding upon her to the fullest extent possible, taking into consideration the purposes and spirit of the Agreement.
15. Governing Law. This Agreement shall be governed by and interpreted in accordance with the laws of the Commonwealth of Virginia.
16. Entire Agreement. The parties agree and understand that no promises, covenants, representations or warranties have been made by any of the parties hereto other than those expressly contained here, and that this Agreement constitutes the entire agreement between the parties. This agreement shall be binding upon and inure to the benefit of Trex and Employee and any of their respective heirs, successors or assigns.
17. Acknowledgment by Employee. Employee further states that Employee has carefully read this Agreement, including specifically Section 3 hereof (waiver and release of claims), that Employee acknowledges that Employee has been advised by Trex to consult with an attorney prior to executing this Agreement, that Employee knows and understands the contents, that Employee acknowledges that the waiver and release set forth in Section 3 hereof includes a waiver of any right or claim arising under the Age Discrimination in Employment Act, and that Employee executes the same as Employee's own free act and deed. Employee further represents

and agrees that Employee fully understands the terms, conditions, and final and binding effect of this Agreement, including specifically Section 3 hereof (waiver and release of claims), to be a full and final release of all claims with final and binding effect. Employee acknowledges that Employee has been given a period of at least twenty-one (21) days within which to consider this Agreement prior to Employee's execution thereof. Furthermore, it is agreed that Employee shall have the right to revoke this Agreement by written notice to Trex within the seven (7) day period following its execution, and that this Agreement shall not become effective or enforceable until such seven-day period has expired. In the event this Agreement is revoked by Employee in accordance with provisions of this Section, or in the event that Employee challenges the validity of any of the provisions hereof including specifically Section 3 hereof (waiver and release of claims), Employee agrees to return to Trex all amounts set forth in Section 2 hereof.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date last entered below:

TREX COMPANY, INC.

By: _____ /s/ Robert Matheny

/s/ A. Catherine Lawler
A. Catherine Lawler

August 3, 2004

A. Catherine Lawler
229 Fairfield Drive
Winchester, VA 22602

Re: Addendum to Release and Severance Agreement between A. Catherine Lawler and Trex Company, Inc. dated July 15, 2004 (the "Agreement")

Dear Cathy,

We have received your proposed Addendum to the Agreement dated July 30, 2004. We are generally in agreement with it subject to a few minor modifications. We would propose that Section 2 of the Agreement be relabeled as Section 2(a), and a new Section 2(b) be added to the Agreement as follows, to provide the following potential additional severance pay:

2. (b) In the event that the Employee has not obtained new employment as of the end of the 26 week period described in Section 2(a) above, Employee's salary shall be extended on a 2-week by 2-week basis for a maximum 26 additional weeks. If the Employee has not secured employment prior to the expiration of the initial 26-week period, she will notify Trex in writing and this addendum subsection will become effective. During such extended period, within 2 days after the end of each 2-week period, Employee shall send a notice to Colleen Combs, Trex's Director of Human Resources, verifying that Employee has continued to use best efforts to actively seek employment during such 2-week period. Upon confirmation by Trex, in its sole discretion, that Employee has continued to use best efforts to actively seek employment during such period, Employee shall receive salary due hereunder for such period. The Employee shall immediately notify Trex in writing as soon as she has accepted an offer for employment. As of the date of such acceptance, the extended salary will terminate. All salary will terminate at the end of the extended 26-week period described herein regardless of whether Employee has secured employment or not. For purposes of clarification, only salary shall be potentially extended pursuant to this Section 2(b), and no other severance benefit, including health insurance, shall be extended. At the Company's sole discretion, it may extend out-placement services for an additional period of time.

For purposes of clarification, we agree that the 26 week period described in Section 2(a) of the Agreement shall begin on August 9, 2004. Any salary received by Employee during the period of July 15, 2004 and August 9, 2004 will be considered an additional severance benefit.

If you are in agreement with this amendment, please sign on the next page where indicated, and return one copy of this letter to me.

Sincerely,

TREX COMPANY, INC.

/s/ Robert G. Matheny

Robert G. Matheny

Chairman and Chief Executive Officer

AGREED

/s/ A. Catherine Lawler

A. Catherine Lawler

TREX COMPANY, INC.
AMENDED AND RESTATED
1999 INCENTIVE PLAN FOR OUTSIDE DIRECTORS

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1. DEFINITIONS

To the extent any capitalized words used in this Plan are not defined, they shall have the definitions stated for them in the Trex Company, Inc. Amended and Restated 1999 Stock Option and Incentive Plan.

- 1.1 "Annual Director Fee" means an annual fee earned by an Eligible Director for service on the Board of Directors.
- 1.2 "Annual Committee Fee" means an annual fee earned by an Eligible Director for service on various committees of the Board of Directors.
- 1.3 "Board of Directors" or "Board" means the Board of Directors of the Company.
- 1.4 "Cash Portion of the Annual Director Fee" means the portion of the Annual Director Fee to be received in cash, or if elected by the Eligible Director, in Options, as provided in Sections 4.1.1 and 4.3 hereof.
- 1.5 "Committee" means the Administrative Committee which administers the Plan.
- 1.6 "Common Stock" means the common stock, par value \$0.01 per share, of the Company.
- 1.7 "Company" means Trex Company, Inc., a Delaware corporation, or any successor thereto.
- 1.8 "Election Form" means the form used by an Eligible Director to elect to receive all or a portion of the Cash Portion of the Annual Director Fee and the Annual Committee Fee for a Plan Year in the form of Options.
- 1.9 "Eligible Director" for each Plan Year means a member of the Board of Directors who is not an employee of the Company or any Subsidiary.
- 1.10 "Fair Market Value" means the closing price of a share of Common Stock reported on the New York Stock Exchange (the "NYSE") on the date Fair Market Value is being determined, provided that if there is no closing price reported on such date, the Fair Market Value of a share of Common Stock on such date shall be deemed equal to the closing price as reported by the NYSE for the last preceding date on which sales of shares of Common Stock were reported. Notwithstanding the foregoing, in the event that the shares of Common Stock are listed upon more than one established stock exchange, "Fair Market Value" means the closing price of the shares of Common Stock reported on the exchange that trades the largest volume of

shares of Common Stock on the date Fair Market Value is being determined. If the Common Stock is not at the time listed or admitted to trading on a stock exchange, Fair Market Value means the mean between the lowest reported bid price and highest reported asked price of the Common Stock on the date in question in the over-the-counter market, as such prices are reported in a publication of general circulation selected by the Board and regularly reporting the market price of Common Stock in such market. If the Common Stock is not listed or admitted to trading on any stock exchange or traded in the over-the-counter market, Fair Market Value shall be as determined in good faith by the Board.

1.11 "Grant Date" has the meaning set forth in Section 5 hereof.

1.12 "Option" means a non-qualified Option granted pursuant to the Trex Company, Inc. 1999 Stock Option and Incentive Plan.

1.13 "Option Agreement" means the written agreement between the Company and the Participant that evidences and sets out the terms and conditions of the Option.

1.14 "Option Portion of the Annual Director Fee" means the portion of the Annual Director Fee to be received in Options, as provided in Section 4.1.2 hereof.

