

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

Mark One

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

For the fiscal year ended December 31, 2000

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 54-1910453
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

20 South Cameron Street, Winchester, 22601
Virginia (Zip Code)
(Address of principal executive
offices)

Registrant's telephone number, including area code: (540) 678-4070

Not Applicable
(Former name, former address and former fiscal year, if changed since last
report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class:	Name of each exchange on which registered:
Common Stock	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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 if disclosure of delinquent filers pursuant to Item
405 of Regulation S-K is not contained herein, and will not be contained, to
the best of registrant's knowledge, in definitive proxy or information
statements incorporated by reference in Part III of the Form 10-K or any
amendments to this Form 10-K

The aggregate market value of the registrant's voting stock held by non-
affiliates of the registrant at March 16, 2001, based on the closing price of
such stock on the New York Stock Exchange on such date, was approximately \$211
million.

The number of shares of the registrant's Common Stock, \$.01 par value,
outstanding on March 16, 2001 was 14,137,586.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information in the proxy statement for the 2001 annual meeting of
stockholders of the registrant is incorporated by reference into Part III
hereof.

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FORWARD-LOOKING STATEMENTS

This report includes 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. When used in this report, the words "anticipate," "believe," "estimate," "expect," "intend" and "plan" as they relate to Trex Company, Inc. or our management are intended to identify these forward-looking statements. All statements by Trex Company, Inc. regarding our expected future financial position and operating results, our business strategy, our financing plans, forecasted trends relating to the markets in which we operate and similar matters are forward-looking statements. We cannot assure you that our expectations expressed or implied in these forward-looking statements will turn out to be correct. Our actual results could be materially different from our expectations as a result of, among other factors, the factors discussed under the caption "Business--Risk Factors" in this report.

Some of the information contained in this report concerning the markets and industry in which we operate is derived from publicly available information and from industry sources. Although we believe that this publicly available information and the information provided by these industry sources are reliable, we have not independently verified the accuracy of any of this information.

PART I

Item 1. Business

General

Trex Company, Inc., which we sometimes refer to as the "company" in this report, is the nation's largest manufacturer of non-wood decking alternative products, which are marketed under the brand name Trex. Trex Wood-Polymer(TM) lumber is a wood/plastic composite that offers an attractive appearance and the workability of wood without wood's on-going maintenance requirements and functional disadvantages. Trex is manufactured in a proprietary process that combines waste wood fibers and reclaimed polyethylene and is used primarily for residential and commercial decking. We promote Trex among consumers and contractors as a premium decking product. Net sales of Trex increased from \$0.6 million in 1992 to \$117.6 million in 2000. Our income from operations increased from a loss of \$5.6 million in 1992 to a profit of \$31.9 million in 2000.

We seek to achieve sales growth in the decking market by converting demand for wood decking products into demand for Trex. We intend to continue to develop and promote the Trex brand name as a premium decking product and to focus on the contractor-installed market segment. This segment represents approximately 70% of the decking market, as measured by board feet of lumber, and contractors generally build larger, more elaborate residential decks than decks built by homeowners in the "do-it-yourself" market segment. We sell our products through approximately 75 wholesale distribution locations, which in turn sell Trex to approximately 2,600 dealer outlets across the United States.

Trex Company, Inc., which is a Delaware corporation, was incorporated on September 4, 1998 for the purpose of acquiring 100% of the membership interests and operating the business of TREX Company, LLC, a Delaware limited liability company, in connection with the company's initial public offering of its common stock. Trex Company, Inc. had no operations or activity until it completed a reorganization on April 7, 1999 in which TREX Company, LLC became the company's wholly owned subsidiary. The company completed its initial public offering on April 13, 1999. See note 1 to the company's consolidated financial statements appearing elsewhere in this report for information concerning the reorganization and the company's initial public offering.

TREX Company, LLC initiated commercial activity on August 29, 1996. On that date, TREX Company, LLC acquired substantially all of the assets and assumed some of the liabilities of the Composite Products Division of Mobil Oil Corporation for a cash purchase price of approximately \$29.5 million. The buyout was led by four senior Mobil executives who currently serve as members of our senior management.

Decking Market Overview

The decking market is part of the substantial home improvement market. Expenditures for residential improvements and repairs totaled approximately \$143 billion in 1999, according to the U.S. Census Bureau, and the home improvement market grew at a compound annual growth rate of 4.0% for the five-year period ended December 31, 1999. The primary market for Trex is residential decking and, to a lesser extent, commercial decking. Annual factory sales in 1999 of residential decking totaled approximately \$1.9 billion, or approximately 2.3 billion board feet of lumber. This market includes all decking products other than posts, beams and columns used for a deck's substructure. For the four-year period ended December 31, 1999, factory sales of all residential decking increased at a compound annual growth rate of approximately 7%. In recent years, factory sales of non-wood alternative decking products to the residential market have increased at a compound annual growth rate of over 30%.

The growth in demand for residential decking reflects the increasing popularity of decks as a means of extending living areas and providing outdoor recreation and entertainment spaces. Residential decking purchases include the installation of new and replacement decks for existing homes, construction of decks for new homes and repair of existing decks. An industry study estimates that more than three million decks are built each year. We expect that deck repair, modernization and replacement will increase as existing decks age.

The majority of decks are built for existing homes as new additions or to replace other decks. During periods of economic uncertainty, when spending on discretionary items is reduced, many homeowners forego the purchase of new homes and choose to improve their existing residences. Adding a deck has become one of the most popular home improvement projects. Construction of decking is a relatively low-cost means of adding livable space, and industry studies indicate that decking improvements generally return a significant percentage of their cost at the time of resale. We estimate that the installation cost of a majority of decks ranges from \$3,000 to \$6,000. More than half of all decks are constructed one to five years after a home is purchased. Accordingly, there is typically an increased demand for decking in the five-year period following a peak in home sales. We believe that, because residential deck construction is not primarily tied to new home activity, the residential decking market historically has not experienced the high level of cyclicity common to businesses in the new home construction and building materials industries.

The following table shows, in board feet of lumber, our estimate of the percentage of 1999 factory sales to the decking market generated by each product category listed:

Product -----	Percentage of 1999 Factory Sales -----
Wood.....	95%
100% plastic.....	1
Wood/plastic composites.....	4

	100%
	===

More than 75% of the lumber used in wooden decks is southern yellow pine, which is pressure-treated with pesticides and other chemicals to create resistance to insect infestation and decay. The balance of the wood decking segment is primarily divided between redwood and cedar products. The 100% plastic decking products utilize polyethylene, fiberglass and polyvinyl chloride, or PVC, as raw materials. Wood/plastic composites are produced from a combination of wood fiber and polyethylene or other commonly used polymers. Growing consumer awareness of the product attributes of non-wood decking alternatives and the decline in lumber quality and quantity have contributed to increased sales of 100% plastic lumber and wood/plastic composites for decking.

Distributors of wood decking materials typically supply lumber to lumber yards and home center outlets, which in turn supply the materials to home builders, contractors and homeowners. Manufacturers of non-wood decking alternatives also generally use these distribution channels because many of these alternative products can be stacked, stored and installed like wood products. Some non-wood decking alternatives, however, are sold to specialty dealers who provide the special selling support needed to build consumer awareness of new products.

Wood decking products generally are not associated with brand identification. The primary softwoods used for decking, which consist of treated southern yellow pine, redwood and cedar, are sold as commodities graded according to classifications established by the U.S. Department of Commerce. Pricing is based on species, grade, size and level of chemical treatment, if any. There generally is no pricing differentiation based on brand, although some wood preservers have attempted to brand their treated wood products. We believe that these companies, which we estimate represent less than 5% of the treated wood market, have not established meaningful brand name recognition.

Growth Strategies

Our goals are to continue to be the leading producer of a superior non-wood decking alternative product, to increase our market share of the decking market and to expand into new products and geographic markets. To attain these goals, we employ the following strategies:

- . we plan to increase our investment in, and the resources devoted to, development of the Trex brand;
- . we intend to establish comprehensive national coverage for Trex by increasing the number of dealer outlets selling Trex over the next year from 2,600 to approximately 3,000;

- . we plan to increase our output of Trex by increasing productivity and adding production capacity in our existing facilities in Winchester, Virginia and Fernley, Nevada and by constructing and operating a third manufacturing facility near Knoxville, Tennessee;
- . we will continue to make substantial investments in process and product development to support new products and improve product consistency, reduce manufacturing costs and increase operating efficiencies; and
- . as part of our long-term growth strategy, we will continue to develop opportunities for Trex in new products and product applications and in geographic markets beyond our U.S. base.

We have signed an agreement to purchase approximately 100 acres of land near Knoxville, Tennessee on which we intend to establish our third manufacturing facility. We expect to purchase this site and begin engineering work in the first half of 2001 and begin construction of the facility in 2002. We have budgeted approximately \$2.0 million in capital expenditures for this facility in 2001. We will apply these expenditures primarily for site acquisition and engineering work.

Products

We manufacture Trex Wood-Polymer lumber in a proprietary process that combines waste wood fibers and reclaimed polyethylene. Trex is produced in popular lumber sizes and is currently sold in four colors: Natural, Winchester Grey, Madeira and Woodland Brown.

Trex offers a number of significant advantages over wood decking products. Trex eliminates many of wood's major functional disadvantages, which include warping, splitting and other damage from moisture. Trex requires no sealing to protect against moisture damage, provides a splinter-free surface and needs no chemical treatment against insect infestation. These features of Trex eliminate the on-going maintenance requirements for a wood deck and make Trex less costly than wood over the life of the deck. Like wood, Trex is slip-resistant, even when wet, can be painted or stained and is not vulnerable to damage from ultraviolet rays. The special characteristics of Trex, including resistance to splitting, flexibility, and ease and consistency of machining and finishing, facilitate deck installation, reduce contractor call-back and afford customers a wide range of design options. Trex does not have the tensile strength of wood and, as a result, is not used as a primary structural member in posts, beams or columns used in a deck's substructure.

Trex has received product building code listings from the major U.S. building code listing agencies. Our listings facilitate the acquisition of building permits by residential consumers of Trex. We believe that our listings promote customer and industry acceptance of Trex as a substitute for wood in decking.

We derived approximately 98% of our 2000 net sales from sales of Trex to the residential and commercial decking market. We also have a number of non-decking product applications, which generated the remaining 2% of our 2000 net sales. These applications currently include blocks to cover and protect concrete sub-floors in heavy industrial plants; applications for parks and recreational areas, including playground structures, picnic tables and benches, fencing and theme park applications; floating and fixed docks and other marine applications; and landscape edging.

Sales and Marketing

We have invested approximately \$20 million during the last three years to develop Trex as a recognized brand name in the residential and commercial decking market. Our sales growth in the decking market will largely depend on converting demand for wood products into demand for Trex. Accordingly, our branding strategy will continue to emphasize the advantages of Trex over wood decking products. We have implemented a two-pronged marketing program directed at consumers and contractors. We seek to develop consumer brand awareness and contractor preference to generate demand for Trex among dealers and distributors, who then

recommend Trex to other contractors and consumers. We believe that our branding strategy promotes product differentiation of Trex in a market which is not generally characterized by brand identification and enables us both to command premium prices and to maintain price stability for Trex.

The following are the key elements of our marketing program:

Consumer Advertising. We engage in extensive television advertising in which we target cable channels such as HG-TV, the Discovery Channel, the Food Network, and The Learning Channel which feature programs on home improvement and remodeling. In a ten-week period during the spring of 2000, we ran an intensive campaign of over 670 advertisements. Our investment in broadcast advertising for 2000 increased more than 100% over 1999.

We also advertise Trex decking in popular home and garden consumer publications, including Martha Stewart Living, Southern Living, House & Garden, and Sunset. Several of these publications feature "idea" homes each year that incorporate leading building materials. Trex decking was featured in five of these idea homes in 2000.

Public Relations. We employ a public relations firm to stimulate interest in Trex decking by the print and broadcast media. During 2000, print and broadcast stories featuring Trex decking generated a total of 185 million "impressions," which represent potential viewings, compared to 182 million impressions in 1999. The increase in impressions was largely attributable to the inclusion of Trex in several episodes of a well-known home improvement program on The Learning Channel. The marketing of Trex also benefited from coverage by consumer reporters on local television stations.

Trade Advertising and Promotion. To build a brand name for Trex with decking contractors, we reach a professional building audience through advertisements in leading building and remodeling magazines, including Builder, Building Products, Fine Homebuilding, Journal of Light Construction, and other well-known publications. In 1999, we initiated an incentive program for deck builders which rewards contractors for their purchases of Trex decking. In 2000, over 3,800 new members enrolled in this program.

Model Home Program. We operate a program which is designed to provide promotional allowances and display materials to homebuilders who use Trex for their model home decks and agree to promote Trex. More than 180 builders have participated in this program.

Homebuilder Focus. In 2000, we expanded our marketing program to target major homebuilder groups in different regions of the country. A number of these homebuilder groups, including David Weekley Homes, Pulte Homes, Royce Homes, Ryan Homes and Toll Brothers, have agreed to offer Trex decking as their standard decking material on major home developments.

Trade and Home Shows. We annually exhibit Trex decking at five major trade shows for homebuilders, contractors, and specifiers that have a total attendance of approximately 200,000. We also exhibit our product line at major regional home and garden shows. Distributors, dealers and contractors experienced in Trex decking provide additional support by exhibiting Trex decking at smaller local home shows.

Showcase Projects. We also obtain brand name recognition through our association with highly publicized showcase projects. Trex decking was used in a number of new projects in 2000, including the Hammonasset Beach State Park in Madison, Connecticut, the Gulf Islands National Seashore in Ocean Springs, Mississippi, the 14th Street Pier in Hoboken, New Jersey and the Big Morongo Canyon Preserve in Morongo Valley, California. Other showcase projects include the Presidential Trail at Mount Rushmore, the Toronto Boardwalk on Lake Ontario Shores, the Florida Everglades Walkways and the Grand Canyon Education Center.

Consumer Research. From time to time, we commission consumer research studies to gain a better understanding of the needs of the decking market, our ability to meet those needs relative to competitive products, and consumer acceptance of Trex as a decking material.

Distribution

In 2000, we made approximately 99% of our net sales through our wholesale distribution network. At December 31, 2000, we sold our Trex product line to 25 wholesale companies operating from approximately 75 distribution locations. At the same date, our distributors marketed Trex to approximately 2,600 dealer outlets across the United States. Although our dealers sell to both homeowners and contractors, they primarily direct their sales at professional contractors, remodelers and homebuilders. In 2000, we made the remaining 1% of our net sales directly to industrial floor fabricators, playground material distributors and other accounts.

Wholesale Distributors. We believe that attracting wholesale distributors that are committed to Trex and the Trex marketing approach and that can effectively sell Trex to contractor-oriented lumber yards is important to our future growth. We believe our distributors are able to provide value-added service in marketing Trex because they sell premium wood decking products and other building supplies, which typically require product training and personal selling efforts.

Under our agreement with each wholesale distributor, we appoint the distributor on a non-exclusive basis to distribute Trex within a specified area. The distributor generally purchases Trex at our prices in effect at the time we ship the product to the distributor. The distributor is required to maintain specified minimum inventories of Trex during designated portions of each year. Upon the expiration of the initial one-year term, the agreement is automatically renewed for additional one-year terms unless either party provides notice of termination at least 60 days before the expiration of any renewal term. The distributor may terminate the agreement at any time upon 60 or 90 days' notice, while we may terminate the agreement upon 60 or 90 days' notice or immediately upon the happening of specified events, including a failure by the distributor to maintain the required minimum inventories of Trex.

We require our wholesale distributors to contribute significant resources to support Trex. All wholesale distributors have appointed a Trex specialist, regularly conduct dealer training sessions, fund demonstration projects and participate in local advertising campaigns and home shows. We sponsor intensive two-day training seminars to help train Trex specialists.

In 1998, 1999 and 2000, we generated in excess of 10% of our net sales to each of five wholesale distribution companies: Capital Lumber Company, Boise Cascade Corporation, Oregon Pacific Corporation, Parksite Inc. and Snavelly Forest Products. Distributors that individually accounted for more than 10% of our annual net sales collectively accounted for approximately 74% of our net sales in 1998, approximately 75% of our net sales in 1999, and approximately 75% of our net sales in 2000. None of such distributors individually accounted for more than 20% of our net sales in any of these years.

To augment our dealer outlets, we plan to add new distributors and increase the number of our wholesale distribution locations by December 31, 2001 to approximately 85.

Retail Lumber Dealers. Of the approximately 25,000 retail outlets in the United States that sell lumber, approximately 5,000 are independent lumber yards that emphasize sales to contractors and are the primary market for Trex. Although there is demand for Trex from both the "do-it-yourself" homeowner and contractor, our sales efforts emphasize the contractor-installed market to achieve premium product positioning for Trex and to ensure that the installations will have professional craftsmanship. Our retail dealers generally provide sales personnel trained in Trex, contractor training, inventory commitment and point-of-sale display support. To establish comprehensive national coverage for Trex, we plan to increase the number of our dealer outlets over the next year from approximately 2,600 at December 31, 2000 to approximately 3,000 by December 31, 2001.

Contractor Training. We have provided training about Trex to over 32,000 contractors since 1995. Contractors receive a Trex Contractor Kit containing a product handbook, sales literature and product samples as part of their training. We have established a "Builders Club" to strengthen our relationship with premium decking contractors.

Dealer Locator Service and Web Site. We maintain a toll-free telephone service (1-800-BUY-TREX) for use by consumers and building professionals to locate the closest dealer offering Trex and to obtain product information. We use these calls to generate sales leads for contractors, dealers, distributors and Trex sales representatives. We also analyze caller information to assess the effectiveness of our promotional and advertising activities.

As an additional source of information to consumers, dealers and distributors, we operate a web site (www.trex.com) which provides product installation information, handling instructions, a dealer locator service, photographs of showcase installations, technical reports and other information. The contents of our web site are not part of this report.

Shipment. We ship Trex to distributors by truck and rail. Distributors pay all shipping and delivery charges.

Manufacturing Process

Trex is manufactured at our 115,000-square foot facility in Winchester, Virginia, which had eight production lines in operation at December 31, 2000, and our 150,000-square foot facility in Fernley, Nevada, which had five production lines in operation at the same date. Each production line is highly automated and, on average, requires fewer than five employees to operate per shift.

In 2000, our Winchester facility produced approximately \$86.3 million sales value of finished product and our Fernley facility produced approximately \$52.6 million sales value of finished product. To support sales growth and improve customer service, during 2000 we added three new production lines in our Fernley facility.

Trex is manufactured from waste wood fiber and reclaimed polyethylene, or "poly." The composition of Trex Wood-Polymer lumber is approximately 50% wood fiber and 50% reclaimed poly material. We use wood fiber purchased from woodworking factories, mills and pallet recyclers. Poly material used in the production of Trex consists primarily of reclaimed grocery sacks and stretch film.

The Trex manufacturing process involves mixing wood particles with plastic, heating and finally extruding, or forcing, the highly viscous and abrasive material through a profile die. We cool the extruded product in a water bath and cut the product to its finished length. We recycle into the production process the waste created during manufacturing. The finished boards are placed on a cooling conveyor and proceed to finished goods inspection, packaging and storage.

Production of a non-wood decking alternative like Trex requires significant capital investment, special process know-how and time to develop. We have invested approximately \$123 million and nine years in expansion of our manufacturing capacity, manufacturing process improvements, new product development and product enhancements. As a result of these investments, production line rates have increased over 200% since 1992. We also have broadened the range of raw materials that can be used to produce Trex by developing hardware capable of utilizing different forms of poly material to produce a consistent final product. We have obtained a patent for a process of preparing the raw materials for the manufacturing phase of production and a second patent for another manufacturing process improvement. The patent protection for both processes will extend until 2015. In the third quarter of 1998, we centralized our research and development operations in the Trex technical center, a 30,000-square foot building adjacent to our Winchester manufacturing facility.

In conjunction with our building code listings, we maintain a quality control testing program that is monitored by an independent inspection agency. Under this program, we test one board from every other production bundle to determine whether it meets the detailed, published criteria for code listing. Representatives of the inspection agency conduct unannounced monthly on-site audits of these program records to assure conformity to testing and to check test results. We believe that currently a minimum of 18 months would be required for a manufacturer of a competitive product which has not yet started the listing approval process to complete all phases of the process for its product.

Suppliers

The production of Trex requires the supply of wood fiber and polyethylene from reclaimed grocery sacks and stretch film. We are party to several short-term and long-term supply contracts that require us to take or pay for raw materials for periods of up to ten years. The quantities of raw materials to be purchased under these contracts are not fixed or determinable.

Wood Fiber. In 2000, we consumed approximately \$6.7 million of wood fiber. Woodworking plants or mills are our preferred suppliers of wood fiber because the waste wood fiber produced by these operations contains little contamination and is low in moisture. These facilities generate wood fiber as a byproduct of their manufacturing operations. To minimize our purchase costs, we seek to provide the manufacturing facilities with prompt and reliable removal service using equipment we provide.

Four suppliers accounted individually for more than 10% and collectively for approximately 57% of our 2000 wood fiber purchases. We obtain our wood fiber supplies for a fixed annual price under multi-year contracts that are terminable by either party upon 30 days' notice. Based on our discussions with wood fiber suppliers and our analysis of industry data, we believe that, if our contracts with one or more of our current suppliers were terminated, we would be able to obtain adequate supplies of wood fiber at an acceptable cost from our other current suppliers or from new suppliers.

Poly. In 2000, we consumed approximately \$27.5 million of poly material, which was primarily composed of reclaimed grocery sacks and stretch film. Approximately two billion pounds of poly film are used in the manufacture of grocery sacks and stretch film in the United States each year. We will seek to meet our future needs for poly material from expansion of our existing supply sources and the development of new sources, including post-industrial waste and plastic paper laminates.

We purchase plastic sacks primarily from large grocery supermarket chains, which have recycling programs that facilitate and encourage plastic sack returns. Approximately 5% of all grocery sacks nationwide are returned. The existing industry practice is for reclaimed sack purchasers, such as the company, to absorb freight and handling costs after the sacks are picked up from the chains' distribution centers. We pick up the plastic grocery sacks at the distribution centers and store the sacks in warehouses until we use them in our production process.

Stretch film is used to stabilize pallet loads to avoid damage during shipping and handling. We collect stretch film from distribution centers that service the grocery and other industries, including the furniture, machinery, parts and soft goods industries. Suppliers of stretch film save on waste disposal costs by selling the bundled film to us.

No supplier sold 10% or more of the poly material we purchased in 2000. We generally acquire poly material by purchase order at prices which are fixed annually.

Competition

The residential and commercial decking market in which we principally operate is highly competitive. As a wood/plastic composite product, Trex competes with wood, other wood/plastic composites and 100% plastic lumber for use as decking. The primary competition for Trex is wood decking, which accounted for approximately 96% of 1999 decking sales, as measured by board feet of lumber. The conventional lumber suppliers with which we compete in many cases have established ties to the building and construction industry and have well-accepted products. Many of our competitors in the decking market that sell wood products have significantly greater financial, technical and marketing resources than we do. We estimate that Trex currently represents over 60% of the non-wood decking segment. We compete with other wood/plastic composites as well as with 100% plastic products that utilize polyethylene, fiberglass and PVC as raw materials. Our principal competitors in the non-wood decking alternative market include Advanced Environmental Recycling Technologies, Inc., Crane Plastics, Louisiana-Pacific Corporation, CertainTeed Corporation and U.S. Plastic Lumber Corporation.

Our ability to compete depends, in part, upon a number of factors outside our control, including the ability of our competitors to develop new non-wood decking alternatives which are competitive with Trex. We believe that the principal competitive factors in the decking market include product quality, price, maintenance cost and consumer awareness of product alternatives. We believe we compete favorably with respect to these factors based on the low maintenance requirements and other attributes of Trex compared to wood and 100% plastic products, the Trex brand name and our extensive distribution network.

Of the wood lumber which we estimate constituted approximately 95% of the total decking market in 1999, over 75% is pressure-treated southern yellow pine. Southern yellow pine is used for decking because its porosity allows it readily to accept the chemicals used in the treating process that creates resistance to rotting and insect infestation. The chemical compound used to treat wood is typically chromated copper arsenate, or CCA, an EPA-registered pesticide. The same porosity makes southern yellow pine susceptible to taking on moisture, which causes the lumber to warp, crack, splinter and expel fasteners. The balance of the wood decking segment is primarily divided between redwood and cedar, with some amounts of treated fir and exotic hardwoods. Because old, slow-growth timber has been depleted, new, fast-growth varieties predominate. These varieties do not have the natural decay resistance or close rings of old, slow-growth timber, causing them to be more susceptible to rot, insect infestation, splintering and warping.

Trex also competes with decks made from 100% plastic lumber. Although there are several companies in the United States that manufacture 100% plastic lumber, total factory sales to the decking market in 1999 are estimated at \$15 million, or 20 million board feet. A number of factors have limited the success of 100% plastic lumber manufacturers, including a less efficient manufacturing process, inconsistent product quality, and physical properties not considered suitable for decking, such as higher thermal expansion and contraction, poor slip resistance and an appearance viewed by some homeowners as unattractive.

There are several manufacturers of wood/plastic composite lumber in addition to the company. Some of these manufacturers participate in the decking market only on a limited basis. We estimate that Trex accounted for approximately two out of every three plastic/composite decks installed in the United States in 1999.

The following chart compares particular attributes of Trex to the characteristics of treated wood and 100% plastic products:

Characteristics -----	Treated 100%		
	Trex	Wood	Plastic
-----	----	-----	-----
Low thermal expansion/contraction.....	X	X	
Low thermal conductivity.....	X	X	
Good paint adhesion.....	X	X	
Resistance to ultraviolet damage.....	X	X	
Easy to work with.....	X	X	
Low moisture absorption.....	X		X
Splinter-free.....	X		X
Resistant to insect damage.....	X	X	X
No chemical preservatives.....	X		X
No splitting.....	X		X
No rotting.....	X	X	X
No warping.....	X		X
No sealant required.....	X		X
Slip resistant.....	X	X	

We believe that Trex offers cost advantages when compared with some of the other types of decking materials. Although a contractor-installed Trex deck built in 2000 using a pressure-treated wood substructure generally cost 15% to 20% more than a deck made entirely from pressure-treated wood, Trex eliminates the on-going maintenance required for a pressure-treated deck and is, therefore, less costly over the life of the deck. We believe that our manufacturing process and utilization of relatively low-cost raw material sources also provide Trex with a competitive cost advantage relative to other wood/plastic composite products.

Government Regulation

We are subject to federal, state and local environmental regulation. The emissions of particulates and other substances from our manufacturing facilities must meet federal and state air quality standards implemented through air permits issued to us by the Department of Environmental Quality of the Commonwealth of Virginia and the Division of Environmental Protection of Nevada's Department of Conservation and Natural Resources. Our facilities are regulated by federal and state laws governing the disposal of solid waste and by state and local permits and requirements with respect to waste water and storm water discharge. Compliance with environmental laws and regulations has not had a material adverse effect on our business, operating results or financial condition.

Our operations also are subject to work place safety regulation by the U.S. Occupational Safety and Health Administration, the Commonwealth of Virginia and the State of Nevada. Our compliance efforts include safety awareness and training programs for our production and maintenance employees.

Intellectual Property

Our success depends, in part, upon our intellectual property rights relating to our production process and other operations. We rely upon a combination of trade secret, nondisclosure and other contractual arrangements, and patent, copyright and trademark laws, to protect our proprietary rights. We have made substantial investments in manufacturing process improvements which have enabled us to increase manufacturing line production rates, facilitated our development of new products and produced improvements in the dimensional consistency, surface texture and color uniformity of Trex. We have obtained a patent for a process of preparing the raw materials for the manufacturing phase of production and a second patent for another manufacturing process improvement. The patent protection for both processes will extend until 2015. We have been granted federal registrations for the Trex, Easy Care Decking and No Sealing No Splinters No Hassles trademarks by the U.S. Patent and Trademark Office and have filed an application for the federal registration of our Wood-Polymer trademark. Federal registration of trademarks is effective for as long as we continue to use the trademarks. We consider our trademarks to be of material importance to our business plans. We have not registered any of our copyrights with the U.S. Copyright Office, but rely on the protection afforded to such copyrights by the U.S. Copyright Act. That law provides protection to authors of original works, whether published or unpublished, and whether registered or unregistered. We enter into confidentiality agreements with our senior employees and limit access to and distribution of our proprietary information.

In 1992, before our buyout of Mobil's Composite Products Division, Mobil brought an action in the U.S. District Court for the District of Delaware seeking a declaratory judgment that four patents issued to Advanced Environmental Recycling Technologies, Inc., or AERT, a manufacturer of wood/plastic composite products, were invalid, were not infringed by Mobil in connection with its wood/plastic composite, now known as "Trex," and were unenforceable. Mobil brought this action in response to statements by AERT that Mobil infringed AERT's patents. AERT counterclaimed against Mobil for alleged infringement of two of the AERT patents and for alleged violations of antitrust and trade regulation laws.

Following a trial in early 1994, the district court held that Mobil did not infringe either of the two AERT patents that were the subject of the counterclaim and rendered a verdict for Mobil that each of the four AERT patents was invalid and unenforceable. On an appeal of this judgment by AERT, the U.S. Court of Appeals for the Federal Circuit affirmed the district court's judgment that Mobil did not infringe the two AERT patents and that two of the four AERT patents were invalid and unenforceable. The Federal Circuit vacated the district court's judgment on the remaining two AERT patents on the grounds that there was no case or controversy between the parties regarding infringement of those patents. The district court also still has pending before it AERT's non-patent counterclaims against Mobil. No proceedings on those claims are currently scheduled.

Employees

At December 31, 2000, we had 403 full-time employees, of whom 324 were employed in our manufacturing operations. Our employees are not covered by collective bargaining agreements. We believe that our relationships with our employees are good.

Risk Factors

Our business is subject to a number of risks, including the following:

We will have to increase market acceptance of Trex to grow.

Our ability to grow will depend largely on our success in converting demand for wood decking products, which we estimate accounted for approximately 95% of the 1999 decking market when measured by board feet of lumber, into demand for Trex. Failure to achieve increased market acceptance of Trex could have a material adverse effect on our business, operating results and financial condition. To increase our market share, we must overcome:

- . the low consumer awareness of non-wood decking alternatives;
- . the preference of many consumers for well-accepted wood products;
- . the somewhat different appearance of Trex;
- . the greater initial expense of installing a Trex deck; and
- . the established relationships existing between suppliers of wood decking products and contractors and homebuilders.

All of our sales result from one product.

All of our net sales are derived from sales of Trex. Although we have developed new Trex products and new applications for Trex since 1992, and we intend to continue this development, our product line is based exclusively on the composite formula and manufacturing process for Trex Wood-Polymer lumber. If we should experience any problems, real or perceived, with product quality or acceptance of Trex, our lack of product diversification could have a material adverse effect on our business, operating results and financial condition.

We currently depend on two manufacturing facilities to meet the demand for Trex.

We currently produce Trex in our manufacturing facilities in Winchester, Virginia and Fernley, Nevada. Any interruption in the operations or decrease in the production capacity of these facilities, whether because of equipment failure, natural disaster or otherwise, would limit our ability to meet existing and future customer demand for Trex and could have a material adverse effect on our business, operating results and financial condition.

Our business is subject to risks in obtaining the raw materials we use to produce Trex.

The production of Trex requires substantial amounts of wood fiber and polyethylene. Our business is subject to the risks that we may be unable to purchase sufficient quantities of these raw materials to meet our production requirements or that we may have to pay higher prices for our supplies. In 2000, four suppliers accounted individually for more than 10% and collectively for approximately 57% of our wood fiber purchases. No supplier sold 10% or more of the poly material purchased in 2000. Our ability to obtain adequate supplies of poly material depends on our success in developing new sources, entering into long-term arrangements with suppliers and managing the collection of supplies from geographically dispersed distribution centers. We generally obtain our raw materials from existing suppliers at fixed prices that are established annually. We cannot be sure that we will be successful in maintaining such pricing policies to protect against fluctuations in raw materials prices. The termination of significant sources of raw materials, the payment of higher prices for raw materials or the failure to obtain sufficient additional raw materials to meet planned increases in capacity could have a material adverse effect on our business, operating results and financial condition.

The demand for decking products is sensitive to general economic conditions and could be adversely affected by economic downturns.

The demand for decking products is sensitive to changes in the level of activity in home improvements and, to a lesser extent, new home construction. These activity levels, in turn, are affected by such factors as consumer spending habits, employment, interest rates and inflation. An economic downturn could reduce consumer income available for spending on discretionary items such as decking, which could have a material adverse effect on our business, operating results and financial condition.

We face risks in implementing our plan to increase our manufacturing capacity to meet customer demand for Trex.

To support sales growth and improve customer service, we plan to add one new production line in 2001 in our Winchester, Virginia facility and to commence engineering for a third manufacturing facility on land near Knoxville, Tennessee subject to a purchase agreement. In augmenting the capacity of our existing facilities and establishing a new facility, we will face risks:

- . recruiting and training additions to our workforce;
- . installing and operating new production equipment;
- . purchasing raw materials for increased production requirements; and
- . maintaining product quality.

These risks could result in substantial unanticipated delays or expense, which could have a material adverse effect on our business, operating results and financial condition.

The expansion and future profitability of our business could be adversely affected if we do not manage our growth effectively.

Our recent growth has placed significant demands on our management and other resources. If we are unable to manage our future growth effectively, our inability to do so could have a material adverse effect on the quality of our products and on our business, operating results and financial condition. Our net sales increased to \$117.6 million in 2000 from \$77.6 million in 1999 and \$49.2 million in 1998. The number of dealer outlets selling Trex has increased from approximately 1,200 at December 31, 1996 to approximately 2,600 at December 31, 2000, and we expect further significant increases in the future. We plan to support our geographic expansion by adding one new production line in our Winchester, Virginia facility in 2001 and acquiring and commencing engineering for a third manufacturing facility near Knoxville, Tennessee. To manage our growth effectively, we will need to continue to develop and improve our operational, financial, accounting and other internal systems. In addition, our future success will depend in large part on our ability to recruit, train, motivate and retain senior managers and other employees and to maintain product quality.

We experience seasonal fluctuations in our sales and quarterly operating results.

Our net sales and income from operations historically have varied from quarter to quarter. These variations are principally attributable to seasonal trends in the demand for Trex. We experience lower net sales levels during the fourth quarter, in which holidays and adverse weather conditions in some regions usually reduce the level of home improvement and new construction activity. During the third quarter of 2000, our increased production capacity enabled us to eliminate the allocation of product supply to our network of wholesale distributors and retail dealers. Because customer stockpiling of inventories resulting from this allocation policy affected seasonality during 1998 and 1999, our historical seasonality may not be a reliable indicator of future seasonality. Income from operations and net income tend to be lower in quarters with lower sales due to a lower gross margin which is not offset by a corresponding reduction in selling, general and administrative expenses, in part because we continue to make advertising expenditures throughout the year. As a result of these factors, we believe period-to-period comparisons of our operating results are not reliable indicators of future performance, and the operating results for any quarterly period may not be indicative of operating results to be expected for a full year.

We will have to make significant capital expenditures to increase our manufacturing capacity.

We estimate that our capital requirements in 2001 will total approximately \$33 million. Our failure to generate sufficient funds to meet our capital requirements could have a material adverse effect on our business, operating results and financial condition. We will use capital expenditures primarily to increase capacity at our two existing manufacturing facilities, to make process and productivity improvements, to complete a plastic processing facility at our Winchester, Virginia plant and to complete the site acquisition and begin engineering work for a planned third manufacturing facility near Knoxville, Tennessee. The actual amount and timing of our future capital requirements may differ materially from our estimates, depending on the demand for Trex and as a result of new market developments and opportunities. We may determine that it is necessary or desirable to obtain financing for our capital requirements through bank borrowings or the issuance of debt or equity securities. Debt financing would increase our level of indebtedness, while equity financing may dilute the ownership of our stockholders. We cannot be sure as to whether, or as to the terms on which, we will be able to obtain this financing.

Our sales depend on a small number of significant distributors.

Our total net sales to our five largest wholesale distributors accounted for approximately 75% of our net sales in 2000. Our contracts with these distributors are terminable by the distributors upon notice at any time during the contract term. A contract termination or significant decrease or interruption in business from any of our five largest distributors or any other significant distributor could cause a short-term disruption of our operations. Such a disruption could have a material adverse effect on our business, operating results and financial condition.

We face highly competitive conditions in the decking market.

The residential and commercial decking market in which we principally operate is highly competitive. Our failure to compete successfully in this market could have a material adverse effect on our business, operating results and financial condition. As a wood/plastic composite product, Trex competes with wood, other wood/plastic composites and 100% plastic lumber for use as decking. The primary competition for Trex is wood decking, which we estimate accounted for approximately 95% of 1999 decking sales when measured by board feet of lumber. The conventional lumber suppliers with which we compete have established ties, in many cases, to the building and construction industry and have well-accepted products. Many of our competitors in the decking market that sell wood products have significantly greater financial, technical and marketing resources than we do. Our ability to compete depends, in part, upon a number of factors outside our control, including the ability of our competitors to develop new non-wood decking alternatives which are competitive with Trex.

We are subject to government regulation.

We are subject to federal, state and local environmental, occupational health and safety, and other laws and regulations. The environmental laws and regulations applicable to our operations establish air quality standards for emissions from our manufacturing operations, govern the disposal of solid waste, and regulate waste water and storm water discharge. As is the case with manufacturers in general, we may be held liable for response costs and damages to natural resources if a release or threat of release of hazardous materials occurs on or from our properties or any associated offsite disposal location, or if contamination from prior activities is discovered at any properties we own or operate. A liability of this kind could have a material adverse effect on our business, operating results and financial condition.

We cannot be sure we have adequately protected our intellectual property.

Our success depends, in part, on our intellectual property rights. Our failure to protect adequately those rights could have a material adverse effect on our business, operating results and financial condition. We rely

on a combination of trade secret, nondisclosure and other contractual arrangements, and copyright and trademark laws to protect our proprietary rights. We have also obtained patent protection for some of our production processes. We enter into confidentiality agreements with our employees and limit access to and distribution of our proprietary information. We cannot be sure that the steps we have taken in this respect will be adequate to deter misappropriation of our proprietary information or that we will be able to detect unauthorized use and take appropriate steps to enforce our intellectual property rights.

Our principal stockholders have a controlling influence over our business.

Our four principal stockholders beneficially own approximately 56% of our outstanding common stock. As a result, these stockholders will collectively be able to exercise control over our business and affairs by virtue of their voting power with respect to the election of directors and other actions requiring stockholder approval.

Item 2. Properties

We lease our corporate headquarters in Winchester, Virginia, which consists of approximately 10,200 square feet of office space, on a month-to-month basis. We have entered into a long-term lease for approximately 40,000 square feet of office space in Winchester which will serve as our new headquarters. We expect to occupy this facility in the third quarter of 2001.

We own approximately 74 contiguous acres of land in Winchester, Virginia and the buildings on this land. These buildings include our first manufacturing facility, which contains approximately 115,000 square feet of space, our research and development technical facility, which contains approximately 30,000 square feet of space, a mixed-use building, which contains approximately 173,000 square feet of space, and an additional manufacturing facility, which will contain approximately 150,000 square feet of space upon its expected completion in the second quarter of 2001. We own the site and plant of our manufacturing facility in Fernley, Nevada, which contains approximately 250,000 square feet of manufacturing space, including an 100,000 square foot addition completed in 2000, and approximately 30 acres of outside open storage.

We lease a total of approximately 658,000 square feet of storage warehouse space under leases with expiration dates from 2001 to 2015.

The equipment and machinery we use in our operations consist principally of plastic and wood conveying and processing equipment. We own all of our manufacturing equipment. At December 31, 2000, we operated approximately 100 wood trailers and approximately 50 forklift trucks under operating leases.

We regularly evaluate the capacity of our various facilities and equipment and make capital investments to expand capacity where necessary. In 2000, we spent a total of \$60.1 million on capital expenditures, including \$39.3 million for process improvements, equipment and machinery to increase our production capacity. We estimate that our capital expenditures in 2001 will total approximately \$33 million, most of which will be used to increase capacity at our two existing manufacturing facilities, to make process and productivity improvements, to complete a plastic processing facility at our Winchester, Virginia plant and to complete the site acquisition and begin engineering work for a planned third manufacturing facility near Knoxville, Tennessee.

Item 3. Legal Proceedings

Our operating subsidiary, TREX Company, LLC, filed a lawsuit on March 2, 1999 against a former distributor to collect unpaid invoices. The defendant filed its response on July 30, 1999 and, in a counterclaim, alleged that TREX Company, LLC had made various misrepresentations which resulted in, among other items, loss of business and loss of reputation. On November 16, 2000, the Circuit Court of Frederick County, Virginia, dismissed the entire case with prejudice after TREX Company, LLC recovered all amounts of its outstanding invoices from the former distributor.

From time to time, we are involved in litigation and proceedings arising out of the ordinary course of our business. As of the date of this report, there are no pending material legal proceedings to which we are a party or to which our property is subject.

Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to our security holders in the fourth quarter of 2000.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

Our common stock has been listed on the New York Stock Exchange under the symbol "TWP" since April 8, 1999. The table below shows the reported high and low quarterly sale prices of our common stock on the NYSE composite tape since that date:

2000	High	Low
----	-----	-----
First Quarter.....	\$ 42	\$24 1/4
Second Quarter.....	53 5/8	32 1/4
Third Quarter.....	58 15/16	27 1/16
Fourth Quarter.....	46 1/4	20 5/16
1999	High	Low
----	-----	-----
	\$ 26	
Second Quarter (from April 8).....	5/8	\$ 10
Third Quarter.....	29 3/8	19 1/4
Fourth Quarter.....	32 1/2	22 15/16

As of December 31, 2000, there were approximately 180 holders of record of our common stock.

We have never paid cash dividends on our common stock. We intend to retain future earnings, if any, to finance the development and expansion of our business and, therefore, do not anticipate paying any cash dividends on the common stock in the foreseeable future. Under the terms of our credit facility, we may pay cash dividends only if, after payment of such dividends, the ratio of our total consolidated debt to our total consolidated capitalization does not exceed 50%.

Item 6. Selected Financial Data

The following table presents selected financial data as of December 31, 1996, 1997, 1998, 1999 and 2000, for the periods from January 1, 1996 to August 28, 1996 and from August 29, 1996 to December 31, 1996, and for the four years ended December 31, 2000.

- . The selected financial data as of December 31, 1999 and 2000 and for each of the years in the three-year period ended December 31, 2000 are derived from our audited consolidated financial statements appearing elsewhere in this report.
- . The selected financial data as of December 31, 1996, 1997 and 1998 and for the period from August 29, 1996 to December 31, 1996 and the year ended December 31, 1997 are derived from our financial statements, which have been audited by Ernst & Young LLP, independent auditors.
- . The selected financial data for the period from January 1, 1996 to August 28, 1996 are derived from the financial statements of the Composite Products Division of Mobil Oil Corporation, the company's predecessor, which have been audited by Ernst & Young LLP, independent auditors.

The selected financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes thereto appearing elsewhere in this report.

	The Predecessor(1)		The Company(2)			
	Jan. 1, 1996 to Aug. 28, 1996	Aug. 29, 1996 to Dec. 31, 1996	Year Ended 1997	Year Ended 1998	Year Ended 1999	Year Ended 2000

(In thousands, except per share and unit data)

Statement of Operations

Data:						
Net sales(3).....	\$18,071	\$ 5,708	\$ 34,137	\$ 49,167	\$ 77,570	\$ 117,568
Cost of sales(3).....	9,188	3,481	16,774	25,305	37,707	61,852
Gross profit.....	8,883	2,227	17,363	23,862	39,863	55,716
Selling, general and administrative expenses.....	5,508	2,558	8,992	12,878	18,370	23,830
Income (loss) from operations.....	3,375	(331)	8,371	10,984	21,493	31,886
Interest expense, net...	--	934	2,777	2,526	1,476	902
Income (loss) before income taxes and extraordinary item.....	3,375	(1,265)	5,594	8,458	20,017	30,984
Income taxes.....	--	--	--	--	7,281	11,682
Income (loss) before extraordinary item.....	3,375	(1,265)	5,594	8,458	12,736	19,302
Extraordinary loss on the early extinguishment of debt, net.....	--	--	--	--	(1,056)	--
Net income (loss).....	\$ 3,375	\$ (1,265)	\$ 5,594	\$ 8,458	\$ 11,680	\$ 19,302
Basic (loss) earnings per share.....		\$ (0.15)	\$ 0.55	\$ 0.85	\$ 0.90	\$ 1.37
Weighted average basic shares outstanding.....		9,500,000	9,500,000	9,500,000	12,848,571	14,129,652
Historical income before income tax expense(4)..			\$ 5,594	\$ 8,458	\$ 20,017	
Pro forma income tax expense(4) (unaudited).....			2,126	3,214	7,606	
Pro forma net income(4) (unaudited).....			\$ 3,468	\$ 5,244	\$ 12,411	
Pro forma net income per share, basic(4) (unaudited).....			\$ 0.32	\$ 0.55	\$ 0.97	
Historical income from operations(5).....			\$ 8,371	\$ 10,984	\$ 21,493	
Supplemental pro forma interest income (expense), net(5).....			150	249	(691)	
Supplemental pro forma income tax expense(5)..			3,238	4,269	7,905	
Supplemental pro forma net income(5).....			\$ 5,283	\$ 6,964	\$ 12,897	
Supplemental pro forma weighted average basic shares outstanding(5)..			14,115,450	14,115,450	14,117,297	
Supplemental pro forma basic earnings per share(5).....			\$ 0.37	\$ 0.49	\$ 0.91	
Cash Flow Data:						
Cash flow (used in) from operating activities...	\$ 2,848	\$ (222)	\$ 6,521	\$ 12,228	\$ 21,405	\$ 15,407
Cash flow (used in) investing activities...	(3,708)	(30,253)	(3,252)	(17,140)	(29,369)	(60,114)
Cash flow (used in) from financing activities...	860	34,216	(5,010)	4,112	6,764	44,707

Other Data (unaudited):

EBITDA(6)..... \$ 4,492 \$ 527 \$ 11,013 \$ 14,098 \$ 25,937 \$ 38,755

The Company(2)

As of December 31,

 1996 1997 1998 1999 2000

(In thousands)

Balance Sheet Data:

Cash and cash equivalents.....	\$ 3,741	\$ 2,000	\$ 1,200	\$ --	\$ --
Working capital.....	3,974	4,156	(3,193)	(4,181)	13,696
Total assets.....	36,561	37,229	51,611	79,303	156,595
Total debt.....	29,250	26,250	33,063	16,937	61,399
Total members'/stockholders' equity.....	3,950	7,534	13,291	49,401	69,041

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- (1) Through August 28, 1996, the company was a business unit of a subsidiary of Mobil, which is referred to as the "predecessor." For the periods shown, the predecessor was included in the consolidated tax return of its parent and, accordingly, no tax provision was provided. Historical, pro forma and supplemental basic earnings per share have been omitted for the predecessor periods, since the operations for these periods were a component of Mobil.
 - (2) On August 29, 1996, TREX Company, LLC acquired substantially all of the assets and assumed some of the liabilities of the predecessor for a purchase price of approximately \$29.5 million. TREX Company, LLC had no operations before this date. On April 7, 1999, Trex Company, Inc. acquired all of the membership interests of TREX Company, LLC in a series of transactions referred to as the "reorganization." On April 13, 1999, Trex Company, Inc. completed an initial public offering of its common stock. The "company" refers to TREX Company, LLC through April 7, 1999 and to Trex Company, Inc. thereafter. Before the reorganization, the company was taxed as a partnership and accordingly did not record a provision for income taxes. After the reorganization, the company is taxed as a corporation and has provided for federal and state taxes at a combined effective rate of 38%. Weighted average shares outstanding assumes that the 9,500,000 shares of common stock outstanding immediately after the reorganization were outstanding for all periods through April 7, 1999, that 13,500,000 shares were outstanding through May 2, 1999, that 14,115,450 shares were outstanding through July 14, 1999, that 14,118,435 shares were outstanding through October 14, 1999 and that 14,120,572 shares were outstanding through December 31, 1999.
 - (3) The company implemented the consensus of the Emerging Issues Task Force Issue 00-10, "Accounting for Shipping and Handling Fees and Costs," or EITF 00-10, in the fourth quarter of 2000. This consensus requires that all shipping and handling fees be recorded in net sales and that the related costs be included in cost of sales. Previously, the company had classified shipping and handling fees, net of shipping and handling costs, as cost of sales. Sales and costs of sales for 1998, 1999 and 2000 have been reclassified to conform to this new rule. The information required to reclassify shipping and handling in sales and cost of sales for the period from January 1, 1996 to August 28, 1996, the period from August 29, 1996 to December 31, 1996 and for the year ended December 31, 1997 is not readily available and, accordingly, these amounts have not been reclassified to conform with this consensus. See Note 2 to the consolidated financial statements included elsewhere in this report for more information.
 - (4) Pro forma income taxes and net income assume the company was taxed as a corporation for all periods presented at a combined effective rate of 38% and exclude one-time charges relating to the reorganization and initial public offering, including (a) a net deferred tax liability of approximately \$2.6 million and (b) a \$1.1 million extraordinary charge for the extinguishment of debt repaid from the net proceeds of the initial public offering. Pro forma earnings per share assume the same number of shares outstanding as indicated in note (2) above.
 - (5) Supplemental pro forma interest income (expense), income taxes and net income (a) exclude interest expense of \$2.9 million, \$2.8 million and \$.8 million in 1997, 1998 and 1999, respectively, related to debt that was repaid with a portion of the net proceeds of the initial public offering, (b) assume the company was taxed as a corporation for all periods presented at a combined effective rate of 38% and (c) exclude one-time charges relating to the reorganization and initial public offering, including a net deferred tax liability of approximately \$2.6 million and a \$1.1 million extraordinary charge for the extinguishment of debt repaid from the net proceeds of the initial public offering. Supplemental pro forma shares outstanding assumes that the 14,115,450 shares outstanding after the initial public offering were outstanding for all periods through July 14, 1999, that 14,118,435 shares were outstanding through October 14, 1999 and that 14,120,572 shares were outstanding through December 31, 1999.
 - (6) Consists of income (loss) from operations plus depreciation and amortization. EBITDA is presented because it is a commonly used measure of performance by the financial community. Although management believes EBITDA is a useful measure of the company's performance, EBITDA should not be considered an alternative to net income (loss) as a measure of operating performance or to cash provided by (used for) operating activities as a measure of liquidity. In addition, this measure of EBITDA may not be comparable to similarly titled measures reported by other companies.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

Net sales consists of sales and freight, net of returns and discounts. The company has experienced net sales growth each year since it began operations in 1992. The increase in net sales is primarily attributable to the growth in sales volume. The company's branding and product differentiation strategy enables the company both to command premium prices and to maintain price stability for Trex. Prices for Trex over the last three years have increased at a compound annual growth rate of approximately 5.6%.

From time to time since 1992, customer demand for Trex has exceeded the company's manufacturing capacity. The constraints on the company's capacity in these periods have limited the rate of the company's net sales growth. Such constraints substantially ended during the third quarter of 2000.

The company's cost of sales consists of raw material costs, direct labor costs, manufacturing costs, including depreciation, and freight. In the last three years, the cost of raw materials has increased an average of approximately 7.6% annually. Almost all of the increases were attributable to higher costs of polyethylene and waste wood fiber, including shipping costs. The positive effect on cost of sales in 2000 of productivity gains from the company's investment in manufacturing process improvements and the addition of production lines was offset by increases in raw material and direct labor costs. Production line rates have increased over 200% since 1992 and the number of production lines has increased from one line in 1992 to 13 lines in 2000.

The principal component of selling, general and administrative expenses is branding and other sales and marketing costs, which have increased significantly as the company has sought to build brand awareness of Trex in the decking market. 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 these functions, as well as amortization expense. As a percentage of net sales, selling, general and administrative expenses have varied from quarter to quarter, especially when the company has determined to build inventory selectively and to continue expenditures for advertising.

In connection with its acquisition of Mobil's Composite Products Division in August 1996, the company incurred indebtedness of \$29.3 million, of which \$26.3 million was outstanding at December 31, 1998, and recorded \$10.6 million for goodwill, substantially increasing its interest and amortization expense. In April 1999, the company repaid its acquisition-related indebtedness with a portion of the net proceeds of its initial public offering and recognized an extraordinary cash charge against income of \$1.5 million, on a pre-tax basis, for early extinguishment of debt and an extraordinary \$0.2 million non-cash charge against income for the write-off of unamortized debt discount. The company is amortizing its goodwill over a 15-year period in an amount of approximately \$0.7 million per year.

The company did not record an income tax provision for any period through April 7, 1999, which was the date on which it completed the reorganization. Before its acquisition of Mobil's Composite Products Division, the company was included in the consolidated tax return of its parent company. In the period between the acquisition and the reorganization, the company elected to be treated as a partnership for federal and state income tax purposes, and the company's income during that period was taxed directly to the company's members, rather than to the company. As a result of the reorganization, the company is subject to income tax as a corporation taxed in accordance with Subchapter C of the Internal Revenue Code. In April 1999, as a result of its conversion to C corporation status, the company recognized a \$2.6 million non-cash charge against income for income tax expense. The effect of this charge was to increase substantially the company's effective tax rate for that quarter and for the year ended December 31, 1999. The increased effective tax rate was recognized only in such quarter and, accordingly, the company believes that its effective tax rate for subsequent periods should not exceed approximately 38%.

Results of Operations

The following table shows, for the last three years, selected statement of operations data as a percentage of net sales:

	Year Ended December 31,		
	1998	1999	2000
Net sales.....	100.0%	100.0%	100.0%
Cost of sales.....	51.5	48.6	52.6
Gross profit.....	48.5	51.4	47.4
Selling, general and administrative expenses.....	26.2	23.7	20.3
Income from operations.....	22.3	27.7	27.1
Interest expense, net.....	5.1	1.9	0.8
Income before taxes and extraordinary item.....	17.2	25.8	26.4
Income taxes(1).....	--	9.4	9.9
Income before extraordinary item.....	17.2	16.4	16.4
Extraordinary loss, net of taxes.....	--	1.4	--
Net income.....	17.2%	15.1%	16.4%

(1) The company did not record an income tax provision for any period through April 7, 1999, the date on which it completed the reorganization. The company elected to be treated as a partnership for federal and state income tax purposes for all periods from its inception through April 7, 1999. As a result, during these periods, the company's income was taxed for such purposes directly to the company's members, rather than to the company.

2000 Compared to 1999

Net Sales. Net sales increased 51.6% to \$117.6 million in 2000 from \$77.6 million in 1999. The increase in net sales was primarily attributable to a growth in sales volume and, to a lesser extent, a price increase of approximately 7.3%. Production line rate increases and the addition of two production lines during 2000 significantly increased the company's production capacity. To stimulate demand for Trex and continue its brand name development, the company increased expenditures on cable television advertising and emphasized incentive sales programs instituted in 2000. The number of dealer outlets increased from approximately 2,000 at December 31, 1999 to approximately 2,600 at December 31, 2000.

Cost of Sales. Cost of sales increased 64.0% to \$61.9 million in 2000 from \$37.7 million in 1999. All components of cost of sales increased to support the higher level of sales activity. Cost of sales as a percentage of net sales increased to 52.6% in 2000 from 48.6% in 1999. The increase principally reflected higher raw material costs, which were partially offset by operating efficiencies from improved production line rates.

Gross Profit. Gross profit increased 39.8% to \$55.7 million in 2000 from \$39.9 million in 1999, reflecting the higher sales volume in 2000. Gross profit as a percentage of net sales decreased to 47.4% in 2000 from 51.4% in 1999.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased 29.7% to \$23.8 million in 2000 from \$18.4 million in 1999. The increase was primarily attributable to higher branding costs, including expenses of promotion, advertising, public relations, sales literature, trade shows and cooperative advertising, which increased 17.0% to \$8.1 million in 2000 from \$6.9 million in 1999. The increase in corporate personnel, the upgrading of accounting and other systems to support growth, and management bonuses contributed to a 40.1% increase in general and administrative expenses. Selling, general and administrative expenses as a percentage of net sales decreased to 20.3% in 2000 from 23.7% in 1999.

Interest Expense. Net interest expense decreased 38.9% to \$0.9 million in 2000 from \$1.5 million in 1999. The decrease resulted from the capitalization of \$1.1 million of interest during 2000 that was incurred in connection with financing the company's production capacity expansion activities.

Provision for Income Taxes. For all periods through April 7, 1999, the company was taxed as a partnership for federal and state income tax purposes and, accordingly, did not record an income tax provision. In connection with the reorganization, and its conversion to a corporation taxed in accordance with Subchapter C of the Internal Revenue Code, the company recorded a one-time deferred tax charge of \$2.6 million. For all periods subsequent to April 7, 1999, the company has provided for federal and state taxes at a combined effective rate of approximately 38%.

Extraordinary Loss on the Early Prepayment of Debt. In April 1999, the company used a portion of the net proceeds of its initial public offering to repay approximately \$21.3 million principal amount of senior notes and approximately \$5.0 million principal amount of subordinated notes. In connection with the repayment, the company incurred a prepayment penalty of \$1.5 million and wrote off unamortized debt discount of \$0.2 million. The company recorded an extraordinary charge of \$1.1 million, net of taxes, to reflect these two items.

1999 Compared to 1998

Net Sales. Net sales increased 57.8% to \$77.6 million in 1999 from \$49.2 million in 1998. The increase in net sales was primarily attributable to a growth in sales volume and, to a lesser extent, a price increase of approximately 5.7%. Production line rate increases and the addition of four production lines during 1999 significantly increased the company's production capacity. To stimulate demand for Trex and continue its brand name development, the company increased expenditures on cable television advertising and instituted incentive sales programs in 1999. The number of dealer outlets remained at approximately 2,000 at both December 31, 1998 and December 31, 1999.

Cost of Sales. Cost of sales increased 49.0% to \$37.7 million in 1999 from \$25.3 million in 1998. All components of cost of sales increased to support the higher level of sales activity. Cost of sales as a percentage of net sales decreased to 48.6% in 1999 from 51.5% in 1998. The decline principally reflected operating efficiencies from improved production line rates.

Gross Profit. Gross profit increased 67.1% to \$39.9 million in 1999 from \$23.9 million in 1998, reflecting the higher sales volume in 1999. Gross profit as a percentage of net sales increased to 51.4% in 1999 from 48.5% in 1998.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased 42.6% to \$18.4 million in 1999 from \$12.9 million in 1998. The increase was primarily attributable to higher branding costs, including expenses of promotion, advertising, public relations, sales literature, trade shows and cooperative advertising, which increased 44.8% to \$6.9 million in 1999 from \$4.8 million in 1998. The increase in corporate personnel, the upgrading of accounting and other systems to support growth, and the expenses associated with being a publicly traded company contributed to a 62.0% increase in general and administrative expenses. Selling, general and administrative expenses as a percentage of net sales decreased to 23.7% in 1999 from 26.2% in 1998.

Interest Expense. Net interest expense decreased 41.5% to \$1.5 million in 1999 from \$2.5 million in 1998. The decrease primarily resulted from lower average borrowings attributable to the company's repayment of \$26.3 million principal amount of senior and subordinated notes in April 1999 with the net proceeds of the company's initial public offering.

Provision for Income Taxes. For all periods through April 7, 1999, the company was taxed as a partnership for federal and state income tax purposes and, accordingly, did not record an income tax provision. In

connection with the reorganization, and its conversion to a corporation taxed in accordance with Subchapter C of the Internal Revenue Code, the company recorded a one-time deferred tax charge of \$2.6 million. For all periods subsequent to April 7, 1999, the company has provided for federal and state taxes at a combined effective rate of 38%.

Extraordinary Loss on the Early Prepayment of Debt. In April 1999, the company used a portion of the net proceeds of its initial public offering to repay approximately \$21.3 million principal amount of senior notes and approximately \$5.0 million principal amount of subordinated notes. In connection with the repayment, the company incurred a prepayment penalty of \$1.5 million and wrote off unamortized debt discount of \$0.2 million. The company recorded an extraordinary charge of \$1.1 million, net of taxes, to reflect these two items.

Liquidity and Capital Resources

The company historically has financed its operations and growth primarily with cash flow from operations, operating leases, normal trade credit terms, mortgages for its real estate holdings and borrowings under its credit facility.

The company's cash flow from operating activities was \$12.2 million in 1998, \$21.4 million in 1999 and \$15.4 million in 2000. Higher sales volume accounted for the significant increases in cash flows in 1998 and 1999. The effect of a higher sales volume in 2000 was more than offset by increases in receivables, as the company offered some distributors extended payment terms in the fourth quarter of 2000 to facilitate the addition of new distributors and the introduction on a national basis of the newest Trex color, Madeira. In addition, the company increased inventories in anticipation of continued sales growth in 2001. An increase in trade accounts payable, resulting from the company's increased operating activities and capital expenditures, had a positive effect on cash flow from operating activities in 2000.

The company's total assets increased from \$79.3 million at December 31, 1999 to \$156.6 million at December 31, 2000. Most of this increase was attributable to an increase of \$54.1 million in property, plant and equipment, net. During 2000, the company purchased additional land and a mixed-use building adjacent to its existing Winchester, Virginia facility and began construction of a second manufacturing facility on the additional land. The company also completed the expansion of its existing manufacturing plant in its Fernley, Nevada facility and added three production lines, of which two were operating at year-end.

The company currently maintains two revolving credit facilities which together provide for borrowings of up to \$90.0 million for working capital and other general corporate purposes. Amounts drawn under the two facilities bear interest at an annual rate equal to LIBOR plus 1.00%. Of borrowings under the first facility, \$25.0 million will be payable on September 30, 2001 and all remaining outstanding amounts will be payable on June 30, 2003. The \$15.0 million second facility, which became effective on January 31, 2001, will mature on April 30, 2001. At December 31, 2000, borrowings of \$44.7 million were outstanding under the first facility and no borrowings were outstanding under the second facility. The Company intends to use borrowings under the two facilities primarily to finance the company's expansion activities.

The company financed its purchase of its Winchester, Virginia facility in June 1998 with a ten-year term loan of \$3.8 million. Under an interest rate swap agreement, the company pays interest on this loan at an annual rate of 7.12%.

The company financed its purchase of the Trex technical center in November 1998 in part with the proceeds of a ten-year term loan of \$1.0 million. Under an interest rate swap agreement, the company pays interest on this loan at an annual rate of 6.80%.

The company financed its acquisition of the site for its Fernley, Nevada facility in December 1998 in part with a \$2.1 million loan which was payable in September 1999. The company partially financed construction of

the facility with proceeds of \$4.6 million under a construction loan which was payable in November 1999. The site acquisition and construction loans accrued interest at an annual rate of 7.50%. The company refinanced both loans on September 30, 1999 with a 15-year term loan in the original principal amount of \$6.7 million. Under an interest rate swap agreement, interest on this loan is payable at an annual rate of 7.90%.

In May 2000, the company financed its purchase of a site adjacent to its existing Winchester, Virginia manufacturing facility through borrowings under its revolving credit facility. On August 14, 2000, the company refinanced the borrowings with a 15-year term loan in the original principal amount of \$5.9 million. An interest rate swap agreement effectively fixes the interest rate on this loan at an annual rate of 8.10%.

On October 3, 2000, the company purchased an additional 11.83 acres of land adjacent to its existing Winchester, Virginia manufacturing facility. The company financed the purchase through borrowings under its revolving credit facility.

As of December 31, 2000, the company's long-term indebtedness, excluding the revolving credit facility, was \$16.7 million, with an overall weighted average interest rate of 7.75%.

Expansion of the company's production capacity will require significant capital expenditures. The company currently estimates that its aggregate capital requirements in 2001 will total approximately \$33 million. Of this amount, we will use approximately \$13 million to increase capacity at our two existing manufacturing facilities, approximately \$5 million to make process and productivity improvements, approximately \$5 million to complete a plastic processing facility at the company's existing Winchester, Virginia facility, and \$2.0 million to complete the site acquisition and begin engineering work for the company's planned third manufacturing facility near Knoxville, Tennessee. The company believes that cash flow from operations and borrowings expected to be available under the company's credit agreements will provide sufficient funds to enable the company to fund its capital expenditures and expand its business as currently planned for at least the next 12 months. The actual amount and timing of the company's future capital requirements may differ materially from the company's estimate depending on the demand for Trex and new market developments and opportunities. 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 may 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.

Inflation

Inflation did not have a material impact on the company's operating results in 1998, 1999 or 2000.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The company's major 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 and floating-rate debt. The company uses interest rate swap contracts to manage its exposure to fluctuations in interest rates on its floating-rate debt, substantially all of which is based on LIBOR. At December 31, 2000, the company had effectively capped its interest rate exposure at approximately 7.7% on approximately \$16.7 million of its floating-rate debt through 2015. For additional information, see note 6 to the company's consolidated financial statements appearing elsewhere in this report.

Item 8. Financial Statements and Supplementary Data

The financial statements listed in Item 14 are filed as part of this report and appear on pages F-2 through F-19.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

Not applicable.

PART III

Item 10. Directors and Executive Officers of the Registrant

The table below sets forth information concerning our directors and executive officers:

Name ----	Age ---	Positions with Company -----
Robert G. Matheny.....	55	President, Director
Anthony J. Cavanna.....	61	Executive Vice President and Chief Financial Officer, Director
Andrew U. Ferrari.....	54	Executive Vice President of Sales and Marketing, Director
Roger A. Wittenberg.....	52	Executive Vice President of Technical Operations and Materials Sourcing, Director
Harold F. Monahan.....	55	Senior Vice President of Manufacturing and Distribution
William H. Martin, III..	70	Director
William F. Andrews.....	69	Director
Patricia B. Robinson....	48	Director

Robert G. Matheny has served as the President of TREX Company, LLC since August 1996 and as the President and a director of the company since September 1998. From July 1992 to August 1996, he was the General Manager of the Composite Products Division of Mobil Chemical Company, referred to below as "Mobil Chemical," which was a division of Mobil Oil Corporation, referred to below as "Mobil." From August 1987 to July 1992, he served as the General Manager of the Chemical Specialties Group of Mobil Chemical and as a Vice President of Mobil Chemical Products International. From 1970 to August 1987, Mr. Matheny held various positions in sales, marketing and manufacturing at Mobil. Mr. Matheny received a B.S. degree in Industrial Engineering and Operations Research from Virginia Polytechnic Institute.

Anthony J. Cavanna has served as the Chief Financial Officer of TREX Company, LLC since August 1996 and as Executive Vice President and Chief Financial Officer and a director of the company since September 1998. From July 1994 to August 1996, he was a Group Vice President of Mobil Chemical. From July 1992 to July 1994, he was the Vice President-Planning and Finance for Mobil Chemical. From November 1986 to July 1992, Mr. Cavanna served as a Vice President of Mobil Chemical and the General Manager of its Films Division Worldwide. From November 1981 to November 1986, he was the President and General Manager of Mobil Plastics Europe. From January 1981 to November 1981, he was the Vice President-Planning and Supply of the Films Division of Mobil Chemical. Between 1962 and 1981, Mr. Cavanna held a variety of positions within Mobil, including engineering, manufacturing and project/group leader positions. Mr. Cavanna received a B.S. degree in Chemical Engineering from Villanova University and an M.S. degree in Chemical Engineering from the Polytechnic Institute of Brooklyn.

Andrew U. Ferrari has served as the Vice President of Sales and Marketing of TREX Company, LLC since August 1996 and as Executive Vice President of Sales and Marketing and a director of the company since September 1998. From April 1992 to August 1996, he was the Director of Sales and Marketing of the Composite Products Division of Mobil Chemical. From February 1990 to April 1992, Mr. Ferrari served as the New Business Manager for Mobil Chemical. From January 1984 to February 1990, he served as Marketing Director of the Consumer Products Division of Mobil Chemical. Mr. Ferrari received a B.A. degree in Economics from Whitman College and an M.B.A. degree from Columbia University.

Roger A. Wittenberg has served as the Vice President of Technical Operations and Materials Sourcing of TREX Company, LLC since August 1996 and as Executive Vice President of Technical Operations and Materials Sourcing and a director of the company since September 1998. Mr. Wittenberg also serves as a director of Elite Textiles Ltd., a textile manufacturer. From May 1992 to August 1996, he was the Technical Manager of the Composite Products Division of Mobil Chemical. Mr. Wittenberg founded Rivenite Corporation in 1987 and was its Chief Executive Officer until April 1992, when Mobil Chemical acquired the assets of Rivenite Corporation. Before 1987, Mr. Wittenberg founded and operated three companies in the textile, food and animal feed supplements industries. Mr. Wittenberg received a B.S. degree in Chemistry from High Point College.

Harold F. Monahan has served as the Senior Vice President for Manufacturing and Distribution of TREX Company, LLC and the company since October 2000. From 1999 to 2000, he served as Operations Manager for North American Operations of Exxon Mobil Corporation, an energy company. Prior to the merger of Exxon Corporation and Mobil in 1999, Mr. Monahan served as Logistics Manager for North American Operations of Mobil from 1997 to 1999, where he was responsible for the distribution of Mobil's petroleum products throughout North America. From 1971 to 1997, Mr. Monahan served in a variety of other positions with Mobil, including Manager of U.S. Domestic Plant Operations, Asset Manager of Domestic U.S. Operations, and Surface Transportations Manager for Domestic U.S. Operations. Mr. Monahan received a B.S. degree in Economics from St. Norbert College.

William H. Martin, III has served as a director of the company since April 1999. Mr. Martin has served as Chairman of the Board of Martin Industries, Inc., a manufacturer and producer of gas grills, gas space heaters, gas logs and pre-engineered fireplaces, since April 1994 and as a director of Martin Industries since 1974. From 1971 to 1987, he served as President and Chief Executive Officer of Martin Industries. From 1987 to 1993, Mr. Martin served as Executive Assistant to the Rector of Trinity Church in New York City. Since 1993, Mr. Martin has been managing private investments and serving as a director of Aluma Form, Inc., a manufacturing company. Mr. Martin is a graduate of Vanderbilt University.

William F. Andrews has served as a director of the company since April 1999. Mr. Andrews has served as Chairman of the Board of Directors of Scovill Fasteners, Inc., a designer, manufacturer and distributor of apparel fasteners and specialty industrial fasteners, since 1996. Mr. Andrews has been a director and Chairman of Northwestern Steel and Wire Co. since 1998 and a director and Chairman of Corrections Corporation of America since 2000. Mr. Andrews has been a Principal of Kohlberg & Company, a venture capital firm, since 1994. From 1981 to 1986, Mr. Andrews served as the Chairman, President and Chief Executive Officer of Scovill Manufacturing Co., where he worked for over 28 years. From 1995 to 1998, he served as the Chairman of Schrader-Bridgeport International, Inc., a manufacturer of tire valves and pressure control devices. From 1993 to 1995, Mr. Andrews served as Chairman and Chief Executive Officer of Amdura Corporation, a manufacturer of hardware and industrial equipment. From 1992 to 1994, he served as Chairman of Utica Corporation, a manufacturer of fan blades for aerospace and land-based gas turbine engines. From 1986 to 1989, Mr. Andrews served as President, Chairman and Chief Executive Officer of Singer Sewing Company. Mr. Andrews also serves as a director of Black Box Corporation, Johnson Controls, Inc., Katy Industries, Inc. and Navistar, Inc.

Patricia B. Robinson has served as a director of the company since November 2000. Ms. Robinson is an independent consultant and in 2000 served as Interim Operating Officer of TruckBay.com, an Internet distributor of heavy duty truck parts. From 1994 to 1998, she served as President of Mead School and Office Products, the consumer products division of Mead Corporation. From 1977 to 1994, Ms. Robinson served in a variety of other positions with Mead Corporation, including Vice President of Corporate Strategy and Planning, President of Gilbert Paper, which makes premium correspondence papers, Plant Manager of a specialty machinery facility and Product Manager for new packaging product introductions. Ms. Robinson received a B.A. degree in economics from Duke University and an M.B.A. degree from the Darden School at the University of Virginia.

Other information responsive to this Item 10 is incorporated herein by reference to the company's definitive proxy statement for its 2001 annual meeting of stockholders.

Item 11. Executive Compensation

Information responsive to this Item 11 is incorporated herein by reference to the company's definitive proxy statement for its 2001 annual meeting of stockholders.

Item 12. Security Ownership of Certain Beneficial Owners and Management

Information responsive to this Item 12 is incorporated herein by reference to the company's definitive proxy statement for its 2001 annual meeting of stockholders.

Item 13. Certain Relationships and Related Transactions

Information responsive to this Item 13 is incorporated herein by reference to the company's definitive proxy statement for its 2001 annual meeting of stockholders.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) The following documents are filed as part of this report:

1. Financial Statements

The following financial statements of the company appear on pages F-2 through F-19 of this report and are incorporated by reference in Part II, Item 8:

Report of Independent Auditors
Consolidated Financial Statements
Consolidated Balance Sheets-December 31, 1999 and 2000
Consolidated Statements of Operations for the three years ended
December 31, 2000
Consolidated Statements of Changes in Members'/Stockholders' Equity
for the three years ended
December 31, 2000
Consolidated Statements of Cash Flows for the three years ended
December 31, 2000
Notes to Consolidated Financial Statements

All schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and therefore have been omitted.

2. Exhibits

- 3.1 Restated Certificate of Incorporation of Trex Company, Inc. (the "Company"). Filed as Exhibit 3.1 to the Company's Registration Statement on Form S-1 (No. 333-63287) and incorporated herein by reference.
- 3.2 Amended and Restated By-Laws of the Company. Filed herewith.
- 4.1 Specimen certificate representing the Company's common stock. Filed as Exhibit 4.1 of the Company's Registration Statement on Form S-1 (No. 333-63287) and incorporated herein by reference.
- 10.1 Registration Rights Agreement, dated as of April 7, 1999, among the Company and each of the persons named on the schedule thereto. Filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 1999 and incorporated herein by reference.
- 10.2 Trex Company, Inc. 1999 Stock Option and Incentive Plan. Filed as Exhibit 4.2 to the Company's Registration Statement on Form S-8 (No. 333-76847) and incorporated herein by reference.
- 10.3 Trex Company, Inc. 1999 Incentive Plan for Outside Directors, as amended. Filed herewith.
- 10.4 Form of Distributor Agreement of TREX Company, LLC. Filed as Exhibit 10.6 to the Company's Registration Statement on Form S-1 (No. 333-63287) and incorporated herein by reference.
- 10.5 \$3,780,000 Promissory Note, dated June 15, 1998, made by TREX Company, LLC payable to First Union National Bank of Virginia. Filed as Exhibit 10.7 to the Company's Registration Statement on Form S-1 (No. 333-63287) and incorporated herein by reference.
- 10.6 \$1,035,000 Promissory Note, dated November 20, 1998, made by TREX Company, LLC payable to First Union National Bank of Virginia. Filed as Exhibit 10.8 to the Company's Registration Statement on Form S-1 (No. 333-63287) and incorporated herein by reference.
- 10.7 Amended and Restated Credit Agreement, dated as of August 3, 1999, among the Company, TREX Company, LLC and First Union National Bank of Virginia. Filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1999 and incorporated herein by reference.

- 10.8 Standing Loan Agreement, dated as of September 28, 1999, between TREX Company, LLC and Bank of America, N.A. Filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1999 and incorporated herein by reference.
- 10.9 Promissory Note, dated September 28, 1999, made by TREX Company, LLC payable to Bank of America, N.A. Filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1999 and incorporated herein by reference.
- 10.10 Payment Guaranty, dated as of September 28, 1999, made by the Company in favor of Bank of America, N.A. Filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1999 and incorporated herein by reference.
- 10.11 Second Amendment to Amended and Restated Credit Agreement, dated April 27, 2000, made by TREX Company, LLC and Trex Company, Inc. in favor of First Union National Bank. Filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2000 and incorporated herein by reference.
- 10.12 Third Amendment to Amended and Restated Credit Agreement, dated June 30, 2000, made by TREX Company, LLC and Trex Company, Inc. in favor of First Union National Bank. Filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2000 and incorporated herein by reference.
- 10.13 Fourth Amendment to Amended and Restated Credit Agreement, dated October 27, 2000, made by TREX Company, LLC and Trex Company, Inc. in favor of First Union National Bank. Filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2000 and incorporated herein by reference.
- 10.14 Financing Agreement, dated January 31, 2001, between TREX Company, LLC and Bank of America, N.A. Filed herewith.
- 10.15 Guaranty of Payment Agreement, dated January 31, 2001, between the Company and Bank of America, N.A. Filed herewith.
- 10.16 Deed of Lease, dated June 15, 2000, between TREX Company, LLC and Space, LLC. Filed herewith.
- 21 Subsidiaries of the Company. Filed herewith.
- 23 Consent of Ernst & Young LLP, Independent Auditors. Filed herewith.

TREX COMPANY, INC.

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
Trex Company, Inc.

We have audited the accompanying consolidated balance sheets of Trex Company, Inc. (the "Company") as of December 31, 1999 and 2000, and the related consolidated statements of operations, members'/ stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Trex Company, Inc. at December 31, 1999 and 2000, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

/s/ Ernst & Young LLP

McLean, Virginia,
February 7, 2001

TREX COMPANY, INC.
CONSOLIDATED BALANCE SHEETS

	December 31,	
	1999	2000
ASSETS		
Current Assets:		
Cash and cash equivalents.....	\$ --	\$ --
Trade accounts receivable.....	1,266,000	10,582,000
Inventories.....	8,668,000	23,017,000
Prepaid expenses and other assets.....	1,057,000	689,000
Deferred income taxes.....	360,000	478,000
Total current assets.....	11,351,000	34,766,000
Property, plant and equipment, net.....	59,489,000	113,635,000
Intangible assets, net.....	8,252,000	7,544,000
Other.....	211,000	650,000
Total Assets.....	\$79,303,000	\$156,595,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Trade accounts payable.....	\$ 6,416,000	\$ 17,082,000
Accrued expenses.....	1,737,000	2,053,000
Income taxes payable.....	117,000	574,000
Other current liabilities.....	1,163,000	664,000
Line of credit.....	5,714,000	--
Current portion of long-term debt.....	385,000	697,000
Total current liabilities.....	15,532,000	21,070,000
Deferred income taxes.....	3,532,000	5,782,000
Line of credit.....	--	44,748,000
Long-term debt.....	10,838,000	15,954,000
Total Liabilities.....	29,902,000	87,554,000
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; 14,120,572 and 14,135,060 shares issued and outstanding at December 31, 1999 and 2000, respectively.....	141,000	141,000
Additional capital.....	40,992,000	41,330,000
Retained earnings.....	8,268,000	27,570,000
Total stockholders' equity.....	49,401,000	69,041,000
Total Liabilities and Stockholders' Equity.....	\$79,303,000	\$156,595,000

See accompanying notes to financial statements.

TREX COMPANY, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended December 31,		
	1998	1999	2000
Net sales.....	\$49,167,000	\$77,570,000	\$117,568,000
Cost of sales.....	25,305,000	37,707,000	61,852,000
Gross profit.....	23,862,000	39,863,000	55,716,000
Selling, general, and administrative expenses.....	12,878,000	18,370,000	23,830,000
Income from operations.....	10,984,000	21,493,000	31,886,000
Interest income.....	411,000	83,000	5,000
Interest (expense).....	(2,937,000)	(1,559,000)	(907,000)
Income before income taxes and extraordinary item.....	8,458,000	20,017,000	30,984,000
Income taxes.....	--	7,281,000	11,682,000
Income before extraordinary item.....	8,458,000	12,736,000	19,302,000
Extraordinary loss on the early extinguishment of debt, net of \$704,000 of income tax benefit.....	--	(1,056,000)	--
Net income.....	\$ 8,458,000	\$11,680,000	\$ 19,302,000
Basic earnings per common share:			
Income before extraordinary item.....	\$ 0.85	\$ 0.98	\$ 1.37
Extraordinary item.....	--	(0.08)	--
Net income.....	\$ 0.85	\$ 0.90	\$ 1.37
Weighted average basic shares outstanding.....	9,500,000	12,848,571	14,129,652
Diluted earnings per common share:			
Income before extraordinary item.....	\$ 0.85	\$ 0.98	\$ 1.36
Extraordinary item.....	--	(0.08)	--
Net income.....	\$ 0.85	\$ 0.90	\$ 1.36
Weighted average diluted shares outstanding.....	9,500,000	12,892,784	14,179,475
Pro Forma Data (unaudited, see Note 12):			
Historical income before taxes and extraordinary item.....	\$ 8,458,000	\$20,017,000	
Pro forma income taxes.....	(3,214,000)	(7,606,000)	
Pro forma net income.....	\$ 5,244,000	\$12,411,000	
Pro forma basic earnings per share...	\$ 0.55	\$ 0.97	
Pro forma weighted average basic common shares outstanding.....	9,500,000	12,848,571	
Pro forma diluted earnings per share.....	\$ 0.55	\$ 0.96	
Pro forma weighted average diluted common shares outstanding.....	9,500,000	12,892,784	

See accompanying notes to financial statements.

