As filed with the Securities and Exchange Commission on February 9, 1999
Registration No. 333-63287

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO. 2
TO
FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

TREX COMPANY, INC.
(exact name of registrant as specified in its charter)

Delaware	3089	54-1910453
(State or other jurisdictionof incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

20 South Cameron Street
Winchester, VA 22601
(540) 678-4070
(Address, including zip code and telephone number, including area code, of registrant's principal executive offices)

Anthony J. Cavanna

Executive Vice President and
Chief Financial Officer
Trex Company, Inc.
20 South Cameron Street
Winchester, VA 22601
(540) 678-4070
(Name, address, including zip code and telephone number, including area code, of agent for service)

Copies to:

Richard J. Parrino, Esq.	Brian Hoffmann, Esq.
Hogan & Hartson L.L.P.	McDermott, Will & Emery
555 13th Street, N.W.	50 Rockefeller Plaza, 11th floor
Washington, DC 20004-1190	New York, NY 10020-1605
(202) 637-5600	(212) 547-5400

Approximate date of commencement of proposed sale to the public:
As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. [_]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [_]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [_]

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [_]

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [_]

CALCULATION OF REGISTRATION FEE

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Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common Stock, $0.01 par value.....	3,855,950(1)	$15.00(2)	$57,839,250(2)	$16,079.31(3)

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(1) Includes 502,950 shares subject to an over-allotment option granted by the Company to the underwriters.

(2) Estimated solely for purposes of calculating the registration fee.

(3) Of this fee, $15,266.25 was previously paid.

The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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+Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any State in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such State.

Subject to Completion Dated February 9, 1999

3,353,000 Shares

Trex Company, Inc.

Common Stock

Of the 3,353,000 shares of common stock, par value $.01 per share (the "Common Stock"), of Trex Company, Inc. (the "Company") being offered hereby (the "Shares"), 3,250,000 Shares are being sold by the Company and 103,000 Shares are being sold by certain stockholders of the Company (the "Selling Stockholders"). See "Principal and Selling Stockholders." The Company will not receive any proceeds from the sale of Shares by the Selling Stockholders.

Prior to the offering of the Shares (the "Offering"), there has been no public market for the Common Stock and there can be no assurance that any active trading market will develop. It is anticipated that the initial public offering price will be between $13.00 and $15.00 per Share. See "Underwriting" for information relating to the factors to be considered in determining the initial public offering price.

The Common Stock has been approved for listing on the New York Stock Exchange (the "NYSE") under the symbol "TWP" subject to notice of issuance.

See "Risk Factors" beginning on page 9 for a discussion of certain factors which should be considered by prospective purchasers in connection with an investment in the Shares.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION OF THE CONTRARY IS A CRIMINAL OFFENSE.

	Price to Public	Underwriting Discounts and Commissions(1)	Proceeds to the Company(2)	Proceeds to Selling Stockholders(3)
Per Share.....	$	$	$	$
Total (4).....	$	$	$	$

(1) The Company and the Selling Stockholders have agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended (the "Securities Act"). See "Underwriting."

(2) Before deducting expenses of the Offering estimated at $1,250,000.

(3) The Selling Stockholders will pay a portion of the underwriting discounts and commissions applicable to the sale of their Shares, equal to an aggregate of $.

(4) The Company has granted to the Underwriters an option (the "Over-Allotment Option") exercisable for a 30-day period from the closing of the Offering to purchase up to an additional 502,950 shares of Common Stock on the same terms set forth above to cover over-allotments, if any. If the Over-Allotment Option is exercised in full, the total Price to Public will be $, the total Underwriting Discounts and Commissions will be $, the total Proceeds to the Company will be $ and the total Proceeds to Selling Stockholders will be $.

The Shares are being offered by the several Underwriters named herein, subject to prior sale and acceptance by the Underwriters and subject to their right to reject any order in whole or in part. It is expected that the Shares will be available for delivery on or about , 1999 at the offices of Schroder & Co. Inc., New York, New York.

Schroder & Co. Inc. J.C. Bradford & Co.

, 1999

[The graphics on the inside front cover page are displayed on a three-page color fold-out and consist of the following: (i) on the first page, color photographs of three different product installations identified by location, accompanied by the registered product logo and text consisting of six bullet points summarizing product characteristics; and (ii) on a gatefold consisting of the second and third pages, color photographs of six different product installations identified by location and superimposed on a color photograph of a seventh product installation, accompanied by the registered product logo]

[Text accompanying graphics on the first page:]

- Splinter-free, wood-polymer(TM) decking lumber that requires no protective sealants.
- Manufactured primarily from recycled grocery bags, reclaimed stretch wrap, and hardwood waste.
- Resists moisture, insects, and UV rays.
- Will not rot, crack, split, warp, or splinter.
- Meets ADA standards for split resistant walking surfaces.
- The only wood-plastic lumber to be code listed by the nation's three major building code agencies: BOCA, ICBO, and SBCCI.

CERTAIN PERSONS PARTICIPATING IN THE OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE COMMON STOCK INCLUDING OVER-ALLOTMENTS, STABILIZING BIDS, SYNDICATE COVERING TRANSACTIONS AND THE IMPOSITION OF PENALTY BIDS. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE "UNDERWRITING."

SUMMARY

The following summary is qualified in its entirety by reference to, and should be read in conjunction with, the more detailed information and the Financial Statements and related Notes thereto appearing elsewhere in this Prospectus. Except as otherwise indicated, the information in this Prospectus assumes (i) consummation of the Reorganization (as defined below), (ii) consummation of the Offering at an initial public offering price of $14.00 per Share (the midpoint of the range set forth on the cover page of this Prospectus) and (iii) no exercise of the Over-Allotment Option. Unless otherwise indicated, references in this Prospectus to the "Company" mean, at all times prior to the consummation of the Reorganization, Trex Company, LLC or, prior to August 29, 1996, its predecessor, the Composite Products Division of Mobil Oil Corporation, and, at all times thereafter, Trex Company, Inc. and its wholly-owned subsidiary. The information on the decking market presented in this Prospectus is for the U.S. market. Trex(R) is a registered trademark of the Company.

THE COMPANY

General

The Company is the nation's largest manufacturer of non-wood decking alternative products, which are marketed under the brand name Trex(R). 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. The Company promotes Trex among consumers and contractors as a premium decking product. Net sales of Trex increased from $0.6 million in 1992 to $46.8 million in 1998. Income from operations increased from a loss of $5.6 million in 1992 to a profit of $11.0 million in 1998.

Annual factory sales of residential and commercial decking in 1997 totaled approximately $1.7 billion and approximately $200 million, respectively. This market includes all decking products other than posts, beams and columns used for a deck's substructure. For the seven-year period ended December 31, 1997, factory sales of all residential decking increased at a compounded annual growth rate of approximately 8%. In recent years, factory sales of non-wood alternative decking products to the residential market have increased at a compounded annual growth rate of over 25%. Although wood decking accounted for approximately 97% of 1997 decking sales (measured by board feet of lumber), developing consumer awareness of non-wood decking alternatives, the trend to low-maintenance products and the decline in lumber quality and quantity have contributed to increased sales of wood/plastic composites used for decking. Residential decking purchases include the installation of new or replacement decks for existing homes, construction of decks for new homes and repair of existing decks. The Company believes that, because residential deck construction is not primarily tied to new home activity, residential decking sales generally have not experienced the high level of cyclicality common to businesses in the new home construction and building materials industries.

The Company seeks to achieve sales growth in the decking market by converting demand for wood decking products into demand for Trex. The Company intends 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 (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. The Company sells its products through approximately 55 wholesale distribution locations, which in turn sell Trex to approximately 2,000 independent contractor-oriented retailer lumber yards ("dealer outlets") across the United States.

The Company was formed in August 1996 in a buyout (the "Acquisition") of the assets of the Composite Products Division of Mobil Oil Corporation ("Mobil"). Mobil established the Composite Products Division in April 1992 after purchasing the technology and related assets used to create Trex. The buyout was led by four senior Mobil executives with over 75 years of combined management experience.

Competitive Strengths

The Company believes that its primary competitive strengths are the following:

Superior Product. 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.

Brand Name Development. The Company has invested over $10 million during the last three years to develop Trex as a recognized brand name in the residential and commercial decking market. The Company's marketing strategy has been to promote Trex among consumers and contractors as a premium decking product. The Company uses extensive print and television advertising to build brand awareness among homeowners and commercial users and targets decking contractors with advertisements in leading building and remodeling magazines. Brand name recognition helps to generate demand for Trex directly among consumers and also among distributors and dealers, who recommend Trex to contractors and other consumers. The Company believes that its branding strategy promotes product differentiation of Trex in a market which is not generally characterized by brand identification and enables the Company both to command premium prices and to maintain price stability for Trex.

Extensive Distribution Network. The Company has developed an extensive distribution network which complements its branding strategy and focus on the contractor-installed market segment. At December 31, 1998, the Company sold Trex through approximately 55 wholesale distribution locations. At the same date, the Company's distributors marketed Trex to approximately 2,000 dealer outlets, which directly service contractors and consumers. The Company selects distributors based upon their anticipated commitment to Trex, and the Company's distribution network devotes significant resources to promoting and selling Trex. All distributors have appointed a Trex specialist, regularly conduct dealer training sessions, fund demonstration projects and participate in local advertising campaigns and home shows. These distributors generally sell Trex as their only non-wood decking alternative and agree in their distribution agreements with the Company not to market other wood/plastic composites with the same applications as Trex.

Investment in Manufacturing Process and Product Development. Production of a non-wood decking alternative like Trex requires significant capital investment, special process know-how and time to develop. The Company has invested approximately $34 million and six years in expansion of its manufacturing capacity, manufacturing process improvements, new product development and product enhancements. The Company's investment of time and capital has enabled it to increase the number of production lines from one to eight and its manufacturing line production rates by more than 200% since 1992, has facilitated the Company's development of new products and has produced improvements in the dimensional consistency, surface texture and color uniformity of Trex.

Building Code Listing. Trex is the only non-wood decking alternative to receive a product building code listing either from the National Evaluation Service (the "NES") or from any of the three NES regional members that establish construction standards in the United States. Since receiving its NES listing in 1995, Trex has been the only non-wood alternative decking product published in all major code books throughout the country. The Company's listing facilitates the acquisition of building permits by residential consumers of Trex. The Company believes that its listing promotes customer and industry acceptance of Trex as a substitute for wood in decking.

Experienced Management Team. The Company is managed by four experienced senior executives who led the buyout of Mobil's Composite Products Division in 1996. The Company's executives have managed billion-dollar operations as well as smaller, high-growth divisions and product rollouts within and outside of Mobil. They have approximately 75 years of combined management experience at Mobil across a wide range of management functions.

Growth Strategies

The Company's goals are to continue to be the leading producer of a superior non-wood decking alternative product, to increase its market share of the decking market and to expand new products and geographic markets. To attain these goals, the Company employs the following strategies:

Continue Brand Name Development. The Company plans to increase its investment in, and the resources devoted to, development of the Trex brand. The Company's branding efforts will focus on implementation of enhanced integrated advertising, public relations and trade programs. The Company's sales growth in the decking market will largely depend on converting demand for wood products into demand for Trex. Accordingly, the Company's branding strategy will continue to emphasize the advantages of Trex over wood decking products. The Company's brand building programs also are designed to support the positioning of Trex as a premium product in the decking market.

Expand Distribution Coverage. The Company intends to establish comprehensive national coverage for Trex. To achieve this objective, the Company expects to increase the number of dealer outlets selling Trex over the next three years by 50% to approximately 3,000 outlets. The Company will seek to expand its dealer network by adding new distributors and increasing the number of its wholesale distribution locations to approximately 75 distribution locations from its base of approximately 55 at December 31, 1998.

Increase Production Capacity. Currently, customer demand for Trex exceeds the Company's manufacturing capacity. To support sales growth and improve customer service, the Company plans to increase output by increasing productivity in its existing facility in Winchester, Virginia and by beginning production in an additional manufacturing facility near Reno, Nevada in the third quarter of 1999. The Company recently augmented the production capacity of its Winchester facility by adding one new production line in December 1998 and a second new production line in January 1999. The addition of these two production lines will enable the Company to increase its manufacturing capacity by approximately 40% by mid-1999. With the second manufacturing facility in operation, the Company expects by the end of 1999 to double its production capacity from the level sustained in December 1998.

Invest in Process and Product Development. The Company 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. In the third quarter of 1998, the Company centralized its research and development operations in the Trex Technical Center, a 30,000-square foot building adjacent to its Winchester manufacturing facility.