1.15 "Option Price" means the purchase price for each share of Common Stock subject to an Option.

1.16 "Participant" for any Plan Year means an Eligible Director who participates in the Plan for that Plan Year in accordance with Section 10.1 hereof.

1.17 "Plan" means the Trex Company, Inc. Amended and Restated 1999 Incentive Plan for Outside Directors as set forth herein and as amended from time to time.

1.18 "Plan Year" means the twelve-month period beginning on July 1 and ending on June 30.

1.19 "Subsidiary," means any "subsidiary corporation" of the Company within the meaning of Section 424(f) of the Internal Revenue Code of 1986, as amended.

2. PURPOSE

The purpose of the Plan is to compensate Eligible Directors for service on the Board of Directors and various committees of the Board, and to provide an incentive for Eligible Directors to increase their equity holdings in the Company so that the financial interests of the Eligible Directors shall be more closely aligned with the financial interests of the Company's stockholders.

3. SHARES SUBJECT TO THE PLAN

The shares of Common Stock issuable under the Plan shall be issued pursuant to the Trex Company, Inc. Amended and Restated 1999 Stock Option and Incentive Plan.

4. ANNUAL DIRECTOR AND COMMITTEE FEES

4.1 Annual Director Fee

Each Eligible Director shall be entitled to an Annual Director Fee, which may be adjusted by the Board from time to time, as follows:

4.1.1 Cash Portion of the Annual Director Fee. Each Eligible Director shall receive the amount of twenty thousand dollars (\$20,000), plus one thousand dollars (\$1,000) for each Board meeting that the Eligible Director attends personally, and five hundred dollars (\$500) for each Board meeting that the Eligible Director participates in telephonically (collectively, the "Cash Portion of the Annual Director Fee"). The Cash Portion of the Annual Director Fee (after reduction pursuant to Section 4.3 hereof, if any) shall be paid to an Eligible Director in four equal quarterly installments in arrears on the first business day following the end of each quarter of the Plan Year in which the Eligible Director provided services to the Company.

4.1.2 Option Portion of the Annual Director Fee. Each Eligible Director shall receive two thousand (2,000) Options (the "Option Portion of the Annual Director Fee"). The Option Portion of the Annual Director Fee shall be paid in arrears as provided in Section 5 below.

4.2 Annual Committee Fee

Each Eligible Director shall be entitled to an Annual Committee Fee, which may be adjusted by the Board from time to time, as follows (a) ten thousand dollars (\$10,000) for the Audit Committee Chairman, (b) five thousand five hundred dollars (\$5,500) for each Audit Committee member (other than the Chairman), (c) seven thousand five hundred dollars (\$7,500) for the Nominating/Corporate

Governance Committee Chairman and the Compensation Committee Chairman, and (d) three thousand five hundred dollars (\$3,500) for each Nominating/Corporate Governance Committee member and Compensation Committee member (other than the Chairmen). The Annual Committee Fee shall be paid to an Eligible Director in four equal quarterly installments in arrears on the first business day following each quarter of the Plan Year in which the Eligible Director served on the applicable committee(s).

4.3 Election

Pursuant to Section 10 hereof, an Eligible Director may elect to receive all or a portion of the Cash Portion of the Annual Director Fee and the Annual Committee Fee in the form of Options of equal value. In such event, the value of such Options shall be determined pursuant to the methodology then in use by the Company's Finance Department to value stock options granted pursuant to the Trex Company, Inc. 1999 Stock Option and Incentive Plan.

4.4 Proration

The Cash Portion of the Annual Director Fee, the Option Portion of the Annual Director Fee and the Annual Committee Fee shall be prorated for any partial periods served.

5. GRANT DATE

The date of grant for the Option Portion of the Annual Director Fee shall be the date of the first regularly scheduled Board of Directors' Meeting following the end of each Plan Year in which the Eligible Director provided services to the Company, and the date of grant for Options issued in lieu of the Cash Portion of the Annual Director Fee and the Annual Committee Fee, as provided in Section 10 hereof, shall be the date such Fees would otherwise be due (each of such dates being referred to as the "Grant Date").

6. OPTION PRICE

The Option Price of Common Stock covered by each Option granted under the Plan shall be the Fair Market Value of such Common Stock on the Grant Date.

7. TERM OF OPTIONS

Each Option granted under the Plan shall terminate, and all rights to purchase shares of Common Stock thereunder shall cease, upon the expiration of ten years from the date such Option is granted.

8. VESTING OF OPTIONS

On the first anniversary of the Grant Date, the Option shall be exercisable in respect of 100 percent (100%) of the number of shares covered by the grant. Any limitation on the exercise of an Option contained in any Option Agreement may be rescinded, modified or waived by the Committee, in its sole discretion, at any time and from time to time after the date of grant of such Option. The Option shall be exercisable, in whole or in part, at any time and from time to time, after becoming exercisable and prior to the termination of the Option; provided, that no single exercise of the Option shall be for less than 100 shares, unless the number of shares purchased is the total number at the time available for purchase under the Option.

9. SERVICE TERMINATION

Except as otherwise provided in the Option Agreement, upon the termination of service (a "Service Termination") of the Participant as a director of the Company for any reason, any Option granted to a Participant pursuant to the Plan shall become vested, and the Participant shall have the right, at any time within five years after the date of such Participant's Service Termination and prior to termination of the Option pursuant to Section 7 hereof, to exercise any Option held by such Participant at the date of such Participant's Service Termination. After the termination of the Option, the Participant shall have no further right to purchase shares of Common Stock pursuant to such Option.

10. ELECTION TO RECEIVE ADDITIONAL OPTIONS

10.1 Election Form

A Participant who wishes to receive all or any portion of the Cash Portion of the Annual Director Fee and the Annual Committee Fee in the form of Options shall file an Election Form with the Company, in the form and manner prescribed by the Committee. Filing of a completed Election Form will authorize the Company to issue Options to the Participant in lieu of all or any portion of the Cash Portion of the Annual Director Fee and the Annual Committee Fee, in accordance with the Participant's instructions on the Election Form. Options issued pursuant to an election made under this Section 10 shall vest in accordance with the schedule set forth in Section 8 hereof.

10.2 Time for Filing Election Form

An Election Form shall be completed and filed by each newly elected Eligible Director within thirty (30) days after the Participant's election to the Board, and elections under the Plan made by a newly elected Eligible Director shall apply to the Participant's Annual Director Fee and Annual Committee Fee for the

remainder of the Plan Year. Such elections shall remain in effect for subsequent Plan Years unless and until a new Election Form is submitted by an Eligible Director to the Corporate Secretary. Notwithstanding the foregoing, a new Election Form may be submitted by each Eligible Director no more than once each Plan Year.

11. ADMINISTRATION

11.1 Committee

The general administration of the Plan and the responsibility for carrying out its provisions shall be placed in an Administrative Committee. The Committee shall consist of at least two members appointed from time to time by the Board of Directors to serve at the pleasure thereof. The initial Administrative Committee shall consist of the President and the Chief Financial Officer of the Company. Any member of the Committee may resign by delivering a written resignation to the Company, and may be removed at any time by action of the Board of Directors.