TREX COMPANY, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS'/ STOCKHOLDERS' EQUITY

For The Three Years Ended December 31, 2000

	Preferred Units	Junior Units	Preferred Stock	Common Stock	Additional Capital	Undistributed Income/ Retained Earnings	Total
Balance, December 31, 1997..	\$3,000,000	\$ 2,350,000	\$ --	\$ --	\$ --	\$ 2,184,000	\$ 7,534,000
Net income.....	--	--	--	--	--	8,458,000	8,458,000
Distributions declared.....	--	--	--	--	--	(405,000)	(405,000)
Tax distributions.....	--	--	--	--	--	(2,296,000)	(2,296,000)
Balance, December 31, 1998..	3,000,000	2,350,000	--	--	--	7,941,000	13,291,000
Net income.....	--	--	--	--	--	11,680,000	11,680,000
Preferred redemption.....	(3,000,000)	--	--	--	--	(115,000)	(3,115,000)
Common distributions.....	--	(2,350,000)	--	--	--	(11,238,000)	(13,588,000)
Reorganization.....	--	--	--	95,000	(95,000)	--	--
Initial public offering.....	--	--	--	46,000	41,009,000	--	41,055,000
Employee stock purchase plan.....	--	--	--	--	78,000	--	78,000
Balance, December 31, 1999..	--	--	--	141,000	40,992,000	8,268,000	49,401,000
Net income.....	--	--	--	--	--	19,302,000	19,302,000
Employee stock purchase and options plans.....	--	--	--	--	245,000	--	245,000
Tax benefit of stock options.....	--	--	--	--	93,000	--	93,000
Balance, December 31, 2000..	\$ --	\$ --	\$ --	\$141,000	\$41,330,000	\$ 27,570,000	\$ 69,041,000

See accompanying notes to financial statements.

TREX COMPANY, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	1998	1999	2000
Operating Activities			
Net income.....	\$ 8,458,000	\$ 11,680,000	\$ 19,302,000
Adjustments to reconcile net income to net cash provided by operating activities:			
Extraordinary loss on early prepayment of debt.....	--	1,760,000	--
Deferred income taxes.....	--	3,172,000	2,132,000
Tax benefit of stock options.....	--	--	93,000
Depreciation and amortization.....	3,164,000	4,457,000	6,869,000
Loss on disposal of property, plant and equipment.....	187,000	157,000	18,000
Changes in operating assets and liabilities:			
Trade accounts receivable.....	977,000	(1,232,000)	(9,316,000)
Inventories.....	(1,532,000)	(2,661,000)	(14,349,000)
Prepaid expenses and other assets.....	(558,000)	(384,000)	(282,000)
Trade accounts payable.....	1,096,000	3,839,000	10,666,000
Accrued expenses.....	287,000	651,000	316,000
Income taxes payable.....	--	117,000	457,000
Other.....	149,000	(151,000)	(499,000)
Net cash provided by operating activities.....	12,228,000	21,405,000	15,407,000
Investing Activities			
Expenditures for property, plant and equipment.....	(17,140,000)	(29,369,000)	(60,114,000)
Net cash used in investing activities.....	(17,140,000)	(29,369,000)	(60,114,000)
Financing Activities			
Borrowings under mortgages and notes.....	6,886,000	11,298,000	5,940,000
Principal payments under mortgages and notes.....	(73,000)	(34,678,000)	(512,000)
Borrowings under line of credit.....	162,000	10,793,000	57,249,000
Principal payments under line of credit.....	(162,000)	(5,079,000)	(18,215,000)
Proceeds from initial public offering.....	--	41,055,000	--
Proceeds from employee stock purchase and option plans.....	--	78,000	245,000
Preferred distributions paid.....	(405,000)	(3,115,000)	--
Common distributions paid.....	(2,296,000)	(13,588,000)	--
Net cash provided by financing activities.....	4,112,000	6,764,000	44,707,000
Net decrease in cash and cash equivalents.....	(800,000)	(1,200,000)	--
Cash and cash equivalents at beginning of year.....	2,000,000	1,200,000	--
Cash and cash equivalents at end of year.....	\$ 1,200,000	\$ --	\$ --
	=====	=====	=====

See accompanying notes to financial statements.

TREX COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BUSINESS AND ORGANIZATION

Trex Company, Inc. (the "Company"), a Delaware corporation, was incorporated on September 4, 1998 for the purpose of acquiring 100% of the membership interests and operating the business of TREX Company, LLC, a Delaware limited liability company, in connection with an initial public offering ("IPO") of the Company's common stock. The Company had no operations or activity from inception on September 4, 1998 through April 7, 1999, immediately prior to the Reorganization described below. The IPO was consummated on April 13, 1999. On March 22, 1999, the Company amended its certificate of incorporation to increase its authorized capital to 40,000,000 shares of \$0.01 par value common stock (the "Common Stock") and 3,000,000 shares of preferred stock. All references in the accompanying consolidated balance sheets have been restated to reflect the increase in the Company's authorized capital.

Through its subsidiary, TREX Company, LLC, the Company manufactures and distributes wood/plastic composite products primarily for residential and commercial decking applications. Trex Wood-Polymer(TM) lumber ("Trex") is manufactured in a proprietary process that combines waste wood fibers and reclaimed polyethylene. TREX Company, LLC is a limited liability company formed under the laws of the State of Delaware on July 1, 1996 (inception). It initiated commercial activity on August 29, 1996. On August 29, 1996, TREX Company, LLC acquired substantially all of the assets and assumed certain liabilities of the Composite Products Division of Mobil Corporation (the "Mobil Composite Products Division") for a cash purchase price of approximately \$29.5 million. The acquisition was accounted for using the purchase accounting method.

Reorganization

Trex Company, Inc., TREX Company, LLC and the holders of membership interests in TREX Company, LLC completed certain transactions (the "Reorganization") on April 7, 1999, prior to the consummation of the IPO. In the Reorganization, the junior members of TREX Company, LLC contributed their membership interests to Trex Company, Inc. in exchange for 9,500,000 shares of Common Stock of Trex Company, Inc. Concurrently with such exchange, the preferred member of TREX Company, LLC exchanged its preferred membership interest for a \$3.1 million note of Trex Company, Inc. As a result of such exchanges, TREX Company, LLC became a wholly owned subsidiary of Trex Company, Inc. The Company has accounted for the Reorganization as an exchange of shares between entities under common control at historical cost in a manner similar to a pooling of interests. After the Reorganization, the ownership percentage of each Trex Company, Inc. common stockholder was the same as its ownership percentage in the junior membership interests of TREX Company, LLC.

As part of the Reorganization, the Company made a special cash distribution (the "LLC Distribution") to its junior members in the amount of \$12.6 million, of which \$6.7 million was paid prior to the consummation of the IPO. The Company finalized its determination of amounts due to the junior members as part of the LLC Distribution in July 1999 and distributed an additional \$822,000 in the third quarter of 1999. A deferred income tax liability of \$2.6 million was recognized as a result of the conversion of TREX Company, LLC in the Reorganization from a partnership for federal income tax purposes to a corporation taxed in accordance with Subchapter C of the Internal Revenue Code (a "C corporation").

Immediately prior to the Reorganization, TREX Company, LLC exercised an option to repurchase 667 units of junior membership interest from certain members at a price of \$0.01 per unit.

Initial Public Offering

In the IPO, the Company sold 4,615,450 shares of Common Stock at a public offering price of \$10.00 per share. Of such shares, the Company sold 4,000,000 shares on April 13, 1999 and 615,450 shares on May 6,

TREX COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

1999 pursuant to the underwriters' exercise in full of their over-allotment option. The net proceeds from the IPO, after deducting underwriting discounts and commissions and offering expenses payable by the Company, totaled approximately \$41.1 million. The net proceeds of approximately \$35.5 million from the sale of shares on April 13, 1999 were used as follows: approximately \$28.1 million was used to repay approximately \$26.3 million principal amount of senior and subordinated notes, accrued interest thereon and a related prepayment premium of approximately \$1.5 million; approximately \$3.1 million was used to repay the note issued to the preferred member of TREX Company, LLC in the Reorganization; and approximately \$4.3 million was used to fund a portion of the LLC Distribution. The net proceeds of approximately \$5.6 million from the over-allotment exercise were used as follows: approximately \$4.4 million was used to repay borrowings under the Company's revolving credit facility and approximately \$1.2 million was used for working capital and general corporate purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States and include the accounts of the Company and its wholly-owned subsidiary, TREX Company, LLC. Significant intercompany accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments purchased with original maturities of three months or less.

Inventories

Inventories are stated at the lower of cost (last-in, first-out) or market value.

Long Lived Assets

Property, Plant and Equipment

Property, plant and equipment are stated at historical cost. The costs of additions and improvements are capitalized, while maintenance and repairs are expensed as incurred. Depreciation is provided using the straight line method over the following estimated useful lives:

Machinery and equipment.....	11 years
Furniture and equipment.....	10 years
Forklifts and tractors.....	5 years
Data processing equipment.....	5 years

Leasehold improvements are amortized over the shorter of the lease term or the estimated useful life of the asset.

Intangible Assets

Intangible assets consist of goodwill representing the excess of cost over net assets acquired resulting from the purchase of the Mobil Composite Products Division. Goodwill is amortized using the straight line method over a period of 15 years.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

The Company assesses long-lived assets including intangible assets for impairment in accordance with Statement of Financial Accounting Standards No. 121, Accounting for the Impairment of Long Lived Assets and for Long Lived Assets to be Disposed of ("SFAS 121"). SFAS 121 requires impairment losses to be recognized for long-lived assets when indicators of impairment are present and the undiscounted cash flows are not sufficient to recover the assets' carrying amounts. Intangibles are also evaluated for recoverability by estimating the projected undiscounted cash flows, excluding interest, of the related business activities. The impairment loss of these assets, including goodwill, is measured by comparing the carrying amount of the asset to its fair value less disposal costs, with any excess of carrying value over fair value written off. Fair value is based on market prices where available, an estimate of market value, or various valuation techniques including discounted cash flow.

Revenue Recognition

The Company recognizes revenue at the point of sale, which is at the time of shipment to the customer from the Company's manufacturing facilities.

Stock-Based Compensation

In October 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123"). SFAS No. 123 allows companies to account for stock-based compensation under the provisions of SFAS No. 123 or under the provisions of Accounting Principles Board Opinion No. 25 ("APB No. 25"), but requires pro forma disclosures in the footnotes to the financial statements as if the measurement provisions of SFAS No. 123 had been adopted. The Company accounts for its stock-based compensation in accordance with APB No. 25.

Income Taxes

For all periods prior to the Reorganization, the Company was a partnership for income tax purposes. Accordingly, during these periods, no provision for income taxes has been included in these financial statements, as taxable income or loss passed through to, and was reported by, members individually. The Company accounts for income taxes and the related accounts under the liability method. Deferred tax liabilities and assets are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted rates expected to be in effect during the year in which the differences reverse. In connection with the Reorganization, and its conversion for income tax purposes from a partnership to a C corporation, the Company recorded a one-time deferred tax charge of \$2.6 million. Subsequent to the Reorganization, the Company has provided for federal and state income taxes at a combined effective rate of 38%.

Research and Development Costs

Research and development costs are expensed as incurred. For the years ended December 31, 1998, 1999 and 2000, research and development costs were approximately \$946,000, \$1,238,000 and \$1,440,000, respectively.

Advertising Costs

Branding costs including advertising are expensed as incurred. For the years ended December 31, 1998, 1999 and 2000, branding costs were approximately \$4,775,000, \$6,915,000 and \$8,092,000, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and the accompanying notes. Actual results could differ from those estimates.

Fair Value of Financial Statements

The Company considers the recorded value of its financial assets and liabilities, consisting primarily of cash and cash equivalents, accounts receivable, inventory, accounts payable, accrued liabilities and other current liabilities, and long term debt to approximate the fair value of the respective assets and liabilities at December 31, 1999 and 2000.

Recent Pronouncements

The Company implemented the consensus of the Emerging Issues Task Force Issue 00-10, "Accounting for Shipping and Handling Fees and Costs," or EITF 00-10, in the fourth quarter of 2000. This rule requires that all shipping and handling fees be recorded in net sales and that the related costs be included in cost of sales. Previously, the Company had classified shipping and handling fees, net of shipping and handling costs, as cost of sales. The effect of this reclassification was to increase net sales and cost of sales by approximately \$2.3 million in 1998, \$3.2 million in 1999, and \$3.0 million in 2000. This reclassification had no effect on net income in any period.

Effective January 1, 2001, the Company will adopt Statement of Financial Accounting Standard No. 133 "Accounting for Derivative Instruments and Hedging Activities," as amended by Statement of Financial Accounting Standard No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities." SFAS No. 133, as amended, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. The statement requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. The Company's use of derivatives is currently limited to interest rate swaps on its floating rate mortgage debt. The Company estimates that the transition adjustment to implement this new standard will increase liabilities by approximately \$800,000 with a corresponding reduction in stockholders' equity through other comprehensive income (approximately \$500,000, net of tax).

3. INVENTORIES

Inventories consist of the following as of December 31:

	1999	2000
	-----	-----
Finished goods.....	\$7,599,000	\$19,523,000
Raw materials.....	1,069,000	3,494,000
	-----	-----
	\$8,668,000	\$23,017,000
	=====	=====

TREX COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following as of December 31:

	1999	2000
	-----	-----
Building and improvements.....	\$12,505,000	\$ 18,893,000
Machinery and equipment.....	46,054,000	61,848,000
Furniture and equipment.....	417,000	753,000
Forklifts and tractors.....	149,000	159,000
Data processing equipment.....	867,000	1,171,000
Construction in process.....	4,268,000	39,985,000
Land.....	3,437,000	4,934,000
	-----	-----
Accumulated depreciation.....	67,697,000 (8,208,000)	127,743,000 (14,108,000)
	-----	-----
	\$59,489,000	\$113,635,000
	=====	=====

Depreciation expense for the years ended December 31, 1998, 1999 and 2000 totaled \$2,280,000, \$3,610,000, and \$5,950,000, respectively.

5. INTANGIBLE ASSETS

Intangible assets consist of the following as of December 31:

	1999	2000
	-----	-----
Goodwill.....	\$10,609,000	\$10,609,000
Accumulated amortization.....	(2,357,000)	(3,065,000)
	-----	-----
	\$ 8,252,000	\$ 7,544,000
	=====	=====

Amortization expense was \$707,000 for each of the years ended December 31, 1998, 1999 and 2000.

6. DEBT

The Company maintains a revolving credit facility with a bank that provides for borrowings of up to \$75.0 million on an unsecured basis for working capital and general corporate purposes through September 30, 2001 and \$50.0 million thereafter. Amounts drawn under the revolving credit facility bear interest at an annual rate equal to LIBOR plus 1.00%. The facility will mature on June 30, 2003. The facility agreement contains restrictive and financial covenants and is subject to a commitment fee on the unused balance. As of December 31, 1999 and 2000, \$5,714,000 and \$44,748,000, respectively, were outstanding under the revolving credit facility.

In April 1999, with a portion of the proceeds of the IPO, the Company repaid \$21,250,000 of its 10.00% Senior Notes and \$5,000,000 of its 12.00% Subordinated Notes. In connection with the repayment, the Company recorded an extraordinary loss on the early prepayment of debt in the amount of \$1,056,000, net of taxes, consisting of a prepayment premium and the related unamortized debt discount at the time of repayment.

In May 2000, the Company financed its purchase of a site adjacent to its existing Winchester, Virginia manufacturing facility through borrowings under its revolving credit facility. In August 2000, the Company refinanced the borrowings with a 15-year term loan in the original principal amount of \$5.9 million. Pursuant to an interest rate swap, interest on this loan is payable at an annual rate of 8.10%.

TREX COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

In September 1999, the Company refinanced two loans incurred in connection with the site acquisition and construction of the Company's second manufacturing facility with a 15-year term loan in the original principal amount of approximately \$6.7 million. Pursuant to an interest rate swap agreement, interest on this loan is payable at an effective annual rate of 7.90%.

During the year ended December 31, 1998, the Company borrowed \$4,815,000 under two mortgages to fund, in part, the acquisition of the site of its second manufacturing facility and the site of its research and development facility. The mortgages provide for monthly amortization of principal and interest over a 15-year amortization schedule, with all remaining principal due on the tenth anniversary of the mortgage dates. The mortgages bear interest at an annual rate equal to LIBOR plus 1.00%. The Company has entered into interest rate swap agreements, as discussed below, at the notional amounts of the amortizing principal balances, that effectively fix the interest rates paid by the Company at 7.12% and 6.80%, respectively.

Long-term debt consists of the following as of December 31:

	1999	2000
	-----	-----
Mortgage, due June 16, 2008, 7.12%.....	\$ 3,563,000	\$ 3,404,000
Mortgage, due November 28, 2008, 6.80%.....	991,000	948,000
Mortgage, due September 30, 2014, 7.90%.....	6,669,000	6,426,000
Mortgage, due August 31, 2015, 8.10%.....	--	5,873,000
	-----	-----
	11,223,000	16,651,000
Less current portion.....	(385,000)	(697,000)
	-----	-----
Long-term debt.....	\$10,838,000	\$15,954,000
	=====	=====

Maturities of long-term debt are as follows:

Years ending December 31,

2001.....	\$ 697,000
2002.....	752,000
2003.....	813,000
2004.....	879,000
2005.....	950,000
Thereafter.....	12,560,000

	\$16,651,000
	=====

The mortgages are secured by the Company's various real estate holdings and are held by various financial institutions.

The Company made interest payments in the aggregate amounts of approximately \$2,875,000, \$1,532,000 and \$1,779,000 for the years ended December 31, 1998, 1999 and 2000, respectively. During 2000, the company capitalized approximately \$1,143,000 of interest.

During 1998, 1999 and 2000, the Company entered into interest-rate swap agreements to eliminate the impact of increases and decreases in interest rates on its floating-rate mortgages. At December 31, 2000, the Company had four interest-rate swap agreements outstanding. The agreements effectively entitle the Company to receive from (pay to) the bank the amount, if any, by which the Company's interest payments on its \$3,780,000, \$1,035,000, \$6,728,000 and \$5,940,000 floating-rate mortgages due in June 2008, November 2008, September 2014 and August 2015 exceed (fall below) 7.12%, 6.80%, 7.90% and 8.10%, respectively. The Company has not incurred a premium or other fee for these interest-rate swap agreements. Payments received

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

(made) as a result of the agreements are accrued as a reduction of (increase to) interest expense on the floating-rate mortgage debt. The notional amounts of these agreements correspond to the outstanding balances of the mortgage debt.

The Company is exposed to credit loss in the event of nonperformance by the counter-party on interest-rate swap agreements, but the Company does not anticipate nonperformance by the counter-party. The amount of such exposure is generally the unrealized gains, if any, in such agreements.

7. STOCKHOLDERS' EQUITY

The predecessor of Trex Company, Inc., TREX Company, LLC, was initially capitalized by the sale of 3,000 Class A units for \$2,000,000 and 1,000 Class B units for \$350,000. The Class A and Class B units are collectively known as junior units. In connection with the acquisition of substantially all of the assets and assumption of certain liabilities of the Mobil Composite Products Division, the Company issued Mobil Oil Corporation 1,000 preferred units in exchange for \$3,000,000.

In the Reorganization, the Company issued 9,500,000 shares of its Common Stock in exchange for the outstanding junior units and a note in the principal amount of \$3,100,000 in exchange for the preferred units. In the IPO, the Company sold 4,615,450 previously unissued shares of its Common Stock for net proceeds of \$41,055,000. In connection with the Reorganization and IPO, the Company repaid the note it exchanged for the preferred units, and made payments totaling \$13,588,000 to the original Class A and Class B unitholders, representing a distribution of previously undistributed earnings and a return of capital. See Note 1 herein for a discussion of the Reorganization and IPO transactions.

Through the Company's employee stock purchase and option plans, 5,122 and 14,488 previously unissued shares of Common Stock were issued to employees and/or non-employee directors for a total of \$78,000 and \$245,000 during 1999 and 2000, respectively.

TREX COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

The following table sets forth the computation of basic and diluted earnings per share:

	Year Ended December 31,		
	1998	1999	2000
Numerator:			
Income before extraordinary item....	\$8,458,000	\$12,736,000	\$19,302,000
Preferred dividends.....	(405,000)	(115,000)	--
	8,053,000	12,621,000	19,302,000
Extraordinary item.....	--	(1,056,000)	--
Net income available to common shareholders.....	\$8,053,000	\$11,565,000	\$19,302,000
Denominator:			
Denominator for basic earnings per share--weighted average shares outstanding.....	9,500,000	12,848,571	14,129,652
Basic earnings per share:			
Income before extraordinary item....	\$ 0.85	\$ 0.98	\$ 1.37
Extraordinary item.....	--	(0.08)	--
Net income.....	\$ 0.85	\$ 0.90	\$ 1.37
Denominator:			
Denominator for diluted earnings per share--weighted average shares outstanding.....	9,500,000	12,892,784	14,179,475
Diluted earnings per share:			
Income before extraordinary item....	\$ 0.85	\$ 0.98	\$ 1.36
Extraordinary item.....	--	(0.08)	--
Net income.....	\$ 0.85	\$ 0.90	\$ 1.36

The earnings per share amounts shown above for 1998 and 1999 have been adjusted to reflect the Reorganization and the issuance of 9,500,000 shares of Trex Company, Inc. Common Stock in exchange for the junior units in TREX Company, LLC. The diluted weighted average shares outstanding for 1999 and 2000 reflect the dilutive effect of the exercise of stock options outstanding.

On March 12, 1999, the Company adopted the 1999 Stock Option and Incentive Plan (the "Plan"). The Plan authorizes the granting of options to purchase up to 1,400,000 shares of Common Stock. The exercise price per share under each option granted under the Plan may not be less than 100% of the fair market value of the Common Stock on the option grant date. Vesting of the options is determined by the Compensation Committee of the Board of Directors, with a maximum vesting period of 10 years.

TREX COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Stock option activity from inception of the Plan through December 31, 2000 is as follows:

	Options	Weighted Average Exercise Price Per Share
	-----	-----
Outstanding March 12, 1999 (inception).....	--	--
1999		
Granted.....	111,160	\$10.53
Exercised.....	(7,160)	\$10.00
Canceled.....	--	--

Outstanding at December 31, 1999.....	104,000	\$10.53
2000		
Granted.....	141,358	\$28.20
Exercised.....	(8,018)	\$10.00
Canceled.....	(14,309)	\$15.04

Outstanding at December 31, 2000.....	223,031	\$21.27
	=====	
Exercisable at December 31, 2000.....	29,494	\$18.77
	=====	

At December 31, 2000, the price range of options outstanding was as follows:

	Options Outstanding	Weighted Average Exercise Price	Average Remaining Contractual Life (Years)	Options Exercisable	Weighted Average Exercise Price
	-----	-----	-----	-----	-----
\$10.00-19.99.....	85,029	\$10.13	8.1	16,329	\$10.17
20.00-29.99.....	108,219	27.15	9.2	13,165	29.43
30.00-39.99.....	28,138	30.63	9.7	--	--
40.00 and over.....	1,645	50.00	9.5	--	--
	-----			-----	
	223,031	21.27	8.9	29,494	18.77

The grant date weighted average fair value of options granted in 1999 and 2000 was \$7.14 and \$19.35, respectively. Options generally vest with respect to 25% of the shares subject to the option on each of the first, second, third and fourth anniversaries of the grant date. The options are forfeitable upon termination of an option holder's service as an employee or director under certain circumstances.

At December 31, 2000, 1,384,822 shares of Common Stock are reserved for issuance under the Plan.

In accordance with SFAS 123, the fair value was estimated at the grant date using a Black-Scholes option pricing model with the following weighted-average assumptions for 1999 and 2000: risk-free interest rate of 6%; no dividends; and a weighted-average expected life of the options of approximately five years. A volatility factor of the expected market price of the Company's Common Stock of .551 and .810 was used for 1999 and 2000, respectively.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

TREX COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

For purposes of the pro forma disclosure, the estimated fair value of the options is amortized to expense over the options' vesting period. The pro forma effect of applying SFAS 123 for the years ended December 31, 1999 and 2000 would have reduced income by approximately \$111,000 and \$384,000, respectively, and resulted in basic earnings per share of \$0.89 and \$1.34, respectively.

8. LEASES

The Company leases office space, storage warehouses and certain office and plant equipment under various operating leases. Minimum annual payments under these non-cancelable leases as of December 31, 2000 were as follows :

Year ending December 31, -----	
2001.....	\$ 3,397,000
2002.....	2,640,000
2003.....	2,360,000
2004.....	1,832,000
2005.....	1,582,000
Thereafter.....	9,971,000

	\$21,782,000
	=====

For the years ended December 31, 1998, 1999 and 2000, the Company recognized rental expenses of approximately \$1,024,000, \$1,516,000 and \$2,650,000, respectively.

9. FRINGE BENEFIT PLANS

The Company has a 401(k) Profit Sharing Plan and a Money Purchase Pension Plan for the benefit of all employees who meet certain eligibility requirements. These plans cover substantially all of the Company's full time employees. The plan documents provide for the Company to make defined contributions as well as matching and other discretionary contributions, as determined by the Board of Directors. The Company recognized contribution expense totaling \$639,000, \$1,142,000 and \$677,000 to the 401(k) Profit Sharing Plan and \$256,000, \$303,000 and \$326,000 to the Money Purchase Pension Plan during the years ended December 31, 1998, 1999 and 2000, respectively. As of December 31, 1999 and 2000, the Company's accrued expenses included approximately \$1,425,000 and \$760,000, respectively, for contributions due in respect of the 401(k) Profit Sharing Plan and Money Purchase Pension Plan.

The Company has a long-term incentive plan for the benefit of certain employees. The plan provides up to one year's annual base compensation to participants who have completed four years of continuous service to the Company.

10. INCOME TAXES

The Company's provision for income taxes is as follows:

	Year ended December 31, -----		
	1998	1999	2000

Current provisions:			
Federal.....	\$ --	\$3,465,000	\$ 8,616,000
State.....	--	644,000	1,019,000
Federal deferred tax expense.....	--	2,866,000	1,854,000
State deferred tax expense.....	--	306,000	193,000
	-----	-----	-----
	\$ --	\$7,281,000	\$11,682,000
	=====	=====	=====

TREX COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

The provision for income taxes resulted in effective tax rates that varied from the combined federal and state statutory income tax rates as follows:

	Year ended December 31,		
	1998	1999	2000
Expected federal income tax provision.....	\$ 2,876,000	\$ 6,806,000	\$10,854,000
Permanent.....	--	30,000	(58,000)
State income taxes, net of federal benefit.....	338,000	797,000	793,000
Non-deductible charge for stock option compensation.....	--	--	93,000
Effect of income taxed directly to LLC members.....	(3,214,000)	(2,961,000)	--
Deferred taxes arising from Reorganization.....	--	2,609,000	--
	\$ --	\$ 7,281,000	\$11,682,000

The significant items constituting the Company's deferred tax assets and liabilities as of December 31, 1999 and 2000 were as follows:

	As of December 31,	
	1999	2000
Deferred tax assets-current:		
Reserves.....	\$ 360,000	\$ 478,000
Deferred tax asset-current.....	\$ 360,000	\$ 478,000
Deferred tax liabilities-non-current:		
Book versus tax depreciation.....	\$(3,532,000)	\$(5,782,000)
Deferred tax liability-non-current.....	\$(3,532,000)	\$(5,782,000)

Cash paid for income taxes during the years ended December 31, 1998, 1999 and 2000 was \$0, \$3,287,000 and \$9,088,000 respectively.

11. COMMITMENTS AND CONTINGENCIES

The Company from time to time is party to litigation arising in the ordinary course of its business. The Company believes that such litigation will not have a material impact on the Company's financial position or results of operations.

The Company is a party to several short-term and long-term supply contracts that require the Company to take or pay for raw materials for periods of up to ten years. The quantities of raw materials to be purchased under these contracts are not fixed or determinable.

Approximately 74%, 75% and 75% of the Company's sales for the years ended December 31, 1998, 1999 and 2000, respectively, were from its five largest customers, each of which exceeded 10% of sales. Approximately 22%, 24% and 20% of the Company's raw materials for the years ended December 31, 1998, 1999 and 2000, respectively, were purchased from its four largest suppliers.

TREX COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

12. PRO FORMA DATA (Unaudited)

The pro forma statement of operations data give effect to the Reorganization as if the Reorganization had occurred on January 1, 1998. The pro forma net income taxes and pro forma net income reflect federal and state income taxes (assuming a 38% combined effective tax rate) as if the Company had been taxed as a C corporation for each of the two years ended December 31, 1999. The pro forma consolidated statements of operations data exclude one-time charges relating to the Reorganization and IPO, including (i) a net deferred tax liability of approximately \$2.6 million and (ii) a \$1.1 million extraordinary charge for the extinguishment of debt repaid from the net proceeds of the IPO. Pro forma weighted average shares outstanding reflect 9,500,000 shares of Trex Company, Inc. Common Stock outstanding through April 7, 1999, 13,500,000 shares outstanding from April 8, 1999 through May 2, 1999, 14,115,450 shares outstanding from May 3 through July 14, 1999, 14,118,435 shares outstanding from July 15 through October 14, 1999 and 14,120,572 shares outstanding through December 31, 1999.

The following table sets forth the computation of basic earnings per common share on a supplemental pro forma basis:

	Year ended December 31,	
	1998	1999
	-----	-----
Numerator:		
Historical income from operations.....	\$10,984,000	\$21,493,000
Supplemental pro forma interest income (expense), net.....	249,000	(691,000)
Pro forma income tax provision.....	(4,269,000)	(7,905,000)
	-----	-----
Supplemental pro forma net income available to common shareholders.....	\$ 6,964,000	\$12,897,000
	=====	=====
Denominator:		
Denominator for supplemental pro forma basic earnings per common share--weighted average shares outstanding.....	14,115,450	14,117,297
	=====	=====
Supplemental pro forma basic earnings per common share.....	\$ 0.49	\$ 0.91
	=====	=====

The foregoing supplemental pro forma basic earnings per common share amounts have been adjusted to reflect the Reorganization (see Note 1) as if the Reorganization had occurred on January 1, 1998. The supplemental pro forma interest expense gives effect to the repayment of the Senior and Subordinated Notes, and related debt issuance and discount amortization, from the net proceeds of the IPO as if such repayment had been made as of January 1, 1998. The supplemental pro forma income tax provision reflects federal and state income taxes (assuming a 38% combined effective tax rate) as if the Company had been taxed as a C corporation as of January 1, 1998. Supplemental pro forma net income available to common shareholders assumes the preferred units were exchanged as of January 1, 1998. Supplemental pro forma weighted average shares outstanding assumes that the shares resulting from the Reorganization and the consummation of the IPO were outstanding for the entire period. Supplemental pro forma fully diluted earnings per share is the same as supplemental pro forma basic earnings per share and, therefore, is not separately presented.

TREX COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

13. INTERIM FINANCIAL DATA (Unaudited)

	Three Months Ended							
	March 31, 1999	June 30, 1999	September 30, 1999	December 31, 1999	March 31, 2000	June 30, 2000	September 30, 2000	December 31, 2000
Net sales.....	\$23,448,000	\$20,684,000	\$20,780,000	\$12,658,000	\$39,053,000	\$36,449,000	\$25,806,000	\$16,260,000
Gross profit.....	12,423,000	11,521,000	10,597,000	5,322,000	18,162,000	18,013,000	13,103,000	6,438,000
Income before extraordinary item.....	7,559,000	50,000	4,137,000	990,000	7,057,000	6,081,000	5,196,000	968,000
Net income (loss).....	7,559,000	(1,006,000)	4,137,000	990,000	7,057,000	6,081,000	5,196,000	968,000
Basic income before extraordinary item per share..	\$ 0.78	\$ --	\$ 0.29	\$ 0.07	\$ 0.50	\$ 0.43	\$ 0.37	\$ 0.07
Basic net income (loss) per share.....	\$ 0.78	\$ (0.07)	\$ 0.29	\$ 0.07	\$ 0.50	\$ 0.43	\$ 0.37	\$ 0.07
Diluted income before extraordinary item per share..	\$ 0.78	\$ --	\$ 0.29	\$ 0.07	\$ 0.50	\$ 0.43	\$ 0.37	\$ 0.07
Diluted net income (loss) per share.....	\$ 0.78	\$ (0.07)	\$ 0.29	\$ 0.07	\$ 0.50	\$ 0.43	\$ 0.37	\$ 0.07

The Company implemented the consensus of the Emerging Issues Task Force Issue 00-10, "Accounting for Shipping and Handling Fees and Costs," or EITF 00-10, in the fourth quarter of 2000. This rule requires that all shipping and handling fees be recorded in net sales and that the related costs be included in cost of sales. Previously, the Company had classified shipping and handling fees, net of shipping and handling costs, as cost of goods sold. The effect of this reclassification was to increase net sales and cost of goods sold previously reported by approximately \$1,083,000, \$909,000, \$825,000 and \$408,000 for the first, second, third and fourth quarters of 1999, respectively and \$989,000, \$893,000 and \$728,000 for the first, second and third quarters of 2000, respectively.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

/s/ Anthony J. Cavanna
By: _____
Anthony J. Cavanna
Executive Vice President and Chief
Financial Officer
(Duly Authorized Officer)

Date: March 26, 2001

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed as of March 26, 2001 by the following persons on behalf of the registrant and in the capacities indicated.

Signature -----	Title -----
<u>/s/ Robert G. Matheny</u> Robert G. Matheny	President and Director (Principal Executive Officer)
<u>/s/ Anthony J. Cavanna</u> Anthony J. Cavanna	Executive Vice President and Chief Financial Officer and Director (Principal Financial Officer and Principal Accounting Officer)
<u>/s/ Andrew U. Ferrari</u> Andrew U. Ferrari	Director
<u>/s/ Roger A. Wittenberg</u> Roger A. Wittenberg	Director
<u>/s/ William H. Martin, III</u> William H. Martin, III	Director
<u>/s/ William F. Andrews</u> William F. Andrews	Director
<u>/s/ Patricia B. Robinson</u> Patricia B. Robinson	Director

AMENDED AND RESTATED
BY-LAWS
OF
TREX COMPANY, INC.

ARTICLE I
OFFICES

Section 1. Registered Office. The registered office of the

Corporation in the State of Delaware is 1013 Centre Road, in the City of
Wilmington, Delaware 19805, in the County of New Castle. The name of its
registered agent at such address is Corporation Service Company.

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) 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 pursuant to Rule 14a-8 under the Exchange Act or (ii) of the holders of any series of Preferred Stock to elect directors under specified circumstances.

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 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) One or more directors of the Corporation shall be appointed to act as a Nominating Committee. The Nominating 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 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 Committee shall be filled by the Board of Directors.

(c) One or more directors of the Corporation shall be appointed to act as a Compensation Committee, each of whom shall be directors who are not also officers or employees of the Corporation or its subsidiaries or any other individual having a relationship which, in the opinion of the Board of Directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director (each such director, an "Unaffiliated Director"). 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) One or more Unaffiliated Directors of the Corporation shall be appointed to act as an Audit Committee. The Audit Committee shall have general oversight responsibility with respect to the Corporation's financial reporting. In performing its oversight responsibility, the Audit Committee shall make recommendations to the Board of Directors as to the selection, retention, or change in the independent accountants of the Corporation, review with the independent accountants 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

shall be the president, a secretary and a treasurer, who shall initially be elected as soon as convenient by the Board of Directors and thereafter, in the absence of earlier resignations or removals, shall be elected at the first meeting of the Board following the annual meeting of stockholders. Each officer shall hold office at the pleasure of the Board except as may otherwise be approved by the Board, or until such officer's earlier resignation, removal under these By-Laws or other termination of employment. Any person may hold more than one office if the duties can be consistently performed by the same person, to the extent permitted by the laws of the State of Delaware.

The Board of Directors, in its discretion, may also at any time elect or appoint a Chairman of the Board of Directors, who shall be a director, and one or more vice presidents, assistant secretaries and assistant treasurers and such other officers as it may deem advisable, each of whom shall hold office at the pleasure of the Board, except as may otherwise be approved by the Board, or until such officer's earlier resignation, removal or other termination of employment, and shall have such authority and shall perform such duties as shall be prescribed or determined from time to time by the Board or, if not so prescribed or determined by the Board, as the chief executive officer or the then senior executive officer may prescribe or determine. The Board of Directors may require any officer or other employee or agent to give bond for the faithful performance of duties in such form and with such sureties as the Board may require.

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) President. The president shall be charged with general

supervision of the management and policy of the Corporation, and shall have such other powers and perform such other duties as the Board of Directors may prescribe from time to time. The president shall be the chief executive officer of the Corporation, shall exercise the powers and authority and perform all of the duties commonly incident to such office and shall perform such other duties as chief executive officer as the Board of Directors shall specify from time to time. The president shall, in the absence at a meeting of stockholders of the Corporation or of the Board, or because of the inability to act, of the Chairman of the Board, perform all duties of the Chairman of the Board and preside at all meetings of the stockholders and of the Board of Directors, if he is a director.

(b) Vice President. The vice president or vice presidents shall

perform such duties as may be assigned to them from time to time by the Board of Directors or by the president if the Board does not do so. 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) Secretary. The secretary, or in the secretary's absence, an

assistant secretary shall keep the minutes of all meetings of stockholders and of the Board of Directors, give and serve all notices, attend to such correspondence as may be assigned to such officer, keep in safe custody the seal of the Corporation, and affix such seal to all such instruments properly executed as may require it, and shall have such other duties and powers as may be prescribed or determined from time to time by the Board of Directors or by the president if the Board does not do so.

(d) Treasurer. The treasurer, subject to the order of the Board of

Directors, shall have the care and custody of the moneys, funds, valuable papers and documents of the Corporation (other than such officer's own bond, if any, which shall be in the custody of the president), and shall have, under the supervision of the Board of Directors, all the powers and duties commonly incident to such office. The treasurer shall deposit all funds of the Corporation in such bank or banks, trust company or trust companies, or with such firm or firms doing a banking business as may be designated by the Board of Directors or by the president if the Board does not do so. The treasurer may endorse for deposit or collection all checks, notes and similar instruments payable to the Corporation or to its order. The treasurer shall keep accurate books of account of the Corporation's transactions, which shall be the property of the Corporation and, together with all of the property of the Corporation

in such officer's possession, shall be subject at all times to the inspection and control of the Board of Directors. The treasurer shall be subject in every way to the order of the Board of Directors, and shall render to the Board of Directors and/or the president of the Corporation, whenever they may require it, an account of all transactions and of the financial condition of the Corporation. In addition to the foregoing, the treasurer shall have such duties as may be prescribed or determined from time to time by the Board of Directors or by the president if the Board does not do so.

(e) 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 the directors who were not parties to such action, suit or proceeding, or (2) if such quorum is not obtainable, or even if obtainable, a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (3) 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, 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, 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.

TREX COMPANY, INC.

AMENDED AND RESTATED
1999 INCENTIVE PLAN
FOR OUTSIDE DIRECTORS

Amended and Restated as of
January 1, 2001

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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. 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 "Board of Directors" or "Board" means the Board of Directors of the

Company.
- 1.3 "Committee" means the Administrative Committee which administers the Plan.

- 1.4 "Common Stock" means the common stock, par value \$0.01 per share, of the

Company.
- 1.5 "Company" means Trex Company, Inc., a Delaware corporation, or any

successor thereto.
- 1.6 "Election Form" means the form used by an Eligible Director to elect to

receive all or a portion of his Annual Director Fee for a Plan Year in the
form of Options.
- 1.7 "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.
- 1.8 "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.

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

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

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

1.12 "Option Price" has the meaning set forth in Section 6 hereof.

1.13 "Participant" for any Plan Year means an Eligible Director who participates in the Plan for that Plan Year in accordance with Section 11.1 hereof.

1.14 "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.

1.15 "Plan Year" means each fiscal year of the Company.

1.16 "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 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. 1999 Stock Option and Incentive Plan.

4. ANNUAL DIRECTOR FEES

4.1. General

Each Eligible Director shall be entitled to an Annual Director Fee which is equal in value to forty thousand dollars (\$40,000); provided, however, that such Annual Director Fee may be adjusted by the Board. The Cash Portion of the

Annual Director Fee as defined in Section 4.2 hereof (after reduction pursuant to Section 4.2 hereof) shall be paid to an Eligible Director in four equal quarterly installments in arrears on the first business day of each quarter of the Plan Year in which the Eligible Director is providing services to the Company.

4.2. Form of Annual Fee

The Annual Director Fee shall be paid in the form of: (i) an Option representing fifty percent (50%) of the value of the Annual Director Fee and (ii) cash representing fifty percent (50%) of the value of the Annual Director Fee (the "Cash Portion of the Annual Director's Fee"); provided, however, that -----
pursuant to Section 11 hereof, the Eligible Director may elect to receive all or a portion of the Cash Portion of the Annual Director's Fee in the form of an Option of equal value.

4.3. Valuation of Options

The value of all Options to be issued under the Plan shall be determined pursuant to the Black-Scholes stock option valuation model.

5. GRANT DATE

The date of grant for Options granted under the Plan (the "Grant Date") shall be the first day of the Plan Year.

6. OPTION PRICE

The Option Price of the 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

The Eligible Director may exercise the Option at any time and from time to time after the Grant Date and prior to termination of the Option in installments as follows: on the first anniversary of the Grant Date, the Option shall be exercisable in respect of twenty five percent (25%) of the number of shares covered by the grant, and on each of the next three anniversaries of the Grant Date, the Option shall be exercisable in respect of an additional twenty five percent (25%) 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 foregoing installments, to the extent not exercised, shall accumulate and 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, other than by reason of the death or permanent and total disability of such Participant, any Option granted to a Participant pursuant to the Plan shall terminate to the extent unvested and the vested portion of the Option shall terminate ninety (90) days after such Service Termination, and such Participant shall have no further right to purchase shares of Common Stock pursuant to such Option.