Increase New Product Development and Export Markets. As part of its long-term growth strategy, the Company will continue to develop opportunities for Trex in new products and product applications and in geographic markets beyond the Company's U.S. base. In 1998, the Company derived approximately 15% of its net sales from sales of Trex for non-decking applications, including industrial block flooring, applications for parks and recreational areas, floating and fixed docks and other marine applications, and landscape edging. The Company believes that the product characteristics of Trex are well suited to satisfy the diverse appearance, performance and safety requirements of these and other potential product applications. In expanding its geographic scope of operations, the Company plans to increase exports to Canada, where it currently has limited sales, and to explore export opportunities in the Caribbean, Latin America and selected parts of Europe.

Reorganization

In connection with the Offering, the Company and Trex Company, LLC will take certain actions described below which are collectively referred to in this Prospectus as the "Reorganization."

Trex Company, Inc. is currently a wholly-owned subsidiary of Trex Company, LLC, a Delaware limited liability company. Prior to the consummation of the Offering, the members of Trex Company, LLC other than Mobil will contribute their membership interests in Trex Company, LLC to Trex Company, Inc. in exchange for Common Stock of Trex Company, Inc. (the "Exchange Transaction"). Concurrently with such exchange, Trex Company, Inc. will purchase Mobil's membership interest in Trex Company, LLC for $3.1 million payable upon consummation of the Offering. As a result of the Exchange Transaction and such purchase, Trex Company, LLC will become a wholly-owned subsidiary of Trex Company, Inc.

In connection with the Exchange Transaction, Trex Company, LLC will make a special cash distribution of approximately $9.3 million to certain of its members (the "LLC Distribution"). Of the LLC Distribution, approximately $6.9 million represents the amount of the previously recognized and undistributed taxable income of Trex Company, LLC through the expected payment date on which the members have paid, or will pay, income tax and approximately $2.4 million represents a return of capital. The estimated $6.9 million amount and the total amount of the LLC Distribution are subject to adjustment based on the actual taxable income of Trex Company, LLC from January 1, 1999 through the date of the LLC Distribution. See "Certain Transactions--Reorganization."

The Company's principal executive offices are located at 20 South Cameron Street, Winchester, Virginia 22601, and the Company's telephone number at that address is (540) 678-4070.

THE OFFERING

Common Stock offered by the Company	3,250,000 shares
Common Stock offered by the Selling Stockholders	103,000 shares
Common Stock to be outstanding after the Offering	13,500,000 shares (1)
Use of Proceeds	The Company will use its net proceeds of the Offering to repay indebtedness, to purchase all of the Company's outstanding preferred equity, to fund a portion of the LLC Distribution and to provide funds for equipping the Company's second manufacturing facility, working capital and other general corporate purposes. See "Use of Proceeds."
Proposed NYSE symbol	TWP

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(1) Does not include (i) 125,000 shares subject to stock options the Company intends to grant to certain of its employees under its 1999 Stock Option and Incentive Plan (the "Stock Incentive Plan") upon the consummation of the Offering or (ii) up to 10,000 shares subject to stock options the Company intends to grant to its non-employee directors under its 1999 Incentive Plan for Outside Directors (the "Outside Director Plan") upon the consummation of the Offering. See "Management--1999 Stock Option and Incentive Plan" and "--1999 Incentive Plan for Outside Directors."

RISK FACTORS

Potential investors should carefully consider the risk factors relating to the Company, its business and an investment in the Shares set forth under "Risk Factors." Such risk factors include, but are not limited to, the following:

- Ability to Increase Market Acceptance
- Lack of Product Diversification
- Dependence on Single Manufacturing Facility
- Reliance on Supply of Raw Materials
- Sensitivity to Economic Conditions
- Ability to Increase Manufacturing Capacity
- Ability to Manage Growth
- Seasonality and Fluctuations in Quarterly Operating Results
- Significant Capital Requirements
- Dependence on Significant Distributors

SUMMARY HISTORICAL AND PRO FORMA FINANCIAL DATA

The summary historical financial data presented below as of December 31, 1998, for the period from August 29, 1996 to December 31, 1996, and for the years ended December 31, 1997 and 1998 are derived from the Company's Financial Statements and related Notes thereto appearing elsewhere in this Prospectus, which have been audited by Ernst & Young LLP, independent auditors. The summary historical statement of operations data and cash flow data presented below 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 "Predecessor") and related Notes thereto appearing elsewhere in this Prospectus, which have been audited by Ernst & Young LLP, independent auditors. The unaudited pro forma statement of operations data, cash flow data and other data give effect to the Reorganization as if the Reorganization had been consummated on January 1, 1998. The unaudited pro forma, as adjusted, statement of operations data, cash flow data and other data give effect to the Reorganization and the Offering as if such transactions had been consummated on January 1, 1998. The unaudited pro forma balance sheet data give effect to the Reorganization as if the Reorganization had been consummated on December 31, 1998. The unaudited pro forma, as adjusted, balance sheet data give effect to the Reorganization and the Offering as if such transactions had been consummated on December 31, 1998. The unaudited pro forma and unaudited pro forma, as adjusted, financial data are based on assumptions that management believes are reasonable, are presented for comparative and informational purposes only and do not purport to represent what the Company's actual results of operations or financial condition would have been if the Reorganization and the Offering in fact had occurred on such dates or to project the Company's results of operations for any future period or financial condition at any future date. The summary historical and unaudited pro forma and unaudited pro forma, as adjusted, financial data presented below also include certain unaudited other data. The summary financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Financial Statements of the Company and the Predecessor and related Notes thereto appearing elsewhere in this Prospectus.

	The Predecessor(1)	The Company(1)				
	Jan. 1, 1996 to Aug. 28, 1996	August 29, 1996 to Dec. 31, 1996	Year Ended Dec. 31, 1997	Year Ended Dec. 31, 1998	Pro Forma Year Ended Dec. 31, 1998(2)	Pro Forma, As Adjusted, Year Ended Dec. 31, 1998(3)
	(In thousands, except per share data)					
Statement of Operations Data:						
Net sales	$18,071	$ 5,708	$34,137	$ 46,818	$ 46,818	$ 46,818
Gross profit	8,883	2,227	17,363	23,862	23,862	23,862
Income (loss) from operations	3,375	(331)	8,371	10,984	10,984	10,984
Interest expense, net	-	934	2,777	2,526	2,950	175
Income (loss) before income tax expense	$ 3,375	$ (1,265)	$ 5,594	8,458	8,034	10,809
Pro forma income tax expense (4)(5)(6) (unaudited)				3,383	3,214	4,324
Pro forma net income (5)(6) (unaudited)				$ 5,075	$ 4,820	$ 6,485
Pro forma net income per share, basic (5)(6)(7) (unaudited)				$ 0.50	$ 0.47	$ 0.48
Cash Flow Data:						
Cash flow from (used in) operating activities	$ 2,848	$ (222)	$ 6,521	$ 12,228	$ 12,228	$11,870
Cash flow (used in) investing activities	(3,708)	(30,253)	(3,252)	(17,140)	(17,140)	(17,140)
Cash flow from (used in) financing activities	860	34,216	(5,010)	4,112	3,112	8,642
Other Data (unaudited):						
EBITDA (8)	$ 4,492	$ 527	$11,013	$ 14,098	$ 14,098	$ 14,098
Pounds of Trex sold	61,483	19,924	113,948	151,555	151,555	151,555

	As of December 31, 1998		
	Actual	Pro Forma(9)	Pro Forma, As Adjusted(9)(10)
Balance Sheet Data (in thousands):			
Cash and cash equivalents	$ 1,200	$ 200	$5,372
Working capital (deficit)	(3,172)	(11,816)	6,018
Total assets	51,331	50,331	54,720
Total debt	33,063	33,063	6,813
Total members'/stockholders' equity	13,291	4,647	42,291

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(1) On August 29, 1996, the Company acquired substantially all of the assets and assumed certain of the liabilities of the Predecessor for a purchase price of approximately $29.5 million. See "Certain Transactions--Acquisition Transactions."

(2) The pro forma statement of operations data do not include adjustments to reflect recognition of a one-time non-cash tax charge of approximately $1.4 million for the year ended December 31, 1998 with respect to a net deferred tax liability related to the Company's conversion in the Reorganization to a corporation taxed in accordance with Subchapter C of the Internal Revenue Code (a "C corporation"). Such data give effect to the conversion as if it had occurred on January 1, 1998. The pro forma income tax provision is calculated at a combined federal and state income tax rate of 40%. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Overview" and "Certain Transactions--Reorganization." Historical interest income has been eliminated to reflect application of cash balances to fund a portion of the LLC Distribution. The pro forma cash flow data reflect $1.0 million of the $5.6 million LLC Distribution. The remaining $4.6 million of the LLC Distribution will be paid from the net proceeds of the Offering.

(3) The pro forma, as adjusted, statement of operations data have been computed by eliminating interest expense of $2.8 million related to debt that will be repaid with a portion of the net proceeds of the Offering. The pro forma, as adjusted, statement of operations data do not include adjustments to (i) record an extraordinary loss, net of taxes, of $1.1 million for the year ended December 31, 1998 related to the extinguishment of such debt or (ii) reflect recognition of a one-time non-cash tax charge of approximately $1.4 million for the year ended December 31, 1998 with respect to a net deferred

tax liability related to the Company's conversion in the Reorganization to a C corporation. Such data give effect to the conversion as if it had occurred on January 1, 1998. The pro forma, as adjusted, income tax provision is calculated at a combined federal and state income tax rate of 40%. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Overview" and "Certain Transactions--Reorganization." Historical interest income has been eliminated to reflect application of cash balances to fund a portion of the LLC Distribution.

(4) For the period shown, the Predecessor was included in the consolidated tax return of its parent and, accordingly, no tax provision was provided. For all periods since inception, the Company elected to be treated as a partnership for federal and state income tax purposes. As a result, the Company's income has been taxed directly to the Company's members, rather than to the Company.

(5) Pro forma and pro forma, as adjusted, net income and net income per share reflect current federal and state income taxes (assuming a 40% combined effective tax rate) as if the Company had been taxed as a C corporation for the periods presented.

(6) Pro forma and pro forma, as adjusted, net income and net income per share for the year ended December 31, 1998 do not include adjustments to record deferred income tax expense of $1.4 million as a result of the Company's conversion to C corporation status in the Reorganization, as if such conversion had occurred on January 1, 1998.

(7) Assumes 10,250,000 and 13,500,000 weighted average shares outstanding during the year ended December 31, 1998 on a pro forma and pro forma, as adjusted, basis, respectively. Diluted income per share is the same as basic income per share and, therefore, is not separately presented.

(8) 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.

(9) Reflects (i) the LLC Distribution of $5.6 million at December 31, 1998 and (ii) the purchase of the preferred membership interests in the Company for approximately $3.1 million. Does not reflect a net deferred tax liability of $2.4 million that would have been recorded by the Company if it had converted to C corporation status on December 31, 1998. The $5.6 million LLC Distribution adjustment is calculated as if the LLC Distribution had been made on December 31, 1998 and is based in part on the estimated amount of previously recognized and undistributed income of the Company through such date, while the $9.3 million LLC Distribution amount appearing elsewhere in this Prospectus also reflects the then estimated additional results of operations of the Company from January 1, 1999 through the estimated date of the LLC Distribution. The $5.6 million amount as of December 31, 1998 will be increased by the amount of any taxable income realized by the Company from January 1, 1999 through the date of the LLC Distribution. See "Certain Transactions--Reorganization."

(10) Reflects (i) the LLC Distribution of $5.6 million at December 31, 1998, (ii) the purchase of the preferred membership interests in the Company for approximately $3.1 million, (iii) a net deferred tax liability of $2.4 million that would have been recorded by the Company if it had converted to C corporation status on December 31, 1998, (iv) an extraordinary $1.1 million charge for the early extinguishment of debt to be repaid from the net proceeds of the Offering and (v) the sale by the Company of the Shares in the Offering and the application of the net proceeds therefrom. See "Use of Proceeds," "Capitalization," "Management's Discussion and Analysis of Financial Condition and Results of Operations--Overview" and "Certain Transactions--Reorganization."

RISK FACTORS

In addition to the other information in this Prospectus, investors should carefully consider the following risk factors before deciding whether to purchase the Shares offered hereby. Certain statements in this Prospectus concerning the Company's future financial condition and performance are forward-looking statements. The Company's actual results may differ materially from those expressed in or implied by such forward-looking statements. Factors that may cause such a difference include, but are not limited to, those discussed below and in the sections of this Prospectus entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business."

Ability to Increase Market Acceptance

The Company's ability to grow will largely depend on its success in converting demand for wood decking products, which accounted for approximately 97% of the 1997 decking market (measured by board feet of lumber), into demand for Trex. The Company's strategy to increase market acceptance of Trex is to develop and promote the Trex brand name as a premium decking product and to emphasize the advantages of Trex over wood decking products. To increase its market share, the Company 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. The Company's failure to achieve increased market acceptance of Trex would have a material adverse effect on the Company's business, financial condition and results of operations.