11.2 Rules for Administration

Subject to the limitations of the Plan, the Committee may from time to time establish such rules and procedures for the administration and interpretation of the Plan and the transaction of its business as the Committee may deem necessary or appropriate. The determination of the Committee as to any disputed question relating to the administration and interpretation of the Plan shall be conclusive.

11.3 Committee Action

Any act which the Plan authorizes or requires the Committee to do may be done by a majority of its members. The action of such majority, expressed from time to time by a vote at a meeting (i) in person, (ii) by telephone or other means by which all members can hear one another or (iii) in writing without a meeting shall constitute the action of the Committee and shall have the same effect for all purposes as if assented to by all members of the Committee at the time in office.

11.4 Delegation

The members of the Committee may authorize one or more of their number to execute or deliver any instrument, make any payment or perform any other act which the Plan authorizes or requires the Committee to do.

11.5 Services

The Committee may employ or retain agents to perform such clerical, accounting and other services as it may require in carrying out the provisions of the Plan.

11.6 Indemnification

The Company shall indemnify and save harmless each member of the Committee against all expenses and liabilities arising out of membership on the Committee, other than expenses and liabilities arising from the such member's own gross negligence or willful misconduct, as determined by the Board of Directors.

12. AMENDMENT AND TERMINATION

The Company, by action of the Board of Directors or the Administrative Committee, may at any time or from time to time modify or amend any or all of the provisions of the Plan, or may at any time terminate the Plan. No such action shall adversely affect the accrued rights of any Participant hereunder without the Participant's consent thereto.

13. GENERAL PROVISIONS

13.1 Limitation of Rights

No Participant shall have any right to any payment or benefit hereunder except to the extent provided in the Plan.

13.2 No Rights as Stockholders

Nothing contained in this Plan shall be construed as giving any Participant rights as a stockholder of the Company.

13.3 Rights as a Non-Employee Director

Nothing contained in this Plan shall be construed as giving any Participant a right to be retained as a non-employee director of the Company.

13.4 Assignment, Pledge or Encumbrance

No assignment, pledge or other encumbrance of any payments or benefits under the Plan shall be permitted or recognized and, to the extent permitted by law, no such payments or benefits shall be subject to legal process or attachment for the payment of any claim of any person entitled to receive the same, except to the extent such assignment, pledge or other encumbrance is in favor of the Company to secure a loan or other extension of credit from the Company to the Participant.

13.5 Binding Provisions

The provisions of this Plan shall be binding upon each Participant as a consequence of the Participant's election to participate in the Plan, upon the Company, upon the Participant's heirs, executors and administrators and upon the successors and assigns of the Participant and the Company.

13.6 Notices

Any election made or notice given by a Participant pursuant to the Plan shall be in writing to the Committee or to such representative thereof as may be designated by the Committee for such purpose and shall be deemed to have been made or given on the date received by the Committee or its representative.

13.7 Governing Law

The validity and interpretation of the Plan and of any of its provisions shall be construed under the laws of the State of Delaware without giving effect to the choice of law provisions thereof.

13.8 Withholding

The Company shall have the right to deduct from the amounts distributable hereunder any federal, state or local taxes required by law to be withheld with respect to such distributions, and such additional amounts of withholding as are reasonably requested by the Participant.

13.9 Effective Date

This Plan shall be effective as of March 12, 1999. The Plan was amended and restated effective May 14, 2002, October 24, 2003 and July 27, 2004.

SECOND AMENDMENT TO CREDIT AGREEMENT

THIS SECOND AMENDMENT TO CREDIT AGREEMENT (this "Second Amendment") is dated as of this 30th day of September, 2004, by and between **TREX COMPANY, INC.**, a Delaware corporation (sometimes hereinafter referred to herein as "Trex Inc."), and **BRANCH BANKING AND TRUST COMPANY OF VIRGINIA**, a Virginia state banking corporation (hereinafter referred to herein as the "Bank").

Trex Inc., TREX Company, LLC, a Delaware limited liability company ("TREX LLC"), and the Bank are the original parties to that certain Credit Agreement dated as of June 19, 2002, as amended by a First Amendment to Credit Agreement dated as of August 29, 2003 (as so amended and as it may hereafter be amended, restated, supplemented, replaced or otherwise modified from time to time, the "Credit Agreement"). Subject to the terms and conditions contained in the Credit Agreement, the Bank agreed to extend to Trex Inc. and TREX LLC (i) a revolving credit facility, with a letter of credit subfacility, in the aggregate amount of \$20,000,000 for working capital financing of Trex Inc.'s and TREX LLC's accounts receivable and inventory, to purchase new equipment and/or for other general corporate purposes of Trex Inc. and TREX LLC, (ii) a term loan facility in the amount of \$9,570,079.88 to refinance the Winchester Property (as defined in the Credit Agreement), and (iii) a term loan facility in the amount of \$3,029,920.12 to finance existing improvements to the Winchester Property. Effective December 31, 2002, TREX LLC merged with and into Trex Inc., with Trex Inc. being the surviving entity. As a result of such merger, Trex Inc. is the sole borrower under the Credit Agreement and shall hereinafter sometimes be referred to in this Second Amendment as the "Borrower." Real Estate Term Loan 4 (as defined in the Credit Agreement), which is evidenced by Real Estate Term Loan Note 4 (as defined in the Credit Agreement), has been paid in full.

The Borrower has requested that the Bank release its security interest in the Revolving Credit Loan Collateral (as defined in the Credit Agreement) that secures the Revolving Credit Loan Obligations (as defined in the Credit Agreement), to extend the Revolving Credit Termination Date (as defined in the Credit Agreement), to extend the maturity date of Real Estate Term Loan 1, Real Estate Term Loan 2 and Real Estate Term Loan 3 (as each such term is defined in the Credit Agreement), and to make certain other modifications to the Credit Agreement, and the Bank is willing to do so upon the terms and conditions contained herein.

Accordingly, the Borrower and the Bank hereby agree as follows:

1. Capitalized terms used in this Second Amendment and not otherwise defined herein shall have the meanings assigned thereto in the Credit Agreement.

2. Section 2.01(a) of the Credit Agreement is hereby deleted in its entirety and the following Section is substituted in its place:

(a) Term Loans. The Bank agrees, on the terms and conditions set forth in this Agreement, to make (i) a term loan to the Borrower on September 30, 2004 in the principal amount of Two Million Six Hundred Ninety-Seven Thousand Four Hundred Fifty-Two and 53/100s Dollars (\$2,697,452.53) ("Real Estate Term Loan

1”), (ii) a term loan to the Borrower on September 30, 2004 in the principal amount of Seven Hundred Fifty-Seven Thousand Fifty-One and 77/100s Dollars (\$757,051.77) (“Real Estate Term Loan 2”) and (iii) a term loan to the Borrower on September 30, 2004 in the principal amount of Four Million Nine Hundred Sixty-Four Thousand Two Hundred Seventy-Six and 00/100s Dollars (\$4,964,276.00 (“Real Estate Term Loan 3”).

3. All references in the Credit Agreement and in the Definitions Appendix to the Credit Agreement to each of the terms, “Real Estate Term Loan 4” and “Real Estate Term Loan Note 4,” are hereby deleted in their entirety.