10. RIGHTS IN THE EVENT OF DEATH OR DISABILITY

10.1. Death

If a Participant dies while in service as a director of the Company, the executors or administrators or legatees or distributees of such Participant's estate shall have the right at any time within one year after the date of such Participant's death 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 death whether or not such Option was exercisable immediately prior to such Optionee's death.

10.2. Disability

If there is a Service Termination by reason of the permanent and total disability of the Participant, then such Participant shall have the right at any time within one year after such Service Termination and prior to termination of the Option pursuant to Section 7 hereof, to exercise, in whole or in part, any Option held by such Participant at the date of such Service Termination whether or not such Option was exercisable immediately prior to such Optionee's Service Termination. Whether a Service Termination is to be considered by reason of permanent and total disability for purposes of this Plan shall be determined by the Committee, which determination shall be final and conclusive.

11. ELECTION TO RECEIVE ADDITIONAL OPTIONS

11.1. Election Form

A Participant who wishes to receive all or part of the Cash Portion of the Annual Director 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 part of the Cash Portion of the Annual Director Fee, in accordance with the Participant's instructions on the Election Form. Options issued pursuant to an election made under this Section 11 shall vest in accordance with the schedule set forth in Section 8 hereof.

11.2. 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 newly elected Eligible Directors shall apply to the Participant's Annual Director Fee for the remainder of the Plan Year. Continuing Directors shall complete an Election Form prior to the last day of the Plan Year for an Annual Director Fee earned in the next succeeding Plan Year.

11.3. Modification of the Election Form

An election made by an Eligible Director pursuant to Section 111 hereof shall be irrevocable for the Plan Year for which such election is made.

12. ADMINISTRATION

12.1. 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.

12.2. 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.

12.3. 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.

12.4. 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.

12.5. 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.

12.6. 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.

13. 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.

14. GENERAL PROVISIONS

14.1. Limitation of Rights

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

14.2 No Rights as Stockholders

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

14.3. 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.

14.4. 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.

14.5. 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.

14.6. 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.

14.7. 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.

14.8. 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.

14.9. Effective Date

This Plan shall be effective as of March 12, 1999.

FINANCING AGREEMENT

Dated

January 31, 2001

By and Between

TREX COMPANY, LLC,

Borrower

And

BANK OF AMERICA, N. A.,

Lender

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FINANCING AGREEMENT

THIS FINANCING AGREEMENT (this "Agreement") is made this 31st day of January, 2001, by and between TREX COMPANY, LLC, a limited liability company organized under the laws of the State of Delaware (the "Borrower"); and BANK OF AMERICA, N. A., a national banking association (the "Lender").

RECITALS

A. The Borrower has applied to the Lender for a revolving credit facility in the maximum principal amount of \$15,000,000 to be used by the Borrower for the Permitted Uses described in this Agreement.

B. The Lender is willing to make those credit facilities available to the Borrower upon the terms and subject to the conditions set forth in this Agreement.

AGREEMENTS

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereby agree as follows:

ARTICLE I
DEFINITIONS

Section 1.1 Certain Defined Terms.

As used in this Agreement, the terms defined in the Preamble and Recitals hereto shall have the respective meanings specified therein, and the following terms shall have the following meanings:

"Account" individually and "Accounts" collectively mean all presently existing or hereafter acquired or created accounts, accounts receivable, contract rights, notes, drafts, instruments, acceptances, chattel paper, leases and writings evidencing a monetary obligation or a security interest in, or a lease of, goods, all rights to receive the payment of money or other consideration under present or future contracts (including, without limitation, all rights to receive payments under presently existing or hereafter acquired or created letters of credit), or by virtue of merchandise sold or leased, services rendered, loans and advances made or other considerations given, by or set forth in or arising out of any present or future chattel paper, note, draft, lease, acceptance, writing, bond, insurance policy (including, without limitation, the right to receive refunds of unearned insurance premiums), instrument, document or general intangible, and all extensions and renewals of any thereof, all rights under or arising out of present or future contracts, agreements or general interest in merchandise which gave rise to any or all of the foregoing, including all goods, all claims or causes of action now existing or hereafter arising in connection with or under any agreement or document or by operation of law or otherwise, all collateral security of any kind (including, without limitation, real property mortgages and deeds of trust) and letters of credit given by any Person with respect to any of the foregoing, all books and records in whatever media (paper, electronic or otherwise) recorded or stored, with respect to any or all of the foregoing and all equipment and general intangibles necessary or beneficial to

retain, access and/or process the information contained in those books and records, and all proceeds (cash and non-cash) of the foregoing.

"Acquisition," by any Person (herein called the "Acquiror"), means any transaction involving the purchase, lease or other acquisition by such Acquiror of any or all of the capital stock or assets of another Person that, for purposes of preparing a statement of cash flows for such Acquiror prepared in accordance with GAAP, would be considered "investing activity".

"Affiliate" means, with respect to any designated Person, any other Person, (a) directly or indirectly controlling, directly or indirectly controlled by, or under direct or indirect common control with the Person designated, (b) directly or indirectly owning or holding five percent (5%) or more of any equity interest in such designated Person, or (c) five percent (5%) or more of whose stock or other equity interest is directly or indirectly owned or held by such designated Person. For purposes of this definition, the term "control" (including with correlative meanings, the terms "controlling", "controlled by" and "under common control with") means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities or other equity interests or by contract or otherwise.

"Agreement" means this Financing Agreement, as amended, restated, supplemented or otherwise modified in writing in accordance with the provisions of Section 7.2 (Amendments; Waivers).

"Assets" means at any date all assets that, in accordance with GAAP consistently applied, should be classified as assets on a consolidated balance sheet of the Borrower and its Subsidiaries.

"Assignee" means any Person to which the Lender assigns all or any portion of its interests under this Agreement, any Commitment, and any Loan, in accordance with the provisions of Section 7.5 (Assignments by Lender), together with any and all successors and assigns of such Person; "Assignees" means the collective reference to all Assignees.

"Bankruptcy Code" means Title 11 of the United States Code, as amended from time to time, and any successor Laws.

"Business Day" means any day other than a Saturday, Sunday or other day on which commercial banks in the State are authorized or required to close.

"Capital Adequacy Regulation" means any guideline, request or directive of any central bank or other Governmental Authority, or any other law, rule or regulation, whether or not having the force of law, in each case, regarding capital adequacy of any bank or of any corporation controlling a bank.

"Capital Expenditure" means an expenditure (whether payable in cash or other property or accrued as a liability) for Fixed or Capital Assets, including, without limitation, the entering into of a Capital Lease.

"Capital Lease" means with respect to any Person any lease of real or personal property, for which the related Lease Obligations have been or should be, in accordance with GAAP consistently applied, capitalized on the balance sheet of that Person.

"Cash Equivalents" means (a) securities with maturities of one year or less from the date of acquisition issued or fully guaranteed or insured by the United States Government or any agency thereof, (b) certificates of deposit with maturities of one (1) year or less from the date of acquisition of, or money market accounts maintained with, the Lender, any Affiliate of the Lender, or any other domestic commercial bank having capital and surplus in excess of One Hundred Million Dollars (\$100,000,000.00) or such other domestic financial institutions or domestic brokerage houses to the extent disclosed to, and approved by, the Lender and (c) commercial paper of a domestic issuer rated at least either A-1 by Standard & Poor's Corporation (or its successor) or P-1 by Moody's Investors Service, Inc. (or its successor) with maturities of six (6) months or less from the date of acquisition.

"Change of Control" means any event or any event or condition, a result of which is that (i) Anthony J. Cavanna, Roger A. Wittenberg, Robert G. Matheny and Andrew U. Ferrari cease, as a group, to own beneficially 25% of the voting common stock of Corporate Guarantor; or (ii) Corporate Guarantor ceases to own beneficially less than all of the membership interests in the Borrower.

"Closing Date" means the Business Day, in any event not later than _____, 2001, on which the Lender shall be satisfied that the conditions precedent set forth in Section 4.1 (Conditions to Initial Advance) have been fulfilled or otherwise waived by the Lender.

"Commitment" the Lender's Revolving Credit Commitment.

"Committed Amount" means the Lender's Revolving Loan Committed Amount.

"Compliance Certificate" means a periodic Compliance Certificate described in Section 5.1.1 (Financial Statements).

"Commonly Controlled Entity" means an entity, whether or not incorporated, which is under common control with the Borrower within the meaning of Section 414(b) or (c) of the Internal Revenue Code.

"Consolidated EBITDA" means, for any period, the sum of (a) Consolidated Net Income for such period plus (b) an amount which, in the determination of Consolidated Net Income for such period, has been deducted for (i) interest expense, (ii) total federal, state, local and foreign income, value added and similar taxes and (iii) depreciation and amortization expense.

"Consolidated Net Income" means, for any period, net income after taxes for such period of the Borrower and its consolidated Subsidiaries.

"Consolidated Net Worth" means, as of the date of determination, the total assets of the Borrower and its Subsidiaries which would be shown as assets on a consolidated balance sheet of the Borrower and its Subsidiaries as of such time prepared in accordance with GAAP, after eliminating all amounts properly attributable to minority interests, if any, in the stock and surplus

of Subsidiaries, minus the total liabilities of the Borrower and its

Subsidiaries which would be shown as liabilities on a consolidated balance sheet of the Borrower and its Subsidiaries as of such time prepared in accordance with GAAP.

"Corporate Guarantor" means Trex Company, Inc., a corporation organized and existing under the laws of the State of Delaware and its successors and assigns.

"Corporate Guaranty" means that certain guaranty of payment for the benefit of the Lender dated the date hereof to the Lender from the Corporate Guarantor, as the same may from time to time be amended, restated, supplemented or otherwise modified.

"Credit Facility" means the Revolving Credit Facility and "Credit Facilities" means collectively the Revolving Credit Facility and any and all other credit facilities now or hereafter extended under or secured by this Agreement.

"Default" means an event which, with the giving of notice or lapse of time, or both, could or would constitute an Event of Default under the provisions of this Agreement.

"Enforcement Costs" means all reasonable expenses, charges, costs and fees whatsoever (including, without limitation, reasonable outside and allocated in-house counsel attorney's fees and expenses) of any nature whatsoever paid or incurred by or on behalf of the Lender in connection with (a) any or all of the Obligations, this Agreement and/or any of the other Financing Documents, (b) the creation, collection, maintenance, preservation, defense, protection, realization upon, this Agreement or any of the other Financing Documents, and (c) the monitoring, administration, processing and/or servicing of any or all of the Obligations and/or the Financing Documents.

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

"Event of Default" has the meaning described in ARTICLE VI (Default and Rights and Remedies).

"Facilities" means the collective reference to the loan, letter of credit, interest rate protection, foreign exchange risk, cash management, and other credit facilities now or hereafter provided to the Borrower by the Lender under this Agreement.

"Fees" means the collective reference to each fee payable to the Lender under the terms of this Agreement or under the terms of any of the other Financing Documents.

"Financing Documents" means at any time collectively this Agreement, the Note and any other instrument, agreement or document previously, simultaneously or hereafter executed and delivered by the Borrower and/or any other Person, singly or jointly with another Person or Persons, evidencing, securing, guarantying or in connection with this Agreement, any Note, any of the Facilities, and/or any of the Obligations.

"First Union Credit Agreement" has the meaning described in Section 5.2.14 (Amendments).

"Fixed or Capital Assets" of a Person at any date means all assets which would, in accordance with GAAP consistently applied, be classified on the balance sheet of such Person as property, plant or equipment at such date.

"GAAP" means generally accepted accounting principles in the United States of America in effect from time to time.

"Governmental Authority" means any nation or government, any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government and any department, agency or instrumentality thereof.

"Hazardous Materials" means (a) any "hazardous waste" as defined by the Resource Conservation and Recovery Act of 1976, as amended from time to time, and regulations promulgated thereunder; (b) any "hazardous substance" as defined by the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended from time to time, and regulations promulgated thereunder; (c) any substance the presence of which on any property now or hereafter owned, acquired or operated by the Borrower is prohibited by any Law similar to those set forth in this definition; and (d) any other substance which by Law requires special handling in its collection, storage, treatment or disposal.

"Hazardous Materials Contamination" means the contamination (whether presently existing or occurring after the date of this Agreement) by Hazardous Materials of any property owned, operated or controlled by the Borrower or for which the Borrower has responsibility, including, without limitation, improvements, facilities, soil, ground water, air or other elements on, or of, any property now or hereafter owned, acquired or operated by the Borrower, and any other contamination by Hazardous Materials for which the Borrower is, or is claimed to be, responsible.

"Hedge Transaction" means any transaction between the Borrower and Lender or any affiliate of Lender now existing or hereafter entered into, which provides for an interest rate or commodity swap, cap, floor, collar, forward foreign exchange transaction, currency swap, cross-currency rate swap, currency option, or any combination of, or option with respect to, these or similar transactions, for the purpose of hedging Borrower's exposure to fluctuations in interest rates, currency valuations or commodity prices.

"Indebtedness" of a Person means at any date the total liabilities of such Person at such time determined in accordance with GAAP consistently applied.

"Indebtedness for Borrowed Money" of a Person means at any time the sum at such time of (a) Indebtedness of such Person for borrowed money or for the deferred purchase price of property or services, (b) any obligations of such Person in respect of letters of credit, banker's or other acceptances or similar obligations issued or created for the account of such Person, (c) Lease Obligations of such Person with respect to Capital Leases, (d) all liabilities secured by any Lien on any property owned by such Person, to the extent attached to such Person's interest in such property, even though such Person has not assumed or become personally liable for the payment thereof, (e) obligations of third parties which are being guaranteed or indemnified against by such Person or which are secured by the property of such Person; (f) any obligation of

such Person under an employee stock ownership plan or other similar employee benefit plan; (g) any obligation of such Person or a Commonly Controlled Entity to a Multi-employer Plan; and (h) any obligations, liabilities or indebtedness, contingent or otherwise, under or in connection with, any Hedge Transaction; but excluding trade and other accounts payable in the ordinary course of business in accordance with customary trade terms and which are not overdue (as determined in accordance with customary trade practices) or which are being disputed in good faith by such Person and for which adequate reserves are being provided on the books of such Person in accordance with GAAP.

"Indemnified Parties" has the meaning set forth in Section 7.18 (Indemnification).

"Information Sheet" has the meaning described in 4.1.9 (Information Sheet).

"Internal Revenue Code" means the Internal Revenue Code of 1986, as amended from time to time, and the Income Tax Regulations issued and proposed to be issued thereunder.

"Inventory" means all inventory of the Borrower and all right, title and interest of the Borrower in and to all of its now owned and hereafter acquired goods, merchandise and other personal property furnished under any contract of service or intended for sale or lease, including, without limitation, all raw materials, work-in-process, finished goods and materials and supplies of any kind, nature or description which are used or consumed in the Borrower's business or are or might be used in connection with the manufacture, packing, shipping, advertising, selling or finishing of such goods, merchandise and other licenses, warranties, franchises, general intangibles, personal property and all documents of title or documents relating to the same and all proceeds (cash and non-cash) of the foregoing.

"Investment" means any investment in any Person, whether by means of share purchase, capital contribution, loan, time deposit or otherwise

"Laws" means all ordinances, statutes, rules, regulations, orders, injunctions, writs, or decrees of any Governmental Authority.

"Lease Obligations" of a Person means for any period the rental commitments of such Person for such period under leases for real and/or personal property (net of rent from subleases thereof, but including taxes, insurance, maintenance and similar expenses which such Person, as the lessee, is obligated to pay under the terms of said leases, except to the extent that such taxes, insurance, maintenance and similar expenses are payable by sublessees), including rental commitments under Capital Leases.

"Liabilities" means at any date all liabilities that in accordance with GAAP consistently applied should be classified as liabilities on a consolidated balance sheet of the Borrower and its Subsidiaries.

"Lien" means any mortgage, deed of trust, deed to secure debt, grant, pledge, security interest, assignment, encumbrance, judgment, lien, financing statement, hypothecation, provision in any instrument or other document for confession of judgment, cognovit or other similar right or other remedy, claim, charge, control over or interest of any kind in real or personal property securing any indebtedness, duties, obligations, and liabilities owed to, or a claimed to be owed

to, a Person, all whether perfected or unperfected, avoidable or unavoidable, based on the common law, statute or contract or otherwise, including, without limitation, any conditional sale or other title retention agreement, any lease in the nature thereof, and the filing of or agreement to give any financing statement under the Uniform Commercial Code of any jurisdiction, excluding the precautionary filing of any financing statement by any lessor in a true lease transaction, by any bailor in a true bailment transaction or by any consignor in a true consignment transaction under the Uniform Commercial Code of any jurisdiction or the agreement to give any financing statement by any lessee in a true lease transaction, by any bailee in a true bailment transaction or by any consignee in a true consignment transaction.

"Loan" means each of the Revolving Loan.

"Loan Notice" has the meaning described in Section 2.1.2 (Procedure for Making Advances).

"Multi-employer Plan" means a Plan that is a Multi-employer plan as defined in Section 4001(a)(3) of ERISA.

"Note" means any Revolving Credit Note and "Notes" means collectively each Revolving Credit Note and any other promissory note which may from time to time evidence all or any portion of the Obligations.

"Obligations" means all present and future indebtedness, duties, obligations, and liabilities, whether now existing or contemplated or hereafter arising, of the Borrower to the Lender under, arising pursuant to, in connection with and/or on account of the provisions of this Agreement, each Note, each Security Document, and/or any of the other Financing Documents, the Loan, any Hedge Transaction and/or any of the Facilities including, without limitation, the principal of, and interest on, each Note, late charges, the Fees, Enforcement Costs, and prepayment fees (if any), letter of credit reimbursement obligations, letter of credit fees or fees charged with respect to any guaranty of any letter of credit; also means all other present and future indebtedness, duties, obligations, and liabilities, whether now existing or contemplated or hereafter arising, of the Borrower to the Lender or its Affiliates of any nature whatsoever, regardless of whether such indebtedness, duties, obligations, and liabilities be direct, indirect, primary, secondary, joint, several, joint and several, fixed or contingent; and also means any and all renewals, extensions, substitutions, amendments, restatements and rearrangements of any such indebtedness, duties, obligations, and liabilities.

"Origination Fee" has the meaning described in Section 2.2.3 (Origination Fee).

"PBGC" means the Pension Benefit Guaranty Corporation.

"Permitted Liens" means: (a) Liens for Taxes which are not delinquent or which the Lender has determined in the exercise of its sole and absolute discretion (i) are being diligently contested in good faith and by appropriate proceedings, and such contest operates to suspend collection of the contested Taxes and enforcement of a Lien, (ii) the Borrower has the financial ability to pay, with all penalties and interest, at all times without materially and adversely affecting the Borrower, and (iii) are not, and will not be with appropriate filing, the giving of notice and/or the passage of time, entitled to priority over any Lien of the Lender; (b) deposits or

pledges to secure obligations under workers' compensation, social security or similar laws, or under unemployment insurance in the ordinary course of business; (c) judgment Liens to the extent the entry of such judgment does not constitute a Default or an Event of Default under the terms of this Agreement and (d) Liens on real property or equipment securing Indebtedness for Borrowed Money for the purchase or refinance of such real property or equipment.

"Permitted Uses " means the payment of expenses incurred in the ordinary course of the Borrower's business and other lawful corporate purposes.

"Person" means and includes an individual, a corporation, a partnership, a joint venture, a limited liability company or partnership, a trust, an unincorporated association, a Governmental Authority, or any other organization or entity.

"Plan" means any pension plan that is covered by Title IV of ERISA and in respect of which the Borrower or a Commonly Controlled Entity is an "employer" as defined in Section 3 of ERISA.

"Post-Default Rate" means the Prime Rate in effect from time to time, plus three percent (3%) per annum.

"Prepayment" means a Revolving Loan Optional Prepayment and "Prepayments" means collectively all Revolving Loan Optional Prepayments.

"Prime Rate" means the rate of interest publicly announced from time to time by the Lender as its prime rate. It is a rate set by the Lender based upon various factors including the Lender's costs and desired return, general economic conditions, and other factors, and is used as a reference point for pricing some loans. However, the Lender may price loans at, above, or below such announced rate. Any changes in the Prime Rate shall take effect on the day specified in the public announcement of such change.

"Reportable Event" means any of the events set forth in Section 4043(c) of ERISA or the regulations thereunder.

"Responsible Officer" means for the Borrower, its chief executive officer or president or, with respect to financial matters, its chief financial officer.

"Revolving Credit Commitment" means the agreement of the Lender relating to the making the Revolving Loan and advances thereunder subject to and in accordance with the provisions of this Agreement.

"Revolving Credit Commitment Period" means the period of time from the Closing Date to the Business Day preceding the Revolving Credit Termination Date.

"Revolving Credit Committed Amount" has the meaning described in Section 2.1.1 (Revolving Credit Facility).

"Revolving Credit Expiration Date" means April 30, 2001.

"Revolving Credit Facility" means the facility established by the Lender pursuant to Section 2.1 (Revolving Credit Facility).

"Revolving Credit Note" has the meaning described in Section 2.1.3 (Revolving Credit Notes).

"Revolving Credit Termination Date" means the earlier of (a) the Revolving Credit Expiration Date, or (b) the date on which the Revolving Credit Commitment is terminated pursuant to Section 6.2 (Remedies) or otherwise.

"Revolving Loan" has the meaning described in Section 2.1.1 (Revolving Credit Facility).

"Revolving Loan Account" has the meaning described in Section 2.1.5 (Revolving Loan Account).

"Revolving Loan Optional Prepayment" and "Revolving Loan Optional Prepayments" have the meanings described in Section 2.1.4 (Optional Prepayment of Revolving Loan).

"Security Documents" means collectively any assignment, pledge agreement, security agreement, mortgage, deed of trust, deed to secure debt, financing statement and any similar instrument, document or agreement under or pursuant to which a Lien is now or hereafter granted to, or for the benefit of, the Lender on any real or personal property of any Person to secure all or any portion of the Obligations, all as the same may from time to time be amended, restated, supplemented or otherwise modified.

"State" means the Commonwealth of Virginia.

"Subordinated Indebtedness" means all Indebtedness incurred at any time by the Borrower, which is in amounts, subject to repayment terms, and subordinated to the Obligations, as set forth in one or more written agreements, all in form and substance satisfactory to the Lender in its sole and absolute discretion.

"Subsidiary" means any corporation the majority of the voting shares of which at the time are owned directly by the Borrower and/or by one or more Subsidiaries of the Borrower.

"Taxes" means all taxes and assessments whether general or special, ordinary or extraordinary, or foreseen or unforeseen, of every character (including all penalties or interest thereon), which at any time may be assessed, levied, confirmed or imposed by any Governmental Authority on the Borrower or any of its or their properties or assets or any part thereof or in respect of any of its or their franchises, businesses, income or profits.

"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 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.

"Total Consolidated Capitalization" means, as of any date of determination with respect to the Borrower, the sum of Total Consolidated Debt and Consolidated Net Worth.

"Uniform Commercial Code" means, unless otherwise provided in this Agreement, the Uniform Commercial Code as adopted by and in effect from time to time in the State or in any other jurisdiction, as applicable.

"Wholly Owned Subsidiary" means any domestic United States corporation all the shares of stock of all classes of which (other than directors' qualifying shares) at the time are owned directly or indirectly by a Borrower and/or by one or more Wholly Owned Subsidiaries of a Borrower.

Section 1.2 Accounting Terms and Other Definitional Provisions.

Unless otherwise defined herein, as used in this Agreement and in any certificate, report or other document made or delivered pursuant hereto, accounting terms not otherwise defined herein, and accounting terms only partly defined herein, to the extent not defined, shall have the respective meanings given to them under GAAP, as consistently applied to the applicable Person. All terms used herein which are defined by the Uniform Commercial Code shall have the same meanings as assigned to them by the Uniform Commercial Code unless and to the extent varied by this Agreement. The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and article, section, subsection, schedule and exhibit references are references to articles, sections or subsections of, or schedules or exhibits to, as the case may be, this Agreement unless otherwise specified. As used herein, the singular number shall include the plural, the plural the singular and the use of the masculine, feminine or neuter gender shall include all genders, as the context may require. Reference to any one or more of the Financing Documents shall mean the same as the foregoing may from time to time be amended, restated, substituted, extended, renewed, supplemented or otherwise modified.

ARTICLE II
THE CREDIT FACILITIES

Section 2.1 The Revolving Credit Facility.

2.1.1 Revolving Credit Facility.

Subject to and upon the provisions of this Agreement, the Lender agrees to establish a revolving credit facility in favor of the Borrower. The aggregate of all advances under the Revolving Credit Facility is sometimes referred to in this Agreement collectively as the "Revolving Loan".

The principal amount of Fifteen Million Dollars (\$15,000,000) is the "Revolving Credit Committed Amount".

During the Revolving Credit Commitment Period, the Borrower may request advances under the Revolving Credit Facility in accordance with the provisions of this Agreement.

2.1.2 Procedure for Making Advances Under the Revolving Loan;

Lender Protection Loans.

The Borrower may borrow under the Revolving Credit Facility on any Business Day. Advances under the Revolving Loan shall be deposited to a demand deposit account of the Borrower with the Lender or shall be otherwise applied as directed by the Borrower, which direction the Lender may require to be in writing. Not later than 10:00 a.m. (Eastern Time) on the date of the requested borrowing, the Borrower shall give the Lender oral or written notice (a "Loan Notice") of the amount and (if requested by the Lender) the purpose of the requested borrowing. Any oral Loan Notice shall be confirmed in writing by the Borrower within three (3) Business Days after the making of the requested advance under the Revolving Loan. Each Loan Notice shall be irrevocable.

In addition, the Borrower hereby irrevocably authorizes the Lender at any time and from time to time, without further request from or notice to the Borrower, to make advances under the Revolving Loan which the Lender, in its sole and absolute discretion, deems necessary or appropriate to protect the interests of the Lender.

2.1.3 Revolving Credit Note.

The obligation of the Borrower to pay the Revolving Loan, with interest, shall be evidenced by a promissory note (as from time to time extended, amended, restated, supplemented or otherwise modified, the "Revolving Credit Note") substantially in the form of EXHIBIT A attached hereto and made a part hereof, with appropriate insertions. The Revolving Credit Note shall be dated as of the Closing Date, shall be payable to the order of the Lender at the times provided in the Revolving Credit Note, and shall be in the principal amount of the Revolving Credit Committed Amount. The Borrower acknowledges and agrees that, if the outstanding principal balance of the Revolving Loan outstanding from time to time exceeds the face amount of the Revolving Credit Note, the excess shall bear interest at the rates provided from time to time for advances under the Revolving Loan evidenced by the Revolving Credit Note and shall be payable, with accrued interest, ON DEMAND. The Revolving Credit Note shall not operate as a novation of any of the Obligations or nullify, discharge, or release any such Obligations or the continuing contractual relationship of the parties hereto in accordance with the provisions of this Agreement.

2.1.4 Optional Prepayments of Revolving Loan.

The Borrower shall have the option at any time and from time to time to prepay (each a "Revolving Loan Optional Prepayment" and collectively the "Revolving Loan Optional Prepayments") the Revolving Loan, in whole or in part without premium or penalty.

2.1.5 Revolving Loan Account.

The Lender will establish and maintain a loan account on its books (the "Revolving Loan Account") to which the Lender will (a) debit (i) the principal amount of each advance under the Revolving Loan made by the Lender hereunder as of the date made, (ii) the amount of any interest accrued on the Revolving Loan as and when due, and (iii) any other amounts due and payable by the Borrower to the Lender from time to time under the provisions of this Agreement in connection with the Revolving Loan, including, without limitation, Enforcement Costs, Fees, late charges, and service, collection and audit fees, as and when due

and payable, and (b) credit all payments made by the Borrower to the Lender on

account of the Revolving Loan as of the date made. The Lender may debit the Revolving Loan Account for the amount of any payment that is returned to the Lender unpaid. All credit entries to the Revolving Loan Account are conditional and shall be readjusted as of the date made if final and indefeasible payment is not received by the Lender in cash or solvent credits. The Borrower hereby promises to pay to the order of the Lender, ON DEMAND, an amount equal to the excess, if any, of all debit entries over all credit entries recorded in the Revolving Loan Account under the provisions of this Agreement. Any and all periodic or other statements or reconciliations, and the information contained in those statements or reconciliations, of the Revolving Loan Account shall be presumed conclusively to be correct, and shall constitute an account stated between the Lender and the Borrower unless the Lender receives specific written objection thereto from the Borrower within thirty (30) Business Days after such statement or reconciliation shall have been sent by the Lender.

Section 2.2 General Financing Provisions.

2.2.1 Borrower's Representatives.

The Lender is hereby irrevocably authorized by the Borrower to make advances under the Loan to the Borrower pursuant to the provisions of this Agreement upon the written, oral or telephone request of any one of the Persons who is from time to time a Responsible Officer of the Borrower under the provisions of the most recent "Certificate" of corporate resolutions of the Borrower on file with the Lender or who is an officer or employee of the Borrower whom a Responsible Officer from time to time authorizes in writing to do so. The Lender does not and shall not assume any responsibility or liability for any errors, mistakes, and/or discrepancies in the oral, telephonic, written or other transmissions of any instructions, orders, requests and confirmations between the Lender and the Borrower in connection with the Credit Facility, any advance of the Loan or any other transaction in connection with the provisions of this Agreement other than errors, mistakes and/or discrepancies due to the Lender's gross negligence or willful misconduct.

2.2.2 Use of Proceeds of the Loan.

The proceeds of each advance under the Loan shall be used by the Borrower for Permitted Uses, and for no other purposes except as may otherwise be agreed by the Lender in writing. The Borrower shall use the proceeds of the Loan promptly.

2.2.3 Origination Fee.

The Borrower shall pay to the Lender a loan origination fee (the "Origination Fee") in the amount of Thirty Five Thousand Dollars (\$35,000), which fee has been fully earned and is non-refundable and shall be payable as follows: on or before the Closing Date, the sum of \$10,000 and on or before June 30, 2001, if the Borrower has not entered into a syndicated credit facility in which the Lender is a co-agent or the sole agent, the sum of \$25,000. The obligation to pay the Origination Fee in its entirety shall survive the repayment of the Loan.

2.2.4 Computation of Interest and Fees.

All applicable Fees and interest shall be calculated on the basis of a year of 360 days for the actual number of days elapsed. Any change in the interest rate on any of the

Obligations resulting from a change in the Prime Rate shall become effective as of the opening of business on the day on which such change in the Prime Rate is announced.

2.2.5 Payments.

All payments of the Obligations, including, without limitation, principal, interest, Prepayments, and Fees, shall be paid by the Borrower without setoff or counterclaim to the Lender (except as otherwise provided herein) at the Lender's office specified in Section 7.1 (Notices) in immediately available funds not later than noon (Eastern Time) on the due date of such payment. All payments received by the Lender after such time shall be deemed to have been received by the Lender for purposes of computing interest and Fees and otherwise as of the next Business Day. Payments shall not be considered received by the Lender until such payments are paid to the Lender in immediately available funds.

2.2.6 Setoff.

Without implying any limitation on any other rights the Lender may have under the Financing Documents or applicable Laws, during the continuance of an Event of Default, the Lender is hereby authorized by the Borrower at any time and from time to time, without notice to the Borrower, to set off, appropriate and apply any or all monies, securities, and other property of the Borrower and the proceeds thereof, now or hereafter held or received by or in transit to, the Lender, and/or any Affiliate of the Lender, from or for the Borrower, and also any and all deposit accounts (general or special) and credits of the Borrower, if any, with the Lender or any Affiliate of the Lender, at any time existing, excluding any deposit accounts held by the Borrower in their capacity as trustee for Persons who are not Affiliates of the Borrower against all Obligations then outstanding (whether or not then due), all in such order and manner as shall be determined by the Lender in its sole and absolute discretion.

2.2.7 Requirements of Law.

In the event that the Lender shall have determined in good faith that (a) the adoption of any Capital Adequacy Regulation, or (b) any change in any Capital Adequacy Regulation or application thereof or (c) compliance by the Lender or any corporation controlling the Lender with any request or directive regarding capital adequacy (whether or not having the force of law) from any central bank or Governmental Authority, does or shall have the effect of reducing the rate of return on the capital of the Lender or any corporation controlling the Lender, as a consequence of the obligations of the Lender hereunder to a level below that which the Lender or any corporation controlling the Lender would have achieved but for such adoption, change or compliance (taking into consideration the policies of the Lender and the corporation controlling the Lender, with respect to capital adequacy) by an amount deemed by the Lender to be material, then from time to time, after submission by the Lender to the Borrower of a written request therefor and a statement of the basis for such determination, the Borrower shall pay to the Lender such additional amount or amounts in order to compensate for such reduction.

ARTICLE III
REPRESENTATIONS AND WARRANTIES

Section 3.1 Representations and Warranties.

The Borrower represents and warrants to the Lender, as follows:

3.1.1 Subsidiaries.

The Borrower has the Subsidiaries listed on the Information Sheet attached hereto as EXHIBIT B and made a part hereof and no others. Each of the Subsidiaries is a Wholly Owned Subsidiary except as shown on the Information Sheet, which correctly indicates the nature and amount of the Borrower's ownership interests therein.

3.1.2 Good Standing.

The Borrower and each of its Subsidiaries (a) is duly organized, existing and in good standing under the laws of the jurisdiction of its formation, (b) has the power to own its property and to carry on its business as now being conducted, and (c) is duly qualified to do business and is in good standing in each jurisdiction in which the character of the properties owned by it therein or in which the transaction of its business makes such qualification necessary.

3.1.3 Power and Authority.

The Borrower has full power and authority to execute and deliver this Agreement, and the other Financing Documents to which it is a party, to make the borrowings under this Agreement and to incur and perform the Obligations whether under this Agreement, the other Financing Documents or otherwise, all of which have been duly authorized by all proper and necessary corporate action. No consent or approval of shareholders or any creditors of the Borrower, and no consent, approval, filing or registration with or notice to any Governmental Authority on the part of the Borrower, is required as a condition to the execution, delivery, validity or enforceability of this Agreement, or any of the other Financing Documents, the performance by the Borrower of the Obligations.

3.1.4 Binding Agreements.

This Agreement and the other Financing Documents executed and delivered by the Borrower have been properly executed and delivered and constitute the valid and legally binding obligations of the Borrower and are fully enforceable against the Borrower in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting the rights and remedies of creditors and secured parties, and general principles of equity regardless of whether applied in a proceeding in equity or at law.

3.1.5 No Conflicts.

Neither the execution, delivery and performance of the terms of this Agreement or of any of the other Financing Documents executed and delivered by the Borrower nor the consummation of the transactions contemplated by this Agreement will conflict with,

violate or be prevented by (a) the Borrower's organizational documents, (b) any existing mortgage, indenture, contract or agreement binding on the Borrower or affecting its property, or (c) any Laws.

3.1.6 No Defaults, Violations.

(a) No Default or Event of Default has occurred and is continuing.

(b) Neither the Borrower nor any of its Subsidiaries is in default beyond any applicable grace or cure period under or with respect to any obligation under any existing mortgage, indenture, contract or agreement binding on it or affecting its property in any respect which could be materially adverse to the business, operations, property or financial condition of the Borrower, or which could materially adversely affect the ability of the Borrower to perform its obligations under this Agreement or the other Financing Documents, to which the Borrower is a party.

3.1.7 Compliance with Laws.

To the best of the Borrower's knowledge, information and belief, neither the Borrower nor any of its Subsidiaries is in violation of any applicable Laws (including, without limitation, any Laws relating to employment practices, to environmental, occupational and health standards and controls) or order, writ, injunction, decree or demand of any court, arbitrator, or any Governmental Authority affecting the Borrower or any of its properties, the violation of which, considered in the aggregate, could materially adversely affect the business, operations or properties of the Borrower and/or its Subsidiaries.

3.1.8 Margin Stock.

None of the proceeds of the Loan will be used, directly or indirectly, by the Borrower or any Subsidiary for the purpose of purchasing or carrying, or for the purpose of reducing or retiring any indebtedness which was originally incurred to purchase or carry, any "margin stock" within the meaning of Regulation U (12 CFR Part 221), of the Board of Governors of the Federal Reserve System or for any other purpose which might make the transactions contemplated in this Agreement a "purpose credit" within the meaning of Regulation U, or cause this Agreement to violate any other regulation of the Board of Governors of the Federal Reserve System or the Securities Exchange Act of 1934 or the Small Business Investment Act of 1958, as amended, or any rules or regulations promulgated under any of such statutes.

3.1.9 Investment Company Act; Margin Securities.

Neither the Borrower nor any of its Subsidiaries is an investment company within the meaning of the Investment Company Act of 1940, as amended, nor is it, directly or indirectly, controlled by or acting on behalf of any Person which is an investment company within the meaning of said Act. Neither the Borrower nor any of its Subsidiaries is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying "margin stock" within the meaning of Regulation U (12 CFR Part 221), of the Board of Governors of the Federal Reserve System.

3.1.10 Litigation.

Except as otherwise disclosed on Schedule 3.1.10 attached

hereto and made a part hereof, there are no proceedings, actions or investigations pending or, so far as the Borrower knows, threatened before or by any court, arbitrator or any Governmental Authority which, in any one case or in the aggregate, if determined adversely to the interests of the Borrower or any Subsidiary, would have a material adverse effect on the business, properties, condition (financial or otherwise) or operations, present or prospective, of the Borrower.

3.1.11 Financial Condition.

The consolidated financial statements of the Borrower dated September 30, 2000, are complete and correct and fairly present the financial position of the Borrower and its Subsidiaries and the results of their operations and transactions in their surplus accounts as of the date and for the period referred to and have been prepared in accordance with GAAP applied on a consistent basis throughout the period involved. There are no liabilities, direct or indirect, fixed or contingent, of the Borrower or any Subsidiary as of the date of such financial statements that are not reflected therein or in the notes thereto. There has been no adverse change in the financial condition or operations of the Borrower or any Subsidiary since the date of such financial statements and to the Borrower's knowledge no such adverse change is pending or threatened. Neither the Borrower nor any Subsidiary has guaranteed the obligations of, or made any investment in or advances to, any Person, except as disclosed in such financial statements.

3.1.12 Full Disclosure.

The financial statements referred to in Section 3.1.11 (Financial Condition) of this Agreement, the Financing Documents (including, without limitation, this Agreement), and the statements, reports or certificates furnished by the Borrower in connection with the Financing Documents (a) do not contain any untrue statement of a material fact and (b) when taken in their entirety, do not omit any material fact necessary to make the statements contained therein not misleading. There is no fact known to the Borrower which the Borrower has not disclosed to the Lender in writing prior to the date of this Agreement with respect to the transactions contemplated by the Financing Documents which materially and adversely affects or in the future could, in the reasonable opinion of the Borrower, materially adversely affect the condition, financial or otherwise, results of operations, business, or assets of the Borrower or of any Subsidiary.

3.1.13 Indebtedness for Borrowed Money.

Except for the Obligations and except as set forth in Schedule

3.1.13 attached hereto and made a part hereof, the Borrower has no Indebtedness

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for Borrowed Money. The Lender has received photocopies of all promissory notes evidencing any Indebtedness for Borrowed Money set forth in Schedule 3.1.13,

together with any and all subordination agreements, other agreements, documents, or instruments securing, evidencing, guarantying or otherwise executed and delivered in connection therewith.

3.1.14 Taxes.

The Borrower and its Subsidiaries has filed all returns, reports and forms for Taxes which, to the knowledge of the Borrower, are required to be filed, and has paid all

Taxes as shown on such returns or on any assessment received by it, to the extent that such Taxes have become due, unless and to the extent only that such Taxes, assessments and governmental charges are currently contested in good faith and by appropriate proceedings by a Borrower, such Taxes are not the subject of any Liens other than Permitted Liens, and adequate reserves therefor have been established as required under GAAP. All tax liabilities of the Borrower were as of the date of audited financial statements referred to in Section 3.1.11 (Financial Condition), and are now, adequately provided for on the books of the Borrower and its Subsidiaries, as appropriate. No tax liability has been asserted by the Internal Revenue Service or any state or local authority against the Borrower for Taxes in excess of those already paid.

3.1.15 ERISA.

With respect to any Plan that is maintained or contributed to by the Borrower and/or by any Commonly Controlled Entity or as to which the Borrower retains material liability: (a) no "accumulated funding deficiency" as defined in Code (S)412 or ERISA (S)302 has occurred, whether or not that accumulated funding deficiency has been waived; (b) no Reportable Event has occurred other than events for which reporting has been waived or that are unlikely to result in material liability for the Borrower; (c) no termination of any plan subject to Title IV of ERISA has occurred; (d) neither the Borrower nor any Commonly Controlled Entity has incurred a "complete withdrawal" within the meaning of ERISA (S)4203 from any Multi-employer Plan that is likely to result in material liability for one or more of the Borrower; (e) neither the Borrower nor any Commonly Controlled Entity has incurred a "partial withdrawal" within the meaning of ERISA (S)4205 with respect to any Multi-employer Plan that is likely to result in material liability for one or more of the Borrower; (f) no Multi-employer Plan to which the Borrower or any Commonly Controlled Entity has an obligation to contribute is to the knowledge of the Borrower, in "reorganization" within the meaning of ERISA (S)4241 nor has notice been received by the Borrower or any Commonly Controlled Entity that such a Multi-employer Plan will be placed in "reorganization."