Lack of Product Diversification

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

Dependence on Single Manufacturing Facility

Trex is currently produced solely in the Company's manufacturing facility in Winchester, Virginia. Any interruption in the operations or decrease in the production capacity of this facility, whether because of equipment failure, natural disaster or otherwise, would limit the Company's ability to meet existing and future customer demand for Trex and would have a material adverse effect on the Company's business, financial condition and results of operations. The Company has acquired the site for, and in January 1999 began construction of, a second manufacturing facility, which will be located near Reno, Nevada. The new facility is expected to begin production in the third quarter of 1999, but construction and equipping of the facility is subject to risks that could delay commencement of operations beyond that date. See "--Ability to Increase Manufacturing Capacity."

Reliance on Supply of Raw Materials

Production of Trex requires substantial amounts of wood fiber and polyethylene. The Company purchases wood fiber under contracts with a relatively small number of suppliers primarily located within a 200-mile radius of the Company's existing manufacturing facility in Winchester, Virginia, and obtains polyethylene under purchase order arrangements with suppliers of reclaimed grocery sacks

and stretch film throughout the United States. Four suppliers collectively accounted for approximately 80% of the Company's 1998 wood fiber purchases. For a description of the Company's supply agreements with such suppliers, see "Business--Suppliers--Wood Fiber." The Company's ability to obtain adequate polyethylene supplies depends on its success in developing new sources, entering into long-term arrangements with suppliers and managing the collection of supplies from geographically dispersed distribution centers. The termination of the Company's relationships with suppliers of a significant portion of its wood fiber or polyethylene requirements could subject the Company to the risks that it would be unable to purchase sufficient quantities of raw materials to meet its production requirements or would have to pay higher prices for replacement supplies. Further, the Company generally obtains its raw materials from existing suppliers at fixed prices that are established annually. There can be no assurance that the Company will be successful in maintaining such pricing policies to protect against fluctuations in raw materials prices. The Company believes it will be able to obtain sufficient additional wood and polyethylene supplies from its existing suppliers and new supply sources to meet the increased requirements resulting from its recent addition of two new production lines to its Winchester facility and its establishment of a second manufacturing facility near Reno, Nevada, which the Company expects to begin production in the third quarter of 1999. The Company has not yet entered into supply agreements for the new facility. 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 the Company's business, financial condition and results of operations. See "--Ability to Increase Manufacturing Capacity" and "Business--Suppliers."

Sensitivity to Economic Conditions

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, which 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 the Company's business, financial condition and results of operations. See "Business--Decking Market Overview."

Ability to Increase Manufacturing Capacity

Currently, customer demand for Trex exceeds the Company's manufacturing capacity. As part of its strategy to increase capacity, the Company recently augmented the production capacity of its manufacturing facility in Winchester, Virginia by adding one new production line in December 1998 and a second new production line in January 1999. In addition, the Company has acquired the site for, and in January 1999 began construction of, a second manufacturing facility, which will be located near Reno, Nevada. The Company expects that the new facility will begin production in the third quarter of 1999. See "Business--Growth Strategies." In constructing and equipping the new facility, the Company will be subject to the risks normally associated with the development of manufacturing facilities, including risks relating to the timely receipt of environmental and other regulatory approvals, the cost and timely completion of construction (which may be affected by causes beyond the Company's control, such as weather, labor conditions or material shortages) and the availability of long-term borrowings to refinance on acceptable terms short-term site acquisition and construction loans obtained by the Company. Further, in the start-up and operation of the new facility and the two additional production lines, the Company will be subject to the risks involved in recruiting and training a factory workforce, installing and operating new production equipment, purchasing raw materials, commencing manufacturing operations and maintaining product quality. These risks could result in substantial unanticipated delays or expense, which could have a material adverse effect on the Company's business, financial condition and results of operations. See "--Dependence on Single Manufacturing Facility," "--Reliance on Supply of Raw Materials" and "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources."

Ability to Manage Growth

The Company's recent growth has placed significant demands on its management and other resources. The Company's net sales increased to $46.8 million in 1998 from $34.1 million in 1997 and $23.8 million in 1996. The number of dealer outlets selling Trex has increased from approximately 1,200 at December 31, 1996 to approximately 2,000 at December 31, 1998, and further significant increases are expected in the future. The Company also plans to support its geographic expansion by opening a second manufacturing facility, which will be located near Reno, Nevada. To manage its growth effectively, the Company will need to continue to develop and improve its operational, financial, accounting and other internal systems. In addition, the Company's future success will depend in large part upon its ability to recruit, train, motivate and retain senior managers and other employees and to maintain product quality. If the Company is unable to manage its growth effectively, such inability could have a material adverse effect on the quality of the Company's products and its business, financial condition and results of operations.

Seasonality and Fluctuations in Quarterly Operating Results

The Company's net sales and income from operations historically have varied from quarter to quarter. Such variations are principally attributable to seasonal trends in the demand for Trex. The Company experiences lower net sales levels during the fourth quarter, in which holidays and adverse weather conditions in certain regions usually reduce the level of home improvement and new construction activity. 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 the Company continues to make advertising expenditures throughout the year. As a result of these factors, the Company believes period-to-period comparisons of its net sales and other operating results should not be relied upon as indicators of future performance, and the results of any quarterly period may not be indicative of results to be expected for a full year. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Seasonality."

Significant Capital Requirements

Expansion of the Company's production capacity will require significant capital expenditures. The Company currently estimates that its aggregate capital requirements in 1999 and 2000 will total approximately $23.8 million, of which approximately $20.3 million is expected to be incurred in 1999 and approximately $3.5 million in 2000. Capital expenditures will be used primarily for the construction and equipping of the Company's new manufacturing facility, which will be located near Reno, Nevada and which the Company expects to begin production in the third quarter of 1999. The Company believes that the net proceeds of the Offering, together with cash on hand, cash flow from operations and borrowings expected to be available under the Company's current revolving credit agreement and construction loan for the new facility, will provide sufficient funds to enable the Company to 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 estimates depending on the demand for Trex and as a result of 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 leverage of the Company, 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. Any failure by the Company to generate sufficient funds from operations or equity or debt financings to meet its capital requirements could have a material adverse effect on the Company's business, financial condition and results of operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources."

Dependence on Significant Distributors

The Company's aggregate net sales to its five largest distributors accounted for approximately 74% of the Company's net sales in 1998. The Company's contracts with these distributors are terminable by the distributors upon notice at any time during the contract term. Although the Company believes it would be able to replace any current distributor, a contract termination or significant decrease or interruption in business from any of its five largest distributors or any other significant distributor could cause a short-term disruption of the Company's operations. Such a disruption could have a material adverse effect on the Company's business, financial condition and results of operations. See "Business--Distribution."

Dependence on Key Personnel

The Company's success will depend in large part upon the continued services of a small number of key management employees, including Anthony J. Cavanna, Andrew U. Ferrari, Robert G. Matheny and Roger A. Wittenberg. None of such employees is party to an employment agreement with the Company. The loss of the services of one or more of the Company's key employees could have a material adverse effect on the Company. In addition, if one or more of the Company's key employees resigns from the Company to join a competitor or to form a competing company, the loss of such employees and any resulting loss of existing or potential customers to such competitor could have a material adverse effect on the Company's business, financial condition and results of operations. In the event of the loss of any such personnel, there can be no assurance that the Company would be able to prevent the unauthorized disclosure or use of its technical knowledge, practices or procedures by such personnel. Although the Company's key employees are parties to agreements containing confidentiality covenants, there can be no assurance that courts will enforce such covenants as written or that the agreements will deter conduct prohibited by such covenants. See "Management."

Competition

The residential and commercial decking market in which the Company principally operates 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 97% of 1997 decking sales (measured by board feet of lumber). The conventional lumber suppliers with which the Company competes in many cases have established ties to the building and construction industry and have well-accepted products. Many of the Company's competitors in the decking market that sell wood products have significantly greater financial, technical and marketing resources than the Company. The Company's ability to compete depends, in part, upon a number of factors outside its control, including the ability of its competitors to develop new non-wood decking alternatives which are competitive with Trex. Trex is the only non-wood decking alternative to receive a product building code listing from the NES or any of its three regional members. A product building code listing covers all uses of a product meeting the specified design criteria. The Company is aware of one manufacturer of wood/plastic composite products that has publicly announced it has applied for a regional application listing for its products and of at least four manufacturers that have applied for regional application listings of their 100% plastic lumber products. An application listing covers specific uses of the listed products. There can be no assurance that one or more of the Company's competitors will not receive a listing for their non-wood decking alternative products in the immediate future. Any product receiving such a listing could be more competitive with Trex. The Company's failure to compete successfully with its competitors would have a material adverse effect on the Company's business, operating results and financial condition. See "Business--Competition."

Impact of Government Regulation

The Company is subject to federal, state and local environmental, occupational health and safety, and other laws and regulations. The environmental laws and regulations applicable to the Company's

operations establish air quality standards for emissions from the Company's manufacturing operations, govern the disposal of solid waste, and regulate waste water and storm water discharge. The Company believes that it currently complies in all material respects with such environmental laws and regulations. As is the case with manufacturers in general, the Company 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 the Company's properties or any associated offsite disposal location, or if contamination from prior activities is discovered at any properties owned or operated by the Company. Such a liability could have a material adverse effect on the Company's business, financial condition and results of operations. See "Business--Government Regulation."

Year 2000 Compliance

The Company and third parties with which the Company does business rely on numerous computer programs in their day-to-day operations. The Company has undertaken a program to address the Year 2000 problem as it relates to the Company's internal computer systems and the third-party computer systems with which the Company interacts, including the systems of its major suppliers and customers. The Company expects to continue to incur internal staff costs and other expenses, which may be significant and will be expensed as incurred, to address these issues. In addition, the appropriate course of action may include replacement or an upgrade of certain systems or equipment at a substantial cost to the Company. There can be no assurance that the Year 2000 issues will be resolved in 1999. If not resolved, such issues could have a material adverse impact on the Company's business, operating results and financial condition. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Year 2000 Compliance."

Influence by Principal Stockholders

Upon completion of the Offering, the Company's four management stockholders will beneficially own approximately 68.3% of the Common Stock (65.9% if the Over-Allotment Option is exercised in full). As a result, such stockholders collectively will be able to exercise control over the Company's business and affairs by virtue of their voting power with respect to the election of directors and actions requiring stockholder approval. See "Management," "Principal and Selling Stockholders" and "Description of Capital Stock."

Intellectual Property

The Company's success depends, in part, upon its intellectual property rights. The Company relies upon a combination of trade secret, nondisclosure and other contractual arrangements, and copyright and trademark laws to protect its proprietary rights. The Company also has obtained patent protection for certain of its production processes. The Company enters into confidentiality agreements with its employees and limits access to and distribution of its proprietary information. There can be no assurance that the steps taken by the Company in this respect will be adequate to deter misappropriation of its proprietary information or that the Company will be able to detect unauthorized use and take appropriate steps to enforce its intellectual property rights. See "Business--Intellectual Property."

Certain Anti-Takeover Provisions

Certain provisions of the Company's Certificate of Incorporation (the "Certificate of Incorporation") and Bylaws (the "Bylaws") and the General Corporation Law of the State of Delaware (the "Delaware General Corporation Law") could have anti-takeover effects even if a change of control of the Company would be beneficial to the interests of the Company's stockholders. These provisions include a requirement that the Board of Directors be divided into three classes, with approximately one-third of the directors to be elected each year. This classification of directors makes it more difficult for an acquiror or for other stockholders to change the composition of the Board of Directors. In addition, the Certificate of Incorporation authorizes the Board of Directors to provide for the issuance of up to 3,000,000 shares of preferred stock of the Company,

in one or more series, which the Board of Directors could issue without stockholder approval and upon such terms and conditions, and having such rights, privileges and preferences, as the Board of Directors may determine. The ability to issue preferred stock could have the effect of discouraging unsolicited acquisition proposals or making it more difficult for a third party to gain control of the Company, or otherwise could adversely affect the market price of the Common Stock. Further, the Company is subject to Section 203 of the Delaware General Corporation Law, which prohibits it from engaging in certain business combinations with stockholders that beneficially own 15% or more of the Company's voting stock, or with the affiliates of such stockholders, unless the Company's directors or stockholders approve the business combination in the prescribed manner. See "Description of Capital Stock--Anti-Takeover Effect of Certain Charter and Bylaw Provisions" and "--Section 203 of the Delaware General Corporation Law."

No Prior Public Market; Possible Volatility of Share Price

Prior to the Offering, there has been no market for the Common Stock. Although the Common Stock has been approved for listing on the New York Stock Exchange subject to notice of issuance, there is no assurance that an active trading market for the Shares will develop or be sustained after the Offering.