4. Sections 2.01(c)ii.6. and 2.01(c)ii.8. of the Credit Agreement are hereby deleted in their entirety and the following Sections are substituted in their respective places:

6. the account receivable is not subject to any assignment, security interest, lien, claim, or encumbrance of any kind;

8. [Reserved].

5. Section 2.01(c)iii.(vi) of the Credit Agreement is hereby deleted in its entirety and the following Section is substituted in its place:

(vi) which is not subject to any assignment, security interest, lien, claim, or encumbrance of any kind,

6. Section 2.07(b) of the Credit Agreement is hereby deleted in its entirety and the following Section is substituted in its place:

(b) Mandatory Prepayment. Not later than thirty (30) calendar days after the Borrower’s or the Bank’s receipt of any Personal Property Casualty Loss Proceeds or Net Proceeds and not later than 210 calendar days after the Borrower’s receipt of any Fixed Asset Proceeds that are not reinvested in accordance with the provisions of Section 6.14(b)(ii) hereof, the Borrower shall repay, or the Bank shall pay, as applicable, the Revolving Loans in immediately available funds in an amount equal to such Personal Property Casualty Loss Proceeds, Net Proceeds or Fixed Asset Proceeds.

7. Section 2.08(c) of the Credit Agreement is hereby deleted in its entirety and the following Section is substituted in its place:

(c) Real Estate Term Loans 1, 2 & 3. Real Estate Term Loans 1, 2 & 3 shall be due and payable as set forth in Real Estate Term Loan Note 1, Real Estate Term Loan Note 2 and Real Estate Term Loan Note 3, respectively; provided that the principal balance of Real Estate Term Loans 1, 2 & 3, together with all accrued interest thereon, shall be immediately due and payable in full on September 30, 2009.

8. Section 3.01(a) of the Credit Agreement is hereby deleted in its entirety and the following Section is substituted in its place:

(a) [Reserved].

9. Section 3.01(b) of the Credit Agreement is hereby deleted in its entirety and the following Section is substituted in its place:

(b) To the extent required by Section 6.23 hereof, the guaranty of each Material Subsidiary.

10. Section 4.02(b)(ii) of the Credit Agreement is hereby deleted in its entirety and the following Section is substituted in its place:

(ii) with respect to the Borrower's first request for a Revolving Loan after each occurrence of any fire, theft, water damage, vandalism or other damage to or loss of any Inventory for which insurance proceeds are paid to the Borrower, the Borrower shall have executed and delivered to the Bank a new Borrowing Base Certificate based on information as of the date of such request;

11. The first sentence of Section 5.20 of the Credit Agreement is hereby deleted in its entirety and the following sentence is substituted in its place:

Schedule 5.20 (as such Schedule may be amended by a writing delivered by the Borrower to the Bank from time to time after the Effective Date) is a complete and correct listing of all Material Debt other than Debt associated with the Revolving Credit Loan Obligations, the Real Estate Term Loan Obligations or the Note Agreement.

12. Section 6.03(b) of the Credit Agreement is hereby deleted in its entirety and the following provision is substituted in its place:

(b) In addition to the insurance requirements set forth in the Deed of Trust, the Borrower will maintain, and will cause each of its Subsidiaries to maintain, insurance with financially sound and responsible companies in such amounts (and with such risk retentions and with such deductibles) and against such risks as is usually carried by owners of similar businesses and properties in the same general areas in which the Borrower and its Subsidiaries operate, and the Borrower will maintain not less than \$64,000,000 of business interruption insurance at all times (or such lesser amount as the Bank may agree to in its reasonable discretion). The Bank shall be named as loss payee and additional insured on all insurance policies insuring the Collateral. Not less frequently than annually and more frequently if the Bank shall so request, the Borrower shall deliver to the Bank certificates evidencing that it is named as loss payee and additional insured on all insurance policies insuring the Collateral and the Borrower shall promptly deliver such other information as the Bank shall reasonably request from time to time.

13. The first sentence of Section 6.07 of the Credit Agreement is hereby deleted in its entirety and the following sentence is substituted in its place:

The Borrower will not, and will not permit any of its Subsidiaries to, without the prior written consent of the Bank, create, incur, assume or suffer to exist any Lien upon or with respect to any Corporate Assets, or other accounts, or ownership interests in its Subsidiaries, or proceeds thereof, or sell any Corporate Assets, or other accounts or ownership interests in its Subsidiaries, or proceeds thereof subject to an understanding or agreement, contingent or otherwise, to repurchase such Corporate Assets, or other accounts, or ownership interests in its Subsidiaries, or proceeds thereof (including sales of accounts receivable or notes with recourse to the Borrower or any of its Subsidiaries) or assign any right to receive income, or file or permit the filing of any financing statement under the Uniform Commercial Code as in effect in any applicable jurisdiction or any other similar notice of Lien under any similar recording or notice statute, provided that the provisions of this Section 6.07 shall not prevent the creation, incurrence, assumption or existence of the following (with such Liens described below being herein referred to as "Permitted Liens"):

14. Section 6.07(j) of the Credit Agreement is hereby deleted in its entirety and the following Section is substituted in its place:

(j) [Reserved];

15. Section 6.07(l) of the Credit Agreement is hereby deleted in its entirety and the following Section is substituted in its place:

(l) Liens existing on the Closing Date and set forth on Schedule 6.07(l) to this Agreement, and the extension, renewal or replacement of any such Lien, provided that (i) such Lien attaches only to the same property as the original Lien, (ii) the principal amount of Debt secured by such Lien is not increased and (iii) at the time of such extension, renewal or replacement, no Default or Event of Default shall have occurred and be continuing;

16. Section 6.07(n) of the Credit Agreement is hereby deleted in its entirety and the following Section is substituted in its place:

(n) [Reserved].

17. Sections 6.07(o) and 6.07(p) of the Credit Agreement are hereby deleted in their entirety and the following Sections are substituted in their places:

(o) interests of lessors under Capital Leases;

(p) Liens on the Mississippi Facility, but only to the extent that such Liens secure only the Mississippi Financing; and

(q) in addition to the Liens permitted under clauses (a) to and including (p) of this Section 6.07, Liens securing Debt that does not exceed \$250,000 in the aggregate.