3.1.16 Title to Properties.

The Borrower has good and marketable title to all of its properties, including, without limitation, the properties and assets reflected in the balance sheets described in Section 3.1.11 (Financial Condition). The Borrower has legal, enforceable and uncontested rights to use freely such property and assets.

3.1.17 Employee Relations.

Except as disclosed on Schedule 3.1.17 attached hereto and -----
made a part hereof, (a) no Borrower nor any Subsidiary thereof nor any of the Borrower's or Subsidiary's employees is subject to any collective bargaining agreement, (b) no petition for certification or union election is pending with respect to the employees of the Borrower or any Subsidiary and no union or collective bargaining unit has sought such certification or recognition with respect to the employees of a Borrower, (c) there are no strikes, slowdowns, work stoppages or controversies pending or, to the best knowledge of the Borrower after due inquiry, threatened between the Borrower and its employees, and (d) no Borrower nor any Subsidiaries is subject to an employment contract, severance agreement, commission contract, consulting agreement or bonus agreement. Hours worked and payments made to the employees of the Borrower has not been in violation of the Fair Labor Standards Act or any other applicable law dealing with such

matters. All payments due from the Borrower or for which any claim may be made against a Borrower, on account of wages and employee and retiree health and welfare insurance and other benefits have been paid or accrued as a liability on its books. The consummation of the transactions contemplated by the Financing Agreement or any of the other Financing Documents, will not give rise to a right of termination or right of renegotiation on the part of any union under any collective bargaining agreement to which the Borrower is a party or by which it is bound.

3.1.18 Presence of Hazardous Materials or Hazardous

Materials Contamination.

To the best of Borrower's knowledge, (a) no Hazardous Materials are located on any real property owned, controlled or operated by of the Borrower or for which the Borrower is, or is claimed to be, responsible, except for reasonable quantities of necessary supplies for use by a Borrower in the ordinary course of its current line of business and stored, used and disposed in accordance with applicable Laws; and (b) no property owned, controlled or operated by the Borrower or for which the Borrower has, or is claimed to have, responsibility has ever been used as a manufacturing, storage, or dump site for Hazardous Materials nor is affected by Hazardous Materials Contamination at any other property.

3.1.19 Intellectual Property.

The Borrower and its Subsidiaries owns or possesses or holds under valid non-cancelable licenses all patents, trademarks, service marks, trade names, copyrights, licenses and other intellectual property rights that are necessary for the operation of its properties and businesses, and neither the Borrower nor any of its Subsidiaries is in violation of any provision thereof. The Borrower and its Subsidiaries conduct their business without infringement or claim of infringement of any material license, patent, trademark, trade name, service mark, copyright, trade secret or any other intellectual property right of others and there is no infringement or claim of infringement by others of any material license, patent, trademark, trade name, service mark, copyright, trade secret or other intellectual property right of the Borrower and its Subsidiaries.

Section 3.2 Survival; Updates of Representations and Warranties.

All representations and warranties contained in or made under or in connection with this Agreement and the other Financing Documents shall survive the Closing Date, the making of any advance under the Loan and extension of credit made hereunder, and the incurring of any other Obligations and shall be deemed to have been made at the time of each request for, and again at the time of the making of, each advance under the Loan, except that the representations and warranties which relate to the financial statements which are referred to in Section 3.1.11 (Financial Condition), shall also be deemed to cover financial statements furnished from time to time to the Lender pursuant to Section 5.1.1 (Financial Statements).

ARTICLE IV
CONDITIONS PRECEDENT

Section 4.1 Conditions to the Initial Advance.

The making of the initial advance under the Loan is subject to the fulfillment on or before the Closing Date of the following conditions precedent in a manner satisfactory in form and substance to the Lender and its counsel:

4.1.1 Organizational Documents - Borrower.

The Lender shall have received for the Borrower:

(a) a certificate of good standing certified by the Secretary of State, or other appropriate Governmental Authority, of the state of formation of the Borrower;

(b) a certificate of qualification to do business for the Borrower certified by the Secretary of State or other Governmental Authority of each state in which the Borrower conducts business;

(c) a certificate dated as of the Closing Date by the Secretary or an Assistant Secretary of the Borrower covering:

(i) true and complete copies of the Borrower's organizational documents, and all amendments thereto;

(ii) true and complete copies of the resolutions of its Board of Directors authorizing (A) the execution, delivery and performance of the Financing Documents to which it is a party, (B) the borrowings hereunder, and (C) the granting of the Liens contemplated by this Agreement and the Financing Documents to which the Borrower is a party;

(iii) the incumbency, authority and signatures of the officers of the Borrower authorized to sign this Agreement and the other Financing Documents to which the Borrower is a party; and

4.1.2 Organizational Documents - Corporate Guarantor.

The Lender shall have received for the Corporate Guarantor:

(a) a certificate of good standing certified by the Secretary of State, or other appropriate Governmental Authority, of the state of formation of the Corporate Guarantor;

(b) a certificate of qualification to do business for the Corporate Guarantor certified by the Secretary of State or other Governmental Authority of each state in which the Corporate Guarantor conducts business;

(c) a certificate dated as of the Closing Date by the Secretary or an Assistant Secretary of the Corporate Guarantor covering:

(i) true and complete copies of that Corporate Guarantor's organizational documents, and all amendments thereto;

(ii) true and complete copies of the resolutions of its Board of Directors authorizing (A) the execution, delivery and performance of the Financing Documents to which it is a party and (B) the borrowings hereunder; and

(iii) the incumbency, authority and signatures of the officers of the Borrower authorized to sign this Agreement and the other Financing Documents to which the Borrower is a party.

4.1.3 Consents, Licenses, Approvals, Etc.

The Lender shall have received copies of all consents, licenses and approvals, required in connection with the execution, delivery, performance, validity and enforceability of the Financing Documents, and such consents, licenses and approvals shall be in full force and effect.

4.1.4 Note.

The Lender shall have received the Revolving Credit Note conforming to the requirements hereof and executed by a Responsible Officer of the Borrower and attested by a duly authorized representative of the Borrower.

4.1.5 Financing Documents.

The Borrower shall have executed and delivered the Financing Documents to be executed by it.

4.1.6 Other Financing Documents.

In addition to the Financing Documents to be delivered by the Borrower, the Lender shall have received the Financing Documents duly executed and delivered by Persons other than the Borrower.

4.1.7 Other Documents, Etc.

The Lender shall have received such other certificates, opinions, documents and instruments confirmatory of or otherwise relating to the transactions contemplated hereby as may have been reasonably requested by the Lender.

4.1.8 Payment of Fees.

The Lender shall have received payment of any Fees due on or before the Closing Date.

4.1.9 Information Sheet.

The Borrower shall have delivered the Information Sheet attached hereto as EXHIBIT B and made a part hereof (the "Information Sheet")

duly executed by a Responsible Officer of the Borrower.

4.1.10 Insurance Certificate.

The Lender shall have received an insurance certificate in accordance with the provisions of Section 5.1.8 (Insurance).

Section 4.2 Conditions to all Extensions of Credit.

The making of all advances under the Loan is subject to the fulfillment of the following conditions precedent in a manner satisfactory in form and substance to the Lender and its counsel:

4.2.1 Compliance.

The Borrower shall have complied and shall then be in compliance with all terms, covenants, conditions and provisions of this Agreement and the other Financing Documents that are binding upon it.

4.2.2 Default.

There shall exist no Event of Default or Default hereunder.

4.2.3 Representations and Warranties.

The representations and warranties of the Borrower contained among the provisions of this Agreement shall be true and with the same effect as though such representations and warranties had been made at the time of the making of, and of the request for, each advance under the Loan, except that the representations and warranties which relate to financial statements which are referred to in Section 3.1.11 (Financial Condition), shall also be deemed to cover financial statements furnished from time to time to the Lender pursuant to Section 5.1.1 (Financial Statements).

4.2.4 Adverse Change.

No adverse change shall have occurred in the condition (financial or otherwise), operations or business of the Borrower that would, in the good faith judgment of the Lender, materially impair the ability of that Borrower to pay or perform any of the Obligations.

ARTICLE V
COVENANTS OF THE BORROWER

Section 5.1 Affirmative Covenants.

So long as any of the Obligations (or the Commitment therefor) shall be outstanding hereunder, the Borrower agrees with the Lender as follows:

5.1.1 Financial Statements.

The Borrower shall furnish to the Lender:

(a) Annual Statements and Certificates. The Borrower

shall furnish to the Lender as soon as available, but in no event more than ninety (90) days after the close of the Borrower's fiscal years, (i) a copy of the annual financial statement in reasonable detail satisfactory to the Lender relating to the Borrower and its Subsidiaries, prepared in accordance with GAAP and examined and certified by independent certified public accountants satisfactory to the Lender, which financial statement shall include a consolidated and consolidating balance sheet of the Borrower and its Subsidiaries as of the end of such fiscal year and consolidated and consolidating statements of income, cash flows and changes in shareholders equity of the Borrower and its Subsidiaries for such fiscal year, and (ii) a Compliance Certificate, in substantially the form attached to this Agreement as EXHIBIT C, containing a detailed computation of each financial covenant

in this Agreement which is applicable for the period reported, a certification that no change has occurred to the information contained in the Information Sheet (except as set forth in any schedule attached to the certification), and a cash flow projection report, each prepared by a Responsible Officer of the Borrower in a format acceptable to the Lender and (iii) a management letter in the form prepared by the Borrower's independent certified public accountants.

(b) Annual Opinion of Accountant. The Borrower shall

furnish to the Lender as soon as available, but in no event more than ninety (90) days after the close of the Borrower's fiscal years, a letter or opinion of the accountant who examined and certified the annual financial statement relating to the Borrower and its Subsidiaries (i) stating whether anything in such accountant's examination has revealed the occurrence of a Default or an Event of Default hereunder, and, if so, stating the facts with respect thereto and (ii) acknowledging that the Lender will rely on the statement and that the Borrower knows of the intended reliance by the Lender.

(c) Quarterly Statements and Certificates. The Borrower

shall furnish to the Lender as soon as available, but in no event more than thirty (30) days after the close of the Borrower's fiscal quarters, consolidated and consolidating balance sheets of the Borrower and its Subsidiaries as of the close of such period, consolidated and consolidating income, cash flows and changes in shareholders equity statements for such period, projected cash flow on a month to month basis and projected income statements, and a Compliance Certificate, in substantially the form attached to this Agreement as EXHIBIT B, containing a detailed computation of each financial covenant which is applicable for the period reported, a certification that no change has occurred to the information contained in the Collateral Disclosure List (except as set forth on any schedule attached to the certification), and a cash flow projection report, each prepared by a Responsible Officer of the Borrower in a format acceptable to the Lender, all as prepared and certified by a Responsible Officer of the Borrower and accompanied by a certificate of that officer stating whether any event has occurred which constitutes a Default or an Event of Default hereunder, and, if so, stating the facts with respect thereto.

(d) Additional Reports and Information. The Borrower

shall furnish to the Lender promptly, such additional information, reports or statements as the Lender may from time to time reasonably request.

5.1.2 Reports to SEC and to Stockholders.

The Borrower will furnish to the Lender, promptly upon the filing or making thereof, at least one (1) copy of all financial statements, reports, notices and proxy statements sent by the Borrower to its stockholders, and of all regular and other reports filed by the Borrower with any securities exchange or with the Securities and Exchange Commission.

5.1.3 Recordkeeping, Rights of Inspection, Field Examination,

Etc.

(a) The Borrower shall, and shall cause each of its Subsidiaries to, maintain (i) a standard system of accounting in accordance with GAAP, and (ii) proper books of record and account in which full, true and correct entries are made of all dealings and transactions in relation to its properties, business and activities.

(b) The Borrower shall, and shall cause each of its Subsidiaries to, permit authorized representatives of the Lender to visit and inspect the properties of the Borrower and its Subsidiaries, to review, audit, check and inspect the Borrower's books of record at any time with or without notice and to make abstracts and photocopies thereof, and to discuss the affairs, finances and accounts of the Borrower and its Subsidiaries, with the officers, directors, employees and other representatives of the Borrower and its Subsidiaries and their respective accountants, all at such times during normal business hours and other reasonable times and as often as the Lender may reasonably request.

(c) The Borrower hereby irrevocably authorizes and directs all accountants and auditors employed by the Borrower and/or any of its Subsidiaries at any time prior to the repayment in full of the Obligations to exhibit and deliver to the Lender copies of any and all of the financial statements, trial balances, management letters, or other accounting records of any nature of the Borrower and/or any or all of its Subsidiaries in the accountant's or auditor's possession, and to disclose to the Lender any information they may have concerning the financial status and business operations of the Borrower and/or any or all of its Subsidiaries. Further, the Borrower hereby authorizes all Governmental Authorities to furnish to the Lender copies of reports or examinations relating to any and all of the Borrower and/or any or all Subsidiaries, whether made by the Borrower or otherwise.

(d) Any and all costs and expenses incurred by, or on behalf of, the Lender in connection with the conduct of any of the foregoing, shall be part of the Enforcement Costs and shall be payable to the Lender upon demand.

5.1.4 Existence.

The Borrower shall maintain, and cause each of its Subsidiaries to maintain, its existence in good standing in the jurisdiction in which it is formed and in each other jurisdiction where it is required to register or qualify to do business if the failure to do so in such other jurisdiction might have a material adverse effect on the ability of the Borrower to perform

the Obligations, on the conduct of the Borrower's operations, or on the Borrower's financial condition.

5.1.5 Compliance with Laws.

The Borrower shall comply, and cause each of its Subsidiaries to comply, with all applicable Laws and observe the valid requirements of Governmental Authorities, the noncompliance with or the non-observance of which might have a material adverse effect on the ability of the Borrower to perform the Obligations, on the conduct of the Borrower's operations, on the Borrower's consolidated financial condition.

5.1.6 Preservation of Properties.

The Borrower will, and will cause each of its Subsidiaries to, at all times (a) maintain, preserve, protect and keep its properties, whether owned or leased, in good operating condition, working order and repair (ordinary wear and tear excepted), and from time to time will make all proper repairs, maintenance, replacements, additions and improvements thereto needed to maintain such properties in good operating condition, working order and repair, and (b) do or cause to be done all things necessary to preserve and to keep in full force and effect its material franchises, leases of real and personal property, trade names, patents, trademarks and permits which are necessary for the orderly continuance of its business.

5.1.7 Line of Business.

The Borrower will continue to engage substantially only in the business of manufacturing.

5.1.8 Insurance.

The Borrower will, and will cause each of its Subsidiaries to, at all times maintain with "A" or better rated insurance companies such insurance as is required by applicable Laws and such other insurance, in such amounts, of such types and against such risks, hazards, liabilities, casualties and contingencies as are usually insured against in the same geographic areas by business entities engaged in the same or similar business. Within thirty (30) days after notice in writing from the Lender, the Borrower will obtain such additional insurance as the Lender may reasonably request.

5.1.9 Taxes.

Except to the extent that the validity or amount thereof is being contested in good faith and by appropriate proceedings, the Borrower will, and will cause each of its Subsidiaries, to pay and discharge all Taxes prior to the date when any interest or penalty would accrue for the nonpayment thereof. The Borrower shall furnish to the Lender at such times as the Lender may require proof satisfactory to the Lender of the making of payments or deposits required by applicable Laws including, without limitation, payments or deposits with respect to amounts withheld by the Borrower from wages and salaries of employees and amounts contributed by the Borrower on account of federal and other income or wage taxes and amounts due under the Federal Insurance Contributions Act, as amended.

5.1.10 ERISA.

The Borrower will, and will cause each of its Commonly Controlled Entities to, comply with the funding requirements of ERISA with respect to Plans for its respective employees. The Borrower will not permit with respect to any Plan (a) any prohibited transaction or transactions under ERISA or the Internal Revenue Code, which results, or may result, in any material liability of the Borrower, or (b) any Reportable Event if, upon termination of the plan or plans with respect to which one or more such Reportable Events shall have occurred, there is or would be any material liability of the Borrower to the PBGC. Upon the Lender's request, the Borrower will deliver to the Lender a copy of the most recent actuarial report, financial statements and annual report completed with respect to any Plan.

5.1.11 Notification of Events of Default and Adverse

Developments.

The Borrower shall promptly notify the Lender upon obtaining knowledge of the occurrence of:

(a) any Event of Default;

(b) any Default;

(c) any litigation instituted or threatened against the Borrower or any of its Subsidiaries and of the entry of any judgment or Lien (other than any Permitted Liens) against any of the assets or properties of the Borrower or any Subsidiary where the claims against the Borrower or any Subsidiary exceed Ten Thousand Dollars (\$10,000) and are not covered by insurance;

(d) any event, development or circumstance whereby the financial statements furnished hereunder fail in any material respect to present fairly, in accordance with GAAP, the financial condition and operational results of the Borrower or any of its Subsidiaries;

(e) any judicial, administrative or arbitral proceeding pending against the Borrower or any of its Subsidiaries and any judicial or administrative proceeding known by the Borrower to be threatened against the Borrower or any Subsidiary which, if adversely decided, could materially adversely affect the financial condition or operations (present or prospective) of the Borrower or any Subsidiary;

(f) the receipt by the Borrower or any Subsidiary of any notice, claim or demand from any Governmental Authority which alleges that the Borrower or any Subsidiary is in violation of any of the terms of, or has failed to comply with any applicable Laws regulating its operation and business, including, but not limited to, the Occupational Safety and Health Act and the Environmental Protection Act; and

(g) any other development in the business or affairs of the Borrower or any of its Subsidiaries which may be materially adverse;

in each case describing in detail satisfactory to the Lender the nature thereof and the action the Borrower proposes to take with respect thereto.

5.1.12 Hazardous Materials; Contamination.

The Borrower agrees to:

(a) give notice to the Lender immediately upon acquiring knowledge of the presence of any Hazardous Materials or any Hazardous Materials Contamination on any property owned, operated or controlled by the Borrower or for which the Borrower is, or is claimed to be, responsible (provided that such notice shall not be required for Hazardous Materials placed or stored on such property in accordance with applicable Laws in the ordinary course (including, without limitation, quantity) of a Borrower's line of business expressly described in this Agreement), with a full description thereof;

(b) promptly comply with any Laws requiring the removal, treatment or disposal of Hazardous Materials or Hazardous Materials Contamination and provide the Lender with satisfactory evidence of such compliance;

(c) provide the Lender, within thirty (30) days after a demand by the Lender, with a bond, letter of credit or similar financial assurance evidencing to the Lender's satisfaction that the necessary funds are available to pay the cost of removing, treating, and disposing of such Hazardous Materials or Hazardous Materials Contamination and discharging any Lien which may be established as a result thereof on any property owned, operated or controlled by the Borrower or for which the Borrower is, or is claimed to be, responsible; and

(d) as part of the Obligations, defend, indemnify and hold harmless the Lender and its agents, employees, trustees, successors and assigns from any and all claims which may now or in the future (whether before or after the termination of this Agreement) be asserted as a result of the presence of any Hazardous Materials or any Hazardous Materials Contamination on any property owned, operated or controlled by the Borrower for which the Borrower is, or is claimed to be, responsible. The Borrower acknowledges and agrees that this indemnification shall survive the termination of this Agreement and the Commitment and the payment and performance of all of the other Obligations.

5.1.13 Financial Covenants.

(a) Funded Debt Coverage Ratio. The Borrower will not, as of the end of any fiscal quarter ending on or after the dates indicated below, permit the ratio of (a) the Indebtedness for Borrowed Money of the Borrower and their consolidated Subsidiaries as of the end of such fiscal quarter, to (b) Consolidated EBITDA for the four (4) quarter period ended as of the end of such fiscal quarter, to be more than:

Period -----	Ratio -----
December 31, 2000	2.0 to 1.0
March 31, 2001	2.5 to 1.0

(b) Limitations on Debt. The Borrower will not at any

time permit the ratio of Total Consolidated Debt to Total Consolidated
Capitalization, as a percentage, to exceed fifty five percent (55%).

Section 5.2 Negative Covenants.

So long as any of the Obligations or the Commitment therefor shall be
outstanding hereunder, the Borrower agrees with the Lender that without the
prior written consent of the Lender, which consent shall not be unreasonably
withheld, conditioned or delayed:

5.2.1 Capital Structure, Merger, Acquisition or Sale of

Assets.

The Borrower will not alter or amend its capital structure,
authorize any additional class of equity, issue any stock or equity of any
class, enter into any merger or consolidation or amalgamation, windup or
dissolve itself (or suffer any liquidation or dissolution) or sell, lease or
otherwise dispose of any of its assets (except Inventory disposed of in the
ordinary course of business prior to an Event of Default). Any consent of the
Lender to the disposition of any assets may be conditioned on a specified use of
the proceeds of disposition. Notwithstanding the foregoing, the Borrower may
merge with another Person if (a) the Borrower is the entity surviving such
merger and (b) after giving effect thereto, no Default or Event of Default shall
have occurred.

5.2.2 Acquisitions.

The Borrower will not, and will not permit any of its
Subsidiaries to, enter into any Acquisition transaction except:

(a) the Borrower and any Subsidiary may acquire assets
in the ordinary course of business for fair consideration;

(b) the Borrower and any Subsidiary may enter into any
Acquisition transaction with respect to which the purchase price consists
of capital stock of the
acquiring Person; and

(c) the Borrower and any Subsidiary may enter into any
other Acquisition transaction, but only to the extent (i) the purchase
price (including any assumption of liabilities in connection therewith, but
excluding any portion of the purchase price for any such Acquisition
consisting of capital stock or other securities of the purchaser) of all
such Acquisitions occurring during any fiscal year of the Borrower does not
exceed \$10,000,000 and (ii) after giving effect on a pro forma basis to
such Acquisition (including but not limited to any Debt to be incurred or
assumed by the purchaser in connection therewith), no Default would exist
hereunder.

5.2.3 Purchase or Redemption of Securities, Dividend

Restrictions.

The Borrower will not purchase, redeem or otherwise
acquire any shares of its capital stock or warrants now or hereafter
outstanding, declare or pay any dividends thereon (other than stock dividends),
apply any of its property or assets to the purchase,

redemption or other retirement of, set apart any sum for the payment of any dividends on, or for the purchase, redemption, or other retirement of, make any distribution by reduction of capital or otherwise in respect of, any shares of any class of capital stock of the Borrower, or any warrants, permit any Subsidiary to purchase or acquire any shares of any class of capital stock of, or warrants issued by, the Borrower, make any distribution to stockholders or set aside any funds for any such purpose, and not prepay, purchase or redeem any Indebtedness for Borrowed Money other than the Obligations except that any Subsidiary may pay dividends to the Borrower.

5.2.4 Indebtedness.

The Borrower will not create, incur, assume or suffer to exist any Indebtedness for Borrowed Money or permit any Subsidiary to do so, except:

- (a) the Obligations;
- (b) current accounts payable arising in the ordinary course;
- (c) Indebtedness secured by Permitted Liens; and
- (d) Indebtedness of the Borrower existing on the date hereof and reflected on the financial statements furnished pursuant to Section 3.1.11 (Financial Condition).

5.2.5 Investments, Loans and Other Transactions.

Except as otherwise provided in this Agreement, the Borrower will not, and will not permit any of its Subsidiaries to, (a) make, assume, acquire or continue to hold any investment in any real property (unless used in connection with its business and treated as a Fixed or Capital Asset of the Borrower or any Subsidiary) or any Person, whether by stock purchase, capital contribution, acquisition of indebtedness of such Person or otherwise (including, without limitation, investments in any joint venture or partnership), (b) guaranty or otherwise become contingently liable for the Indebtedness or obligations of any Person, or (c) make any loans or advances, or otherwise extend credit to any Person, except:

- (i) any advance to an officer or employee of the Borrower or any Subsidiary for travel or other business expenses in the ordinary course of business, provided that the aggregate amount of all such advances by all of the Borrower and its Subsidiaries (taken as a whole) outstanding at any time shall not exceed Fifty Thousand Dollars (\$50,000);
- (ii) the endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business;
- (iii) any investment in real property which is secured by a Permitted Lien;
- (iv) guarantees of any Person in excess of \$250,000 in the aggregate at any time;

(v) trade credit extended to customers in the ordinary course of business; and

(vi) any other Investment transaction, but only to the extent (A) the purchase price (including any assumption of liabilities in connection therewith, but excluding any portion of the purchase price for any such Investment consisting of capital stock or other securities of the purchaser) of all such Investments occurring during any fiscal year of the Borrower does not exceed \$10,000,000 and (B) after giving effect on a pro forma basis to such Investment (including but not limited to any Indebtedness for Borrowed Money to be incurred or assumed by the purchaser in connection therewith), no Default would exist hereunder.

5.2.6 Operating Lease Obligations.

The Borrower will not incur or permit to exist any Lease Obligations except Capital Leases expressly permitted by this Agreement or permit any Subsidiary to do so, if the pro forma Fixed Charge Coverage Ratio after giving effect to such operating lease during the most recent period used to determine compliance under Section 5.1.13 (Financial Covenants) would be less than 2.0:1.0.

5.2.7 Stock of Subsidiaries.

The Borrower will not sell or otherwise dispose of any shares of capital stock of any Subsidiary (except in connection with a merger or consolidation of a Wholly Owned Subsidiary into the Borrower or another Wholly Owned Subsidiary of the Borrower or with the dissolution of any Subsidiary) or permit any Subsidiary to issue any additional shares of its capital stock except pro rata to its stockholders.

5.2.8 Subordinated Indebtedness.

The Borrower will not, nor will it permit any Subsidiary to make:

(a) any payment of principal of, or interest on, any of the Subordinated Indebtedness, including, without limitation, the Subordinated Debt, if a Default or an Event of Default then exists hereunder or would result from such payment;

(b) any payment of the principal or interest due on the Subordinated Indebtedness as a result of acceleration thereunder or a mandatory prepayment thereunder;

(c) any amendment or modification of or supplement to the documents evidencing or securing the Subordinated Indebtedness; and

(d) payment of principal or interest on the Subordinated Indebtedness other than when due (without giving effect to any acceleration of maturity or mandatory prepayment).

5.2.9 Liens.

The Borrower agrees that it (a) will not create, incur, assume or suffer to exist any Lien upon any of its Accounts, Inventory or proceeds thereof, or sell any Accounts, Inventory or proceeds thereof subject to an understanding or agreement, contingent or otherwise, to repurchase such Accounts, Inventory 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 5.2.9 shall not prevent the creation, incurrence, assumption or existence of Permitted Liens.

5.2.10 Transactions with Affiliates.

Neither the Borrower nor any of its Subsidiaries will enter into or participate in any transaction with any Affiliate or, except in the ordinary course of business, with the officers, directors, employees and other representatives of the Borrower and/or any Subsidiary.

5.2.11 Other Businesses.

Neither the Borrower nor any of its Subsidiaries will engage directly or indirectly in any business other than its current line of business described elsewhere in this Agreement.

5.2.12 ERISA Compliance.

Neither the Borrower nor any Commonly Controlled Entity shall: (a) engage in or permit any "prohibited transaction" (as defined in ERISA); (b) cause any "accumulated funding deficiency" as defined in ERISA and/or the Internal Revenue Code; (c) terminate any pension plan in a manner which could result in the imposition of a lien on the property of the Borrower pursuant to ERISA; (d) terminate or consent to the termination of any Multi-employer Plan; or (e) incur a complete or partial withdrawal with respect to any Multi-employer Plan.

5.2.13 Prohibition on Hazardous Materials.

The Borrower shall not place, manufacture or store or permit to be placed, manufactured or stored any Hazardous Materials on any property owned, operated or controlled by the Borrower or for which the Borrower is responsible other than Hazardous Materials placed or stored on such property in accordance with applicable Laws in the ordinary course of the Borrower's business expressly described in this Agreement.

5.2.14 Amendments.

Other than amendments of provisions consistent with the terms of this Agreement, the Borrower will not amend or agree to amend the Amended and Restated Credit Agreement dated as of August 3, 1999 by and among Trex, LLC and First Union National Bank, as amended by the First Amendment to Amended and Restated Credit Agreement dated as of December 15, 1999, the Second Amendment to Amended and Restated Credit Agreement dated as of April 27, 2000, the Third Amendment to Amended and Restated Credit Agreement dated as

of June 30, 2000 and the Fourth Amendment to Amended and Restated Credit Agreement dated as of October 27, 2000 (as amended, supplemented, modified or restated from time to time the collectively, the "First Union Credit Agreement") without the prior written consent of the Lender, which consent shall not be unreasonably withheld, conditioned or delayed.

5.2.15 Method of Accounting; Fiscal Year.

The Borrower agrees that:

(a) it shall not change the method of accounting employed in the preparation of any financial statements furnished to the Lender under the provisions of Section 5.1.1 (Financial Statements), unless required to conform to GAAP and on the condition that the Borrower's accountants shall furnish such information as the Lender may request to reconcile the changes with the Borrower's prior financial statements

(b) it will not change its fiscal year from a year ending on December 31.

ARTICLE VI
DEFAULT AND RIGHTS AND REMEDIES

Section 6.1 Events of Default.

The occurrence of any one or more of the following events shall constitute an "Event of Default" under the provisions of this Agreement:

6.1.1 Failure to Pay.

The failure of the Borrower to pay any of the Obligations as and when due and payable in accordance with the provisions of this Agreement, the Notes and/or any of the other Financing Documents.

6.1.2 Breach of Representations and Warranties.

Any representation or warranty made in this Agreement or in any report, statement, schedule, certificate, opinion (including any opinion of counsel for the Borrower), financial statement or other document furnished in connection with this Agreement, any of the other Financing Documents, or the Obligations, shall prove to have been false or misleading when made (or, if applicable, when reaffirmed) in any material respect.

6.1.3 Failure to Comply with Covenants.

The failure of the Borrower to perform, observe or comply with any covenant, condition or agreement contained in this Agreement.

6.1.4 Default Under Other Financing Documents or Obligations.

A default shall occur under any of the other Financing Documents or under any other Obligations, and such default is not cured within any applicable grace period provided therein.

6.1.5 Receiver; Bankruptcy.

The Borrower or any Subsidiary shall (a) apply for or consent to the appointment of a receiver, trustee or liquidator of itself or any of its property, (b) admit in writing its inability to pay its debts as they mature, (c) make a general assignment for the benefit of creditors, (d) be adjudicated a bankrupt or insolvent, (e) file a voluntary petition in bankruptcy or a petition or an answer seeking or consenting to reorganization or an arrangement with creditors or to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation law or statute, or an answer admitting the material allegations of a petition filed against it in any proceeding under any such law, or take corporate action for the purposes of effecting any of the foregoing, (f) by any act indicate its consent to, approval of or acquiescence in any such proceeding or the appointment of any receiver or trustee for any of its property, or suffer any such receivership, trusteeship or proceeding to continue undischarged for a period of ninety (90) days, or (g) by any act indicate its consent to, approval of or acquiescence in any order, judgment or decree by any court of competent jurisdiction or any Governmental Authority enjoining or otherwise prohibiting the operation of a material portion of the Borrower's or any Subsidiary's business or the use or disposition of a material portion of the Borrower's or any Subsidiary's assets.

6.1.6 Involuntary Bankruptcy, etc.

(a) An order for relief shall be entered in any involuntary case brought against the Borrower or any Subsidiary under the Bankruptcy Code, or (b) any such case shall be commenced against the Borrower or any Subsidiary and shall not be dismissed within ninety (90) days after the filing of the petition, or (c) an order, judgment or decree under any other Law is entered by any court of competent jurisdiction or by any other Governmental Authority on the application of a Governmental Authority or of a Person other than the Borrower or any Subsidiary (i) adjudicating the Borrower, or any Subsidiary bankrupt or insolvent, or (ii) appointing a receiver, trustee or liquidator of the Borrower or of any Subsidiary, or of a material portion of the Borrower's or any Subsidiary's assets, or (iii) enjoining, prohibiting or otherwise limiting the operation of a material portion of the Borrower's or any Subsidiary's business or the use or disposition of a material portion of the Borrower's or any Subsidiary's assets, and such order, judgment or decree continues unstayed and in effect for a period of thirty (30) days from the date entered.

6.1.7 Judgment.

Unless adequately insured in the opinion of the Lender, the entry of a final judgment for the payment of money involving more than \$250,000 against the Borrower or any Subsidiary, and the failure by the Borrower or such Subsidiary to discharge the same, or cause it to be discharged, within thirty (30) days from the date of the order, decree or process under which or pursuant to which such judgment was entered, or to secure a stay of execution pending appeal of such judgment.

6.1.8 Default Under Other Borrowings.

Default shall be made with respect to any Indebtedness for Borrowed Money of the Borrower (other than the Loan) if the effect of such default is to accelerate the maturity of such Indebtedness for Borrowed Money or to permit the holder or obligee thereof or

other party thereto to cause such Indebtedness for Borrowed Money to become due prior to its stated maturity.

6.1.9 Challenge to Agreements.

The Borrower or any Guarantor shall challenge the validity and binding effect of any provision of any of the Financing Documents or shall state its intention to make such a challenge of any of the Financing Documents or any of the Financing Documents shall for any reason (except to the extent permitted by its express terms) cease to be effective.

6.1.10 Material Adverse Change.

The Lender, in its sole discretion, determines in good faith that a material adverse change has occurred in the financial condition of the Borrower.

6.1.11 Impairment of Position.

The Lender, in its sole discretion, determines in good faith that an event has occurred which impairs the prospect of payment of any of the Obligations.

6.1.12 Liquidation, Termination, Dissolution, etc.

The Borrower shall liquidate, dissolve or terminate its existence without the prior written consent of the Lender, which consent shall not be unreasonably withheld, conditioned or delayed.

6.1.13 Default under First Union Credit Agreement.

If a default shall occur and be continuing beyond any applicable grace or cure period under the First Union Credit Agreement.

6.1.14 Default under other Indebtedness owed to Lender.

If a default shall occur and be continuing beyond any applicable grace or cure period under any other Indebtedness for Borrowed Money (other than the Loan) owed to the Lender, whether now existing or hereafter incurred.

6.1.15 Change of Control.

A Change of Control shall have occurred.

Section 6.2 Remedies.

Upon the occurrence of any Event of Default, the Lender may, in the exercise of its sole and absolute discretion from time to time, at any time thereafter exercise any one or more of the following rights, powers or remedies.

6.2.1 Acceleration.

The Lender may declare any or all of the Obligations to be immediately due and payable, notwithstanding anything contained in this Agreement or in any of the other Financing Documents to the contrary, without presentment, demand, protest, notice of protest or of dishonor, or other notice of any kind, all of which the Borrower hereby waives.

6.2.2 Further Advances.

The Lender may from time to time without notice to the Borrower suspend, terminate or limit any further advances, loans or other extensions of credit under the Commitment, under this Agreement and/or under any of the other Financing Documents. Further, upon the occurrence of an Event of Default or Default specified in Sections 6.1.5 (Receiver; Bankruptcy) or 6.1.6 (Involuntary Bankruptcy, etc.), the Revolving Credit Commitment and any agreement in any of the Financing Documents to provide additional credit shall immediately and automatically terminate and the unpaid principal amount of the Notes (with accrued interest thereon) and all other Obligations then outstanding, shall immediately become due and payable without further action of any kind and without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived by the Borrower.

6.2.3 Performance by Lender.

If the Borrower shall fail to pay the Obligations or otherwise fail to perform, observe or comply with any of the conditions, covenants, terms, stipulations or agreements contained in this Agreement or any of the other Financing Documents, the Lender without notice to or demand upon the Borrower and without waiving or releasing any of the Obligations or any Default or Event of Default, may (but shall be under no obligation to) at any time thereafter make such payment or perform such act for the account and at the expense of the Borrower, and may enter upon the premises of the Borrower for that purpose and take all such action thereon as the Lender may consider necessary or appropriate for such purpose and the Borrower hereby irrevocably appoints the Lender as its attorney-in-fact to do so, with power of substitution, in the name of the Lender, in the name of the Borrower or otherwise, for the use and benefit of the Lender, but at the cost and expense of the Borrower and without notice to the Borrower. All sums so paid or advanced by the Lender together with interest thereon from the date of payment, advance or incurring until paid in full at the Post-Default Rate and all costs and expenses, shall be deemed part of the Enforcement Costs, shall be paid by the Borrower to the Lender on demand, and shall constitute and become a part of the Obligations.

6.2.4 Other Remedies.

The Lender may from time to time proceed to protect or enforce the rights of the Lender by an action or actions at law or in equity or by any other appropriate proceeding, whether for the specific performance of any of the covenants contained in this Agreement or in any of the other Financing Documents, or for an injunction against the violation of any of the terms of this Agreement or any of the other Financing Documents, or in aid of the exercise or execution of any right, remedy or power granted in this Agreement, the Financing Documents, and/or applicable Laws. The Lender is authorized to offset and apply to all or any part of the Obligations all moneys, credits and other property of any nature whatsoever of the Borrower now or at any time hereafter in the possession of, in transit to or from, under the control or custody of, or on deposit with, the Lender or any Affiliate of the Lender.

ARTICLE VII
MISCELLANEOUS

Section 7.1 Notices.

All notices, requests and demands to or upon the parties to this Agreement shall be in writing and shall be deemed to have been given or made when delivered by hand on a Business Day, or two (2) days after the date when deposited in the mail, postage prepaid by registered or certified mail, return receipt requested, or when sent by overnight courier, on the Business Day next following the day on which the notice is delivered to such overnight courier, addressed as follows:

Borrower: Trex Company, LLC

Attention: _____

Lender: Bank of America, N. A.
8600 Greensboro Drive, Suite 550
McLean, Virginia 22102
Attention: Elaine Eaton

By written notice, each party to this Agreement may change the address to which notice is given to that party, provided that such changed notice shall include a street address to which notices may be delivered by overnight courier in the ordinary course on any Business Day.

Section 7.2 Amendments; Waivers.

This Agreement and the other Financing Documents may not be amended, modified, or changed in any respect except by an agreement in writing signed by the Lender and the Borrower. No waiver of any provision of this Agreement or of any of the other Financing Documents, nor consent to any departure by the Borrower therefrom, shall in any event be effective unless the same shall be in writing signed by the Lender. No course of dealing between the Borrower and the Lender and no act or failure to act from time to time on the part of the Lender shall constitute a waiver, amendment or modification of any provision of this Agreement or any of the other Financing Documents or any right or remedy under this Agreement, under any of the other Financing Documents or under applicable Laws.

Section 7.3 Cumulative Remedies.

The rights, powers and remedies provided in this Agreement and in the other Financing Documents are cumulative, may be exercised concurrently or separately, may be exercised from time to time and in such order as the Lender shall determine, subject to the provisions of this Agreement, and are in addition to, and not exclusive of, rights, powers and remedies provided by existing or future applicable Laws. In order to entitle the Lender to exercise any remedy reserved to it in this Agreement, it shall not be necessary to give any notice, other than such notice as may be expressly required in this Agreement.

Section 7.4 Severability.

In case one or more provisions, or part thereof, contained in this Agreement or in the other Financing Documents shall be invalid, illegal or unenforceable in any respect under any Law, then without need for any further agreement, notice or action:

(a) the validity, legality and enforceability of the remaining provisions shall remain effective and binding on the parties thereto and shall not be affected or impaired thereby;

(b) the obligation to be fulfilled shall be reduced to the limit of such validity;

(c) if such provision or part thereof pertains to repayment of the Obligations, then, at the sole and absolute discretion of the Lender, all of the Obligations of the Borrower to the Lender shall become immediately due and payable; and

(d) if the affected provision or part thereof does not pertain to repayment of the Obligations, but operates or would prospectively operate to invalidate this Agreement in whole or in part, then such provision or part thereof only shall be void, and the remainder of this Agreement shall remain operative and in full force and effect.

Section 7.5 Assignments by Lender.

The Lender may, without notice to or consent of the Borrower, assign to any Person (each an "Assignee" and collectively, the "Assignees") all or a portion of the Lender's Commitment. The Lender and its Assignee shall notify the Borrower in writing of the date on which the assignment is to be effective (the "Adjustment Date"). On or before the Adjustment Date, the assigning Lender, the Borrower and the respective Assignee shall execute and deliver a written assignment agreement in a form acceptable to the Lender, which shall constitute an amendment to this Agreement to the extent necessary to reflect such assignment. Upon the request of any assigning Lender following an assignment made in accordance with this Section 7.5, the Borrower shall issue new Notes to the assigning Lender and its Assignee reflecting such assignment, in exchange for the existing Notes held by the assigning Lender.

In addition, notwithstanding the foregoing, the Lender may at any time pledge all or any portion of the Lender's rights under this Agreement, the Commitment or any of the Obligations to a Federal Reserve Bank.

Section 7.6 Participations by Lender.