There can be no assurance that the market price of the Shares will not decline below the initial public offering price. The initial public offering price will be determined by negotiations among the Company, the Selling Stockholders and the representative of the Underwriters and may not be indicative of future market prices. See "Underwriting" for information relating to the factors to be considered in determining the initial public offering price. In recent years, stock markets have experienced extreme price and volume fluctuations. The trading price of the Shares could be subject to wide fluctuations in response to quarterly variations in operating results, changes in earnings estimates by analysts, announcements of new contracts or product offerings by the Company or its competitors, general economic or stock market conditions and other events or factors.

Dilution to New Investors

The initial public offering price per Share is substantially higher than the Company's net tangible book value per share of Common Stock. Purchasers of Shares in the Offering will experience immediate dilution of $11.56 in the pro forma net tangible book value per Share and may experience further dilution upon the exercise of future options to purchase shares of Common Stock. See "Dilution."

No Dividends

The Company does not anticipate paying any cash dividends on the Common Stock in the foreseeable future. The Company's revolving credit facility contains provisions restricting the Company's ability to pay cash dividends on the Common Stock. See "Dividend Policy."

Benefits of Offering to Selling Stockholders and Other Current Investors

Approximately $27.8 million of the net proceeds of the Offering will be used to repay indebtedness of the Company to Connecticut General Life Insurance Company, Connecticut General Life Insurance Company on behalf of one or more separate accounts, Life Insurance Company of North America and Lincoln National Life Insurance Company, all of which own equity interests in the Company and one or more of which may be deemed affiliates of the Company prior to the Offering (collectively the "Institutional Investors"). The Company incurred such indebtedness in connection with the Acquisition. In addition, the Company will use approximately $3.1 million of the net proceeds of the Offering to purchase Mobil's preferred equity interest in the Company issued in connection with the Acquisition.

The Selling Stockholders, all of which are Institutional Investors, will receive substantial proceeds from the Offering and certain other benefits. The Offering will establish a public market for the

Common Stock and provide increased liquidity to the Selling Stockholders for the shares of Common Stock they will own after the Offering. After deduction of estimated underwriting discounts and commissions, the aggregate net proceeds of the Offering to be received by the Selling Stockholders will total approximately $1.3 million. See "Use of Proceeds," "Principal and Selling Stockholders" and "Certain Transactions."

As part of the Reorganization, the Company will make the LLC Distribution of approximately $9.3 million to its four management members and to the Institutional Investors. A portion of the net proceeds of the Offering will be used to pay approximately $6.9 million of the LLC Distribution. The amount of the LLC Distribution and the amount of the net proceeds of the Offering to be applied in respect thereof are subject to adjustment based on the Company's actual taxable income from January 1, 1999 through the date of the LLC Distribution. See "Use of Proceeds," "Principal and Selling Stockholders" and "Certain Transactions."

Shares Eligible for Future Sale; Registration Rights

Future sales of a substantial number of shares of Common Stock in the public market, or the perception that such sales could occur, could adversely affect the prevailing market price of the Common Stock and could make it more difficult for the Company to raise funds through a public offering of its equity securities. Upon completion of the Offering, there will be 13,500,000 shares of Common Stock outstanding, including the 3,353,000 Shares sold in the Offering. The 3,353,000 Shares offered hereby, other than up to 162,500 shares reserved for issuance to directors and employees of the Company and certain other persons (the "Reserved Shares"), will be freely tradable upon completion of the Offering without restriction under the Securities Act of 1933, as amended (the "Securities Act"), by persons other than "affiliates" of the Company as defined in Rule 144 under the Securities Act. The remaining 10,147,000 shares of Common Stock will be deemed "Restricted Securities" within the meaning of Rule 144 and, as such, may not be sold in the absence of registration under the Securities Act or an exemption therefrom, including the exemption afforded by Rule 144. In connection with the Offering, the Company, all stockholders of the Company prior to the Offering and the holders of Reserved Shares have entered into "lock-up" agreements with the Underwriters. The Company and such stockholders have agreed that they will not offer, sell, contract to sell, issue or otherwise dispose of any shares of Common Stock or any securities of the Company which are substantially similar to the Common Stock or which are convertible into or exchangeable or exercisable for Common Stock or securities substantially similar to the Common Stock for a period of 180 days after the closing of the Offering without the prior written consent of Schroder & Co. Inc., which it may grant in whole or in part without a public announcement. The foregoing restrictions will not apply to the issuance of options to purchase Common Stock pursuant to the Stock Incentive Plan or the Outside Director Plan, to transfers of Common Stock to the Company or to certain transfers of Common Stock to family trusts or by gift, will or intestate succession. As a condition to any such transfer to a family trust or transfer by gift, will or intestate succession, the transferee (or trustee or legal guardian on the transferee's behalf) will be required to execute and deliver a lock-up agreement containing the terms described in this paragraph. Upon expiration of the lock-up period, the Reserved Shares will be freely tradable by persons other than affiliates of the Company and up to 10,147,000 shares of Common Stock will be eligible for sale under Rule 144. See "Shares Eligible for Future Sale."

The Company has granted "demand" and "piggyback" registration rights with respect to the Common Stock held by the Institutional Investors. The Institutional Investors are entitled to require the Company to register the sale of their shares under the Securities Act on up to two occasions. In addition, if the Company proposes to register the Common Stock under the Securities Act (other than pursuant to a registration statement on Form S-4 or Form S-8), whether or not for its own account, the Institutional Investors are entitled to require the Company, subject to certain conditions, to include all or a portion of their shares in such registration. The foregoing registration rights are subject to

certain notice requirements, timing restrictions and volume limitations which may be imposed by the underwriters of an offering. The Company is required to bear the expenses of all such registrations except for underwriting discounts and commissions. Following the consummation of the Offering, 922,000 shares of Common Stock, or 6.8% of total number of outstanding shares of Common Stock, will be entitled to the benefits of such registration rights. See "Certain Transactions--Acquisition Transactions."

USE OF PROCEEDS

The net proceeds to the Company from the Offering after deducting underwriting discounts and commissions and after expenses of the Offering are expected to be $41.6 million ($48.1 million if the Over-Allotment Option is exercised in full). The Company will not receive any of the net proceeds from the sale of Shares by the Selling Stockholders.

The Company will use approximately $27.8 million of the net proceeds of the Offering to repay $26.3 million principal amount of indebtedness and a related prepayment premium of approximately $1.5 million. Such indebtedness, which was incurred in connection with the Acquisition, consists of (i) $21.3 million principal amount of senior notes, which accrue interest at an annual rate of 10% and mature on August 30, 2003 (the "Senior Notes"), and (ii) $5.0 million principal amount of subordinated notes, which accrue interest at an annual rate of 12% and mature on August 30, 2004 (the "Subordinated Notes"). The Senior Notes and the Subordinated Notes are held by the Institutional Investors, one or more of which may be deemed affiliates of the Company prior to the Offering. The Company also will use approximately $3.1 million of the net proceeds of the Offering to purchase Mobil's preferred equity interest in the Company issued in connection with the Acquisition and in payment of accrued and unpaid dividends thereon. See "Certain Transactions--Acquisition Transactions." The Company will pay approximately $6.9 million of the net proceeds of the Offering to fund a portion of the LLC Distribution to its four management members and to the Institutional Investors. The estimated LLC Distribution as of December 31, 1998 is $5.6 million. Such amount will be increased by the amount of any taxable income realized by the Company from January 1, 1999 through the date of the LLC Distribution. The amount of the net proceeds of the Offering to be applied in respect of the LLC Distribution, which is estimated to be approximately $9.3 million as of the expected payment date, is subject to adjustment based on the actual amount of the LLC Distribution. See "Certain Transactions--Reorganization."

The Company intends to use up to all of the remaining net proceeds of the Offering of approximately $3.8 million to equip the Company's second manufacturing facility. Any proceeds not used for this purpose will be applied to working capital and other general corporate purposes. The Company estimates that the total cost of the site acquisition, construction and equipping of its second manufacturing facility will be approximately $19.6 million.

Pending the foregoing uses, the net proceeds of the Offering will be invested in short-term, interest-bearing, investment grade securities.

DIVIDEND POLICY

The Company intends to retain future earnings, if any, to finance the development and expansion of its business and, therefore, does not anticipate paying any cash dividends on the Common Stock in the foreseeable future. The payment of dividends is within the discretion of the Board of Directors and will be dependent upon, among other factors, the Company's results of operations, financial condition and capital requirements, restrictions imposed by the Company's financing agreements and legal requirements. Under the terms of its revolving credit facility, the Company may pay cash dividends only if, after payment of such dividends, the ratio of its total consolidated debt to its total consolidated capitalization does not exceed 50%.

Prior to the Reorganization, the Company has been treated as a partnership for federal and state income tax purposes. The Company made distributions to its members of $1.6 million in 1997 and $2.3 million in 1998 to satisfy their allocated portion of the Company's taxable income. As part of the Reorganization, the Company will make the LLC Distribution of approximately $9.3 million to certain of its members. The amount of the LLC Distribution is subject to adjustment based on the Company's actual taxable income from January 1, 1999 through the date of the LLC Distribution. See "Certain Transactions--Reorganization."

CAPITALIZATION

The following table sets forth, as of December 31, 1998, (i) the actual capitalization of the Company, (ii) the pro forma capitalization of the Company after giving effect to the Reorganization and (iii) the pro forma capitalization of the Company after giving effect to the Reorganization and as adjusted for the Offering and the application of the net proceeds therefrom as described under "Use of Proceeds." This table should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Financial Statements and related Notes thereto appearing elsewhere in this Prospectus.

	As of December 31, 1998		
	Actual	Pro Forma	Pro Forma, As Adjusted
	(In thousands, except share and unit data)		
Long-term debt (including current portion of $6,109 for Actual and Pro Forma and $2,259 for Pro Forma, As Adjusted):			
Senior Notes	$21,250	$21,250	$ --
Subordinated Notes	5,000	5,000	--
Other	6,813	6,813	6,813
Total long-term debt	33,063	33,063	6,813
Members' equity:			
Preferred units, 1,000 units authorized, issued and outstanding	3,000	--	--
Junior units, 4,000 units authorized, issued and outstanding	2,350	--	--
Undistributed income	7,941	--	--
Total members' equity	13,291	--	--
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; 10,250,000 and 13,500,000 shares issued and outstanding for Pro Forma and Pro Forma, As Adjusted, respectively (1)	--	103	135
Additional capital	--	--	41,033
Retained earnings	--	4,544	1,123
Total stockholders' equity	--	4,647	42,291
Total capitalization	$46,354	$37,710	$49,104

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(1) Does not include (i) 125,000 shares subject to stock options the Company intends to grant to certain of its employees under the Stock Incentive Plan upon the consummation of the Offering or (ii) up to 10,000 shares subject to stock options the Company intends to grant to its non-employee directors under the Outside Director Plan upon the consummation of the Offering. See "Management--1999 Stock Option and Incentive Plan" and "--1999 Incentive Plan for Outside Directors."

DILUTION

At December 31, 1998, the deficit in pro forma net tangible book value of the Common Stock, after giving effect to the Reorganization, was $(4.9) million, or approximately $(0.48) per share outstanding. As of December 31, 1998, the pro forma as adjusted net tangible book value of the Common Stock, after giving effect to the Reorganization and the consummation of the Offering and the application of the net proceeds therefrom, was $33.0 million, or approximately $2.44 per share outstanding. This represents an immediate increase in pro forma net tangible book value of $2.92 per share to existing stockholders and an immediate dilution in net tangible book value of $11.56 per share to new investors purchasing Shares in the Offering. The net tangible book value per share of Common Stock represents the amount of the Company's tangible assets less its liabilities divided by the number of shares of Common Stock outstanding. The following table illustrates this dilution in net tangible book value per share to new investors at December 31, 1998:

Initial public offering price per Share.....		$14.00
Deficit in pro forma net tangible book value per share at December 31, 1998 after giving effect to the Reorganization....	$(0.48)	
Increase in pro forma net tangible book value per share attributable to new investors.....	2.92	
Pro forma as adjusted net tangible book value per share at December 31, 1998 after giving effect to the Offering.....		2.44
Dilution per share to new investors.....		$11.56

The following table sets forth, at December 31, 1998 on a pro forma basis, after giving effect to the Reorganization, the difference between the number of shares of Common Stock purchased from the Company, the total consideration paid and the average price per share paid by the existing holders of the Common Stock and by the new investors, before deducting underwriting discounts and estimated offering expenses payable by the Company:

	Shares Purchased		Total Consideration		Average Price Paid
	Number	Percentage	Amount	Percentage	Per Share
Existing stockholders (1).....	10,250,000	75.9%	$ 2,350,000(2)	4.9%	$ 0.23(2)
New investors (1).....	3,250,000	24.1	45,500,000	95.1	$ 14.00
Total.....	13,500,000	100.0%	$47,850,000	100.0	$ 3.54

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(1) Does not reflect the sale of 103,000 shares by Selling Stockholders in the Offering. Sales by Selling Stockholders in the Offering will reduce the number of shares held by existing stockholders of the Company to 10,147,000 or approximately 75.2% of the total shares of Common Stock outstanding after the Offering (or 72.5% of the total shares of Common Stock outstanding if the Over-Allotment Option is exercised in full).