18. Clause (v) in Section 6.08 of the Credit Agreement is hereby deleted in its entirety and the following clause is substituted in its place:

(v) additional Facility Debt incurred after the Closing Date, provided that at the time such additional Facility Debt is incurred (1) no Default or Event of Default shall have occurred or will occur as a result of the incurrence of such Facility Debt and (2) the aggregate principal amount of such additional Facility Debt is not greater than \$10,000,000;

19. Section 6.09 of the Credit Agreement is hereby deleted in its entirety and the following Section is substituted in its place:

Section 6.09 Limitations on Capital Expenditures. Without the prior written consent of the Bank, the Borrower and its Subsidiaries shall not make capital expenditures of more than the following aggregate amounts in each of its fiscal years, provided that the Borrower may expend an amount equal to the unspent portion of monies from the immediately preceding fiscal year in the immediately succeeding fiscal year: \$30,000,000 for fiscal year 2004; and \$25,000,000 for each fiscal year thereafter. Notwithstanding the immediately preceding sentence, the Borrower may make capital expenditures in excess of the amounts set forth in the immediately preceding sentence if, in a particular fiscal year, [the difference between the figure equal to clause (i) of the definition of the Fixed Charge Coverage Ratio for such fiscal year minus non-Maintenance Capital Expenditures for such fiscal year] divided by [the figure equal to clause (ii) of the definition of the Fixed Charge Coverage Ratio for such fiscal year] is equal to or greater than 1.0 to 1

20. Section 6.10 of the Credit Agreement is hereby deleted in its entirety and the following Section is substituted in its place:

Section 6.10 Total Consolidated Debt to Total Consolidated Capitalization Ratio. The Borrower will not, as of the end of any calendar month, permit the ratio of Total Consolidated Debt to Total Consolidated Capitalization (the "Total Consolidated Debt to Total Consolidated Capitalization Ratio"), as a percentage, to exceed the following amounts for the following periods: (i) 55% for the period commencing on the Closing Date to and including December 31, 2004 and (ii) 50% thereafter.

21. Section 6.11 of the Credit Agreement is hereby deleted in its entirety and the following Section is substituted in its place:

Section 6.11. Total Consolidated Debt to Consolidated EBITDA Ratio. The Borrower will not, as of the end of any fiscal quarter, permit the ratio of the

Total Consolidated Debt to Consolidated EBITDA (the "Total Consolidated Debt to Consolidated EBITDA Ratio") for the four-quarter period ended as of the end of such fiscal quarter to exceed 2.50 to 1.

22. Section 6.12 of the Credit Agreement is hereby deleted in its entirety and the following Section is substituted in its place:

Section 6.12. Fixed Charge Coverage Ratio. The Borrower will not, as of the end of any fiscal quarter, permit the Fixed Charge Coverage Ratio for the four quarter period ended as of the end of such fiscal quarter to be less than 1.50 to 1.

23. Section 6.13 of the Credit Agreement is hereby deleted in its entirety and the following Section is substituted in its place:

Section 6.13. Minimum Tangible Net Worth. The Borrower will at all times maintain Consolidated Tangible Net Worth at not less than the sum of (i) \$100,000,000, (ii) 100% of the Net Proceeds of all stock issued after the Closing Date, plus (iii) fifty percent (50%) of Consolidated Net Income after June 30, 2004 (taken as one accounting period), but excluding from such calculation of Consolidated Net Income for purposes of this clause (iii) any quarter in which Consolidated Net Income is negative.

24. Section 6.14(b)(ii) of the Credit Agreement is hereby deleted in its entirety and the following Section is substituted in its place:

(ii) provided that no Default or Event of Default has occurred or would occur as a result of the consummation of such sale or other disposition, the sale or other disposal of assets (but specifically excluding the real property and the improvements thereon encumbered by the Deed of Trust or the Nevada Deed of Trust) for fair market value which the Borrower determines are no longer needed for the operation of the business of the Borrower and its Subsidiaries; provided that the aggregate net book value of assets so disposed of shall not exceed \$2,500,000 in any fiscal year; provided further that if the Borrower or the applicable Subsidiary (A) acquires fixed assets useful and intended to be used in the operation of the business of the Borrower and its Subsidiaries, such fixed assets have an actual out-of-pocket cost equal to or greater than the proceeds resulting from such sale or other disposition, and such fixed assets are acquired within 210 days of such sale or other disposition or (B) applies the net proceeds of any such sales which exceed \$2,500,000 in any fiscal year (such excess net proceeds, "Fixed Asset Proceeds") to prepay the Revolving Credit Loan Obligations, such sale or other disposition shall be excluded from the calculation of the amount in this clause (ii);

25. Section 6.20 of the Credit Agreement is hereby deleted in its entirety and the following provision is substituted in its place:

Section 6.20. Deposit Accounts. The Borrower and its Subsidiaries shall maintain all of their primary deposit accounts, including without limitation their primary operating deposit accounts, with the Bank and, if requested by the Bank, will establish and maintain a lock box cash management system in an assignee account at the Bank.

26. Section 6.23 of the Credit Agreement is hereby deleted in its entirety and the following Section is substituted in its place:

Section 6.23 **Additional Guaranty Agreement Documentation**.

(a) If, at any time after the date hereof, (1) any of the Borrower's Subsidiaries becomes a Material Subsidiary or (2) the Borrower forms or acquires any Material Subsidiary, then the Borrower shall provide to the Bank the following documentation:

(i) a subsidiary guaranty that guarantees the Revolving Credit Loan Obligations, in form and substance acceptable to the Bank, and duly executed and delivered by such Subsidiary;

(ii) a certificate from the chief executive officer, chief financial officer or treasurer of such Subsidiary, in form and substance reasonably satisfactory to the Bank, to the effect that all representations and warranties of such Subsidiary contained in the subsidiary guaranty are true, correct and complete in all material respects; that such Subsidiary is not in violation of any of the covenants contained in the subsidiary guaranty; and that no Default or Event of Default has occurred and is continuing or, after giving effect to its execution and delivery of the subsidiary guaranty, will occur;

(iii) a certificate of the secretary or other appropriate officer or authorized person of such Subsidiary certifying as to the incumbency and genuineness of the signature of each officer or authorized signer of such Subsidiary executing the subsidiary guaranty and certifying that attached thereto is (A) a true and complete copy of the articles of incorporation, articles of organization, partnership agreement or equivalent organizational document of such Subsidiary, and all amendments thereto, certified as of a recent date by the appropriate governmental official of its jurisdiction of formation; (B) a true and complete copy of the bylaws, operating agreement, or equivalent agreement of such Subsidiary as in effect on the date of such certification; (C) a true and complete copy of resolutions duly adopted by the board of directors, members, managers or equivalent governing body of such Subsidiary authorizing the execution, delivery and performance of the subsidiary guaranty; and (D) a true and complete copy of each certificate required to be delivered pursuant to Section 6.23(iv) hereof;

(iv) a certificate of good standing of such Subsidiary as of a recent date from the appropriate governmental official of its jurisdiction of

formation and in each other jurisdiction where such Subsidiary is qualified to do business;

(v) a favorable opinion of counsel to such Subsidiary addressed to the Bank in form and substance satisfactory to the Bank with respect to such Subsidiary and the subsidiary guaranty, and such other matters as the Bank shall request; and

(vi) such other documents, instruments, certificates, opinions and other information as the Bank shall reasonably request.

(b) In addition to the other limitations contained in this Agreement, the Borrower will not permit any Material Subsidiary which has not signed a subsidiary guaranty at that time to be or become liable in respect of any other Guarantee after the date hereof; provided, however, that such Material Subsidiary may execute and deliver such Guarantee so long as the Borrower shall contemporaneously therewith cause such Material Subsidiary to execute and deliver, and such Material Subsidiary shall execute and deliver to the Bank, a subsidiary guarantee, together with all other documents, agreements, certificates and opinions in compliance with the terms and provisions of this Section 6.23. It is the intent of this Section 6.23(b) that at all times the Borrower shall cause all Subsidiaries which have executed and delivered Guarantees to holders of Debt of the Borrower and/or any other Material Subsidiary to have executed and delivered all of the documentation in accordance with and pursuant to the provisions of this Section 6.23.