The Lender may at any time sell to one or more financial institutions participating interests in any of the Lender's Obligations or Commitment; provided, however, that (a) no such participation shall relieve the Lender from its obligations under this Agreement or under any of the other

Financing Documents to which it is a party, (b) the Lender shall remain solely responsible for the performance of its obligations under this Agreement and under all of the other Financing Documents to which it is a party, and (c) the Borrower shall continue to deal solely and directly with the Lender in connection with the Lender's rights and obligations under this Agreement and the other Financing Documents.

Section 7.7 Disclosure of Information by Lender.

In connection with any sale, transfer, assignment or participation by the Lender in accordance with Section 7.5 (Assignments by Lender) or Section 7.6 (Participations by Lender), the Lender shall have the right to disclose to any actual or potential purchaser, assignee, transferee or participant all financial records, information, reports, financial statements and documents obtained in connection with this Agreement and/or any of the other Financing Documents or otherwise.

Section 7.8 Successors and Assigns.

This Agreement and all other Financing Documents shall be binding upon and inure to the benefit of the Borrower and the Lender and their respective heirs, personal representatives, successors and assigns, except that the Borrower shall not have the right to assign their rights hereunder or any interest herein without the prior written consent of the Lender, which consent shall not be unreasonably withheld, conditioned or delayed.

Section 7.9 Continuing Agreements.

All covenants, agreements, representations and warranties made by the Borrower in this Agreement, in any of the other Financing Documents, and in any certificate delivered pursuant hereto or thereto shall survive the making by the Lender of the Loan and the execution and delivery of the Notes, shall be binding upon the Borrower regardless of how long before or after the date hereof any of the Obligations were or are incurred, and shall continue in full force and effect so long as any of the Obligations are outstanding and unpaid. From time to time upon the Lender's request, and as a condition of the release of any one or more of the Security Documents, the Borrower and other Persons obligated with respect to the Obligations shall provide the Lender with such acknowledgments and agreements as the Lender may require to the effect that there exists no defenses, rights of setoff or recoupment, claims, counterclaims, actions or causes of action of any kind or nature whatsoever against the Lender and/or any of its agents and others, or to the extent there are, the same are waived and released.

Section 7.10 Enforcement Costs.

The Borrower agree to pay to the Lender on demand all Enforcement Costs, together with interest thereon from the date incurred or advanced until paid in full at a per annum rate of interest equal at all times to the Post-Default Rate. Enforcement Costs shall be immediately due and payable at the time advanced or incurred, whichever is earlier. The provisions of this Section shall survive the execution and delivery of this Agreement, the repayment of the other Obligations and shall survive the termination of this Agreement.

Section 7.11 Applicable Law; Jurisdiction.

7.11.1 Applicable Law.

Borrower acknowledges and agrees that the Financing Documents, including, this Agreement, shall be governed by the Laws of the State, as if each of the Financing Documents and this Agreement had each been executed, delivered, administered and performed solely within the State even though for the convenience and at the request of the Borrower, one or more of the Financing Documents may be executed elsewhere. The Lender acknowledges, however, that remedies under certain of the Financing Documents that relate to property outside the State may be subject to the laws of the state in which the property is located.

7.11.2 Submission to Jurisdiction.

The Borrower irrevocably submits to the jurisdiction of any state or federal court sitting in the State over any suit, action or proceeding arising out of or relating to this Agreement or any of the other Financing Documents. The Borrower irrevocably waives, to the fullest extent permitted by law, any objection that it may now or hereafter have to the laying of the venue of any such suit, action or proceeding brought in any such court and any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. Final judgment in any such suit, action or proceeding brought in any such court shall be conclusive and binding upon the Borrower and may be enforced in any court in which the Borrower is subject to jurisdiction, by a suit upon such judgment, provided that service of process is effected upon the Borrower in one of the manners specified in this Section or as otherwise permitted by applicable Laws.

Section 7.12 Duplicate Originals and Counterparts.

This Agreement may be executed in any number of duplicate originals or counterparts, each of such duplicate originals or counterparts shall be deemed to be an original and all taken together shall constitute but one and the same instrument.

Section 7.13 Headings.

The headings in this Agreement are included herein for convenience only, shall not constitute a part of this Agreement for any other purpose, and shall not be deemed to affect the meaning or construction of any of the provisions hereof.

Section 7.14 No Agency.

Nothing herein contained shall be construed to constitute the Borrower as the agent of the Lender for any purpose whatsoever or to permit the Borrower to pledge any of the credit of the Lender. The Lender shall not, by anything herein or in any of the Financing Documents or otherwise, assume any of the Borrower's obligations under any contract or agreement assigned to the Lender, and the Lender shall not be responsible in any way for the performance by the Borrower of any of the terms and conditions thereof.

Section 7.15 Date of Payment.

Should the principal of or interest on the Notes become due and payable on other than a Business Day, the maturity thereof shall be extended to the next succeeding Business Day and in the case of principal, interest shall be payable thereon at the rate per annum specified in the Notes during such extension.

Section 7.16 Entire Agreement.

This Agreement is intended by the Lender and the Borrower to be a complete, exclusive and final expression of the agreements contained herein. Neither the Lender nor the Borrower shall hereafter have any rights under any prior agreements pertaining to the matters addressed by this Agreement but shall look solely to this Agreement for definition and determination of all of their respective rights, liabilities and responsibilities under this Agreement.

Section 7.17 Waiver of Trial by Jury.

THE BORROWER AND THE LENDER HEREBY WAIVE TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO WHICH THE BORROWER AND THE LENDER MAY BE PARTIES, ARISING OUT OF OR IN ANY WAY PERTAINING TO (A) THIS AGREEMENT OR (B) ANY OF THE FINANCING DOCUMENTS. THIS WAIVER CONSTITUTES A WAIVER OF TRIAL BY JURY OF ALL CLAIMS AGAINST ALL PARTIES TO SUCH ACTIONS OR PROCEEDINGS, INCLUDING CLAIMS AGAINST PARTIES WHO ARE NOT PARTIES TO THIS AGREEMENT.

This waiver is knowingly, willingly and voluntarily made by the Borrower and the Lender, and the Borrower and the Lender hereby represent that no representations of fact or opinion have been made by any individual to induce this waiver of trial by jury or to in any way modify or nullify its effect. The Borrower and the Lender further represent that they have been represented in the signing of this Agreement and in the making of this waiver by independent legal counsel, selected of their own free will, and that they have had the opportunity to discuss this waiver with counsel.

Section 7.18 Indemnification.

The Borrower agrees to indemnify and hold harmless, Lender, the respective parent and Affiliates of the Lender and the respective parent's and Affiliates' officers, directors, shareholders, employees and agents (each an "Indemnified Party," and collectively, the "Indemnified Parties"), from and against any and all claims, liabilities, losses, damages, costs and expenses (whether or not such Indemnified Party is a party to any litigation), including without limitation, reasonable attorney's fees and costs and costs of investigation, document production, attendance at depositions or other discovery, incurred by any Indemnified Party with respect to, arising out of or as a consequence of (a) this Agreement or any of the other Financing Documents, including without limitation, any failure of the Borrower to pay when due (at maturity, by acceleration or otherwise) any principal, interest, fee or any other amount due under this Agreement or the other Financing Documents, or any other Event of Default; (b) the use by the Borrower of any proceeds advanced hereunder; (c) the transactions contemplated hereunder; or (d) any claim, demand, action or cause of action being asserted against (i) the Borrower or any

of their Affiliates by any other Person, or (ii) any Indemnified Party by the Borrower in connection with the transactions contemplated hereunder. Notwithstanding anything herein or elsewhere to the contrary, the Borrower shall not be obligated to indemnify or hold harmless any Indemnified Party from any liability, loss or damage resulting from the gross negligence, willful misconduct or unlawful actions of such Indemnified Party. Any amount payable to the Lender under this Section will bear interest at the Post- Default Rate from the due date until paid.

Section 7.19 Termination of Agreement.

This Agreement shall terminate and be of no further force and effect when, and only when, all of the Obligations have been paid in full and the Commitment has been terminated.

IN WITNESS WHEREOF, each of the parties hereto have executed and delivered this Agreement under their respective seals as of the day and year first written above.

TREX COMPANY, LLC
By: Trex Company, Inc, Sole Member

By: /s/ Anthony J. Cavanna (Seal)

Name: Anthony J. Cavanna
Title: Chief Financial Officer

BANK OF AMERICA, N. A.

By: /s/ Christopher D. Hartman (Seal)

Name: Christopher D. Hartman
Title: Vice President

GUARANTY OF PAYMENT AGREEMENT

THIS GUARANTY OF PAYMENT AGREEMENT (this "Agreement") is made this 31st day of January, 2001, by TREX COMPANY, INC., a corporation organized under the laws of the State of Delaware (the "Guarantor") for the benefit of BANK OF AMERICA, N. A., a national banking association (the "Lender").

RECITALS

A. Trex Company, LLC, a corporation organized under the laws of the State of Delaware (the "Borrower") has applied to the Lender for a revolving credit facility in the maximum principal amount of \$15,000,000 to be used by the Borrower for working capital purposes (the "Loan"), which is to be advanced pursuant to the terms of a Financing and Security Agreement of even date herewith (as amended, modified, restated, substituted, extended and renewed at any time and from time to time, the "Financing Agreement") by and between the Borrower and the Lender.

B. All defined terms used in this Agreement and not defined herein shall have the meaning given to such terms in the Financing Agreement.

C. The Guarantor has requested that the Lender enter into the Financing Agreement with the Borrower and make the credit facility described in the Financing Agreement available to the Borrower.

D. The Lender has required, as a condition to entering into the Financing Agreement, that the Guarantor execute this Agreement as additional security for the payment and performance of the Obligations.

NOW, THEREFORE, in order to induce the Lender to enter into the Financing Agreement, the Guarantor covenants and agrees with the Lender as follows:

ARTICLE I
THE GUARANTY

Section 1.1 Guaranty.

The Guarantor hereby unconditionally and irrevocably guarantees to the Lender:

(a) the due and punctual payment in full (and not merely the collectibility) of the principal of the Obligations and the interest thereon, in each case when due and payable, all according to the terms of any promissory note evidencing all or any part of the Obligations and the other Financing Documents (as that term is defined in the Financing Agreement);

(b) the due and punctual payment in full (and not merely the collectibility) of all other sums and charges which may at any time be due and payable in accordance with, or secured by, any promissory note evidencing all or any part of the Obligations or any of the other Financing Documents;

(c) the due and punctual performance of all of the other terms, covenants and conditions contained in the Financing Documents; and

(d) all indebtedness, obligations and liabilities of any kind and nature of the Borrower to the Lender, whether now existing or hereafter created or arising, direct or indirect, matured or unmatured, and whether absolute or contingent, joint, several or joint and several, and howsoever owned, held or acquired.

Section 1.2 Guaranty Unconditional.

The obligations and liabilities of the Guarantor under this Agreement shall be absolute and unconditional, irrespective of the genuineness, validity, priority, regularity or enforceability of the Financing Agreement, any promissory note evidencing all or any part of the Obligations, or any of the other Financing Documents or any other circumstance which might otherwise constitute a legal or equitable discharge of a surety or guarantor. The Guarantor expressly agrees that the Lender may, in its sole and absolute discretion, without notice to or further assent of the Guarantor and without in any way releasing, affecting or in any way impairing the obligations and liabilities of the Guarantor hereunder:

(a) waive compliance with, or any defaults under, or grant any other indulgences under or with respect to any of the Financing Documents;

(b) modify, amend, change or terminate any provisions of any of the Financing Documents;

(c) grant extensions or renewals of or with respect to any promissory note evidencing all or any part of the Obligations, any of the other Financing Documents or any of the Obligations;

(d) effect any release, subordination, compromise or settlement in connection with any promissory note evidencing all or any part of the Obligations, any of the other Financing Documents, or any of the Obligations;

(e) agree to the substitution, exchange, release or other disposition of any collateral for the Obligations or to the subordination of any lien or security interest therein;

(f) make advances for the purpose of performing any term, provision or covenant contained in the Financing Agreement or any of the other Financing Documents with respect to which the Borrower shall then be in default;

(g) make future advances to the Borrower pursuant to the Financing Agreement or any of the other Financing Documents;

(h) assign, pledge, hypothecate or otherwise transfer the Financing Agreement, any of the Financing Documents or this Agreement or any interest therein;

(i) deal in all respects with the Borrower as if this Agreement were not in effect; and

(j) effect any release, compromise or settlement with another guarantor.

Section 1.3 Guaranty Primary.

The obligations and liabilities of the Guarantor under this Agreement shall be primary, direct and immediate, shall not be subject to any counterclaim, recoupment, setoff, reduction or defense based upon any claim that the Guarantor may have against the Borrower, the Lender and/or any other guarantor and shall not be conditional or contingent upon pursuit or enforcement by the Lender of any remedies it may have against the Borrower with respect to any promissory note evidencing all or any part of the Obligations or any of the other Financing Documents, whether pursuant to the terms thereof or by operation of law. Without limiting the generality of the foregoing, the Lender shall not be required to make any demand upon the Borrower, or to pursue, enforce or exhaust its remedies against the Borrower or any collateral either before, concurrently with or after pursuing or enforcing its rights and remedies hereunder. Any one or more successive or concurrent actions or proceedings may be brought against the Guarantor under this Agreement, either in the same action, if any, brought against the Borrower or in separate actions or proceedings, as often as the Lender may deem expedient or advisable. Without limiting the foregoing, it is specifically understood that any modification, limitation or discharge of any of the liabilities or obligations of the Borrower, any other guarantor or any obligor under any of the Financing Documents, arising out of, or by virtue of, any bankruptcy, arrangement, reorganization or similar proceeding for relief of debtors under federal or state law initiated by or against the Borrower or the Guarantor or any obligor under any of the Financing Documents shall not modify, limit, lessen, reduce, impair, discharge, or otherwise affect the liability of the Guarantor hereunder in any manner whatsoever, and this Agreement shall remain and continue in full force and effect. It is the intent and purpose of this Agreement that the Guarantor shall and does hereby waive all rights and benefits which might accrue to any other guarantor by reason of any such proceeding, and the Guarantor agrees that it shall be liable for the full amount of the obligations and liabilities under this Agreement, regardless of, and irrespective to, any modification, limitation or discharge of the liability of the Borrower, any other guarantor or any obligor under any of the Financing Documents, that may result from any such proceedings.

Section 1.4 Certain Waivers by the Guarantor.

The Guarantor hereby unconditionally, irrevocably and expressly waives:

(a) presentment and demand for payment of the principal of or interest on any promissory note evidencing all or any part of the Obligations and protest of non-payment;

(b) notice of acceptance of this Agreement and of presentment, demand and protest thereof;

(c) notice of any default hereunder or under the Financing Agreement, or any of the other Financing Documents and notice of all indulgences;

(d) notice of any increase in the amount of any portion of or all of the indebtedness guaranteed by this Agreement;

(e) demand for observance, performance or enforcement of any of the terms or provisions of this Agreement, the Financing Agreement or any of the other Financing Documents;

(f) all errors and omissions in connection with the Lender's administration of all indebtedness guaranteed by this Agreement, except errors and omissions resulting from acts of bad faith;

(g) any right or claim of right to cause a marshalling of the assets of the Borrower;

(h) any act or omission of the Lender (except acts or omissions in bad faith) which changes the scope of the Guarantor's risk hereunder; and

(i) all other notices and demands otherwise required by law which the Guarantor may lawfully waive.

Section 1.5 Reimbursement for Expenses.

In the event the Lender shall commence any action or proceeding for the enforcement of this Agreement, then the Guarantor will reimburse the Lender, promptly upon demand, for any and all reasonable expenses incurred by the Lender in connection with such action or proceeding including, without limitation, reasonable attorneys' fees together with interest thereon at the Post-Default Rate.

Section 1.6 Events of Default.

The occurrence of any one or more of the following events shall constitute an "Event of Default" under the provisions of this Agreement (individually, an "Event of Default" and collectively, the "Events of Default"):

(a) The failure of the Guarantor to pay any of the Obligations as and when due and payable in accordance with the provisions of this Agreement.

(b) Any representation or warranty made in this Agreement or in any report, statement, schedule, certificate, opinion (including any opinion of counsel for the Guarantor), financial statement or other document furnished in connection with this Agreement, shall prove to have been false or misleading when made (or, if applicable, when reaffirmed) in any material respect.

(c) The failure of the Guarantor to perform, observe or comply with any covenant, condition or agreement contained in this Agreement.

(d) A default shall occur under any of the other Financing Documents and such default is not cured within any applicable grace period provided therein.

(e) The Guarantor shall (i) apply for or consent to the appointment of a receiver, trustee or liquidator of itself or any of its property, (ii) admit in writing its inability to pay its debts as they mature, (iii) make a general assignment for the benefit of creditors, (iv) be adjudicated a bankrupt or insolvent, (v) file a voluntary petition in bankruptcy or a petition or an answer seeking or consenting to reorganization or an arrangement with creditors or to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation law or statute, or an answer admitting the material allegations of a petition filed against it in any proceeding under any such law, or take corporate action for the purposes of effecting any of the foregoing, or (vi) by any act indicate its consent to, approval of or acquiescence in any such proceeding or the appointment of any receiver or trustee for any of its property, or suffer any such receivership, trusteeship or proceeding to continue undischarged for a period of ninety (90) days, or (vii) by any act indicate its consent to, approval of or acquiescence in any order, judgment or decree by any court of competent jurisdiction or any Governmental Authority enjoining or otherwise prohibiting the operation of a material portion of the Guarantor's business or the use or disposition of a material portion of the Guarantor's assets.

(f) (i) An order for relief shall be entered in any involuntary case brought against the Guarantor under the Bankruptcy Code, or (ii) any such case shall be commenced against the Guarantor and shall not be dismissed within ninety (90) days after the filing of the petition, or (iii) an order, judgment or decree under any other Law is entered by any court of competent jurisdiction or by any other Governmental Authority on the application of a Governmental Authority or of a Person other than the Guarantor (A) adjudicating the Guarantor bankrupt or insolvent, or (B) appointing a receiver, trustee or liquidator of the Guarantor, or of a material portion of the Guarantor's assets, or (C) enjoining, prohibiting or otherwise limiting the operation of a material portion of the Guarantor's business or the use or disposition of a material portion of the Guarantor's assets, and such order, judgment or decree continues unstayed and in effect for a period of thirty (30) days from the date entered.

(g) Unless adequately insured in the opinion of the Lender, the entry of a final judgment for the payment of money involving more than \$10,000 against the Guarantor, and the failure by the Guarantor to discharge the same, or cause it to be discharged, within thirty (30) days from the date of the order, decree or process under which or pursuant to which such judgment was entered, or to secure a stay of execution pending appeal of such judgment.

(h) If the Lender in its sole discretion determines in good faith that a material adverse change has occurred in the financial condition of the Guarantor.

(i) If the Guarantor shall liquidate, dissolve or terminate its existence or any change occurs in the management or control of the Guarantor without the prior written consent of the Lender.

Section 1.7 Rescission of Election to Accelerate.

In the event the Lender shall elect to accelerate the maturity of any promissory note evidencing all or any part of the Obligations as to the Guarantor pursuant to the provisions of this Agreement, such election may be rescinded by written acknowledgment to that effect by the Lender; provided, however, that the acceptance of a partial payment on account of any promissory note evidencing all or any part of the Obligations shall not alone effect or rescind such election.

Section 1.8 Subordination; Subrogation.

In the event the Guarantor shall advance any sums to the Borrower, or in the event the Borrower has heretofore or shall hereafter become indebted to the Guarantor before the Obligations have been paid in full, all such advances and indebtedness shall be subordinate in all respects to the Obligations (the "Guarantor Subordinated Debt"). Any payment to the Guarantor on account of the Guarantor Subordinated Debt shall be collected and received by the Lender or the Guarantor in trust for the Lender and shall be paid over to the Lender on account of the Obligations without impairing or releasing the obligations of the Guarantor hereunder.

Without the prior written consent of the Lender, the Guarantor shall not ask, demand, receive, accept, sue for, set off, collect or enforce the Guarantor Subordinated Debt or any collateral and security therefor. The Guarantor represents and warrants to the Lender that the Guarantor Subordinated Debt is unsecured and agrees not to receive or accept any collateral or security therefor without the prior written permission of the Lender. The Guarantor shall not assign, transfer, hypothecate or dispose of the Guarantor Subordinated Debt while this Agreement is in effect. In the event of any sale, receivership, insolvency or bankruptcy proceeding, or assignment for the benefit of creditors, or any proceeding by or against the Borrower for any relief under any bankruptcy or insolvency law or other laws relating to the relief of debtors, readjustment of indebtedness, reorganizations, compositions or extensions, then and in any such event any payment or distribution of any kind or character, either in cash, securities or other property, which shall be payable or deliverable upon, or with respect to, all or any part of the Guarantor Subordinated Debt or otherwise shall be paid or delivered directly to the Lender for application to the obligations and liabilities of the Guarantor under this Agreement (whether due or not due and in such order and manner as the Lender may determine in the exercise of its sole discretion) until the obligations of the Guarantor hereunder shall have been fully paid and satisfied. The Guarantor hereby irrevocably authorizes and empowers the Lender to demand, sue for, collect and receive every such payment or distribution on account of the Guarantor Subordinated Debt and give acquittance therefor and to file claims and take such other proceedings in the Lender's own name or in the name of the Guarantor or otherwise, as the Lender may deem necessary or advisable to carry out the provisions of this Agreement. The Guarantor hereby agrees to execute and deliver to the Lender such powers of attorney, assignments, endorsements or other instruments as may be requested by the Lender in order to enable the Lender to enforce any and all claims upon, or with respect to, the Guarantor

Subordinated Debt, and to collect and receive any and all payments or distributions which may be payable or deliverable at any time upon or with respect thereto.

So as to secure the performance by the Guarantor of the provisions of this Agreement, the Guarantor assigns, pledges and grants to the Lender a security interest in, and lien on, the Guarantor Subordinated Debt, all proceeds thereof and all and any security and collateral therefor. Upon the request of the Lender, the Guarantor shall endorse, assign and deliver to the Lender all notes, instruments and agreements evidencing, securing, guarantying or made in connection with the Guarantor Subordinated Debt.

Nothing contained in this Agreement shall be construed to give the Guarantor any right of subrogation in or to the Obligations or any of the Financing Documents, or all or any part of the interest of the Lender therein, until the Obligations have been paid in full.

Section 1.9 Arbitration and Waiver of Jury Trial.

(a) This paragraph concerns the resolution of any controversies or claims between the Borrower and the Lender, whether arising in contract, tort or by statute, including but not limited to controversies or claims that arise out of or relate to: (i) this Agreement (including any renewals, extensions or modifications); or (ii) any document related to this Agreement; (collectively a "Claim").

(b) At the request of the Borrower or the Lender, any Claim shall be resolved by binding arbitration in accordance with the Federal Arbitration Act (Title 9, U. S. Code) (the "Act"). The Act will apply even though this Agreement provides that it is governed by the law of a specified state.

(c) Arbitration proceedings will be determined in accordance with the Act, the rules and procedures for the arbitration of financial services disputes of J.A.M.S./Endispute or any successor thereof ("J.A.M.S."), and the terms of this paragraph. In the event of any inconsistency, the terms of this paragraph shall control.

(d) The arbitration shall be administered by J.A.M.S. and conducted in any U. S. state where real or tangible personal property collateral for this credit is located or if there is no such collateral, in the Commonwealth of Virginia. All Claims shall be determined by one arbitrator; however, if Claims exceed \$5,000,000, upon the request of any party, the Claims shall be decided by three arbitrators. All arbitration hearings shall commence within 90 days of the demand for arbitration and close within 90 days of commencement and the award of the arbitrator(s) shall be issued within 30 days of the close of the hearing. However, the arbitrator(s), upon a showing of good cause, may extend the commencement of the hearing for up to an additional 60 days. The arbitrator(s) shall provide a concise written statement of reasons for the award. The arbitration award may be submitted to any court having jurisdiction to be confirmed and enforced.

(e) The arbitrator(s) will have the authority to decide whether any Claim is barred by the statute of limitations and, if so, to dismiss the arbitration on that basis. For purposes of the application of the statute of limitations, the service on J.A.M.S. under applicable J.A.M.S. rules of a notice of Claim is the equivalent of the filing of a lawsuit. Any dispute

concerning this arbitration provision or whether a Claim is arbitrable shall be determined by the arbitrator(s). The arbitrator(s) shall have the power to award legal fees pursuant to the terms of this Agreement.

(f) This paragraph does not limit the right of the Borrower or the Lender to: (i) exercise self-help remedies, such as but not limited to, setoff; (ii) initiate judicial or nonjudicial foreclosure against any real or personal property collateral; (iii) exercise any judicial or power of sale rights, or (iv) act in a court of law to obtain an interim remedy, such as but not limited to, injunctive relief, writ of possession or appointment of a receiver, or additional or supplementary remedies.

(g) By agreeing to binding arbitration, the parties irrevocably and voluntarily waive any right they may have to a trial by jury in respect of any Claim. Furthermore, without intending in any way to limit this Agreement to arbitrate, to the extent any Claim is not arbitrated, the parties irrevocably and voluntarily waive any right they may have to a trial by jury in respect of such Claim. This provision is a material inducement for the parties entering into this Agreement.

ARTICLE II
REPRESENTATIONS AND WARRANTIES

Section 2.1 Representations and Warranties.

The Guarantor represents and warrants to the Lender as follows:

2.1.1 Good Standing.

The Guarantor (a) is a corporation duly organized, existing and in good standing under the laws of the jurisdiction of its organization, (b) has the power to own its property and to carry on its business as now being conducted, and (c) is duly qualified to do business and is in good standing in each jurisdiction in which the character of the properties owned by it therein or in which the transaction of its business makes such qualification necessary.

2.1.2 Power and Authority.

The Guarantor has full power and authority to execute and deliver this Agreement and the other Financing Documents to which it is a party and to incur and perform the Obligations whether under this Agreement, the other Financing Documents or otherwise, all of which have been duly authorized by all proper and necessary action under the governing documents of the Guarantor. No consent or approval of owners or any creditors of the Guarantor, and no consent, approval, filing or registration with or notice to any Governmental Authority on the part of the Guarantor, is required as a condition to the execution, delivery, validity or enforceability of this Agreement or the other Financing Documents or the performance by the Guarantor of the Obligations.

2.1.3 Binding Agreements.

This Agreement and the other Financing Documents executed and delivered by the Guarantor have been properly executed and delivered and constitute the valid and legally binding obligations of the Guarantor and are fully enforceable against the Guarantor in accordance with their respective terms.

2.1.4 No Conflicts.

Neither the execution, delivery and performance of the terms of this Agreement or of any of the other Financing Documents executed and delivered by the Guarantor nor the consummation of the transactions contemplated by this Agreement will conflict with, violate or be prevented by (a) the Guarantor's charter or bylaws, (b) any existing mortgage, indenture, contract or agreement binding on the Guarantor or affecting its property, or (c) any Laws.

2.1.5 Compliance with Laws.

The Guarantor is not in violation of any applicable Laws (including, without limitation, any Laws relating to employment practices, to environmental, occupational and health standards and controls) or order, writ, injunction, decree or demand of any court, arbitrator or any Governmental Authority affecting the Guarantor or any of its properties, the violation of which, considered in the aggregate, could materially adversely affect the business, operations or properties of the Guarantor.

2.1.6 Litigation.

There are no proceedings, actions or investigations pending or, so far as the Guarantor knows, threatened before or by any court, arbitrator or any Governmental Authority which, in any one case or in the aggregate, if determined adversely to the interests of the Guarantor, would have a material adverse effect on the business, properties, condition (financial or otherwise) or operations, present or prospective, of the Guarantor.

2.1.7 Financial Condition.

The financial statements of the Guarantor dated September 30, 2000, are complete and correct and fairly present the financial position of the Guarantor and the results of its operations and transactions in its surplus accounts as of the date and for the period referred to and have been prepared in accordance with GAAP applied on a consistent basis throughout the period involved. There are no liabilities, direct or indirect, fixed or contingent, of the Guarantor as of the date of such financial statements that are not reflected therein or in the notes thereto. There has been no adverse change in the financial condition or operations of the Guarantor since the date of such financial statements and to the Guarantor's knowledge no such adverse change is pending or threatened. The Guarantor has not guaranteed the obligations of, or made any investment in or advances to, any Person, except as disclosed in such financial statements. The representations and warranties contained in this Section shall also cover financial statements furnished from time to time to the Lender pursuant to Section 3.3 (Financial Records; Inspection).

2.1.8 Full Disclosure.

The financial statements referred to in Section 2.1.9 (Financial Condition), the Financing Documents (including, without limitation, this Agreement), and the statements, reports or certificates furnished by the Guarantor in connection with the Financing Documents (a) do not contain any untrue statement of a material fact and (b) when taken in their entirety, do not omit any material fact necessary to make the statements contained therein not misleading. There is no fact known to the Guarantor which the Guarantor has not disclosed to the Lender in writing prior to the date of this Agreement which materially and adversely affects or in the future could, in the reasonable opinion of the Guarantor materially adversely affect the condition, financial or other wise, results of operations, business, or assets of the Guarantor.

2.1.9 Financial Interest.

The Guarantor has a financial interest in the Borrower and will derive a benefit from the Loan extended to and the Obligations incurred by the Borrower, and hereby waives any claim that the Lender violated the Equal Credit Opportunity Act (15 U.S.C. 1691 et seq.) in connection with the Loan, any of the Financing Documents or any of the other Obligations or security for any obligation which is the subject thereto.

Section 2.2 Survival; Updates of Representations and Warranties.

All representations and warranties contained in or made under or in connection with this Agreement and the other Financing Documents shall survive the Closing Date, the making of any advance under the Financing Agreement and the incurring of any Obligations.

ARTICLE III
AFFIRMATIVE COVENANTS

The Guarantor hereby covenants and agrees as follows:

Section 3.1 Existence.

The Guarantor shall maintain its existence in good standing in the jurisdiction in which it is organized and in each other jurisdiction where it is required to register or qualify to do business if the failure to do so in such other jurisdiction might have a material adverse effect on the ability of the Guarantor to perform the Obligations, on the conduct of the Guarantor's operations or on the Guarantor's financial condition.

Section 3.2 Further Assurances.

The Guarantor will make, execute, acknowledge and deliver all and every such further acts and assurances as the Lender shall from time to time require for confirming or carrying out the intentions or facilitating the performance of the terms of this Agreement.

Section 3.3 Financial Records; Inspection.

The Guarantor will (a) maintain or cause to be maintained full, complete, accurate and adequate records and books of account in accordance with generally accepted accounting principles consistently applied; (b) permit the Lender and its duly authorized agents, attorneys

and accountants to inspect, examine, and copy its records and books of account at all reasonable times; (c) provide to the Lender within ninety (90) days after each calendar/fiscal year end, the Guarantor's financial statements certified by the Guarantor to be true and correct, in such form and detail as may be reasonably requested by the Lender; and (d) promptly deliver to the Lender such other information with respect to the financial statements of the Guarantor as the Lender may from time to time require.

Section 3.4 Estoppel Certificates.

Within ten (10) days following any request of the Lender so to do, the Guarantor will furnish the Lender and such other persons as the Lender may direct with a written certificate, duly acknowledged stating in detail whether or not any credits, offsets or defenses exist with respect to this Agreement.

ARTICLE IV
MISCELLANEOUS

Section 4.1 Notices.

All notices, requests and demands to or upon the parties to this Agreement shall be in writing and shall be deemed to have been given or made when delivered by hand on a Business Day, or two (2) days after the date when deposited in the mail, postage prepaid by registered or certified mail, return receipt requested, or when sent by overnight courier, on the Business Day next following the day on which the notice is delivered to such overnight courier, addressed as follows:

Guarantor: Trex Company, Inc.

 Attention: _____

Lender: Bank of America, N. A.
 8600 Greensboro Drive, Suite 550
 McLean, Virginia 22102
 Attention: Elaine Eaton

By written notice, each party to this Agreement may change the address to which notice is given to that party, provided that such changed notice shall include a street address to which notices may be delivered by overnight courier in the ordinary course on any Business Day.

Section 4.2 Amendments; Waivers.

This Agreement may not be amended, modified, or changed in any respect except by an agreement in writing signed by the Lender and the Guarantor. No waiver of any provision of this Agreement, nor consent to any departure by the Guarantor therefrom, shall in any event be effective unless the same shall be in writing. No course of dealing between the Guarantor and the Lender and no act or failure to act from time to time on the part of the Lender shall constitute

a waiver, amendment or modification of any provision of this Agreement or any right or remedy under this Agreement or under applicable Laws.

Without implying any limitation on the foregoing:

(a) Any waiver or consent shall be effective only in the specific instance, for the terms and purpose for which given, subject to such conditions as the Lender may specify in any such instrument.

(b) No waiver of any Default or Event of Default shall extend to any subsequent or other Default or Event of Default, or impair any right consequent thereto.

(c) No notice to or demand on the Guarantor in any case shall entitle the Guarantor to any other or further notice or demand in the same, similar or other circumstance.

(d) No failure or delay by the Lender to insist upon the strict performance of any term, condition, covenant or agreement of this Agreement or of any of the other Financing Documents, or to exercise any right, power or remedy consequent upon a breach thereof, shall constitute a waiver, amendment or modification of any such term, condition, covenant or agreement or of any such breach or preclude the Lender from exercising any such right, power or remedy at any time or times.

(e) By accepting payment after the due date of any amount payable under this Agreement or under any of the other Financing Documents, the Lender shall not be deemed to waive the right either to require prompt payment when due of all other amounts payable under this Agreement or under any of the other Financing Documents, or to declare a default for failure to effect such prompt payment of any such other amount.

Section 4.3 Cumulative Remedies.

The rights, powers and remedies provided in this Agreement and in the other Financing Documents are cumulative, may be exercised concurrently or separately, may be exercised from time to time and in such order as the Lender shall determine and are in addition to, and not exclusive of, rights, powers and remedies provided by existing or future applicable Laws. In order to entitle the Lender to exercise any remedy reserved to it in this Agreement, it shall not be necessary to give any notice, other than such notice as may be expressly required in this Agreement. Without limiting the generality of the foregoing, the Lender may:

(a) proceed against the Guarantor with or without proceeding against the Borrower or any other Person who may be liable for all or any part of the Obligations;

(b) proceed against the Guarantor with or without proceeding under any of the other Financing Documents or against any collateral and security for all or any part of the Obligations;

(c) without reducing or impairing the obligation of the Guarantor and without notice, release or compromise with any other Person liable for all or any part of the Obligations under the Financing Documents or otherwise; or

(d) without reducing or impairing the obligations of the Guarantor and without notice thereof: (i) fail to perfect the Lien in any or all collateral or to release any or all the collateral or to accept substitute collateral, (ii) approve the making of advances under the credit facilities under the Financing Agreement, (iii) waive any provision of this Agreement or the other Financing Documents, (iv) exercise or fail to exercise rights of set-off or other rights, or (v) accept partial payments or extend from time to time the maturity of all or any part of the Obligations.

Section 4.4 Severability.

In case one or more provisions, or part thereof, contained in this Agreement or in the other Financing Documents shall be invalid, illegal or unenforceable in any respect under any Law, then without need for any further agreement, notice or action:

(a) the validity, legality and enforceability of the remaining provisions shall remain effective and binding on the parties thereto and shall not be affected or impaired thereby;

(b) the obligation to be fulfilled shall be reduced to the limit of such validity;

(c) if such provision or part thereof pertains to repayment of the Obligations, then, at the sole and absolute discretion of the Lender, all of the Obligations shall become immediately due and payable; and

(d) if the affected provision or part thereof does not pertain to repayment of the Obligations, but operates or would prospectively operate to invalidate this Agreement in whole or in part, then such provision or part thereof only shall be void, and the remainder of this Agreement shall remain operative and in full force and effect.

Section 4.5 Assignments by Lender.

The Lender may, without notice to, or consent of, the Guarantor, sell, assign or transfer to or participate with any Person or Persons all or any part of the Obligations, and each such Person or Persons shall have the right to enforce the provisions of this Agreement and any of the other Financing Documents as fully as the Lender, provided that the Lender shall continue to have the unimpaired right to enforce the provisions of this Agreement and any of the other Financing Documents as to so much of the Obligations that the Lender has not sold, assigned or transferred.

In connection with the foregoing, the Lender shall have the right to disclose to any such actual or potential purchaser, assignee, transferee or participant all financial records, information, reports, financial statements and documents obtained in connection with this Agreement and any of the other Financing Documents or otherwise.

Section 4.6 Successors and Assigns.

This Agreement shall be binding upon the Guarantor and its successors and assigns, and shall inure to the benefit of the Lender and its successors and assigns.

Section 4.7 Continuing Agreements.

All covenants, agreements, representations and warranties made by the Guarantor in this Agreement and in any certificate delivered pursuant hereto shall survive the making by the Lender of advances and other extensions of credit under the Loan and the execution and delivery of each promissory note evidencing all or any part of the Obligations, shall be binding upon the Guarantor regardless of how long before or after the date hereof any of the Obligations were or are incurred, and shall continue in full force and effect so long as any of the Obligations are outstanding and unpaid. From time to time upon the Lender's request, and as a condition of the release of any one or more of the Security Documents, the Guarantor and other Persons obligated with respect to the Obligations shall provide the Lender with such acknowledgments and agreements as the Lender may require to the effect that there exists no defenses, rights of setoff or recoupment, claims, counterclaims, actions or causes of action of any kind or nature whatsoever against the Lender, its agents and others, or to the extent there are, the same are waived and released.

Section 4.8 Enforcement Costs.

The Guarantor agrees to pay to the Lender on demand all reasonable Enforcement Costs, together with interest thereon from the date incurred or advanced until paid in full at a per annum rate of interest equal at all times to the Post -Default Rate. Enforcement Costs shall be immediately due and payable at the time advanced or incurred, whichever is earlier. Without implying any limitation on the foregoing, the Guarantor agrees, as part of the Enforcement Costs, to pay upon demand any and all stamp and other Taxes and fees payable or determined to be payable in connection with the execution and delivery of this Agreement and to save the Lender harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay any Taxes or fees referred to in this Section. The provisions of this Section shall survive the execution and delivery of this Agreement, the repayment of the other Obligations and shall survive the termination of this Agreement.

Section 4.9 Applicable Law.

As a material inducement to the Lender to enter into this Agreement, the Guarantor acknowledges and agrees that the Financing Documents, including, this Agreement, shall be governed by the Laws of the Commonwealth of Virginia, as if each of the Financing Documents and this Agreement had each been executed, delivered, administered and performed solely within the Commonwealth of Virginia even though for the convenience and at the request of the Borrower, one or more of the Financing Documents may be executed elsewhere. The Lender acknowledges, however, that remedies under certain of the Financing Documents that relate to

property outside the Commonwealth of Virginia may be subject to the laws of the state in which the property is located.

Section 4.10 Duplicate Originals and Counterparts.

This Agreement may be executed in any number of duplicate originals or counterparts, each of such duplicate originals or counterparts shall be deemed to be an original and all taken together shall constitute but one and the same instrument.

Section 4.11 Headings; Etc.

The headings in this Agreement are included herein for convenience only, shall not constitute a part of this Agreement for any other purpose, and shall not be deemed to affect the meaning or construction of any of the provisions hereof. The above Recitals are part of this Agreement.

Section 4.12 No Partnership; Third Parties.

Nothing contained in this Agreement shall be construed in a manner to create any relationship between the Guarantor and the Lender other than the relationship of guarantor and lender and the Guarantor and the Lender shall not be considered partners or co-venturers for any purpose. The terms and provisions of this Agreement are for the benefit of the Lender and its successors, assigns, endorsees and transferees and all persons claiming under or through it and no other person shall have any right or cause of action on account thereof. The Lender has no obligation to make any advance of any loan provided for in the Financing Agreement or otherwise for the benefit of the Guarantor; the Guarantor has no beneficial interest in the proceeds of any of the loans or otherwise under the Obligations or rights or claims under the Financing Agreement or any of the other Financing Documents. The obligations and liabilities of the Guarantor shall in no manner be affected by the actual use of the proceeds of the Loan or otherwise or whether the Lender waives any or all of the conditions to advances set forth in the Financing Agreement or any of the other Financing Documents.

Section 4.13 Entire Agreement.

This Agreement is intended by the Lender and the Guarantor to be a complete, exclusive and final expression of the agreements contained herein. Neither the Lender nor the Guarantor shall hereafter have any rights under any prior agreements pertaining to the matters addressed by this Agreement but shall look solely to this Agreement for definition and determination of all of their respective rights, liabilities and responsibilities under this Agreement.

Section 4.14 Consent to Jurisdiction.

The Guarantor, irrevocably submits to the jurisdiction of any state or federal court sitting in the Commonwealth of Virginia over any suit, action, or proceeding arising out of or relating to this Agreement. The Guarantor irrevocably waives, to the fullest extent permitted by law, any objection that it may now or hereafter have to laying the venue of any such suit, action, or proceeding brought in any such court and any claim that any such suit, action, or proceeding brought in any such court has been brought in an inconvenient forum. Final judgment in any such suit, action, or proceeding brought in any such court shall be conclusive and binding upon the Guarantor and may be enforced in any court to the jurisdiction of which the Guarantor is

subject, by a suit upon such judgment provided that service of process is effected upon the Guarantor in a manner specified in this Agreement or as otherwise permitted by applicable law.