(2) Reflects the amount paid by the members of Trex Company, LLC other than Mobil for their membership interests, which will be exchanged for Common Stock in the Reorganization. See "Certain Transactions--Reorganization" and "--Acquisition Transactions."

SELECTED HISTORICAL AND PRO FORMA FINANCIAL DATA

The selected historical financial data presented below as of December 31, 1996, 1997 and 1998, for the period from August 29, 1996 to December 31, 1996, and for the years ended December 31, 1997 and 1998 are derived from the Company's Financial Statements and related Notes thereto, appearing elsewhere in this Prospectus, which have been audited by Ernst & Young LLP, independent auditors. The selected historical statement of operations data and cash flow data presented below as of December 31, 1995 and for the year ended December 31, 1995 and the period from January 1, 1996 to August 28, 1996 are derived from the Financial Statements of the Predecessor and related Notes thereto appearing elsewhere in this Prospectus, which have been audited by Ernst & Young LLP, independent auditors. The selected historical financial data presented below as of December 31, 1994 and for the year ended December 31, 1994 are derived from the Predecessor's unaudited financial statements. The unaudited pro forma statement of operations data, cash flow data and other data give effect to the Reorganization as if the Reorganization had been consummated on January 1, 1998. The unaudited pro forma, as adjusted, statement of operations data, cash flow data and other data give effect to the Reorganization and the Offering as if such transactions had been consummated on January 1, 1998. The unaudited pro forma balance sheet data give effect to the Reorganization as if the Reorganization had been consummated on December 31, 1998. The unaudited pro forma, as adjusted, balance sheet data give effect to the Reorganization and the Offering as if such transactions had been consummated on December 31, 1998. The unaudited pro forma and unaudited pro forma, as adjusted, financial data are based on assumptions that management believes are reasonable, are presented for comparative and informational purposes only and do not purport to represent what the Company's actual results of operations or financial condition would have been if the Reorganization and the Offering in fact had occurred on such dates or to project the Company's results of operations for any future period or financial condition at any future date. The selected historical and unaudited pro forma and unaudited pro forma, as adjusted, financial data presented below also include certain unaudited other data. The selected financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Financial Statements of the Company and the Predecessor and related Notes thereto appearing elsewhere in this Prospectus.

	The Predecessor(1)			The Company(1)				
	Year Ended Dec. 31,		Jan. 1, 1996 to Aug. 28,	Aug. 29, 1996 to Dec. 31,	Year Ended Dec. 31,		Pro Forma Year Ended Dec. 31,	Pro Forma, As Adjusted, Year Ended Dec. 31,
	1994	1995	1996	1996	1997	1998	1998(2)	1998(3)
	(In thousands, except per share data)							
Statement of Operations Data:								
Net sales	$ 7,376	$19,635	$18,071	$ 5,708	$ 34,137	$ 46,818	$ 46,818	$ 46,818
Cost of sales	6,203	10,269	9,188	3,481	16,774	22,956	22,956	22,956
Gross (loss) profit	1,173	9,366	8,883	2,227	17,363	23,862	23,862	23,862
Selling, general and administrative expenses	13,875	6,943	5,508	2,558	8,992	12,878	12,878	12,878
(Loss) income from operations	(12,702)	2,423	3,375	(331)	8,371	10,984	10,984	10,984
Interest expense, net	--	--	--	934	2,777	2,526	2,950	175
(Loss) income before income tax expense	$(12,702)	$ 2,423	$ 3,375	$(1,265)	$ 5,594	8,458	8,034	10,809
Pro forma income tax expense (4)(5)(6) (unaudited)						3,383	3,214	4,324
Pro forma net income (5)(6) (unaudited)						$ 5,075	$ 4,820	$ 6,485
Pro forma net income per share, basic (5)(6)(7)(unaudited)						$ 0.50	$ 0.47	$ 0.48
Cash Flow Data:								
Cash flow (used in) from operating activities	$ (4,404)	$ 4,841	$ 2,848	$ (222)	$ 6,521	$ 12,228	$ 12,228	$ 11,870
Cash flow (used in) investing activities	(4,427)	(3,842)	(3,708)	(30,253)	(3,252)	(17,140)	(17,140)	(17,140)
Cash flow from (used in) financing activities	8,778	(1,009)	860	34,216	(5,010)	4,112	3,112	8,642
Other Data (unaudited):								
EBITDA (8)	$ (4,080)	$ 3,751	$ 4,492	$ 527	$ 11,013	$ 14,098	$ 14,098	$ 14,098
Pounds of Trex sold	30,081	71,822	61,483	19,924	113,948	151,555	151,555	151,555

	The Predecessor(1)				The Company(1)			
	As of December 31,				As of December 31, 1998			
	1994	1995	1996	1997	Actual	Pro Forma(9)	Pro Forma, As Adjusted(9)(10)	
Balance Sheet Data: (in thousands)								
Cash and cash equivalents	$ 10	$ --	$ 3,741	$ 2,000	$1,200	$200	$5,372	
Working capital	(403)	(1,150)	3,974	4,156	(3,172)	(11,816)	6,018	
Total assets	11,958	13,047	36,561	37,229	51,331	50,331	54,720	
Total debt	38,059	37,050	29,250	26,250	33,063	33,063	6,813	
Total members'/stockholders' (deficit) equity	(29,121)	(26,698)	3,950	7,534	13,291	4,647	42,291	

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(1) On August 29, 1996, the Company acquired substantially all of the assets and assumed certain of the liabilities of the Predecessor for a purchase price of approximately $29.5 million. See "Certain Transactions--Acquisition Transactions."

(2) The pro forma statement of operations data do not include adjustments to reflect recognition of a one-time non-cash tax charge of approximately $1.4 million for the year ended December 31, 1998 with respect to a net deferred tax liability related to the Company's conversion in the Reorganization to a C corporation. Such data give effect to the conversion as if it had occurred on January 1, 1998. The pro forma income tax provision is calculated at a combined federal and state income tax rate of 40%. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Overview" and "Certain Transactions--Reorganization." Historical interest income has been eliminated to reflect application of cash balances to fund a portion of the LLC Distribution. The pro forma cash flow data reflect $1.0 million of the $5.6 million LLC Distribution. The remaining $4.6 million of the LLC Distribution will be paid from the net proceeds of the Offering.

(3) The pro forma, as adjusted, statement of operations data have been computed by eliminating interest expense of $2.8 million related to debt that will be repaid with a portion of the net proceeds of the Offering. The pro

forma, as adjusted, statement of operations data do not include adjustments to (i) record an extraordinary loss, net of taxes, of $1.1 million for the year ended December 31, 1998 related to the extinguishment of such debt or (ii) reflect recognition of a one-time non-cash tax charge of approximately $1.4 million for the year ended December 31, 1998 with respect to a net deferred tax liability related to the Company's conversion in the Reorganization to a C corporation. Such data give effect to the conversion as if it had occurred on January 1, 1998. The pro forma, as adjusted, income tax provision is calculated at a combined federal and state income tax rate of 40%. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Overview" and

"Certain Transactions-- Reorganization." Historical interest income has been eliminated to reflect application of cash balances to fund a portion of the LLC Distribution.

(4) For the periods shown, the Predecessor was included in the consolidated tax return of its parent and, accordingly, no tax provision was provided. For all periods since inception, the Company elected to be treated as a partnership for federal and state income tax purposes. As a result, the Company's income has been taxed directly to the Company's members, rather than to the Company.

(5) Pro forma and pro forma, as adjusted, net income and net income per share reflect current federal and state income taxes (assuming a 40% combined effective tax rate) as if the Company had been taxed as a C corporation for the periods presented.

(6) Pro forma and pro forma, as adjusted, net income and net income per share for the year ended December 31, 1998 do not include adjustments to record deferred income tax expense of $1.4 million as a result of the Company's conversion to C corporation status in the Reorganization, as if such conversion had occurred on January 1, 1998.

(7) Assumes 10,250,000 and 13,500,000 weighted average shares outstanding during the year ended December 31, 1998 on a pro forma and pro forma, as adjusted, basis, respectively. Diluted income per share is the same as basic income per share and, therefore, is not separately presented.

(8) 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.

(9) Reflects (i) the LLC Distribution of $5.6 million at December 31, 1998 and (ii) the purchase of the preferred membership interests in the Company for approximately $3.1 million. Does not reflect a net deferred tax liability of $2.4 million that would have been recorded by the Company if it had converted to C corporation status on December 31, 1998. The $5.6 million LLC Distribution adjustment is calculated as if the LLC Distribution had been made on December 31, 1998 and is based in part on the estimated amount of previously recognized and undistributed income of the Company through such date, while the $9.3 million LLC Distribution amount appearing elsewhere in this Prospectus also reflects the then estimated additional results of operations of the Company from January 1, 1999 through the estimated date of the LLC Distribution. The $5.6 million amount as of December 31, 1998 will be increased by the amount of any taxable income realized by the Company from January 1, 1999 through the date of the LLC Distribution. See "Certain Transactions--Reorganization."

(10) Reflects (i) the LLC Distribution of $5.6 million at December 31, 1998, (ii) the purchase of the preferred membership interests in the Company for approximately $3.1 million, (iii) a net deferred tax liability of $2.4 million that would have been recorded by the Company if it had converted to C corporation status on December 31, 1998, (iv) an extraordinary $1.1 million charge for the early extinguishment of debt to be repaid from the net proceeds of the Offering and (v) the sale by the Company of the Shares in the Offering and the application of the net proceeds therefrom. See "Use of Proceeds," "Capitalization," "Management's Discussion and Analysis of Financial Condition and Results of Operations--Overview" and "Certain Transactions--Reorganization."

Overview

The Company is the nation's largest manufacturer of non-wood decking alternative products, which are marketed under the brand name Trex. Trex Wood-Polymer 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 decking. Trex also has non-decking product applications, including industrial block flooring, applications for parks and recreational areas, floating and fixed docks and other marine applications, and landscape edging.

The primary market for Trex is residential and commercial decking, which accounted for approximately 85% of the Company's 1998 net sales. The Company seeks to achieve sales growth in the decking market by converting demand for wood decking products into demand for Trex. Wood decking accounted for approximately 97% of 1997 decking sales (measured by board feet of lumber). The Company's strategy to increase market acceptance of Trex is to develop and promote the Trex brand name as a premium decking product and to emphasize the advantages of Trex over wood decking products. The Company has invested over $10 million during the last three years to develop Trex as a recognized brand name. The Company focuses on the contractor-installed market segment, since this segment represents 70% of the decking market (measured by board feet of lumber) and since contractors generally build larger and more elaborate residential decks than decks built by homeowners in the "do-it-yourself" market segment.

The Company has developed an extensive distribution network which complements its branding strategy and its focus on the contractor-installed market segment. At December 31, 1998, the Company sold Trex through approximately 55 wholesale distribution locations. At the same date, the Company's distributors marketed Trex to approximately 2,000 dealer outlets, which directly service contractors and consumers.

Net sales consists of sales 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, which increased from 16.2 million pounds of finished product in 1993, the first full year of operations, to 151.6 million pounds in 1998. 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 compounded annual growth rate of approximately 4%.

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.

The Company's cost of sales consists of raw material costs, direct labor costs and manufacturing costs, including depreciation. In the last three years, the cost of raw materials increased an average of approximately 5.0% annually. Almost all of the increases were attributable to higher costs of polyethylene. Although cost of sales has increased with the growth in net sales, cost of sales as a percentage of net sales decreased in 1998 from the level in 1997. During this period, productivity gains from the Company's investment in manufacturing process improvements and the addition of production lines outweighed increases in raw material and direct labor costs. Production line rates, which are measured in pounds of finished product per production hour, have increased over 200%

since 1992, and the number of production lines has increased from one line in 1992 to seven lines in 1998. The Company expects that cost of sales as a percentage of net sales will decrease in the first half of 1999 because the Company has augmented its manufacturing capacity through the addition of one new production line to its Winchester facility in December 1998 and a second new production line in January 1999.

The principal component of selling, general and administrative expenses is 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 such 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 the Acquisition, the Company incurred indebtedness of $29.3 million, of which $26.3 million was outstanding at December 31, 1998, and recorded $11.3 million for goodwill and organizational cost, substantially increasing its interest and amortization expense. The Company will repay its Acquisition-related indebtedness with a portion of the net proceeds of the Offering. See "Use of Proceeds." In the quarter in which the Offering is consummated, as a result of repayment of such indebtedness, the Company will recognize 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 and organizational cost over a five-year period in an amount of approximately $0.1 million per year.