(c) The Borrower shall pay on demand all reasonable out-of-pocket fees and expenses of the Bank, including without limitation the reasonable fees and expenses of counsel to the Bank, incurred in connection with the execution and delivery of the subsidiary guaranties and the related documents, agreements, certificates and opinions described in this Section 6.23.

27. The definition of the term, "Applicable Revolving Loan Margin," contained in the Definitions Appendix to the Credit Agreement is hereby deleted in its entirety and the following definition is substituted in its place:

"Applicable Revolving Loan Margin" means (i) 1.25% for the period from September 30, 2004 through and including the first day of the month following receipt by the Bank of the consolidated financial statements described in Section 6.01(b) for the period ending June 30, 2004 and (ii) thereafter shall be determined by reference to the Total Consolidated Debt to Consolidated EBITDA Ratio in accordance with the following table:

<u>Total Consolidated Debt to Consolidated EBITDA Ratio</u>	<u>Applicable Revolving Loan Margin</u>
Equal to or higher than 1.5 to 1	1.75%
Equal to or higher than 1.0 to 1 but lower than 1.5 to 1	1.50%
Lower than 1.0 to 1	1.25%

Except during the initial period described in clause (i) above, the Applicable Revolving Loan Margin will be automatically adjusted as of the first day of the month following receipt by the Bank of consolidated financial statements of the Borrower and its Consolidated Subsidiaries pursuant to Section 6.01(a) or Section 6.01(b) demonstrating to the Bank's reasonable satisfaction that there has been a change in the Total Consolidated Debt to Consolidated EBITDA Ratio which would cause a change in the Applicable Revolving Loan Margin in accordance with the preceding table. Any such change shall apply to the Revolving Loans outstanding on such effective date or made on or after such effective date. At all times after and during the continuance of a Default with respect to the Borrower's obligations under Section 6.01(a) or Section 6.01(b) until the delivery of the applicable financial statements required pursuant thereto, the Applicable Revolving Loan Margin shall be 1.75%.

28. The definition of the term, "Applicable Real Estate Term Loan Margin," contained in the Definitions Appendix to the Credit Agreement is hereby deleted in its entirety and the following definition is substituted in its place:

"Applicable Real Estate Term Loan Margin" means (i) 1.50% for the period from September 30, 2004 through and including the first day of the month following receipt by the Bank of the consolidated financial statements described in Section 6.01(b) for the period ending June 30, 2004 and (ii) thereafter shall be determined by reference to the Total Consolidated Debt to Consolidated EBITDA Ratio in accordance with the following table:

<u>Total Consolidated Debt to Consolidated EBITDA Ratio</u>	<u>Applicable Real Estate Term Loan Margin</u>
Equal to or higher than 1.5 to 1	2.00%
Equal to or higher than 1.0 to 1 but lower than 1.5 to 1	1.75%
Lower than 1.0 to 1	1.50%

Except during the initial period described in clause (i) above, the Applicable Real Estate Term Loan Margin will be automatically adjusted as of the first day of the month following receipt by the Bank of consolidated financial statements of the Borrower and its Consolidated Subsidiaries pursuant to Section 6.01(a) or Section 6.01(b) demonstrating to the Bank's reasonable satisfaction that there has been a change in the Total Consolidated Debt to Consolidated EBITDA Ratio which would cause a change in the Applicable Real Estate Term Loan Margin in accordance with the preceding table. Any such change shall apply to Real Estate Term Loans 1, 2 & 3 outstanding on such effective date. At all times after and during the continuance of a Default with respect to the Borrower's obligations under Section 6.01(a) or Section 6.01(b) until the delivery of the applicable financial statements required pursuant thereto, the Applicable Real Estate Term Loan Margin shall be 2.00%.

29. The definition of the term, "Collateral," contained in the Definitions Appendix to the Credit Agreement is hereby deleted in its entirety and the following definition is substituted in its place:

"Collateral" means the Winchester Property, as more particularly described in the Deed of Trust.

30. The Definitions Appendix to the Credit Agreement is hereby amended by inserting the following new terms in the correct alphabetical order in the Definitions Appendix:

"Corporate Assets" means, collectively, all real property and personal property assets now or hereafter owned or acquired by the Borrower and/or any of its Subsidiaries, including without limitation chattel paper, deposit accounts, documents, equipment, general intangibles, goods, instruments, investment property, letter-of-credit rights, software (as each of the foregoing terms is defined in the UCC), Accounts, Inventory, patent, trademark, copyright or other rights in or associated with intellectual property, and the Collateral.

"Mississippi Facility" means the Borrower's new manufacturing plant to be located in Olive Branch, Mississippi, including the land such facility is situated on, the building and improvements located thereon and the equipment located thereon and used in the operation thereof.

"Mississippi Financing" means Debt incurred by the Borrower in connection with the issuance by Mississippi Business Finance Corporation of variable rate demand bonds in the approximate principal amount of \$25,000,000.00, the proceeds of which shall be used in connection with the acquisition, construction and equipping of the Mississippi Facility (including the reimbursement of funds previously expended by the Borrower for such purpose).

31. The Definitions Appendix to the Credit Agreement is hereby amended by deleting each of the following terms in their entirety: "Collateral Agent," "Intercreditor

Agreement,” “Revolving Credit Loan Collateral,” “Revolving Credit Loan Collateral Documents,” and “Security Agreement.”

32. The definition of the term, “Inventory Sublimit,” contained in the Definitions Appendix to the Credit Agreement is hereby deleted in its entirety and the following definition is substituted in its place:

“Inventory Sublimit” means (i) \$14,000,000 for the period commencing on May 1, 2004 and continuing to and including September 30, 2004; (ii) \$16,000,000 for the period (A) commencing on May 1, 2005 and continuing to and including September 30, 2005, (B) commencing on May 1, 2006 and continuing to and including September 30, 2006 and (C) commencing on May 1, 2007 and continuing to and including September 30, 2007; and (iii) for any period not identified in clauses (i) or (ii) above, the Revolving Credit Commitment.

33. The definition of the term, “Loan Documents,” contained in the Definitions Appendix to the Credit Agreement is hereby deleted in its entirety and the following definition is substituted in its place:

“Loan Documents” means this Agreement, the Notes, the Deed of Trust, the Letter of Credit Applications, the ISDA Master Agreement, the Services Agreement, and each subsidiary guaranty executed and delivered pursuant to Section 6.23 hereof, and each other document, instrument or agreement executed and delivered by the Borrower, its Subsidiaries or their counsel in connection with this Agreement or otherwise referred to herein or contemplated hereby, all as amended, restated, supplemented or otherwise modified from time to time.

34. The definition of the term, “Management Stockholders,” contained in the Definitions Appendix to the Credit Agreement is hereby deleted in its entirety and the following definition is substituted in its place:

“Management Stockholders” means Robert G. Matheny, Harold F. Monahan, Paul D. Fletcher, William R. Gupp, David W. Jordan and Philip Pfifer, and their respective Management Stockholder Affiliates.