Section 4.15 WAIVER OF TRIAL BY JURY.

THE GUARANTOR AND THE LENDER HEREBY JOINTLY AND SEVERALLY WAIVE TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO WHICH THE GUARANTOR AND THE LENDER MAY BE PARTIES, ARISING OUT OF OR IN ANY WAY PERTAINING TO (A) THIS AGREEMENT, (B) ANY OF THE FINANCING DOCUMENTS, OR (C) THE COLLATERAL. THIS WAIVER CONSTITUTES A WAIVER OF TRIAL BY JURY OF ALL CLAIMS AGAINST ALL PARTIES TO SUCH ACTIONS OR PROCEEDINGS, INCLUDING CLAIMS AGAINST PARTIES WHO ARE NOT PARTIES TO THIS AGREEMENT.

This waiver is knowingly, willingly and voluntarily made by the Guarantor and the Lender, and the Guarantor and the Lender hereby represent that no representations of fact or opinion have been made by any individual to induce this waiver of trial by jury or to in any way modify or nullify its effect. The Guarantor and the Lender further represent that they have been represented in the signing of this Agreement and in the making of this waiver by independent legal counsel, selected of their own free will, and that they have had the opportunity to discuss this waiver with counsel.

Section 4.16 Reinstatement.

If at any time any payment, or portion thereof, made by, or for the account of, the Borrower or the Guarantor on account of any of the obligations and liabilities arising hereunder or under any of the Financing Documents is set aside by any court or trustee having jurisdiction as a voidable preference or fraudulent conveyance or must otherwise be restored or returned by the Lender to the Borrower or to the Guarantor under any insolvency, bankruptcy or other federal and/or state laws or as a result of any dissolution, liquidation or reorganization of the Borrower or upon, or as a result of, the appointment of any receiver, intervenor or conservator of, or trustee, or similar officer for, the Borrower or any substantial part of its properties or assets, the Guarantor hereby agrees that this Agreement shall continue and remain in full force and effect or be reinstated, as the case may be, all as though such payment(s) had not been made.

Section 4.17 Complete and Final Expression of Agreement.

This Agreement is intended by the Lender and the Guarantor to be a complete, exclusive and final expression of the agreements contained herein. No course of dealing, course of performance or trade usage, and no parol evidence of any nature, shall be used to supplement or modify any terms of this Agreement. The Lender and the Guarantor further agree that there are no conditions to the full effectiveness of this Agreement, unless otherwise expressly stated herein. The Guarantor has unconditionally delivered this Agreement to the Lender, and failure to sign this or any other guarantee by any other person shall not discharge the liability of the Guarantor hereunder.

WITNESS the signature and seal of the Guarantor as of the day and year first above written.

TREX COMPANY, INC.

By: /s/ Anthony J. Cavanna (SEAL)

Name: Anthony J. Cavanna
Title: Chief Financial Officer

Adams-Nelson & Associates, Inc.
Full Service Lease

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DEED OF LEASE

BETWEEN

SPACE, LLC

AND

TREX COMPANY, LLC,
as Tenant

Dated: June 15, 2000

=====

For Premises Located At:

Trex Center Office Building 1
Winchester, Virginia

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LIST OF EXHIBITS

Exhibit A-1	Plan Showing Premises
Exhibit A-2	Plat Showing Land and Building
Exhibit B	Rules and Regulations
Exhibit C	Guaranty of Lease
Exhibit D	Lease Commencement Certificate
Exhibit E	Prohibited Uses
Exhibit F	Work Agreement
Exhibit G	Covenants and Restrictions
Exhibit H	Subordination, Non-Disturbance and Attornment Agreement

DEED OF LEASE

THIS DEED OF LEASE (:Lease:) is made as of the 15th day of June, 2000 (the "Date of Lease"), by and between Space, LLC ("Landlord"), and Trex Company, LLC ("Tenant").

Landlord and Tenant, intending legally to be bound, hereby covenant and agree as set forth below.

ARTICLE 1: BASIC LEASE PROVISIONS

The following terms, when used herein, shall have the meanings set forth below.

- 1.1 Premises. Approximately 35,928 rentable square feet, known as Suites

300 & 400 and located on the top two (2) floors of the Building as
outlined on Exhibit A-1 attached hereto and made a part hereof, which

square footage is subject to confirmation by Tenant's architect.
- 1.2 Building. The building containing approximately 60,000 gross rentable

square feet shown on Exhibit A-1 attached hereto and made a part

hereof, and all Alterations, additions, improvements, restorations or
replacements now or hereafter made thereto, with an address of 1460
North Frederick Pike, Winchester, Virginia.
- 1.3 Term. 10 years, 0 months and 0 days plus any exercised renewal

periods.
- 1.4 Commencement Date. As set forth in Article 4.

- 1.5 Expiration Date. Ten (10) Lease Years after the Commencement Date.

- 1.6 Fixed Rent. \$21.50 for each rentable square foot of the Premises for

the first through the third Lease Year which is equal to a total of
\$772,452 for each of the first three (3) Lease Years payable in equal
monthly installments of \$64,371. The Fixed Rent shall be increased
annually by an amount equal to two and one half percent (2-1/2%) of
the previous Lease Year's Fixed Rent commencing with the fourth Lease
Year.
- For the purposes of this full-service lease, \$15.69 has been
attributed to the base rent and \$5.81 per rentable square foot per
annum has been allowed for operating costs. The Landlord will perform
an operating costs reconciliation each January 1st beginning with the
first full year of operation. Operating costs are estimated to be
\$5.21 per rentable square foot of the Premises per annum. The Tenant
shall be due 50% of operating costs savings for each Calendar Year, if
any, which shall be the difference between allocated operating costs,
\$5.81 per rentable square foot per annum, and actual per rentable
square foot operating costs per annum. Example: If reconciled
operating costs are \$5.50 per rentable square foot of the Premises per
annum, then Tenant shall be due a rebate of 50%, the difference
between \$5.81 and \$5.50 or \$.155 per rentable square foot per year
which shall be paid by Landlord to Tenant within thirty (30) days
after the operating expense reconciliation.
- 1.7 Intentionally Deleted.

- 1.8 Intentionally Deleted.

- 1.9 Intentionally Deleted.

- 1.10 Intentionally Deleted.

- 1.11 Intentionally Deleted.

- 1.12 Business Hours. Utilities pursuant to Section 18.1(i) are furnished

for Tenant's normal business operations. Under no circumstances will
HVAC or other utilities, including but not limited to electricity,
water, etc. be turned off unless necessary for repairs.
- 1.13 Parking Space Allocation. Not more than Tenant's proportionate share

of available parking spaces, which shall be in unreserved, non-
exclusive parking spaces available in the Parking Facilities.
- 1.14 Permitted Use. Any lawful purpose. The Permitted Use shall be deemed

to expressly include but not be limited to any use of any other
occupant of the Building as allowed from time to time.
- 1.15 Intentionally Deleted.

- 1.16 Broker(s). None.

- 1.17 Landlord's Address. Kevin Adams, The Adams Companies, The Fern Adams

Building, 303 S. Loudoun Street, Winchester, VA 22601, with a copy to
Thomas Moore Lawson, Lawson and Silek, P.L.C., P.O. Box 2740,
Winchester, VA 22604
- 1.18 Tenant's Address. Before occupancy: 20 South Cameron Street,

Winchester, Virginia; after occupancy: at the Premises; either with a
copy to Hirschel, Savitz, Parker & Hollman, Attn: Steve Levey, 481
North Frederick Avenue, Suite 200, Gaithersburg, MD 20877.
- 1.19 Guarantor and Guarantor' Address. Trex Company, Inc. Before

occupancy: 20 S. Cameron Street, Winchester, Virginia; after
occupancy: at the Premises; either with a copy to Hirschel, Savitz,
Parker & Hollman, Attn: Steve Levey, 481 North Frederick Avenue, Suite
200, Gaithersburg, MD 20877.

ARTICLE 2: DEFINITIONS

The following terms, when used herein, shall have the meanings set forth below.

- 2.1 Additional Rent. As defined in Section 5.3.

- 2.2 Agents. Officers, partners, directors, employees, agents, licensees,

customers, contractors, and invitees.
- 2.3 Alterations. Alterations, decorations, additions or improvements of

any kind or nature to the Premises or the Building, whether structural
or non-structural, interior, exterior or

otherwise.

- 2.4 Calendar Year. A period of twelve (12) months commencing on each

January 1 during the Term, except that the first Calendar Year shall
be that period from and including the Commencement Date through
December 31 of that same year, and the last Calendar Year shall be
that period from and including the last January 1 of the Term through
the earlier of the Expiration Date or date of Lease termination.
- 2.5 Common Area. All areas, improvements, facilities and equipment in the

Building outside of any tenant's premises and within the area
designated as the Common Area Envelope on Exhibit A-2, from time to

time designated by Landlord for the common use or benefit of Tenant,
other tenants of the Building and their Agents, including, without
limitation, entrances and exits, landscaped areas, exterior lighting,
loading areas, pedestrian walk-ways, sidewalks, atriums, courtyards,
concourses, stairs, ramps, washrooms, maintenance and utility rooms
and closets, exterior utility lines, hallways, lobbies, elevators and
their housing and rooms, common window areas, common walls, common
ceilings, common trash areas and Parking Facilities. In no event
shall the Common Area include areas of the Land allocable to any other
structures, including but not limited to parking garage, shopping
centers, theaters, gas stations, hotels or other buildings which are
not the Building.
- 2.6 Guaranty. The Guaranty of Lease executed by the Guarantor in the form

of Exhibit C attached hereto and made a part hereof.

- 2.7 Event of Default. As defined in Article 22.

- 2.8 Herein, hereafter, hereunder and hereof. Under this Lease, including,

without limitation, all Exhibits and any Riders.
- 2.9 Interest Rate. Per annum interest rate listed as the base rate on

corporate loans at large U. S. money center commercial banks as
published from time to time under "Money Rates" in the Wall Street

Journal plus three percent (3%), but in no event greater than the

maximum rate permitted by law. In the event the Wall Street Journal

ceases to publish such rates, Landlord and Tenant shall choose a
similar publication which publishes such rates.
- 2.10 Land. The piece or parcel of land described in Exhibit A-2 and all

rights, easements and appurtenances thereunto belonging or pertaining,
or such portion thereof as shall be reasonably allocated by Landlord
to the Building.
- 2.11 Lease Year. Each consecutive twelve (12) month period elapsing after

(i) the Commencement Date if the Commencement Date occurs on the first
day of a month, or (ii) the first day of the month following the
Commencement Date if the Commencement Date does not occur on the first
day of the month.
- 2.12 Mortgage. Any mortgage, deed of trust, security interest or title

retention interest affecting the Building or the Land.
- 2.13 Mortgagee. The holder of any note or obligation secured by a

mortgage, deed of trust, security interest or title retention interest
affecting the Building or the Land, including,

without limitation, lessors under ground leases, sale-leasebacks and lease-leasebacks.

2.14 Operating Expenses. As defined in Sections 7.1 and 7.2.

2.15 Parking Facilities. All parking areas now or hereafter made available

by Landlord for use by tenants, including, without limitation, open-air parking, and parking areas under or within the Building, whether reserved, exclusive, non-exclusive or otherwise.

2.16 Real Estate Taxes. As defined in Section 8.2.

2.17 Rent. Fixed Rent and Additional Rent.

2.18 Rules and Regulations. The rules and regulations set forth in Exhibit

B attached hereto and made a part hereof, as the same may be
-
reasonably amended or supplemented from time to time (after reasonable
===== notice to Tenant) provided they are uniformly applied to all occupants
===== of the Building.

2.19 Substantial Completion. As defined in the Work Agreement attached

hereto and made a part hereof as Exhibit F.

2.20 Substantial Part. More than eighty percent (80%) of the rentable

square feet of the Premises or the Building, as the case may be.

2.21 Work Agreement. As set forth in Exhibit F attached hereto and made a

part hereof.

ARTICLE 3: THE PREMISES

3.1 Lease of Premises. In consideration of the agreements contained

herein, Landlord hereby leases the Premises to Tenant, and Tenant hereby leases the Premises from Landlord, for the Term and upon the terms and conditions hereinafter provided. As an appurtenance to the Premises, Tenant shall have the non-exclusive right, together with other tenants of the Building and their Agents, to use the Common Area. Subject to the provisions of this Lease, Landlord shall retain absolute domain and control over the Common Area and shall operate and maintain the Common Area in such manner as Landlord, in its sole discretion, shall determine; provided the Building is maintained as a Class A office building and provided such right shall not operate to interfere with Tenant's use of the Premises for the Permitted Use. Landlord expressly reserves the right permanently to change, modify or eliminate, or temporarily to close, any portion of the Common Area provided it does not materially interfere with Tenant's use and occupancy of the Premises or the Building. The Premises are leased subject to, and Tenant agrees not to violate, all covenants, conditions and restrictions of record which affect the Building as are negotiated in good faith between the parties and as are attached hereto as Exhibit G. In no event may Landlord allow the number of parking spaces in the Common Area to be diminished.

3.2 Landlord's Reservations. In addition to the other rights of Landlord

under this Lease, Landlord reserves the right (i) to change the street address and/or name of the Building (provided however if Landlord changes the name without Tenant's consent, Landlord shall reimburse Tenant for all costs incurred in connection therewith, including but not

limited to costs of change in stationery, business cards and advising Tenant's clients of such change), (ii) to install, erect, use, maintain and repair mains, pipes, conduits and other such facilities to serve the Building's tenants in and through the Premises, after twenty-four (24) hours notice unless in the event of an emergency provided the same are located in a place which cannot be seen from within the Premises and such installation, maintenance or repair shall not interfere with the operation of Tenant's business, (iii) to grant to anyone the exclusive right to conduct any particular business or undertaking in the Building, provided the same does not restrict Tenant's ability to use and occupy the Premises as set forth in this Lease, (iv) to establish a condominium regime for the Building, the Land and/or the Common Area and to include the Premises therein, so long as the same is at no cost to Tenant and that the terms of this Lease remain in full force and effect and are unmodified (v) to control the use of the roof and exterior walls of the Building for any purpose and (vi) to use Tenant's name in promotional materials relating to the Building as long as Tenant is a tenant. Landlord may exercise any or all of the foregoing rights without being deemed to be guilty of an eviction, actual or constructive, or a disturbance or interruption of the business of Tenant or Tenant's use or occupancy of the Premises provided Landlord's actions are reasonable and do not materially interfere with Tenant's business. In no event may Landlord lease space in the Building for any of the agreed Prohibited Uses set forth on Exhibit E. In the event the exercise of Landlord's rights hereunder materially interferes with the operation of Tenant's business, all rent shall abate during such period of material interference. In the event such interference continues for one hundred twenty (120) consecutive days, Tenant may terminate this Lease.

ARTICLE 4: TERM

The Term shall commence on the Commencement Date and expire at midnight on the Expiration Date. Except as otherwise set forth in Exhibit F, the Commencement Date shall be the later of (a) June 1, 2001 or (b) sixty (60) days after the date of Substantial Completion. The first sixty days are intended to be rent free. Notwithstanding what is stated above, the first monthly payment shall be due on the Commencement Date. The date of Substantial Completion shall be the date when (a) the work to be performed by Landlord in the Premises in accordance with this Lease shall have been substantially completed notwithstanding that certain minor details of decoration remain to be performed, the non-completion of which would not materially interfere with the Tenant's use of the Premises ("Punch List Items"), (b) Landlord has completed the Building so that the same is ready for occupancy by tenants, and (c) all areas within the Common Area Envelope have been substantially completed but not prior to April 15, 2001. All Punch List Items or work to be performed by Landlord shall be completed by Landlord within thirty (30) days. The Expiration Date shall be adjusted so that the period of the Term is not changed. Promptly after the Commencement Date is ascertained, Landlord and Tenant shall execute a certificate confirming the Commencement Date which certificate shall be in the form of Exhibit D attached hereto and made a part hereof. Tenant shall

cause said certificate to be executed on behalf of the Tenant within fifteen (15) days of receipt from Landlord. The Term shall include any option periods. Notwithstanding what is stated above, the Landlord shall not be responsible for any delays in the delivery of the Premises if said delays are caused by the Tenant, its architect or subcontractor(s).

ARTICLE 5: RENT

5.1 Fixed Rent. Commencing on the Commencement Date, Tenant shall pay to

Landlord the Fixed Rent as specified in Section 1.6.

5.2 Payment of Fixed Rent. Fixed Rent for each Lease Year shall be

payable in equal monthly installments, in advance, without demand,
notice, deduction, offset or counterclaim (except as otherwise
provided in this Lease), on or before the first day of each and every
calendar month during the Term prorated for any partial month; Tenant
shall pay the Fixed Rent and all Additional Rent, by good check or in
lawful currency of the United States of America, to Landlord at
Landlord's Address, or to such other address or in such other manner
as Landlord from time to time specifies by written notice to Tenant.
Any payment made by Tenant to Landlord on account of Fixed Rent may be
credited by Landlord to the payment of any late charges then due and
payable and to any Fixed Rent or Additional Rent then past due before
being credited to Fixed Rent currently due.

5.3 Intentionally Deleted.

ARTICLE 6: INTENTIONALLY DELETED

ARTICLE 7: OPERATING EXPENSES

7.1 Operating Expenses Defined. As used herein, the term "Operating

Expenses" shall mean all expenses and costs which Landlord incurs
because of or in connection with the ownership, maintenance,
management and operation of the Building. Operating Expenses shall
include, without limitation, all reasonable actual costs, expenses and
disbursements incurred or made in connection with the following:

- (i) Wages and salaries of all on-site management agent, staff,
below the level of property manager whether employed by
Landlord or the Building's management company, engaged in the
operation and maintenance or security of the Building and all
costs related to or associated with such employees or the
carrying out of their duties, including uniforms and their
cleaning, taxes, auto allowances and insurance and benefits
(including without limitation, contributions to pension and/or
profit sharing plans and vacation or other paid absences);
- (ii) All supplies and materials, including janitorial and lighting
supplies, used directly in the operation and maintenance of the
Building, Common Area and Parking Facilities allocable to the
Building.
- (iii) All utilities, including, without limitation, electricity,
telephone (including, without limitation, all costs and
expenses of telephone service for the sprinkler alarm systems,
if any), water, sewer, power, gas heating, lighting and air
conditioning for the Building, except to the extent such
utilities are chargeable or separately metered to a tenant of
the Building;
- (iv) All insurance purchased by Landlord or the Building's
management company relating to the Building and its
improvements specifically allocated to the Building and any
equipment or other property contained therein or located

thereon including, without limitation, casualty, liability, rental loss, sprinkler and water damage insurance but not including any deductible for such insurance;

- (v) All non-structural repairs to the Building (excluding repairs, the cost of which are recoverable by the proceeds of insurance or by Tenant or other third parties other than as part of the Operating Expenses);
- (vi) All maintenance of the Building, including, without limitation, painting, ice and snow removal, landscaping, groundskeeping and the patching of driveways and parking lots allocable to the Building;
- (vii) Intentionally Deleted;
- (viii) All commercially reasonable maintenance, operation and service agreements for the Building, and any equipment related thereto, including, without limitation, service and/or maintenance agreements for the sprinkler system in the Building, if any (excluding those chargeable to Tenant or any third parties other than as a part of Operating Expenses);
- (ix) Accounting and legal fees incurred in connection with the operation and maintenance of the Building or related thereto, to the extent the same actually results in a reduction in Operating Expenses;
- (x) Intentionally Deleted;
- (xi) All computer rentals for energy management or security monitoring system used to reduce Operating Expenses, if any;
- (xii) Any capital improvements made to the Building after the Commencement Date (other than those made for the addition of rentable square footage to the Building or for the sole benefit of a Building tenant pursuant to its Lease), (but only to the extent that such capital improvement actually results in the reduction of Operating Expenses) the cost of which shall be amortized over the useful life of such improvement; and
- (xiii) Intentionally Deleted.

7.2 Exclusions from Operating Expenses. Operating Expenses shall not

include the following:

- (i) Legal fees, space planners' fees, real estate brokers' leasing commissions and advertising expenses incurred in connection with the original or future leasing of space in the Building;
- (ii) Costs and expenses of Alterations or improvements of the Premises or the leasehold premises of other individual tenants;
- (iii) Depreciation, interest and principal payments on mortgages and other debt costs, if any;

- (iv) Costs and expenses associated with the operation of the business of the person or entity which constitutes Landlord as the same are distinguished from the costs of operation of the Building, including accounting and legal matters, costs of defending any lawsuits with any mortgagee (except to the extent the actions of Tenants or any other tenant may be in issue), costs of selling or financing any of Landlord's interest in the Building and outside fees paid in connection with disputes with other tenants;
- (v) Costs and expenses resulting from the negligence or willful misconduct of Landlord or its Agents to the extent provable by Tenant;
- (vi) Real Estate Taxes as defined in Section 8.2.
- (vii) management or administrative fees;
- (viii) Intentionally deleted;
- (ix) the cost of Landlord's federal, state or local income taxes;
- (x) the expense of rental payments made by Landlord pursuant to any grant or lease covering any or all of the Building or the Land;
- (xi) charges or fees for, or taxes on, the furnishing of water, sewer service, gas, fuel, electricity or other utility services to those portions of the Building or the Land which are leased to or occupied by tenants, which are separately metered or submetered;
- (xii) the cost of providing janitorial or trash removal service to those portions of the Building or the Land which are leased to or occupied by tenants and separately chargeable to such tenants or occupants;
- (xiii) the cost of removing asbestos and all other hazardous substances, if any, located in, on or within the Land, and the costs of complying with all laws, rules, orders and regulations concerning hazardous substances (including asbestos) of all governmental, quasi-governmental or judicial authorities;
- (xiv) the costs incurred in repairing or replacing the roof or the structural portions of the Building or any building or structure on the Land;
- (xv) the cost of new construction or renovation of the Building or any building or structure on the Land;
- (xvi) expenses related to security guards;
- (xvii) expenses incurred solely for the benefit of tenants other than the office tenants of the Building generally;

- (xviii) expenses incurred solely for the benefit of any one office tenant unless such expenses are also incurred for all other office tenants of the Building;
- (xix) the costs of complying with all laws, rules, orders and regulations of all governmental, quasi-governmental or judicial authorities concerning any improvements or Alterations to the Building or the Land unless said costs are incurred for the benefit of all tenants; or
- (xx) Intentionally Deleted.

7.3 Reconciliation Statement. For the purposes of this full-service lease,

 \$15.69 has been attributed to the base rent and \$5.81 per rentable square foot per annum has been allowed for operating costs. The Landlord will perform an operating costs reconciliation each January 1st beginning with the first full year of operation. Operating costs are estimated to be \$5.21 per rentable square foot of the Premises per annum. The Tenant shall be due 50% of operating costs savings for each Calendar Year, if any, which shall be the difference between allocated operating costs, \$5.81 per rentable square foot per annum, and actual per rentable square foot operating costs per annum. Example: If reconciled operating costs are \$5.50 per rentable square foot of the Premises per annum, then Tenant shall be due a rebate of 50%, the difference between \$5.81 and \$5.50 or \$.155 per rentable square foot per year which shall be paid by Landlord to Tenant within thirty (30) days after the operating expense reconciliation.

7.4 Tenant's Right to Audit. In the event Tenant shall dispute the amount

 set forth in Landlord's statement as described in Section 7.4 herein, Tenant shall have the right, not later than eighteen (18) months following receipt of such statement, to cause Landlord's books and records with respect to the preceding Calendar Year to be audited. Such audit shall occur upon not less than five (5) days prior written notice to Landlord, at Landlord's place of business or the actual location of Landlord's books and records if different from Landlord's place of business, provided the same is within the continental United States during Landlord's normal business hours. The amounts payable under this Section by Landlord to Tenant or by Tenant to Landlord, as the case may be, shall be appropriately adjusted on the basis of such audit. If such audit discloses a liability for further refund by Landlord to Tenant in excess of five percent (5%) of the payments previously made by Tenant for such Calendar Year, the cost of such audit shall be borne by Landlord and shall not be considered as an Operating Expense for purposes of this Lease; otherwise, the cost of such audit shall be borne by Tenant. Notwithstanding the foregoing, in no event shall Landlord's cost for such audit exceed one thousand dollars (\$1,000.00).

ARTICLE 8: TAXES

8.1 Real Estate Taxes Defined. As used herein, the term "Real Estate

 Taxes" shall mean all taxes and assessments which have accrued within the Term of this Lease, including but not limited to, general or special, ordinary or extraordinary, foreseen or unforeseen, assessed, levied or imposed by any governmental authority upon the Building and the Land and upon the fixtures, machinery, equipment or systems in, upon or used in connection with any of the foregoing, and the rental, revenue or receipts derived therefrom, under the current or any future taxation or assessment system or modification of, supplement to, or substitute for such system. Real Estate Taxes also shall include

special assessments which are in the nature of or in substitution for real estate taxes, including, without limitation, road improvement assessments, special use area assessments and school district assessments. If at any time the method of taxation prevailing at the Date of Lease shall be altered so that in lieu of, as a substitute for or in addition to the whole or any part of the taxes now levied or assessed, there shall be levied or assessed a tax of whatever nature, then the same shall be included as Real Estate Taxes hereunder. Further, for the purposes of this Article, Real Estate Taxes shall include the reasonable expenses (including, without limitation, reasonable attorney's fees) incurred by Landlord in challenging or obtaining or attempting to obtain a reduction of such Real Estate Taxes, to the extent of any reduction. Notwithstanding the foregoing, Landlord shall have no obligation to challenge Real Estate Taxes. If as a result of any such challenge, a tax refund is made to Landlord, then the amount of such refund less the reasonable expenses of the challenge shall be deducted from Real Estate Taxes due in the Lease Year such refund is received.

Notwithstanding the foregoing, Real Estate Taxes shall not include penalties and interest on taxes resulting from Landlord's delinquency in paying the same nor any inheritance, estate, succession, transfer, gift, franchise or corporation tax (such corporation tax shall include taxes levied solely against a corporation or similar entity or corporate taxes or the like; such corporation tax shall exclude taxes included on, for example, utility bills or bills for goods or services incurred in relation to the operation of the Building or the Common Area Envelope) levied or imposed upon Landlord nor any real estate transfer tax, mortgage lien tax, documentary stamp tax, recording fees or the like.

Real Estate Taxes shall also exclude any rent, gross receipt, business taxes, income or profit tax of any kind whatsoever. Notwithstanding anything in this Section to the contrary, (i) if any betterments assessment is payable in installments, the Real Estate Taxes for any tax year shall include only such installments of such betterments assessment as is allocable to such tax year, (ii) if for any tax year included within the Term of this Lease a betterments assessment is assessed for an improvement (such as a street or sewer) made, commenced, or authorized prior to the time the Building first opens for business, then, except for any front foot benefit charges and except as hereinafter provided, such assessment shall not be included in the definition of Real Estate Taxes for any tax year.

ARTICLE 9: PARKING

9.1 Changes to Parking Facilities. Subject to Section 3.1, Landlord shall

have the right, from time to time, without Tenant's consent, to change, alter, add to, temporarily close or otherwise affect the Parking Facilities in such manner as Landlord may decide provided the total number of parking spaces allocable to the Building does not decrease and that Landlord's actions do not materially interfere with Tenant's use of the Premises. The total number of parking spaces shall be not less than two hundred forty (240) or as required by law to the extent applicable to the Building, whichever is greater. One hundred sixty-five (165) of said parking spaces shall be designated by Landlord for Tenant's exclusive use and eleven (11) of which shall be located in front of the Building as marked on Exhibit A-2 as "Trex Visitor" spaces. Upon request by Tenant, Landlord shall use commercially reasonable efforts to ensure and enforce Tenant's right to use exclusive parking spaces. Any material change to the parking area as is defined on Exhibit A-2 shall be preapproved by Tenant. Said approval shall not be unreasonably withheld, conditioned or delayed.

ARTICLE 10: USE

Tenant shall occupy the Premises solely for the Permitted Use. The Premises shall not be used for any other purpose without the prior written consent of Landlord which consent shall not be unreasonably withheld, conditioned, or delayed. Tenant shall comply, at Tenant's expense, with (i) all present and future laws, ordinances, rules, requirements, regulations and orders of the United States of America, the Commonwealth of Virginia and any other public or quasi-public federal, state or local authority and/or any department or agency thereof, having jurisdiction over the Premises and relating Tenant's particular use, or alteration of the Premises performed by Tenant (ii) any reasonable requests of Mortgagee or any insurance company providing coverage with respect to the Premises to the extent the same does not cause expense to Tenant or otherwise interfere with Tenant's use and occupancy of the Premises and does not pertain to any structural alteration which is Landlord's responsibility. Tenant shall not use or occupy the Premises in any manner that is unlawful or dangerous or that shall constitute waste, unreasonable annoyance or a nuisance to Landlord or the other tenants of the Building. Landlord shall comply, at Landlord's sole cost and expense, with all governmental laws, rules, regulations, and orders of the United States of America, the Commonwealth of Virginia and any other public or quasi-public Federal, State or local authority and/or any department or agency thereof having jurisdiction over the Premises with regard to: (a) requirements prior to the Commencement Date including, but not limited to, requirements imposed with respect to Tenant work that is performed by Landlord or Landlord's Agent (in the event Tenant performs work after obtaining consent from Landlord then Tenant shall have the sole responsibility to comply with all governmental laws, rules, regulations and orders); (b) the nature of the structure of the Premises; (c) the building operating and life safety systems; (d) the Common Area; and/or (e) Landlord's failure to make any repairs required of Landlord hereunder. If a fire sprinkler or any additional exits are ever required, the same shall be installed or constructed by Landlord at Landlord's sole cost and expense. Landlord represents that Tenant's stated use does not conflict with Landlord's insurance and that Tenant shall not be precluded from using the Premises in accordance with the stated Permitted Use or be liable or obligated to reimburse Landlord for any increases in Landlord's insurance premium or rates resulting from Tenant's use of the Premises if Tenant is conducting its normal business in accordance with the stated Permitted Use for which the Premises were leased to Tenant.

ARTICLE 11: ASSIGNMENT AND SUBLETTING

11.1 Consent. Tenant shall have the absolute right to assign this Lease or sublet all or any portion of the Premises without the prior written consent of Landlord, provided, however that no such assignment or subletting shall release Tenant or Guarantor of their liability under the Lease. For an assignment to be effective, any assignee must deliver within thirty (30) days an agreement by which it assumes all of the obligations of Tenant hereunder.

ARTICLE 12: MAINTENANCE AND REPAIR

12.1 Landlord's Obligation. Landlord shall keep and maintain in good

repair (including replacements as necessary) and working order the Building, the Common Area and the equipment within and serving the Premises and the Building (excluding Tenant's leasehold improvements made by Tenant in the Premises) that are required for the maintenance and operation of the Premises and the Building. Except as otherwise

provided in Article 7 or Article 10, the cost of such maintenance and repairs to the Building and said equipment shall be included in the Operating Expenses and paid by Landlord. Tenant shall give Landlord written notice of any defect or need for repairs. After becoming aware, Landlord shall have a reasonable opportunity to repair or cure such defect. Landlord's liability with respect to any defects, repairs or maintenance for which Landlord is responsible under any of the provisions of this Lease shall be limited to the cost of such repairs or maintenance or the curing of such defect. In the event of an emergency requiring immediate action, e.g., danger to health, life or property, fire, water seepage, sewer back-up, cessation or interruption of any facility serving the Premises, and the like (herein called "Emergency") or in the event Landlord fails to make repairs as set forth herein within a reasonable period of time (i.e. within five days), Tenant may repair the cause of the emergency or the damage which Landlord has failed to repair whether the means of repairing the same are located within the Premises or other portions of Building, prior to giving any written notice to Landlord (or in the case of Landlord's failure to repair, after five (5) days' written notice); provided, however, that Tenant shall notify Landlord within two (2) business days after expiration of the Emergency. Landlord shall reimburse Tenant within thirty (30) days after notice for the cost of said reasonable repairs.

12.2 Tenant's Obligation. Tenant shall, at its own expense, maintain all

improvements in the Premises made by Tenant and other real and personal property within the Premises in good condition, promptly making all necessary repairs and replacements. Notwithstanding what is stated above, the Tenant will have no obligation to maintain the HVAC system, electric service and basic plumbing service to the Premises. Tenant shall repair at its expense, any and all damage caused by Tenant, Tenant's invitees while within the Premises or Tenant's employees, agents, contractors or subcontractors to the Building, the Common Area, or the Premises, including equipment within and serving the Building, ordinary wear and tear excepted. Except as set forth in 12.1 above, Tenant shall bear the cost of, but shall not itself perform without Landlord's prior consent (which consent shall not be unreasonably withheld, conditioned or delayed), any such repairs caused by Tenant as set forth in the previous sentence which would affect the Building's structure or mechanical or electrical systems or which would be visible from the exterior of the Building or from any interior Common Area of the Building. Where Landlord performs such repairs, Tenant shall promptly pay to Landlord within thirty (30) days after notice, all costs incurred in connection therewith plus interest thereon at the Interest Rate from the demand date until paid. Without prior written notice to Landlord, Tenant shall not have access to the roof of the Building for any purpose whatsoever. Tenant's liability with respect to any defects, repairs or maintenance for which Tenant is responsible under any of the provisions of this Lease shall be limited to the cost of such repairs or maintenance or the curing of such defect.

12.3 Landlord's Right to Maintain or Repair. If, within thirty (30) days

following notice to Tenant, Tenant fails to commence to repair or replace any damage to the Premises or Building which is Tenant's obligation to perform, and diligently pursue timely completion of such repair and replacement, Landlord may, at its option, cause all required maintenance, repairs or replacements to be made. Tenant shall within thirty (30) days after notice, pay Landlord all costs incurred in connection therewith plus interest thereon at the Interest Rate from the due date until paid.

12.4 The provisions of this Article are subject to the provisions of Article 21.

ARTICLE 13: INITIAL CONSTRUCTION; ALTERATIONS

13.1 Initial Construction. Landlord and Tenant agree that the construction

of the Tenant Work and other initial construction with respect to the
Premises shall be performed in accordance with Exhibit F attached

hereto and made a part hereof.

13.2 Alterations. During the Term, Tenant shall not make or permit any

Alterations affecting the structural integrity or the common operating
systems of the Building without the prior written consent of Landlord
which shall not be unreasonably withheld, conditioned or delayed.
Landlord may impose any reasonable conditions to its consent,
including without limitation, (i) delivery to Landlord of written and
unconditional waivers of mechanic's and materialmen's liens as to the
Premises, the Building and the Land for all work, labor and services
to be performed and materials to be furnished, signed by all
contractors, subcontractors, materialmen and laborers participating in
the Alterations providing materials and labor for the Alterations
exceed a value of \$500,000.00, (ii) prior approval of the plans and
specifications and Tenant's contractor(s) with respect to the
Alterations, and (iii) supervision by Landlord's representative at
Tenant's expense of the Alterations. The Alterations shall conform to
the requirements of Landlord's and Tenant's insurers and of the
Federal, state and local governments having jurisdiction over the
Premises, shall be performed in accordance with the terms and
provisions of this Lease in a good and workmanlike manner befitting a
first class office building. If the Alterations made pursuant to this
Section 13.2 are not performed as herein required, Landlord shall have
the right, at Landlord's option, to halt any further Alterations, or
to require Tenant to perform the Alterations as herein required or to
require Tenant to return the Premises to its condition before such
Alterations. Subject to Section 13.3 herein, all Alterations and
fixtures, whether temporary or permanent in character, made in or upon
the Premises either by Tenant or Landlord, will immediately become
Landlord's property and, at the end of the Term will remain on the
Premises without compensation to Tenant. Notwithstanding the
foregoing, if any mechanic's or materialmen's lien is filed against
the Premises, the Building or the Land for work claimed to have been
done for, or materials claimed to have been furnished to or for the
benefit of, Tenant, such lien shall be discharged of record by Tenant
within thirty (30) days after notice by Landlord by the payment there
of or the filing of any bond required by law. If Tenant shall fail to
discharge any such lien, Landlord may (but shall not be obligated to)
discharge the same, the cost of which shall be paid by Tenant within
ten (10) days of demand. Neither Landlord's consent to the
Alterations nor anything contained in this Lease shall be deemed to be
the agreement or consent of Landlord to subject Landlord's interest in
the Premises, the Building or the Land to any mechanic's or
materialmen's liens which may be filed in respect of the Alterations.

13.3 Permitted Alterations. Tenant may, at its own expense, without

Landlord's consent, but with prior written notice to Landlord, from
time to time during the Term, make nonstructural, non-exterior
alterations costing less than \$500,000.00 in and to the interior of
the Premises, as it may find necessary or convenient for its purposes.
Notwithstanding the foregoing, Tenant must obtain Landlord's prior
written consent, which shall not be unreasonably withheld, conditioned
or delayed for any alterations made by a subtenant in connection with
a use other than standard office use (a use different than Tenant's
standard office use). Tenant may retain an interest in any
improvements or Alterations

made to the Premises for purposes of amortization thereof. Tenant may erect a satellite dish or comparable roof equipment on the roof of the Building subject to Landlord's reasonable designation as to the location thereof and provided Tenant does not void any applicable roof warranties.

13.4 Landlord Alterations. Landlord shall have no obligation to make any

Alterations in or to the Premises, the Building, the Common Area or the Land except as specifically provided in the Work Agreement or as required by law. Landlord hereby reserves the right, from time to time, to make Alterations to the Building, change the Building dimensions, erect additional stories thereon and attach other buildings and structures thereto, and to erect such scaffolding and other aids to construction as Landlord deems appropriate and no such Alterations, changes, construction or erection shall constitute an eviction, constructive or otherwise, or permit Tenant any abatement of Rent or claim subject however to the provisions of Section 3.1.

ARTICLE 14: SIGNS

No sign, advertisement or notice shall be inscribed, painted, affixed, placed or otherwise displayed by Tenant on any part of the Land or the outside or the inside (including, without limitation, the windows) of the Building or the Premises. In addition to the sign referenced in Section 1.3 of the Work Agreement, Tenant may, at Tenant's sole expense, place a tenant identification sign on an exterior Building monument sign or on the Building in a location and appearance approved by Landlord which approval shall not be unreasonably withheld, conditioned or delayed. Such signage shall be in accordance with all applicable covenants, restrictions, governmental regulations and Landlord's signage requirements. Tenant shall have the foregoing right for a period of one (1) year from the Commencement Date to install said sign. Landlord shall also, at its sole cost and expense, install suite entry signage and a building directory in the Building. Any other permitted signs shall be installed and maintained by Landlord at Tenant's sole expense. If any prohibited sign, advertisement or notice is nevertheless exhibited by Tenant, Landlord shall have the right to remove the same after ten (10) days' notice, and Tenant shall pay any and all expenses incurred by Landlord in such removal, together with interest thereon at the Interest Rate, upon demand. Landlord shall have the right to prohibit any sign, on the Building which, in Landlord's reasonable opinion, tends to impair the reputation of the Building or its desirability as a first class office building. Tenant shall have the right to the most conspicuous sign on the Building or on the Building Monument Sign at Tenant's sole cost and expense.

ARTICLE 15: TENANT'S EQUIPMENT AND PROPERTY

15.1 Moving Tenant's Property. Any and all damage or injury to the

Premises or the Building caused by moving the property of Tenant into or out of the Premises, or due to the same being on the Premises, shall be repaired by Tenant. Tenant shall promptly remove from the Common Area any of Tenant's furniture, equipment or other property there deposited.

15.2 Installing and Operating Tenant's Equipment. Without first obtaining

the written consent of Landlord which shall not be unreasonably withheld, conditioned or delayed, Tenant shall not install or operate in the Premises (i) any electrically operated equipment or other machinery, other than standard office or kitchen equipment that does not require wiring, cooling or other service in excess of Building standards, (ii) any equipment of any kind or

nature whatsoever which will require any changes, replacements or additions to, or changes in the use of, any water, heating, plumbing, air conditioning or electrical system of the Building to the extent not exclusively serving the Premises, or (iii) any equipment which causes the floor load to exceed the load limits reasonably set by Landlord for the Building. Landlord's consent to such installation or operation may be conditioned upon the payment by Tenant of additional compensation for any excess consumption of utilities and any additional power, wiring, cooling or other service (as determined in the reasonable sole discretion of Landlord) that may result from such equipment. Machines and equipment which cause noise or vibration that may be transmitted to and adversely affect the structure of the Building or to any space therein so as to be reasonably objectionable to Landlord or any other Building tenant shall be installed and maintained by Tenant, at its expense, on vibration eliminators or other devices sufficient to eliminate such noise and vibration. Notwithstanding what is stated above Tenant may install minor appliances such as a dishwasher, water cooler or coffee maker, toaster, refrigerator or other appliances commonly found in large office spaces.