The Company did not record an income tax provision for any period through the date of the Offering. Prior to the Acquisition, the Company was included in the consolidated tax return of its parent company. Since the Acquisition, the Company has elected to be treated as a partnership for federal and state income tax purposes, and the Company's income has been taxed directly to the Company's members, rather than to the Company. Upon consummation of the Reorganization, the Company will become subject to income tax as a corporation taxed in accordance with Subchapter C of the Internal Revenue Code. In the quarter in which the Offering is consummated, as a result of the Company's conversion to C corporation status, the Company will recognize a $2.4 million non-cash charge against income for income tax expense. The effect of this charge will be to increase substantially the Company's effective tax rate for the quarter in which the Reorganization is consummated. The increased effective tax rate will be recognized only in such quarter and, accordingly, the Company believes that its effective tax rate for subsequent periods should not exceed approximately 40%.

Results of Operations

The following table sets forth, for the periods indicated, selected statement of operations data as a percentage of net sales:

	Year Ended December 31,		
	1996(1)	1997	1998
Net sales	100.0%	100.0%	100.0%
Cost of sales	53.3	49.1	49.0
Gross profit	46.7	50.9	51.0
Selling, general and administrative expenses	33.9	26.3	27.5
Income (loss) from operations	12.8	24.5	23.5
Interest expense	3.9	8.1	5.4
Net income(2)	8.9%	16.4%	18.1%

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(1) Reflects the sum of the selected statement of operations data for the Predecessor during the period January 1, 1996 to August 28, 1996 and for the Company during the period August 29, 1996 to December 31, 1996.

(2) The Company did not record an income tax provision for any period through the date of the Offering. The Predecessor was included in the consolidated tax return of its parent company and, accordingly, no tax provision was provided. The Company has elected to be treated as a partnership for federal and state income tax purposes for all periods since inception. As a result, the income of the Company has been taxed for such purposes directly to the Company's members, rather than to the Company.

1998 Compared to 1997

Net Sales. Net sales increased 37.2% to $46.8 million in 1998 from $34.1 million in 1997. The increase in net sales was attributable to the growth in sales volume, which increased to 151.6 million pounds of finished product in 1998 from 113.9 million pounds in 1997, and, to a lesser extent, to a price increase of approximately 3.1%. Production line rate increases and the addition of a sixth production line in the second quarter of 1998 significantly increased the Company's production capacity in 1998. To stimulate demand for Trex, the Company increased expenditures on network and cable television advertising and instituted incentive sales programs in 1998. Increased sales of a railing product and a Trex color introduced in 1997 also contributed to the higher sales volume. The Company substantially increased the number of dealer outlets, from approximately 1,500 at December 31, 1997 to approximately 2,000 at December 31, 1998.

Cost of Sales. Cost of sales increased 36.9% to $23.0 million in 1998 from $16.8 million in 1997. 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 49.0% in 1998 from 49.1% in 1997. The decline principally reflected operating efficiencies from improved production line rates.

Gross Profit. Gross profit increased 37.4% to $23.9 million in 1998 from $17.4 million in 1997, reflecting the higher sales volume in 1998. Gross profit as a percentage of net sales increased to 51.0% in 1998 from 50.9% in 1997. The contribution to gross profit of greater operating efficiencies more than offset the effects of discounts offered by the Company to distributors in 1998 as part of its sales incentive programs.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased 43.3% to $12.9 million in 1998 from $9.0 million in 1997. The increase was primarily attributable to higher sales and marketing expenses, which increased 47.1% to $7.5 million in 1998

from $5.1 million in 1997. The largest component of the increase was advertising and promotion costs, which increased 50.6% as the Company expanded promotion of the Trex brand on network and cable television. The Company also incurred higher personnel costs through additions to its sales and marketing staff. The increase in corporate personnel and the upgrading of accounting and other systems to support growth contributed to a 61.0% increase in general and administrative expenses. Selling, general and administrative expenses as a percentage of net sales increased to 27.5% in 1998 from 26.3% in 1997.

Interest Expense. Net interest expense decreased 10.7% to $2.5 million in 1998 from $2.8 million in 1997. The decrease primarily resulted from lower average borrowings attributable to the Company's prepayment of $3.0 million principal amount of Senior Notes in the second quarter of 1997.

1997 Compared to 1996

Net Sales. Net sales increased 43.3% to $34.1 million in 1997 from $23.8 million in the period January 1, 1996 to August 28, 1996 and the period August 29, 1996 to December 31, 1996 (such periods together, "1996"). The increase in net sales was attributable to the growth in sales volume, which increased to 113.9 million pounds of finished product in 1997 from 81.4 million pounds in 1996, and, to a lesser extent, to a price increase of approximately 2.9%. The Company's production capacity in 1997 was significantly augmented by a fifth production line added in the third quarter of 1996. The Company used the additional capacity to build up inventories in late 1996 for sale in 1997. The introduction of a new railing product and a new Trex color also contributed to the higher sales volume in 1997. The Company significantly expanded its distribution network by increasing the number of dealer outlets from approximately 1,200 at December 31, 1996 to approximately 1,500 at December 31, 1997.

Cost of Sales. Cost of sales increased 32.3% to $16.8 million in 1997 from $12.7 million in 1996. Raw materials purchases, direct labor costs and manufacturing costs all increased to support the higher sales volume in 1997. Cost of sales as a percentage of net sales declined to 49.1% in 1997 from 53.3% in 1996. The decline was primarily attributable to improved production line rates resulting from the efforts of an engineering team assigned in 1996 to focus on productivity improvements.

Gross Profit. Gross profit increased 55.9% to $17.3 million in 1997 from $11.1 million in 1996, reflecting the higher sales volume in 1997. Gross profit as a percentage of net sales increased to 50.9% in 1997 from 46.7% in 1996. The increase was primarily attributable to operating efficiencies resulting from improved production line rates.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased 11.1% to $9.0 million in 1997 from $8.1 million in 1996. The increase resulted principally from higher sales and marketing expenses, which increased 21.4% to $5.1 million in 1997 from $4.2 million in 1996. An increase of 14.8% in advertising costs over 1997 and the addition of new sales and marketing personnel contributed to the higher sales and marketing expenses. The increased general and administrative expenses in 1997 reflected an expense of $0.8 million from amortization of goodwill and organizational costs incurred in connection with the Acquisition. Selling, general and administrative expenses as a percentage of net sales decreased to 26.3% in 1997 from 33.9% in 1996.

Interest Expense. Net interest expense increased to $2.8 million in 1997 from $0.9 million in 1996. The increase reflected a full year of interest expense on indebtedness incurred in connection with the Acquisition. See "Certain Transactions--Acquisition Transactions."

Seasonality

The Company's net sales and income from operations historically have varied from quarter to quarter. Such variations are principally attributable to seasonal trends in the demand for Trex. The

Company experiences lower net sales levels during the fourth quarter, in which holidays and adverse weather conditions in certain regions usually reduce the level of home improvement and new construction activity. 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 the Company continues to make advertising expenditures throughout the year. The Company utilizes a variety of sales incentive programs with customers to reduce the effects of seasonality.

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 and borrowings under its revolving credit facility.

The Company's cash flow from operating activities was $12.2 million in 1998, $6.5 million in 1997 and $2.6 million in 1996. Higher sales volume accounted for the significant increase in cash flows in 1998.

The Company's working capital generally averages between 12% and 18% of annual net sales. The Company's working capital needs correlate closely with the level of the Company's net sales. Consequently, the Company's short-term borrowing requirements are affected by the seasonality of its business. The Company currently maintains a $6.0 million revolving credit facility, which accrues interest at a rate equal to LIBOR plus 200 basis points. As of December 31, 1998, no borrowings were outstanding under the facility. The facility expires in April 1999, but the Company expects it will be able to renew the facility on substantially the same terms.

The Company financed its purchase of its Winchester, Virginia facility in June 1998 with a ten-year term loan of $3.8 million. Pursuant to 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. Pursuant to an interest rate swap agreement, the Company pays interest on this loan at an annual rate of 6.8%.

The Company financed its acquisition of the site for its second manufacturing facility in December 1998 in part with a $2.1 million loan which is payable in September 1999. The Company will finance construction of the facility in part with proceeds of up to $4.6 million under a construction loan which is payable in November 1999. The site acquisition and construction loans accrue interest at an annual rate of 7.5%. The Company intends to refinance both loans with long-term borrowings. The Company will use cash flow from operations to fund a portion of the costs of constructing and equipping its new manufacturing facility. It also intends to use a portion of the net proceeds of the Offering to equip the new facility. See "Use of Proceeds" and "Business--Manufacturing Process."

As of December 31, 1998, the Company's long-term indebtedness, including current portion, was $33.1 million, with an overall weighted average interest rate of 9.7%. Of such indebtedness, $26.3 million principal amount of the Senior Notes and the Subordinated Notes will be repaid from the net proceeds of the Offering. See "Use of Proceeds."

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, 1998, the Company had effectively capped its interest rate exposure at approximately 7% on approximately $4.7 million of its floating rate debt through 2008. See Note 6 to the Financial Statements of Trex Company, LLC appearing elsewhere in this Prospectus.

As part of the Reorganization, the Company will make the LLC Distribution of approximately $9.3 million to certain of its members. A portion of the net proceeds of the Offering will be used to pay approximately $6.9 million of the LLC Distribution. The Company will fund the balance of the LLC Distribution from available cash. The amount of the LLC Distribution and the amount of the net proceeds of the Offering to be applied in respect thereof are subject to adjustment based on the Company's actual taxable income from January 1, 1999 through the date of the LLC Distribution. See "Certain Transactions--Reorganization."

Expansion of the Company's production capacity will require significant capital expenditures. The Company currently estimates that its aggregate capital requirements in 1999 and 2000 will total approximately $23.8 million, of which approximately $20.3 million is expected to be incurred in 1999 and approximately $3.5 million in 2000. Capital expenditures will be used primarily for the construction and equipping of the Company's new manufacturing facility, which will be located near Reno, Nevada and which the Company expects to begin production in the third quarter of 1999. The Company believes that the net proceeds of the Offering, together with cash on hand, cash flow from operations and borrowings expected to be available under the Company's current revolving credit facility and construction loan, will provide sufficient funds to enable the Company to 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 leverage of the Company, 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.

Year 2000 Compliance

The Company's Program. The Company has undertaken a program to address the Year 2000 issue with respect to the following: (i) the Company's information technology and operating systems (including its billing, accounting and financial reporting systems); (ii) the Company's non-information technology systems (such as buildings, plant, equipment and other infrastructure systems that may contain embedded microcontroller technology); (iii) certain systems of the Company's major suppliers and material service providers (insofar as such systems relate to the Company's business activities with such parties); and (iv) the Company's major distributors (insofar as the Year 2000 issue relates to the ability of such distributors to distribute Trex to the Company's dealer outlets). As described below, the Company's Year 2000 program involves (i) an assessment of the Year 2000 problems that may affect the Company, (ii) the development of remedies to address the problems discovered in the assessment phase, (iii) the testing of such remedies and (iv) the preparation of contingency plans to deal with worst case scenarios.

Assessment Phase. As part of the assessment phase of its program, the Company will attempt to identify substantially all of the major components of the systems described above. To determine the extent to which such systems are vulnerable to the Year 2000 issue, the Company has completed an evaluation of its internally developed software applications and expects to begin remediation and testing activities for such applications in the first quarter of 1999. In addition, in the fourth quarter of 1998, the Company completed its distribution of letters to certain of its major suppliers and other material service providers and to the Company's major distributors, requesting them to provide the Company with detailed, written information concerning existing or anticipated Year 2000 compliance by their systems insofar as the systems relate to such parties' business activities with the Company. The Company is currently processing the responses to those inquiries and re-soliciting responses from those entities that have not yet responded.

Remediation and Testing Phase. Based upon the results of its assessment efforts, the Company will undertake remediation and testing activities. The Company intends to complete this phase by June 30, 1999. The activities conducted during the remediation and testing phase are intended to address potential Year 2000 problems in computer software used by the Company in its information technology and non-information technology systems in an attempt to demonstrate that this software will be made substantially Year 2000 compliant on a timely basis. In this phase, the Company will first evaluate a program application and, if a potential Year 2000 problem is identified, will take steps to attempt to remediate the problem and individually test the application to confirm that the remediating changes are effective and have not adversely affected the functionality of that application. After the individual applications and system components have undergone remediation and testing phases, the Company will conduct integrated testing for the purpose of demonstrating functional integrated systems operation.

Contingency Plans. The Company intends to develop contingency plans to handle its most reasonably likely worst case Year 2000 scenarios, which it has not yet identified fully. The Company intends to complete its determination of such worst case scenarios after it has received and analyzed responses to substantially all of the inquiries it has made of third parties and completed its remediation and testing activities. The Company expects to complete its contingency plans by August 31, 1999.