35. The definition of the term, “Material Debt,” contained in the Definitions Appendix to the Credit Agreement is hereby deleted in its entirety and the following definition is substituted in its place:

“Material Debt” means Debt (other than the Notes) of the Borrower and/or one or more Subsidiaries owed to any Person or any Affiliates of such Person, arising in one or more related or unrelated transactions with such Person or any Affiliates of such Person, in an aggregate principal amount exceeding \$250,000.

36. The definition of the term, "Revolving Credit Loan Obligations," contained in the Definitions Appendix to the Credit Agreement is hereby deleted in its entirety and the following definition is substituted in its place:

"Revolving Credit Loan Obligations" means:

(i) all principal of and interest (including, without limitation, any interest which accrues after the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency or reorganization of the Borrower, whether or not allowed or allowable as a claim in any such proceeding) on the Revolving Loan, Letters of Credit, fees payable or reimbursement obligation under, or any note issued pursuant to, the Letters of Credit, or the Revolving Loan;

(ii) all other amounts now or hereafter payable by the Borrower and all other obligations or liabilities now existing or hereafter arising or incurred (including, without limitation, any amounts which accrue after the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency or reorganization of the Borrower, whether or not allowed or allowable as a claim in any such proceeding) on the part of the Borrower pursuant to the Letters of Credit, or the Revolving Note; and

(iii) all renewals, modifications, consolidations or extensions of or to each of the obligations described in clauses (i) to and including (ii) above.

37. The definition of the term, "Revolving Credit Period," contained in the Definitions Appendix to the Credit Agreement is hereby deleted in its entirety and the following definition is substituted in its place:

"Revolving Credit Period" means the period from and including the Effective Date to but not including September 30, 2007.

38. The definition of the term, "Revolving Credit Termination Date," contained in the Definitions Appendix to the Credit Agreement is hereby deleted in its entirety and the following definition is substituted in its place:

"Revolving Credit Termination Date" means the earlier to occur of September 30, 2007, or the date of termination by the Bank pursuant to Section 7.01.

39. The definition of the term, "Total Consolidated Debt" contained in the Definitions Appendix to the Credit Agreement is hereby deleted in its entirety and the following definition is substituted in its place:

"Total Consolidated Debt" means, as of the date of determination, the total of all Debt of the Borrower and its Subsidiaries outstanding on such date, after (i) eliminating all offsetting debits and credits between the Borrower and its Subsidiaries and all other items required to be eliminated in the course of the preparation of consolidated financial statements of the Borrower and its Subsidiaries in accordance with GAAP and (ii) subtracting an amount equal to the cash and Cash Equivalents in excess of \$10,000,000 held by the Borrower on the date of determination.

40. The definition of the term, "Unused Commitment Fee Percentage," contained in the Definitions Appendix to the Credit Agreement is hereby deleted in its entirety and the following definition is substituted in its place:

"Unused Commitment Fee Percentage" means (i) 0.20% for the period from September 30, 2004 through and including the first day of the month following receipt by the Bank of the consolidated financial statements described in Section 6.01(b) for the period ending June 30, 2004 and (ii) thereafter shall be determined by reference to the Total Consolidated Debt to Consolidated EBITDA Ratio in accordance with the following table:

<u>Total Consolidated Debt to Consolidated EBITDA Ratio</u>	<u>Unused Commitment Fee Percentage</u>
Equal to or higher than 1.5 to 1	0.375%
Equal to or higher than 1.0 to 1 but lower than 1.5 to 1	0.25%
Lower than 1.0 to 1	0.20%

Except during the initial period described in clause (i) above, the Unused Commitment Fee Percentage will be automatically adjusted as of the first day of the month following receipt by the Bank of consolidated financial statements of the Borrower and its Consolidated Subsidiaries pursuant to Section 6.01(a) or Section 6.01(b) demonstrating to the Bank's reasonable satisfaction that there has been a change in the Total Consolidated Debt to Consolidated EBITDA Ratio which would cause a change in the Unused Commitment Fee Percentage in accordance with the preceding table. At all times after and during the continuance of a Default with respect to the Borrower's obligations under Section 6.01(a) or Section 6.01(b) until the delivery of the applicable financial statements required pursuant thereto, the Unused Commitment Fee Percentage shall be 0.375%.

41. Exhibit D to the Credit Agreement is hereby deleted in its entirety and a new Exhibit, which is attached to this Second Amendment and labeled Exhibit D-2, is substituted in its place.

42. Exhibit E to the Credit Agreement is hereby deleted in its entirety and a new Exhibit, which is attached to this Second Amendment and labeled Exhibit E-2, is substituted in its place.

43. Exhibit F to the Credit Agreement is hereby deleted in its entirety and a new Exhibit, which is attached to this Second Amendment and labeled Exhibit F-2, is substituted in its place.

44. Exhibit I to the Credit Agreement is hereby deleted in its entirety and a new Exhibit, which is attached to this Second Amendment and labeled Exhibit I-2, is substituted in its place.

45. Schedule 5.05 to the Credit Agreement is hereby deleted in its entirety and a new Schedule, which is attached to this Second Amendment and labeled Schedule 5.05, is substituted in its place.

46. Schedule 5.08 to the Credit Agreement is hereby deleted in its entirety and a new Schedule, which is attached to this Second Amendment and labeled Schedule 5.08, is substituted in its place.

47. A new schedule, Schedule 6.07(l), is hereby attached to and made a part of the Credit Agreement.

48. The Borrower hereby represents and warrants to the Bank (which representations and warranties shall survive the execution and delivery of this Second Amendment) that:

(a) It is in compliance with all of the terms, covenants and conditions of the Credit Agreement, as amended by this Second Amendment, and each of the other Loan Documents.

(b) There exists no Default or Event of Default under the Credit Agreement, as amended by this Second Amendment, and no event has occurred or condition exists which, with the giving of notice or lapse of time, or both, would constitute such a Default or Event of Default.

(c) The representations and warranties contained in Article V of the Credit Agreement are, except to the extent that they relate solely to an earlier date or except to the extent that they relate solely to TREX LLC, true in all material respects with the same effect as though such representations and warranties had been made on the date of this Second Amendment.

(d) The execution, delivery and performance by the Borrower of this Second Amendment and each of the new promissory notes (attached hereto as Exhibit D-2, Exhibit E-2, Exhibit F-2 and Exhibit I-2, respectively) are within its corporate powers, have been duly authorized by all necessary corporate action, require no action by or in respect of, or filing with, any governmental body, agency or official and do not contravene or constitute (with or without the giving of notice or lapse of time or both) a default under any provision of applicable law or of the organizational documents of the Borrower or any Subsidiary or of any agreement, judgment, injunction, order, decree or other instrument binding upon or affecting the Borrower or any Subsidiary or result in the creation or imposition of any Lien on any asset of the Borrower or any of its Subsidiaries.