ARTICLE 16: RIGHT OF ENTRY

Tenant shall permit Landlord or its Agents, at any time and with one business day's notice (except in cases of emergencies), to enter the Premises, without charge therefor to Landlord and without diminution of Rent, (i) to examine, inspect and protect the Premises and the Building, (ii) to make such Alterations and repairs or perform such maintenance permitted or required by this Lease (iii) to exhibit the same to prospective purchasers of the Building or to present or future Mortgagees or (iv) to exhibit the same to prospective tenants during the last six (6) months of the Term and to erect outside the Building a reasonable sign indicating the Premises are available. In the event any such entry materially interferes with the operation of Tenant's business, all rent shall abate during such period of material interference.

ARTICLE 17: INSURANCE

17.1 Insurance Rating. Tenant shall not conduct or permit any activity, or

place any equipment or material, in or about the Premises, the Building or the Common Area which will increase the rate of fire or other insurance on the Building; and if any increase in the rate of insurance is stated by any insurance company or by the applicable insurance rating bureau to be due to any activity, equipment or material of Tenant in or about the Premises, the Building or the Common Area, such statement shall be conclusive evidence that the increase in such rate is due to the same and, as a result thereof, Tenant shall pay any such increase to Landlord upon demand. Landlord represents that the Tenant's stated intended use and the equipment used in connection therewith shall not cause an increase of Landlord's insurance premiums or a violation of Landlord's insurance policies.

17.2 Insurance for Personal Property. Tenant shall, at its sole cost and

expense, procure and maintain throughout the Term a property insurance policy (written on an "Special Risk" basis) insuring all of Tenant's personal property, including but not limited to equipment, furniture, fixtures, furnishings and leasehold improvements which are the responsibility of Tenant for not less than the full replacement cost of said property. Should Tenant elect not to replace or repair Tenant's property with insurance proceeds, then Tenant waives all claims that it may have against Landlord to recover damages or repair or replacement of Tenant's property.

17.3 Requirements of Insurance Coverage. All such insurance required to be

carried by Tenant herein shall be with an insurance company licensed to do business in the Commonwealth of Virginia and complies with the requirements herein. Such insurance (i) shall contain an endorsement that such policy shall remain in full force and effect notwithstanding that the insured has released its right of action against any party before the occurrence of a loss; (ii) shall name Landlord, Tenant and, at Landlord's request, any Mortgagee or ground lessor, as an additional named insured parties; and (iii) shall provide that the policy shall not be canceled, failed to be renewed or materially amended without at least thirty (30) days' prior written notice (fifteen (15) days if due to non-payment of premium) to Landlord and, at Landlord's request, any Mortgagee. Upon request or before the Commencement Date and, thereafter, before the expiration date of the insurance policy, an original of the policy (including any renewal or replacement policy) or a certified copy thereof, together with evidence reasonably satisfactory to Landlord of the payment of all premiums for such policy, shall be delivered to Landlord and, at Landlord's request, to any Mortgagee. Tenant shall at all times during the Lease Term keep in force a policy or policies of public liability insurance or an endorsement on a blanket liability insurance policy or policies, which policy, policies or endorsement shall provide that Landlord is named as additional insured, against any and all damages and liability on account of, or arising out of injuries to persons or property or the death of any person or for property damage resulting from acts or omissions of Tenant, its agents, contractors or employees, or occurring in the Premises, in the amount of Five Million Dollars (\$5,000,000) combined single limit in any one accident. All insurance policies herein to be procured by Tenant shall be issued by insurance companies having a Best's Rating of A-X and authorized to do business in the State. Neither issuance of any insurance policy required hereunder, nor the minimum limits specified herein with respect to Tenant's insurance coverage, shall be deemed to limit or restrict in any way Tenant's liability arising under or out of this Lease. Upon request, Tenant shall deliver to Landlord a duplicate original or certified copy of each such policy or a certificate of the insurer, certifying that such policy has been issued, providing the coverage required by this Section and containing provisions specified herein, together with evidence of payment of all applicable premiums. Any insurance required to be carried hereunder may be carried under a blanket policy covering the Premises and other locations of Tenant. The term "insurance policy" as used herein shall be deemed to include any extensions or renewals of such insurance policy. Tenant shall commence to adjust any loss within 30 days of any casualty and shall diligently pursue such adjustment.

17.4 Waiver of Subrogation. Tenant and Landlord hereby waive and release

any and all right of recovery against the other, including agents, contractors and employees, arising during the Term for any and all loss or damage to any property (including Tenant's fixtures, furnishings, equipment, merchandise and other personal property) located within or constituting a part of the Building, which loss or damage arises from the perils coverable by an All Risk Policy (Special Form) or which right of recovery arises from loss of earnings or rents resulting from damage caused by such a peril. This mutual waiver is in addition to any other waiver or release contained in this Lease. Landlord and Tenant shall each have their insurance policies issued in such form as to waive any right of subrogation which might otherwise exist. In addition, neither party waives claims against the other for losses sustained which are the result of a party's intentional misconduct.

17.5 Security. In the event that Landlord engages the services of a

professional security system for the Building, it is understood that
such engagement shall in no way increase Landlord's liability for
occurrences and/or consequences which such a system is designed to
detect or avert and that Tenant shall look solely to its insurer as
set out above for claims or damages or injury to any person or
property.

17.6 Landlord's Insurance. Landlord shall maintain at all times during the

Term an All Risk Policy (Special Form) insuring against damage to any
portion of the Building, improvements and the Land. Upon completion
of construction of the Building, such insurance shall be obtained
specifying an owner's rating for the Building which contemplates a
status of the Building as an existing, operating entity and not as a
property under development. Such insurance shall be in the amount of
the full replacement cost, including demolition cost but excluding
foundations. Landlord shall at all times during the Lease Term keep
in force a policy or policies of public liability insurance or an
endorsement on a blanket liability insurance policy or policies, which
policy, policies or endorsement shall provide that Tenant is named as
additional insured, against any and all damages and liability on
account of, or arising out of injuries to persons or property or the
death of any person or for property damage resulting from acts or
omissions of Landlord, its agents, contractors or employees, or
occurring on or about the Common Areas, in the amount of Five Million
Dollars (\$5,000,000) combined single limit in any one accident. Said
policy or policies shall be obtained at a premium which shall not
exceed the average premium for an owner's rate for the same class of
property in the state where the Building is located and shall include
contractual liability insurance recognizing the liability assumed in
the indemnification provision of the Lease, contain a cross-liability
endorsement, and be with an insurer which is rated at least A and X in
Best's Insurance Reports or equivalent. All insurance policies herein
to be procured by Landlord shall be issued by insurance companies
have a Best's Rating of A-X and authorized to do business in the
State. Neither issuance of any insurance policy required hereunder,
nor the minimum limits specified herein with respect to Landlord's
insurance coverage, shall be deemed to limit or restrict in any way
Landlord's liability arising under or out of this Lease. Upon
request, Landlord shall deliver to Tenant a duplicate original or
certified copy of each such policy or a certificate of the insurer,
certifying that such policy has been issued, providing the coverage
required by this Section and containing provisions specified herein,
together with evidence of payment of all applicable premiums. Any
insurance required to be carried hereunder may be carried under a
blanket policy covering the Building and other locations of Landlord.
The term "insurance policy" as used herein shall be deemed to include
any extensions or renewals of such insurance policy. Landlord shall
commence to adjust any loss within 30 days of any casualty and shall
diligently pursue such adjustment.

ARTICLE 18: LANDLORD SERVICES AND UTILITIES

18.1 Ordinary Services to the Premises. Landlord shall furnish to the

Premises throughout the Term (i) electricity, heating and air
conditioning appropriate for the Permitted Use during the Business
Hours, (ii) reasonable janitorial service, (iii) regular trash removal
from Premises, (iv) hot and cold water from points of supply, (v)
subject to Article 10, restrooms as are required by applicable code,
and (iv) elevator service, if there is an elevator in the Building,
provided that Landlord shall have the right to temporarily remove such
elevators from service as may be required for moving, freight or for

servicing the elevators or the Building so long as there is at least one elevator operating at all times (excluding instances where there are brief periods for service or repair). Landlord agrees to furnish landscaping and grounds maintenance and snow clearing for the areas used in common by the tenants of the Building. Landlord shall be under no responsibility or liability for failure or interruption in such services caused by breakage, accident, strikes, repairs or any other cause or causes beyond the control of Landlord, nor in any event for any indirect or consequential damages; and failure or omission on the part of Landlord to furnish such service shall not be construed as an eviction of Tenant, nor work an abatement of Rent, nor render Landlord liable in damages, nor release Tenant from prompt fulfillment of any of the covenants of this Lease.

18.2 Interruption of Services. Notwithstanding anything in this Lease to

the contrary, if any of the services listed above are interrupted or suspended for a period of time and to the extent that the Tenant is substantially unable to function in the Premises, then Tenant's Rent shall abate during the time and to the extent the Tenant is substantially unable to function in said Premises. If any such interference continues for one hundred twenty (120) consecutive days, Tenant may terminate this Lease.

ARTICLE 19: LIABILITY OF LANDLORD

19.1 Except to the extent expressly prohibited by law, Tenant and Landlord hereby waive any claim each may have against the other or its agents, contractors or employees for any consequential damages sustained arising out of the loss or damage to any person or property of Tenant or Landlord, as the case may be.

19.2 Indemnity. Tenant shall indemnify and hold Landlord and its agents,

contractors or employees harmless from and against any and all damage, claim, liability, cost or expense (including, without limitation, reasonable attorneys' or other reasonable professionals' fees of every kind and nature (including, without limitation, those arising from any injury or damage to any person, property or business) incurred by or claimed against Landlord or its agents, contractors or employees, directly or indirectly, as a result of, arising from or in connection with Tenant's or its contractor's, employee's, or agent's use and occupancy of the Premises or the negligence or wilful misconduct of Tenant, its contractors, employees and agents. Landlord shall indemnify and hold Tenant and its agents, contractors or employees harmless from and against any and all damage, claim, liability, cost or expense (including, without limitation, reasonable attorneys' or other reasonable professionals' fees of every kind and nature (including, without limitation, those arising from any injury or damage to any person, property or business) incurred by or claimed against Tenant or its agents, contractors or employees, directly or indirectly, as a result of, arising from or in connection with Landlord's or its contractors, employees, or agent's use, ownership and occupancy of the Premises, the Building or the Common Area or the negligence or wilful misconduct of Landlord or its contractors, employees or agents.

ARTICLE 20: RULES AND REGULATIONS

Tenant shall at all times abide by and observe the Rules and Regulations (as attached hereto as Exhibit B) for the operation and maintenance of the Building and the Common Area and the Rules and Regulations shall be deemed to be covenants of the Lease to be performed and/or

observed by Tenant. Landlord shall not be liable to Tenant for any violation by any party of the Rules and Regulations or the terms of any other Building Lease. If there is any inconsistency between this Lease and the Rules and Regulations, this Lease shall govern. The Rules and Regulations must be reasonable and uniformly enforced against other tenants by Landlord.

ARTICLE 21: DAMAGE; CONDEMNATION

21.1 Damage to the Premises. If the Premises shall be damaged by fire or -----
other cause Landlord shall diligently and as soon as practicable after such damage occurs (taking into account the time necessary to effect a satisfactory settlement with any insurance company involved) which Landlord shall make all reasonable efforts to cause the insurance company to adjust the claim within thirty (30) days of the casualty) repair such damage at the expense of Landlord. Notwithstanding the foregoing, if the Premises or the Building are damaged during the last two (2) Lease Years, then Landlord or Tenant within thirty (30) days from the date of such damage, may terminate this Lease by notice to the other (under no circumstances shall Tenant be entitled to elect to terminate the Lease if the loss or damage is caused by the Tenant's negligence) provided, however that Tenant may negate Landlord's termination by exercising Tenant's option to extend within thirty (30) days after receipt of Landlord's termination notice. If either Landlord or Tenant terminates this Lease, the Rent shall be apportioned and paid to the date of such termination. If neither Landlord nor Tenant so elects to terminate this Lease but the damage required to be repaired by Landlord is not repaired within one hundred fifty (150) days from the date of such damage (such one hundred fifty (150) day period to be extended by the period of any delay outside the direct control of Landlord plus a reasonable period for a satisfactory settlement with any insurance company involved) not to exceed thirty (30) days), Tenant, within thirty (30) days from the expiration of such one hundred fifty (150) day period (as the same may be extended), may terminate this Lease by notice to Landlord. Within thirty (30) days after any such damage, Landlord shall deliver to Tenant a statement from Landlord's insurance adjuster or architect stating its good faith estimate as to the time necessary to completely repair such damage. In the event such estimate exceeds one hundred twenty (120) days, Tenant may terminate the Lease. During the period that Tenant is deprived of the use of the damage Portion of the Premises, Fixed Rent and Tenant's proportionate share of Operating Expenses and Taxes shall be reduced by the ratio that the rentable square footage of the Premises damaged bears to the total rentable square footage of the Premises before such damage. Notwithstanding anything herein to the contrary, Landlord shall not be required to rebuild, replace or repair personal property of Tenant.

21.2 Condemnation. If the whole or a Substantial Part of the Premises or -----
the Building shall be taken or condemned by any governmental or quasi-governmental authority for any public or quasi-public use or purpose (including, without limitation, sale under threat of such a taking), then the Term shall cease and terminate as of the date when title vest in such governmental or quasi-governmental authority, and Rent shall be prorated to the date when title vests in such governmental or quasi-governmental authority. If less than a Substantial Part of the Premises is taken or condemned by any governmental or quasi-governmental authority for any public or quasi-public use or purpose (including, without limitation, sale under threat of such a taking), Tenant may elect to terminate the Lease within thirty (30) days after such taking. If this Lease is not terminated, Fixed Rent and Tenant's proportionate share of Operating Expenses and Taxes shall be reduced by the

ratio that the portion so taken bears to the rentable square footage of the Premises before such taking, effective as of the date when title vests in such governmental or quasi-governmental authority, and this Lease shall otherwise continue in full force and effect. Tenant shall have no claim against Landlord (or otherwise) as a result of such taking, and Tenant hereby agrees to make no claim against the condemning authority for any portion of the amount that may be awarded as compensation or damages as a result of such taking; provided, however, that Tenant may, to the extent allowed by law, claim an award for moving expenses, loss of any business and for the taking of any of Tenant's property which does not, under the terms of this Lease, become the property of Landlord at the termination hereof, as long as such claim is separate and distinct from any claim of Landlord and does not diminished Landlord's award.

ARTICLE 22: DEFAULT

22.1 Events of Default. Each of the following shall constitute an Event of

Default: (i) Tenant fails to pay Rent within ten (10) days after notice from Landlord; (ii) Tenant fails to observe or perform any other term, condition or covenant herein binding upon or obligating Tenant within thirty (30) days after notice from Landlord or an additional period of time not to exceed sixty (60) days so long as Tenant is diligently pursuing a cure, (iii) Tenant or any Guarantor makes or consents to a general assignment for the benefit of creditors or a common law composition of creditors, or a receiver of the Premises or all or substantially all of Tenant's or Guarantor's assets is appointed, or (iv) Tenant or Guarantor files a voluntary petition in any bankruptcy or insolvency proceeding, or an involuntary petition in any bankruptcy or insolvency proceeding is filed against Tenant or Guarantor and is not discharged by Tenant or Guarantor within ninety (90) days.

22.2 Landlord's Remedies. Upon the occurrence of an Event of Default,

Landlord, at its option, without further notice or demand to Tenant, may in addition to all other rights and remedies provided in this Lease, at Law or in equity (except for acceleration of damages or rent):

- (i) By judicial process, terminate this Lease and Tenant's right of possession of the Premises, and recover all damages to which Landlord is entitled under law, specifically including but without limitation, all of Landlord's expenses of returning the Premises into the condition in which it was required to be surrendered. If Landlord elects to terminate this Lease, provided Landlord has obtained a judgment terminating the Lease, every obligation of the parties shall cease as of the date of such termination, except that Tenant shall remain liable for payment of Rent and performance of all other terms and conditions of this Lease to the date of termination.
- (ii) By judicial process, terminate Tenant's right of possession of the Premises without terminating this Lease, in which event Landlord may, but shall not be obligated to, relet the Premises, or any part thereof, for the account of Tenant, for such rent and term and upon such other conditions as are acceptable to Landlord. For purposes of such reletting, Landlord is authorized to redecorate, repair, alter and improve the Premises to the extent necessary in Landlord's sole discretion. Until Landlord relets the Premises, Tenant shall remain obligated to pay Rent to

Landlord as provided in this Lease. If and when the Premises are relet and if a sufficient sum is not realized from such reletting to satisfy the payment of Rent due under this Lease for any month, Tenant shall pay Landlord any such deficiency upon demand. Tenant agrees that Landlord may file suit to recover any sums due Landlord under this Section from time to time and that such suit or recovery of any amount due Landlord shall not be any defense to any subsequent action brought for any amount not previously reduced to judgment in favor of Landlord.

(iii) Intentionally Deleted.

(iv) By judicial process, re-enter and repossess the Premises and remove all persons and effects therefrom, to summary proceeding, ejectment or other legal action.

(v) Recover from Tenant, to the extent permitted under the laws of the Commonwealth of Virginia, the value and/or cost of all concessions to Tenant under this Lease.

22.3 Rights Upon Possession. If Landlord takes possession pursuant to this

Article, with or without terminating this Lease, Landlord may, at its option, enter into the Premises, remove Tenant's Alterations, signs, personal property, equipment and other evidences of tenancy, and store them at Tenant's risk and expense or dispose of them as Landlord may see fit, and take and hold possession of the Premises; provided, however, that if Landlord elects to take possession only without terminating this Lease, such entry and possession shall not terminate this Lease or release Tenant or any Guarantor, in whole or in part, from the obligation to pay the Rent reserved hereunder for the full Term or from any other obligation under this Lease or any guaranty thereof.

22.4 No Waiver. If Landlord or Tenant shall institute proceedings against

the other and a compromise or settlement thereof shall be made, the same shall not constitute a waiver or any other covenant, condition or agreement herein contained, nor of any of Landlord's or Tenant's rights hereunder. No waiver by Landlord or Tenant of any breach shall operate as a waiver of such covenant, condition or agreement, or operate as a waiver of such covenant, condition or agreement itself, or of any subsequent breach thereof. No payment of Rent by Tenant or acceptance of Rent by Landlord shall operate as a waiver of any breach or default by Tenant under this Lease. No payment by Tenant or receipt by Landlord of a lesser amount than the monthly installment of Rent herein stipulated shall be deemed to be other than a payment on account of the earliest unpaid Rent, nor shall any endorsement or statement on any check or communication accompanying a check for any payment by either party be deemed an accord and satisfaction, and Landlord or Tenant may accept such check or payment without prejudice to its right to recover the balance of such amount due or to pursue any other remedy provided in this Lease. No re-entry by Landlord, and no acceptance by Landlord of keys from Tenant, shall be considered an acceptance of a surrender of the Lease.

22.5 Right of Landlord to Cure Tenant's Default. If an Event of Default

shall occur, then Landlord may (but shall not be obligated to) make such payment or do such act to cure the Event of Default, and charge the amount of the expense thereof, together with interest thereon at the Interest Rate, to Tenant. Such payment shall be due and payable upon

demand. Any such payment made by Landlord on Tenant's behalf shall bear interest until paid at the Interest Rate.

22.6 Late Payment. If Tenant fails to pay any Rent within ten (10) days

after notice that such Rent was due and payable, Tenant shall pay to Landlord a late charge of five percent (5%) of the amount of such overdue Rent.

22.7 Landlord's Default. If Landlord shall fail to perform any of its obligations when and as due under this Lease (a "breach" or "default"), which default continues for a period of more than thirty (30) days after written notice from Tenant specifying such default (or as to any default which requires more than thirty (30) days to remedy, if such cure is not commenced promptly and pursued diligently or continues beyond the time reasonably necessary therefor) Tenant may at its option upon written notice (1) if the default has a material and adverse effect upon Tenant's ability to operate its usual and regular business in the Premises, and Tenant has no other adequate remedy under this Lease or at law, declare the Term ended and vacate the Premises, and be relieved from all further obligations under this Lease (provided, however, prior to termination, Tenant shall send to Landlord an additional notice to Landlord, following the initial default notice, advising Landlord of Tenant's intention to terminate this Lease if the default is not cured within ten (10) days after such notice); and/or (2) incur any reasonable expense necessary to perform the obligation of Landlord specified in such notice; and/or (3) sue for injunctive relief; and/or (4) sue for specific performance; and/or (5) except as otherwise set forth in this Lease, set off any amount expended by Tenant as a result of such default, together with interest at the Interest Rate, against the next payments of Rent coming due under this Lease until recovered in full; and/or (6) avail itself of any other remedy provided herein or available at law or in equity (except for acceleration of damages).

22.8 Mitigation. Notwithstanding any of the terms and provisions herein

contained to the contrary, Landlord and Tenant shall each have the duty and obligation to use reasonable good faith efforts to mitigate any and all damages that may or shall be caused or suffered by virtue of the other's defaults under, or violation of, any of the terms and provisions of this Lease.

ARTICLE 23: MORTGAGES

23.1 Subordination. This Lease is subject and subordinate to all ground

or underlying leases and to any first Mortgage(s) which may now or hereafter affect such leases or the Land and to all renewals, modifications, consolidations, replacements and extensions thereof. This subordination shall be self-operative; however, in confirmation thereof, Tenant shall execute any instrument that Landlord or any first Mortgagee may reasonably request confirming such subordination within thirty (30) days after request therefor. Notwithstanding the foregoing, before any foreclosure sale under a Mortgage, the Mortgagee shall have the right to subordinate the Mortgage to this Lease, and, in the event of a foreclosure, this Lease may continue in full force and effect and Tenant shall attorn to and recognize as its landlord the purchaser of Landlord's interest under this Lease. Tenant shall, upon the request of a Mortgagee or purchaser at foreclosure, execute, acknowledge and deliver any instrument that has for its purpose and effect the subordination of the lien of any Mortgage to this Lease or Tenant's attornment to such Purchaser. Landlord shall by the Commencement Date or thirty (30) days after the

request by Tenant, and prior to a refinancing of the Building, deliver to Tenant a non-disturbance agreement reasonably satisfactory to Tenant from any Mortgagee or ground lessor substantially similar to the Agreement attached here to as Exhibit H.

23.2 Mortgagee Protection. Tenant agrees to give any Mortgagee by ----- certified mail, return receipt requested, a copy of any notice of default served upon Landlord, provided that before such notice Tenant has been notified in writing of the address of such Mortgagee. Tenant further agrees to accept any cure from said Mortgagee within the cure periods provided herein.

23.3 Subordination, Nondisturbance Agreement. If the Premises are ----- encumbered by a mortgage, deed of trust, or ground lease as of the date this Lease is executed and delivered by the parties hereto, and a fully executed Non-Disturbance, Subordination and Attornment Agreement is not delivered to Tenant concurrently with Landlord's delivery of the Premises to Tenant, Tenant may, in its sole discretion, (i) terminate this Lease by written notice given to Landlord at any time prior to the date a fully executed Non-Disturbance, Subordination and Attornment Agreement is delivered to Tenant, or (ii) abate Fixed Rent from the Commencement Date through the date that a fully executed Non-Disturbance, Subordination and Attornment Agreement is delivered to Tenant.

ARTICLE 24: SURRENDER; HOLDING OVER

24.1 Surrender of the Premises. Tenant shall surrender the Premises to ----- Landlord on the Expiration Date or earlier termination of this Lease, in broom-clean condition, including, without limitation, the repair of any damage to the Premises caused by the removal of any of Tenant's personal property or trade fixtures from the Premises, except for reasonable wear and tear and loss by fire or other casualty. After five (5) days notice to Tenant, any of Tenant's personal property left on or in the Premises, the Building or the Common Area after the Expiration Date or earlier termination of this Lease shall be deemed to be abandoned, and, at Landlord's option, title shall pass to Landlord under this Lease.

24.2 Holding Over. In the event that Tenant shall not immediately ----- surrender the Premises to Landlord on the Expiration Date or earlier termination of this Lease, Tenant shall be deemed to be a month to month tenant upon all of the terms and provisions of this Lease, except the monthly Fixed Rent shall be one hundred fifty percent (150%) the monthly Fixed Rent in effect during the last month of the Term.

ARTICLE 25: QUIET ENJOYMENT

Landlord covenants that if Tenant shall pay Rent and perform all of the terms and conditions of this Lease to be performed by Tenant subject to applicable cure periods, Tenant shall during the Term peaceably and quietly occupy and enjoy possession of the Premises without molestation or hindrance by Landlord or any party claiming through or under Landlord, subject to the provisions of this Lease and any Mortgage to which this Lease is subordinate and easements, conditions and restrictions of record affecting the Land.

ARTICLE 26: TENANT'S COVENANTS REGARDING HAZARDOUS MATERIALS

26.1 Definition. As used in this Lease, the term "Hazardous Material" means ----- any flammable

items, explosives, radioactive materials, hazardous or toxic substances, material or waste or related materials, including any substances defined as or included in the definition of "hazardous substances", "hazardous wastes", "infectious wastes", "hazardous materials" or "toxic substances" now or subsequently regulated under any federal, state or local laws, regulations or ordinances including, without limitation, oil, petroleum-based products, paints, solvents, lead, cyanide, DDT, printing inks, acids, pesticides, ammonia compounds and other chemical products, asbestos, PCBs and similar compounds, and including any different products and materials which are subsequently found to have adverse effects on the environment or the health and safety of persons.

26.2 General Prohibition. Tenant shall not cause or permit any Hazardous

Material to be generated, produced, brought upon, used, stored, treated, discharged, released, spilled or disposed of on, in, under or about the Premises, the Building or the Land by Tenant or its agents, contractors and employees, sublessees or assignees in violation of any local, state or federal law. Tenant shall indemnify, defend and hold Landlord harmless from and against any and all actions (including, without limitation, remedial or enforcement actions of any kind, administrative or judicial proceedings, and orders or judgments arising out of or resulting therefrom), costs, claims, damages (including, without limitation, punitive damages), expenses (including, without limitation, attorneys', consultants' and experts' fees, costs, court costs and amounts paid in settlement of any claims or actions), fines, forfeitures, or other civil, administrative or criminal penalties, injunctive or other relief (whether or not based upon personal injury, property damage, or contamination of, or adverse effects upon, the environment, water tables or natural resources), liabilities or losses arising from a breach of this prohibition by Tenant, its contractors, employees and agents, or sublessees or assignees. Notwithstanding the foregoing, Landlord acknowledges that Tenant may use and store limited quantities of Hazardous Material in connection with the operation of its Permitted Use so long as the same are used and stored in compliance with laws.

26.3 Notice. In the event that Hazardous Materials are discovered upon, or

under the Premises, the Building or the Land, provided the same were brought on to the Premises, Building or Land by Tenant, and the governmental agency or entity having jurisdiction over the Premises, the Building or the Land requires the removal of such Hazardous Materials, Tenant shall be responsible for removing those Hazardous Materials arising out of or related to the use or occupancy of the Premises by Tenant or its contractors, employees or agents, affiliates, sublessees or assignees but not those of its predecessors. Notwithstanding the foregoing, Tenant shall not take any remedial action in or about the Premises, the Building or the Land, without first notifying Landlord or Tenant's intention to do so and affording Landlord a reasonable opportunity to protect Landlord's interest with respect thereto. Tenant immediately shall notify Landlord in writing of: (i) any spill, release, discharge or disposal of any Hazardous Material in, on or under the Premises, the Building, the Land or any portion thereof made by Tenant, (ii) any enforcement, cleanup, removal or other governmental or regulatory action instituted, contemplated, or threatened (if Tenant has notice thereof) pursuant to any Hazardous Materials Laws; (iii) any claim made or threatened by any person against Tenant, relating to damage, contribution, cost recovery, compensation, loss or injury resulting from or claimed to result from any Hazardous Materials; and (iv) any reports made by Tenant to any governmental agency or entity arising out of or in connection with any Hazardous Materials in, on, under or about or removed from the Premises, the Building or the Land,

including any complaints, notices, warnings, reports or asserted violations in connection therewith. Tenant also shall supply to Landlord as promptly as possible, and in any event within five (5) business days after Tenant first receives or sends the same, copies of all claims, reports, complaints, notices, warnings or asserted violations relating in any way to the Premises, the Building, the Land or Tenant's use or occupancy thereof.

26.4 Survival. The respective rights and obligations of Landlord and -----
Tenant under this Article 26 shall survive the expiration or earlier termination of this Lease.

26.5 Landlord's Obligations, Representations and Warranties. Landlord -----
warrants that the Building, Land and Premises are free of any asbestos or any other Hazardous Material. In the event there is discovered to be Hazardous Material in the Building, Land and/or Premises which has not been placed or introduced there by Tenant, its employees, agents or contractors, then Landlord shall, at its sole cost and expense bear the cost and expense of any investigation, testing, digging, removal or clean up required and any fines or penalties assessed as a result of the presence of Hazardous Material within, on or under the Land or the Building. Also under such circumstance, Landlord shall indemnify, defend and hold Tenant harmless from any claims, demands, suits, actions, awards, fines, clean up costs, expenses, attorney fees, etc., which may arise as a result of such presence, which indemnity shall survive the expiration or earlier termination of this Lease. If as a result of the presence of Hazardous Material, the Premises is substantially untenable, Tenant shall have the right to either (i) abate Rent and all other charges payable under this Lease based upon the duration and extent of the interruption to Tenant's business or (ii) terminate this Lease upon sixty (60) days written notice to Landlord should the contamination be to the extent that it is not cured within ninety (90) days and the Premises is untenable.

ARTICLE 27: MISCELLANEOUS

27.1 No Representations by Landlord. Tenant acknowledges that neither -----
Landlord or its agents nor any broker has made any representation or promise with respect to the Premises, the Building, the Land or the Common Area, except as herein expressly set forth, and no rights, privileges, easements or licenses are acquired by Tenant except as herein expressly set forth. Landlord shall deliver possession of the Premises to Tenant with all of Landlord's improvements and Tenant Work completed as required by the terms of the Lease and as an integral, enclosed, and secure space with all the roof and demising walls properly in place, weather tight and free and clear of asbestos and Hazardous Materials, and with all service lines and meters in place, ready for occupancy. All of Landlord's improvements and Tenant Work shall be done in a good and workmanlike manner and in conformity with the local, state and national codes having jurisdiction. In addition to the foregoing, Landlord agrees to include a provision in every tenant's lease or agreement for occupancy in the Building prohibiting such tenant or occupant from allowing its employees, agents, contractors or invitees from smoking in the Building.

27.2 No Partnership. Nothing contained in this Lease shall be deemed or -----
construed to create a partnership or joint venture of or between Landlord and Tenant, or to create any other relationship between Landlord and Tenant other than that of landlord and tenant.

27.3 Broker. Landlord and Tenant represent and warrant each to the -----
other that each has not

dealt with any real estate agent or broker in connection with this transaction and agree to indemnify and save each other harmless from and against all loss, cost and expense incurred by reason of the breach of such representation and warranty.

27.4 Estoppel. At any time and from time to time upon not less than ten

(10) days' prior notice by Landlord or Tenant, the other party shall deliver a statement in writing addressed to the requesting party certifying if true (i) that this Lease is unmodified and in full force and effect (or if, there have been modifications, that the same is in full force and effect as modified and stating the modifications), (ii) whether the Term has commenced and the date Rent shall have become payable hereunder, and if so, the dates to which it has been paid, (iii) whether or not, to such party's knowledge, the requesting party is in default in performance of any of the terms of this Lease, and if so, specifying such default of which it may have knowledge, (iv) whether Tenant has accepted possession of the Premises, (v) whether either party has made any claim against the other under this Lease, and if so, the nature thereof, (vi) whether there exist any offset or defenses against enforcement of any of the terms of this Lease upon the part of Tenant to be performed, and if so, specifying the same; and (vii) such other matters as either party may reasonably request of the other.

27.5 Intentionally Deleted.

27.6 Notices. All notices or other communications hereunder shall be in

writing and shall be deemed duly given if delivered in person or under the earlier of receipt, if mailed by certified or registered mail, or three (3) days after certified or registered mailing, return receipt requested, postage prepaid, addressed and sent to the respective parties and addresses listed in Sections 1.17, 1.18 and 1.19 herein. Landlord and Tenant may from time to time by written notice to the other designate another address for receipt of future notices.

27.7 Invalidity of Particular Provisions. If any provisions of this

Lease or the application thereof to any person or circumstances shall to any extent be invalid or unenforceable, the remainder of this Lease, or the application of such provision to persons or circumstances other than those to which it is invalid or unenforceable, shall not be affected thereby, and each provision of this Lease shall be valid and be enforced to the full extent permitted by law.

27.8 Gender and Number. Any terms and words used in this Lease,

regardless of the number or gender in which they are used, shall be deemed to include any other number or gender as the context may require.

27.9 Benefit and Burden. Subject to the provisions of Article 11 and

except as otherwise expressly provided, the provisions of this Lease shall be binding upon, and shall inure to the benefit of, the parties hereto and each of their respective representatives, heirs, successors and assigns. Landlord may freely and fully assign its interest hereunder provided the successor is bound hereby.

27.10 Entire Agreement. This Lease (which includes the Exhibits and

Rider attached hereto) contains and embodies the entire agreement of the parties hereto, and no representations, inducements or agreements, oral or otherwise, between the parties not contained in this

Lease shall be of any force or effect. This Lease may not be modified, changed or terminated in whole or in part in any manner other than by an agreement in writing duly signed by Landlord and Tenant.

27.11 Authority.

(i) If Tenant signs as a corporation, Tenant hereby represents and warrants that Tenant is a duly formed and validly existing corporation, in good standing, qualified to do business in the Commonwealth of Virginia, that the corporation has full power and authority to enter into this Lease and that the person executing the Lease is authorized to execute this Lease on behalf of the corporation. Landlord executes this Lease as a Virginia limited liability company and represents and warrants that it is duly formed, validly existing and in good standing and qualified to do business in the Commonwealth of Virginia, that the limited liability company has full power and authority to enter into this Lease and that the person signing on behalf of the limited liability company has the authority to execute the lease on behalf of the limited liability company.

27.12 Attorneys' Fees. If, as a result of default of Landlord or Tenant

in its performance of any of the provisions of this Lease, the other party uses the services of an attorney in order to secure compliance with such provisions or recover damages therefor, or to terminate this Lease or evict Tenant, the non-prevailing party shall reimburse the prevailing party upon demand for any and all reasonable attorneys' fees, costs and expenses so incurred by the prevailing party.

27.13 Interpretation, Venue. This Lease is governed by the laws of the

Commonwealth of Virginia except venue and jurisdiction are proper in the Circuit Court for Frederick County, Virginia.

27.14 No Personal Liability; Sale. Neither Landlord, Tenant nor their

respective agents, contractors or employees, whether disclosed or undisclosed, shall have any personal liability under any provision of this Lease. In the event of a judgment in favor of Tenant which remains unpaid, Tenant's right of redress, execution and levy shall be limited to the interest of Landlord in the Building as described in Article 1 hereof. In the event that the original Landlord hereunder, or any successor owner of the Building, shall sell or convey the Building, all liabilities and obligations on the part of the original Landlord, or such successor owner, under this Lease occurring thereafter shall terminate as of the day of such sale, and thereupon all such liabilities and obligations shall be binding on the new owner. Tenant agrees to attorn to such new owner. Notwithstanding the foregoing, if Landlord shall fail to perform any covenant, term or condition of this Lease upon Landlord's part to be performed and should Tenant, as a consequence of such default, recover a money judgment against Landlord, such judgment may be satisfied out of (i) the proceeds of sale produced upon execution of such judgment and levy thereon against Landlord's interest in the entire Building and improvements thereon, (ii) the rents, other income, or insurance proceeds from such property receivable by Landlord and (iii) the consideration received by Landlord from the sale of all or any part of Landlord's interest in the entire Building. The provisions of this article are not designed to relieve Landlord from the performance of any of its obligations hereunder, but rather to limit Landlord's liability in the case of the recovery of a judgment against it, as aforesaid, nor shall any of the provisions of this Article be deemed to limit or otherwise affect Tenant's right to

obtain injunctive relief or specific performance or avail itself of any other right or remedy which may be accorded Tenant by law or this Lease. Notwithstanding anything to the contrary in this Lease, Landlord may not transfer its interest in the Building prior to the Commencement Date.

- 27.15 Time of the Essence. Time is of the essence as to obligations

contained in this Lease.
- 27.16 Force Majeure. Neither Landlord nor Tenant shall be required to

perform any of its obligations under this Lease, nor shall such party be liable for loss or damage for failure to do so, nor shall the other party thereby be released from any of its obligations under this Lease, where such failure by the non-performing party arises from or through acts of God, strikes, lockouts, labor difficulties, explosions, sabotage, accidents, riots, civil commotions, acts of war, results of any warfare or warlike conditions in this or any foreign country, fire or casualty, legal requirements, energy shortage or other causes beyond the reasonable control of the non-performing party, unless such acts are caused or are contributed to by the actions or inactions of the party asserting this clause or such loss or damage results from the willful misconduct or gross negligence of the non-prevailing party.
- 27.17 Headings. Captions and headings are for convenience of reference

only.
- 27.18 Memorandum of Lease. Tenant shall, at the request of Landlord,

execute and deliver a memorandum of Lease in recordable form. Tenant shall not record such a memorandum or this Lease without Landlord's consent. In the event Tenant requests recordation of a memorandum of this Lease, Tenant shall be obligated to pay all costs, fees and taxes , if any, associated with such recordation. In the event Landlord elects to record a memorandum of this Lease, Landlord shall be obligated to pay all costs, fees and taxes, if any, associated with such recordation.
- 27.19 Perpetuities. Notwithstanding any provision in this Lease to the

contrary, if the Lease Term has not commenced within twenty-one (21) years after the date of this Lease, this Lease shall automatically terminate on the 21st anniversary of the date of this Lease. The sole purpose of this provision is to avoid any possible interpretation of this Lease as violating the Rule Against Perpetuities or other rule of law against restraints on alienation.
- 27.20 Effectiveness. The furnishing of the form of this Lease shall not

constitute an offer and this Lease shall become effective upon and only upon its execution by and delivery to each party hereto.
- 27.21 Option to Purchase. In the event Landlord desires to sell all or

any portion of the Building and/or the Premises, or convert the same to a condominium regime, Landlord shall first offer the same to Tenant. The purchase price shall be at market value as determined in good faith by an appraiser selected by the Landlord and an appraiser selected by the Tenant. In the event the market appraisals are not the same, the purchase price shall be the average of the two appraisals. If Tenant does not exercise its right to purchase all or any of the above after 60 days notice from Landlord by confirming in writing the engagement of an appraiser, then the Landlord shall be free to sell same at its sole and absolute discretion.

- 27.22 Signage/Name. Tenant agrees to give Landlord the right to name the

 Premises and surrounding property "Trex Center". Landlord has the sole discretion to change the name at any time provided that Tenant is no longer occupying the Premises. Tenant agrees to bear the cost for two signs on property so long as the signs bear the name "Trex". Landlord agrees to use Trex approved logo and color on all project signage.
- 27.23 Right of First Offer. Landlord agrees that during the Lease Term,

 if space in the Building ("Offering Space") becomes or may become available for any reason, Landlord, prior to offering the space to any third party, shall notify Tenant in writing of the availability of the Offering Space including the estimated date of availability ("Landlord's Notice"). In the event Tenant desires to lease such Offering Space pursuant to the same terms of the Lease set forth herein as they apply to the Premises, Tenant shall provide Landlord with written notice of such interest within ten (10) days of the receipt of such Landlord's Notice.
- 27.24 Right to Renew. Tenant shall have the right to extend the Term for

 two (2) additional five (5) year terms upon the same terms, covenants, and conditions as herein contained. Tenant may exercise each such Renewal Period by giving Landlord notice in writing at least six (6) months prior to the then scheduled expiration of the Term. However, if Tenant fails to give such notice at least six (6) months prior to the then scheduled expiration of the Term, Tenant shall not be deemed to have waived the right to exercise such Renewal Period until Landlord gives Tenant written notice of Tenant's failure to exercise such Renewal Period and affords Tenant a period of thirty (30) days after receipt of such notice to exercise such Renewal Period. Landlord shall give Tenant written notice of Tenant's failure to exercise such Renewal Period seven (7) months prior to the expiration of the Term.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease under seal as of the Date of Lease.

LANDLORD:

ATTEST/WITNESS:

By: /s/ Kevin D. Adams

/s/ David A. Scordy

Name: Kevin D. Adams
 Title: Manager

Name: David A. Scordy

ATTEST/WITNESS:

- - - - -

TENANT:

- - - - -

/s/ David A. Scordy (SEAL)

- - - - -

Name: David A. Scordy

By: /s/ Robert G. Matheny

- - - - -

Name: Robert G. Matheny

Title: President

Subsidiaries of the Registrant

Name of Subsidiary -----	Jurisdiction of Formation -----
TRENK Company, LLC	Delaware

Consent of Independent Auditors

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 333-76847) pertaining to the Trex Company, Inc. 1999 Employee Stock Purchase Plan and the Trex Company, Inc. 1999 Stock Option and Incentive Plan of our report dated February 7, 2001, with respect to the consolidated financial statements of Trex Company, Inc. included in the Annual Report (Form 10-K) for the year ended December 31, 2000.

/s/ Ernst & Young LLP

March 26, 2001
McLean, Virginia