Costs Related to the Year 2000 Issue. To date, the Company has incurred approximately $5,000 in costs for its Year 2000 program. Such costs do not include internal staff costs, consisting principally of payroll costs, incurred on Year 2000 matters, because the Company does not separately track such costs. The Company currently estimates that it will incur additional costs (excluding internal staff costs), which are not expected to exceed approximately $50,000, to complete its Year 2000 compliance work. Such costs will constitute approximately 40% of the Company's budgeted expenditures for information technology. Actual costs may vary from the foregoing estimates based on the Company's evaluation of responses to its third-party inquiries and on the results of its remediation and testing activities. The Company expects to fund its Year 2000 remediation costs out of the cash flows generated by its operations. The Company has not deferred any of its information technology projects to date as a result of the Year 2000 issue.

Risks Related to the Year 2000 Issue. Although the Company's Year 2000 efforts are intended to minimize the adverse effects of the Year 2000 issue on the Company's business and operations, the actual effects of the issue and the success or failure of the Company's efforts described above cannot be known until the year 2000. Failure by the Company and its major suppliers, other material service providers and major distributors to address adequately their respective Year 2000 issues in a timely manner (insofar as such issues relate to the Company's business) could have a material adverse effect on the Company's business, results of operations and financial condition.

Inflation

Inflation did not have a material impact on the Company's operating results in 1998, 1997 or 1996.

BUSINESS

General

The Company is the nation's largest manufacturer of non-wood decking alternative products, which are marketed under the brand name Trex(R). 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. The Company promotes Trex among consumers and contractors as a premium decking product. Net sales of Trex increased from $0.6 million in 1992 to $46.8 million in 1998. Income from operations increased from a loss of $5.6 million in 1992 to a profit of $11.0 million in 1998.

The Company seeks to achieve sales growth in the decking market by converting demand for wood decking products into demand for Trex. The Company intends 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 (measured by board feet of lumber) and since contractors generally build larger, more elaborate residential decks than decks built by homeowners in the "do-it-yourself" market segment. The Company sells its products through approximately 55 wholesale distribution locations, which in turn sell Trex to approximately 2,000 dealer outlets across the United States.

The Company was formed in August 1996 in a buyout of the assets of Mobil's Composite Products Division. Mobil established the Composite Products Division in April 1992 after purchasing the technology and related assets used to create Trex. The buyout was led by four senior Mobil executives with over 75 years of combined management experience.

Decking Market Overview

The decking market is part of the substantial home improvement market. Expenditures for residential improvements and repairs totaled approximately $118 billion in 1997, according to the U.S. Department of Commerce, and the home improvement market grew at a compounded annual growth rate of 3.7% for the seven-year period ended December 31, 1997. The primary market for Trex is residential decking and, to a lesser extent, commercial decking. Annual factory sales in 1997 of residential decking and commercial decking totaled approximately $1.7 billion (approximately 2.0 billion board feet of lumber) and approximately $200 million (approximately 225 million board feet of lumber), respectively. This market includes all decking products other than posts, beams and columns used for a deck's substructure. For the seven-year period ended December 31, 1997, factory sales of all residential decking increased at a compounded annual growth rate of approximately 8%. In recent years, factory sales of non-wood alternative decking products to the residential market have increased at a compounded annual growth rate of over 25%.

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. Deck repair, modernization and replacement are expected to 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. The Company estimates that the installation cost of a majority of decks ranges from $2,000 to $5,000. 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. The Company believes 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 cyclicality common to businesses in the new home construction and building materials industries.

The Company estimates that contractors, including homebuilders, install approximately 60% of all residential decks, accounting for approximately 70% of the board feet used. The balance of residential decks are installed by "do-it-yourself" homeowners. Contractors generally either specialize in deck installation or build decks in connection with new home construction or home improvement and remodeling projects. Contractor-installed decks on average are larger and more elaborate than decks installed by homeowners.

Commercial decks are constructed for restaurants, hotels, nature walks and boardwalks. These decking applications typically have more demanding design and installation requirements than those for residential decking. Product liability and maintenance costs are major issues for commercial installations. As a result, safety and maintenance features of decking products particularly influence buying decisions in this market segment.

The following table sets forth, in board feet of lumber, the percentage of 1997 factory sales to the decking market generated by each product category indicated:

Product	Percentage of 1997 Factory Sales
Wood	97%
100% plastic	1
Wood/plastic composites	2
	100%

More than 75% of wooden decks are fabricated from southern yellow pine, which is pressure-treated with insecticides 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 ("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.

Production and distribution operations in the decking market are highly fragmented. Treated southern yellow pine is produced by wood preservers that operate approximately 550 treatment plants in the United States. These treated-wood suppliers are predominantly small companies with a regional distribution focus. An estimated six to eight companies supply redwood to the decking market, while cedar supplies are produced by a few large suppliers and approximately 20 to 30 small, regional suppliers that market varieties of cedar grown in their areas. In 1997, according to an industry study, non-wood decking materials were manufactured by approximately 20 companies, of which less than half had annual revenues of over $5 million.

Distributors of wood decking materials typically supply lumber to lumber yards and home center outlets, who in turn supply the materials to home builders, contractors and homeowners. Manufacturers of non-wood decking alternatives also generally use these distribution channels, since

many such alternative products can be stacked, stored and installed like wood products. Certain 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 (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 certain wood preservers have attempted to brand their treated wood products. The Company believes that these companies, which it estimates represent less than 5% of the treated wood market, have not established meaningful brand name recognition.

Competitive Strengths

The Company believes that its primary competitive strengths are the following:

Superior Product. 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.

Brand Name Development. The Company has invested over $10 million during the last three years to develop Trex as a recognized brand name in the residential and commercial decking market. The Company's marketing strategy has been to promote Trex among consumers and contractors as a premium decking product. The Company uses extensive print and television advertising to build brand awareness among homeowners and commercial users and targets decking contractors with advertisements in leading building and remodeling magazines. Brand name recognition helps to generate demand for Trex directly among consumers and also among distributors and dealers, who recommend Trex to contractors and other consumers. The Company believes that its branding strategy promotes product differentiation of Trex in a market which is not generally characterized by brand identification and enables the Company both to command premium prices and to maintain price stability for Trex.

Extensive Distribution Network. The Company has developed an extensive distribution network which complements its branding strategy and focus on the contractor-installed market segment. At December 31, 1998, the Company sold Trex through approximately 55 wholesale distribution locations. At the same date, the Company's distributors marketed Trex to approximately 2,000 dealer outlets, which directly service contractors and consumers. The Company selects distributors based upon their anticipated commitment to Trex, and the Company's distribution network devotes significant resources to promoting and selling Trex. All distributors have appointed a Trex specialist, regularly conduct dealer training sessions, fund demonstration projects and participate in local advertising campaigns and home shows. These distributors generally sell Trex as their only non-wood decking alternative and agree in their distribution agreements with the Company not to market other wood/plastic composites with the same applications as Trex.

Investment in Manufacturing Process and Product Development. Production of a non-wood decking alternative like Trex requires significant capital investment, special process know-how and

time to develop. The Company has invested approximately $34 million and six years in expansion of its manufacturing capacity, manufacturing process improvements, new product development and product enhancements. The Company's investment of time and capital has enabled it to increase the number of production lines from one to eight and its manufacturing line production rates by more than 200% since 1992, has facilitated the Company's development of new products and has produced improvements in the dimensional consistency, surface texture and color uniformity of the Trex product line.

Building Code Listing. Trex is the only non-wood decking alternative to receive a product building code listing either from the NES or from any of the three NES regional members that establish construction standards in the United States. Since receiving its NES listing in 1995, Trex has been the only non-wood alternative decking product published in all major code books throughout the country. The Company's listing facilitates the acquisition of building permits by residential consumers of Trex. The Company believes that its listing promotes customer and industry acceptance of Trex as a substitute for wood in decking.

Experienced Management Team. The Company is managed by four experienced senior executives who led the buyout of Mobil's Composite Products Division in 1996. The Company's executives have managed billion-dollar operations as well as smaller, high-growth divisions and product rollouts within and outside of Mobil. They have approximately 75 years of combined management experience at Mobil across a wide range of management functions.

Growth Strategies

The Company's goals are to continue to be the leading producer of a superior non-wood decking alternative product, to increase its market share of the decking market and to expand new products and geographic markets. To attain these goals, the Company employs the following strategies:

Continue Brand Name Development. The Company plans to increase its investment in, and the resources devoted to, development of the Trex brand. The Company's branding efforts will focus on implementation of enhanced integrated advertising, public relations and trade programs. The Company's sales growth in the decking market will largely depend on converting demand for wood products into demand for Trex. Accordingly, the Company's branding strategy will continue to emphasize the advantages of Trex over wood decking products. The Company's brand building programs also are designed to support the positioning of Trex as a premium product in the decking market.

Expand Distribution Coverage. The Company intends to establish comprehensive national coverage for Trex. To achieve this objective, the Company expects to increase the number of dealer outlets selling Trex over the next three years by 50% to approximately 3,000 outlets. The Company will seek to expand its dealer network by adding new distributors and increasing the number of its wholesale distribution locations to approximately 75 distribution locations from its base of approximately 55 at December 31, 1998.

Increase Production Capacity. Currently, customer demand for Trex exceeds the Company's manufacturing capacity. To support sales growth and improve customer service, the Company plans to increase output by increasing productivity in its existing facility in Winchester, Virginia and by beginning production in an additional manufacturing facility near Reno, Nevada in the third quarter of 1999. The Company recently augmented its production capacity at the Winchester facility by adding one new production line in December 1998 and a second new production line in January 1999. The addition of these two production lines will enable the Company to increase its current manufacturing capacity by approximately a 40% by mid-1999. With the second manufacturing facility in operation, the Company expects by the end of 1999 to double its production capacity from the level sustained in December 1998.

Invest in Process and Product Development. The Company 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. In the third quarter of 1998, the Company centralized its research and development operations in the Trex Technical Center, a 30,000 square foot building adjacent to its Winchester manufacturing facility.

Increase New Product Development and Export Markets. As part of its long-term growth strategy, the Company will continue to develop opportunities for Trex in new products and product applications and in geographic markets beyond the Company's U.S. base. In 1998, the Company derived approximately 15% of its net sales from sales of Trex for non-decking applications, including industrial block flooring, applications for parks and recreational areas, floating and fixed docks and other marine applications, and landscape edging. The Company believes that the product characteristics of Trex are well suited to satisfy the diverse appearance, performance and safety requirements of these and other potential product applications. In expanding its geographic scope of operations, the Company plans to increase exports to Canada, where it currently has limited sales, and explore export opportunities in the Caribbean, Latin America and selected parts of Europe.

Products

The Company manufactures Trex Wood-Polymer lumber, a composite product that offers an attractive appearance and the workability of wood without wood's on-going maintenance requirements or functional disadvantages. Trex is manufactured in a proprietary process that combines waste wood fibers and reclaimed polyethylene. Trex is produced in popular lumber sizes and is currently sold in three colors: Natural, Winchester Grey and Woodland Brown.

Approximately 85% of the Company's 1998 net sales were derived from sales of Trex to the residential and commercial decking market. Trex also has a number of non-decking product applications, which generated the remaining 15% of the Company's 1998 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. 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.

Sales and Marketing

The Company's marketing activities at December 31, 1998 were conducted by 17 employees, of whom 12 were field sales representatives providing nationwide sales coverage. The sales representatives, who are assigned to particular geographic markets, are primarily responsible for servicing the Company's wholesale distributors, assisting in dealer and contractor training, meeting with architects and specifiers and providing support at regional home shows and other consumer events. The Company maintains a commission program for its sales force which is designed to reward achievement of sales goals and to promote sales growth.

The Company's sales growth in the decking market will largely depend on converting demand for wood products into demand for Trex. Accordingly, the Company's branding strategy will continue to emphasize the advantages of Trex over wood decking products. The Company's marketing efforts are focused on the residential and commercial decking market. The Company has implemented a two-pronged marketing program directed at consumers and contractors. The Company seeks 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. The following are the key elements of the Company's marketing program:

Consumer Advertising. The Company engages in extensive television advertising. In 1998, the Company ran network and cable television advertisements over an 18-week period during

the first half of the year featuring 30-second spots on shows such as ABC's Good Morning America and NBC's Today.

The Company also advertises Trex extensively in popular magazines, including Better Homes & Gardens, Sunset and Martha Stewart Living. The 1998 print advertising campaign includes full-page color magazine advertisements featuring the Company's new spokesman, Willard Scott, of NBC's Today.

Public Relations. The Company employs a public relations firm to stimulate interest in Trex by the print and broadcast media. During 1998, print and broadcast stories featuring Trex generated a total of 125 million "impressions," which represent potential viewings.

Trade Advertising and Promotion. To build a brand name for Trex with decking contractors, the Company reaches 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.

Homebuilder Program. In 1998, the Company inaugurated a program to provide promotional allowances and display materials to homebuilders who use Trex for their model home decks and agree to promote Trex. Over 60 homebuilders currently participate in the program.