(e) This Second Amendment and the promissory notes described in paragraph 48(d) of this Second Amendment constitute valid and binding agreements of the Borrower, enforceable against the Borrower in accordance with their respective terms, except as such enforceability may be limited by bankruptcy, insolvency or similar laws affecting creditors' rights generally and by equitable principles of general applicability (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(f) Except as set forth on Schedule 5.05 to the Credit Agreement, there is no material action, suit, proceeding or investigation pending against, or to the knowledge of the Borrower threatened against, contemplated or affecting, the Borrower or any of its Subsidiaries before any court, arbitrator or governmental body, agency or official which has, or could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, or which in any manner draws into question the validity or enforceability of this Second Amendment, any of the promissory notes described in paragraph 48(d) of this Second Amendment or any of the Loan Documents, and there is no basis known to the Borrower or any of its Subsidiaries for any such action, suit, proceeding or investigation.

49. The Bank's agreement to enter into this Second Amendment is subject to the following conditions precedent:

(a) The Borrower shall have executed and delivered to the Bank this Second Amendment and each of the promissory notes described in paragraph 48(d) of this Second Amendment in the forms of Exhibit D-2, Exhibit E-2, Exhibit F-2 and Exhibit I-2 attached hereto with the blanks therein appropriately completed.

(b) The Borrower shall have delivered to the Bank (i) certified copies of the resolutions of its board of directors authorizing and approving this Second Amendment and the promissory notes described in paragraph 48(d) of this Second Amendment, (ii) a certificate of incumbency executed by the secretary of the Borrower setting forth the names of the officers of the Borrower that are authorized to execute this Second Amendment and the promissory notes described in paragraph 48(d) of this Second Amendment, together with a specimen signature for each such officer, and (iii) such other and further documents, certificates, opinions and other papers as the Bank shall require.

(c) The Bank shall have received a favorable opinion of counsel to the Borrower addressed to the Bank, dated as of the date hereof and satisfactory in form and substance to the Bank, as to the due authorization, execution, delivery and enforceability of this Second Amendment, the promissory notes described in paragraph 48(d) of this Second Amendment, and such other matters as the Bank shall request.

(d) The Borrower shall have paid to the Bank in immediately available funds (i) a fee with respect to the Revolving Credit Loan in the amount of \$35,000 and (ii) a fee with respect to Real Estate Term Loan 1, Real Estate Term Loan 2 and Real Estate Term Loan 3 in the amount of \$10,000, both of which fees shall be deemed fully earned and non-refundable once paid.

(e) The Borrower shall have delivered or caused to be delivered to the Bank certificates of insurance and other evidence satisfactory in form and substance to the Bank that the Borrower is in full compliance with Section 6.03 of the Credit Agreement.

50. Upon the fulfillment of the conditions contained in paragraph 49 of this Second Amendment, the Bank agrees to execute, deliver, file and record, as applicable, at the Borrower's sole cost and expense (which cost and expense the Borrower hereby agrees to pay upon demand), such agreements, documents, instruments, Uniform Commercial Code financing statements and amendments, and such other papers as the Borrower may from time to time reasonably request to evidence the termination of the Liens created by the Security Agreement in favor of the Bank as a Secured Party (as defined in the Security Agreement) thereunder.

51. Except as expressly amended hereby, the terms of the Credit Agreement shall remain in full force and effect in all respects, and the Borrower hereby reaffirms its obligations under the Credit Agreement, as amended by this Second Amendment, and each of the other Loan Documents. The Borrower hereby waives any claim, cause of action, defense, counterclaim, setoff or recoupment of any kind or nature that it may assert against the Bank arising from or in connection with the Credit Agreement, as amended by this Second Amendment, any of the Loan Documents, or the transactions contemplated thereby or hereby that exist on the date hereof or arise from facts or actions occurring prior hereto or on the date hereof. Nothing contained in this Second Amendment shall be construed to constitute a novation with respect to the obligations described in the Credit Agreement.

52. All references to the Credit Agreement in any of the Loan Documents, or any other documents or instruments that refer to the Credit Agreement, shall be deemed to be references to the Credit Agreement as amended by this Second Amendment.

53. This Second Amendment and each of the promissory notes described in paragraph 48(d) of this Second Amendment shall be construed in accordance with and governed by the laws of the Commonwealth of Virginia.

54. Any Dispute arising out of or related to this Second Amendment, any of the promissory notes described in paragraph 48(d) of this Second Amendment or any of the Loan Documents shall be resolved by binding arbitration as provided in Section 9.07 of the Credit Agreement. **TO THE FULLEST EXTENT PERMITTED BY LAW, THE PARTIES HERETO HEREBY IRREVOCABLY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL WITH RESPECT TO ANY DISPUTE.**

55. This Second Amendment may be executed in any number of counterparts, each of which shall be an original, but all of which taken together shall constitute one and the same instrument.

56. This Second Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. The Borrower shall not have the right to assign any of its rights or obligations under or delegate any of its duties under the Credit Agreement, as amended by this Second Amendment, or any of the other Loan Documents.

57. The Borrower hereby agrees that it will pay on demand all out-of-pocket expenses incurred by the Bank in connection with the preparation of this Second Amendment and any other related documents, including but not limited to the fees and disbursements of counsel for the Bank.

58. This Second Amendment and the promissory notes described in paragraph 48(d) of this Second Amendment represent the final agreement between the Borrower and the Bank with respect to the subject matter hereof, and may not be contradicted, modified or supplemented in any way by evidence of any prior or contemporaneous written or oral agreements of the Borrower and the Bank.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the Borrower and the Bank have caused this Second Amendment to be executed by their duly authorized officers under seal as of the date first written above.

TREX COMPANY, INC.

By: /s/ Paul D. Fletcher (SEAL)
Name: Paul D. Fletcher
Title: Senior Vice President and
Chief Financial Officer

**BRANCH BANKING AND TRUST COMPANY
OF VIRGINIA**

By: /s/ David A. Chandler (SEAL)
Name: David A. Chandler
Title: Senior Vice President

Exhibit D-2 - Promissory Note (Real Estate Term Loan 1)
Exhibit E-2 - Promissory Note (Real Estate Term Loan 2)
Exhibit F-2 - Promissory Note (Real Estate Term Loan 3)
Exhibit I-2 - Promissory Note (Revolving Note)

Schedule 5.08 - Litigation
Schedule 5.08 - Subsidiaries
Schedule 6.07(l) - Existing Liens

CERTIFICATION

I, Robert G. Matheny, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Trex Company, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2004

/s/ Robert G. Matheny

Robert G. Matheny
Chairman and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION

I, Paul D. Fletcher, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Trex Company, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function(s)):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2004

/s/ Paul D. Fletcher

Paul D. Fletcher,
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

**Written Statement of Chief Executive Officer and Chief Financial Officer
Pursuant to Section 906
of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)**

The undersigned, the Chairman and Chief Executive Officer and the Senior Vice President and Chief Financial Officer of Trex Company, Inc. (the "Company"), each hereby certifies that, on the date hereof:

- (a) the Quarterly Report on Form 10-Q of the Company for the Period Ended September 30, 2004 filed on the date hereof with the Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (b) information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Robert G. Matheny

Robert G. Matheny
Chairman and Chief Executive Officer
November 4, 2004

/s/ Paul D. Fletcher

Paul D. Fletcher
Senior Vice President and Chief Financial Officer
November 4, 2004