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

Showcase Projects. Trex obtains further brand name recognition through its association with highly publicized showcase projects. Trex has been used in a number of such projects, including 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, the Company commissions consumer research studies to gain a better understanding of the needs of the decking market, the ability of Trex to meet those needs relative to competitive products and consumer acceptance of Trex as a decking material.

Distribution

Approximately 95% of Trex net sales are made through the Company's wholesale distribution network. At December 31, 1998, the Company sold its Trex product line to 22 wholesale companies operating from approximately 55 distribution locations. At the same date, the Company's distributors marketed Trex to approximately 2,000 dealer outlets across the United States. Although the Company's dealers sell to both homeowners and contractors, their sales efforts are primarily directed at professional contractors, remodelers and homebuilders. The remaining 5% of the Company's net sales are made directly to industrial floor fabricators, playground material distributors and other accounts.

Wholesale Distributors. The Company believes attracting wholesale distributors who are committed to Trex and the Trex marketing approach and who can effectively sell Trex to contractor-oriented lumber yards is important to its future growth. The Company believes its 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.

Pursuant to its agreement with each wholesale distributor, the Company appoints the distributor on a non-exclusive basis to distribute Trex within a specified area. The distributor generally purchases Trex at

the Company's prices in effect at the time the Company ships the product to the distributor. The distributor is required to maintain specified minimum inventories of Trex during certain 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 the Company may terminate the agreement upon 60 or 90 days' notice or immediately upon the happening of certain events, including a failure by the distributor to maintain the required minimum inventories of Trex.

The Company requires its 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. The Company sponsors intensive two-day training seminars to help train Trex specialists.

In 1997 and 1998, the Company generated in excess of 10% of its net sales to each of five wholesale distribution companies: Capital Lumber Company, Furman Lumber, Inc., OrePac Building Products, Inc., Plunkett-Webster Inc. and Snavely Forest Products, Inc. These distributors collectively accounted for approximately 68% and 74% of the Company's net sales in 1997 and 1998, respectively. Other than Plunkett-Webster, Inc., which accounted for between 15% and 20% of the Company's net sales in both years, each of such distributors accounted for less than 15% of the Company's net sales. In 1996, the Company generated in excess of 10% of its net sales to each of three wholesale distribution companies: Capital Lumber Company, Plunkett-Webster, Inc. and Snavely Forest Products, Inc. These distributors collectively accounted for approximately 52% of the Company's net sales in 1996. Capital Lumber Company and Plunkett-Webster, Inc. each accounted for between 15% and 20% of the Company's 1996 net sales, while Snavely Forest Products, Inc. accounted for less than 15% of such net sales.

To augment its dealer outlets, the Company plans to add new distributors and increase the number of its wholesale distribution locations over the next three years to approximately 75.

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, the Company's sales efforts emphasize the contractor-installed market to achieve premium product positioning for Trex and to ensure that the installations will have professional craftsmanship. The Company's 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, the Company plans to increase the number of its dealer outlets over the next three years from approximately 2,000 at December 31, 1998 to approximately 3,000.

Contractor Training. The Company has provided training about Trex to over 20,000 contractors since 1995. Contractors receive a Trex Contractor Kit containing a product handbook, sales literature and product samples as part of their training. The Company has established a "Builders Club" to strengthen its relationship with premium decking contractors.

Dealer Locator Service and Web Site. The Company maintains a toll-free telephone service for use by consumers and building professionals to locate the closest dealer offering Trex and to obtain product information. The Company uses these calls to generate sales leads for contractors, dealers, distributors and Trex sales representatives. The Company also analyzes caller information to assess the effectiveness of its promotional and advertising activities.

As an additional source of information to consumers, dealers and distributors, the Company operates a Web site, which provides product installation information, handling instructions, a dealer locator service, photographs of showcase installations, technical reports and other information.

Shipment. The Company ships Trex to distributors by truck and rail. Western distributors principally receive shipments by rail. Distributors pay all shipping and delivery charges.

Manufacturing Process

Trex is manufactured at the Company's 100,000 square foot facility in Winchester, Virginia. The facility currently has eight production lines, each of which is highly automated and on average requires fewer than five employees to operate per shift.

In 1998, the Company's Winchester facility had a total capacity of 155 million pounds per year of finished product and was operating at its full capacity. To support sales growth and improve customer service, the Company added one new production line to the facility in December 1998 and a second new production line in January 1999. The Company expects that, after the two new lines achieve their full operating capacity in mid-1999, the addition of these lines will increase the facility's total capacity to 215 million pounds of finished product per year, or approximately 40% over the December 1998 level.

In December 1998, the Company acquired the site for an additional manufacturing facility in Fernley, Nevada, which is located approximately 30 miles east of Reno. The Company estimates that the total cost of the site acquisition, construction and equipping of the new facility will be approximately $19.6 million. The Company expects to fund this cost with approximately $6.7 million of borrowings under site acquisition and construction loans, approximately $3.8 million from the net proceeds of the Offering and approximately $9.1 million from its operating cash flow and borrowings under its revolving credit facility. Construction of the facility began in January 1999. The Company anticipates that the new facility will begin production in the third quarter of 1999. The facility will occupy 150,000 square feet and will initially have two production lines. With its second manufacturing facility in operation, the Company expects by the end of 1999 to double its production capacity from the level sustained in December 1998. See "Risk Factors--Ability to Increase Manufacturing Capacity" and "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources."

Trex is manufactured from waste wood fiber and reclaimed polyethylene ("poly"). The composition of Trex Wood-Polymer lumber is approximately 50% wood fiber and 50% reclaimed poly material. The Company uses wood fiber purchased from wood working factories, mills and pallet recyclers, most of which are located within a 200-mile radius of the Company's Winchester facility. Poly material used in the production of Trex consists primarily of reclaimed grocery sacks and stretch film, which the Company purchases from suppliers throughout the United States. See "Suppliers."

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. The extruded product is cooled in a water bath and cut to its finished length. Waste created during manufacturing is recycled into the production process. The finished boards are placed on a cooling conveyor and proceed to finished goods inspection, packaging and storage.

The Company has made substantial investments in manufacturing process improvements. As a result of these investments, production line rates, which are measured in pounds of finished product per production hour, have increased over 200% since 1992. The Company also has 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. The Company has 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.

Trex is the only wood/plastic composite product to receive a building code listing either from the NES or from any of its three regional members that establish construction standards in the United States (Building Officials & Code Administrators International, Inc., International Conference on Building Officials and Southern Building Code Congress International, Inc.). In conjunction with its NES listing, the Company

maintains a quality control testing program that is monitored by an NES-approved independent inspection agency. Under this program, the Company tests 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. The Company believes 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. See "Risk Factors--Competition."

Suppliers

The production of Trex requires the supply of wood fiber and polyethylene from reclaimed grocery sacks and stretch film. The Company satisfies virtually all of its current wood fiber requirements from six regional suppliers. The Company purchases its supplies of poly material from multiple locations throughout the country, including supermarkets and distribution centers.

Wood Fiber. In 1998, the Company consumed 101 million pounds of wood fiber. Suppliers accounting for over 90% of the Company's wood fiber purchases are located within a 200-mile radius of the Company's Winchester, Virginia facility. Convenient access to available wood fiber supplies was one of the Company's principal site selection criteria for its second manufacturing facility, which will be located near Reno, Nevada. Although it has not yet entered into supply agreements for the new facility, the Company believes that it will be able to satisfy substantially all of the facility's wood fiber requirements from suppliers located within a 500-mile radius of the facility.

Woodworking plants or mills are the Company's 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 its purchase costs, the Company seeks to provide the manufacturing facilities with prompt and reliable removal service using Company-provided equipment.

Four suppliers accounted individually for more than 10% and collectively for approximately 80% of the Company's 1998 wood fiber purchases: American Woodmark, American Wood Fiber, Plumly Lumber and Coastal Lumber. The Company obtains its wood fiber supplies for a fixed annual price under multi-year contracts that are terminable by either party upon 30 days' notice. Based on its discussions with wood fiber suppliers and its analysis of industry data, the Company believes that, if its contracts with one or more of its current suppliers were terminated, the Company would be able to obtain adequate supplies of wood fiber at an acceptable cost from its other current suppliers or from new suppliers.

Poly Material. In 1998, the Company consumed 87 million pounds 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. The Company will seek to meet its future needs for poly material from expansion of its existing supply sources and the development of new sources, including post-industrial waste and plastic paper laminates.

The Company purchases 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. The Company picks up the plastic grocery sacks at the distribution centers and stores the sacks in warehouses until it uses them in its production process.

Stretch film is used to stabilize pallet loads to avoid damage during shipping and handling. The Company collects stretch film from distribution centers that service the grocery and other industries,

including furniture, machinery, parts and soft goods businesses. Suppliers of stretch film save on waste disposal costs by selling the bundled film to the Company.

No supplier sold 10% or more of the poly material purchased by the Company in 1998. The Company generally acquires poly material by purchase order at prices which are fixed annually.

The Company has entered into a six-year contract with a potential supplier of poly material derived from a source not previously accessed by the Company. The contract obligates the Company to purchase up to $3.3 million of poly material annually at a specified price per pound during the contract term. The Company is unable to determine the amount of poly material it will obtain under the contract because the supplier has not yet commenced operations and will utilize a new production process. The Company is scheduled to receive its first delivery under the contract in mid-1999. The Company has the option to renew the contract for an additional six years on the same terms and conditions.

Competition

The residential and commercial decking market in which the Company principally operates 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 97% of 1997 decking sales (measured by board feet of lumber). The conventional lumber suppliers with which the Company competes in many cases have established ties to the building and construction industry and have well-accepted products. Many of the Company's competitors in the decking market that sell wood products have significantly greater financial, technical and marketing resources than the Company. Trex currently represents over half of the non-wood segment and competes with other wood/plastic composites as well as with 100% plastic products that utilize polyethylene, fiberglass and PVC as raw materials.

The Company's principal competitors in the non-wood decking alternative market include Advanced Environmental Recycling Technologies, Inc., Crane Plastics, Eaglebrook Plastics, Inc., Royal Crown Limited and U.S. Plastic Lumber Corporation. Trex is the only non-wood decking alternative to receive a product building code listing from the NES or any its three regional members. A product building code listing covers all uses of a product meeting the specified design criteria. The Company is aware of one manufacturer of wood/plastic composites, Advanced Environmental Recycling Technologies, Inc., that has publicly announced it has applied for a regional application listing for its products and of at least four manufacturers that have applied for regional application listings for their 100% plastic lumber products. The four manufacturers include Outdoor Technologies, Inc., ZCL Composites, Thermal Industries Inc. and Teck-Rail Vinyl Guardrail System. An application listing covers specific uses of the listed products. Any non-wood decking alternative product receiving a listing could be more competitive with Trex. The Company's ability to compete depends, in part, upon a number of factors outside its control, including the ability of its competitors to develop new non-wood decking alternatives which are competitive with Trex.

The Company believes that the principal competitive factors in the decking market include product quality, price, maintenance cost and consumer awareness of product alternatives. The Company believes it competes 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, the Company's extensive distribution network and the Trex NES building code listing.

Of the wood lumber which constituted approximately 97% of the total decking market in 1997, 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 ("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 1997 are estimated at only $20 million (18 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 approximately five 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. The Company estimates that Trex accounted for more than 80% of 1998 total factory sales of wood/plastic composites to the decking market.

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

Characteristics	Trex	Treated Wood	100% 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	
Product building code listing or acceptance	x	x	

The Company believes that Trex offers cost advantages when compared with certain other types of decking materials. Although a contractor-installed Trex deck built in 1998 using a pressure-treated wood substructure generally cost 10% to 15% 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. The Company believes that its 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

The Company is subject to federal, state and local environmental regulation. The emissions of particulates and other substances from the Company's manufacturing facility must meet federal and state air quality standards implemented through air permits issued to the Company by the Department of Environmental Quality of the Commonwealth of Virginia. The Company's facility is 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 the Company's business, financial condition or results of operations.

The Company's operations also are subject to work place safety regulation by the U.S. Occupational Safety and Health Administration and the Commonwealth of Virginia. The Company's compliance efforts include safety awareness and training programs for its production and maintenance employees.

Intellectual Property

The Company's success depends, in part, upon its intellectual property rights relating to its production process and other operations. The Company relies upon a combination of trade secret, nondisclosure and other contractual arrangements, and patent, copyright and trademark laws, to protect its proprietary rights. The Company has made substantial investments in manufacturing process improvements which have enabled it to increase manufacturing line production rates, facilitated the Company's development of new products and produced improvements in the dimensional consistency, surface texture and color uniformity of Trex. The Company has 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. The Company has been granted a federal registration for the Trex trademark by the U.S. Patent and Trademark Office and has filed applications for the federal registration of its Easy Care Decking and Wood-Polymer trademarks. Federal registration of trademarks is effective for an initial period of 20 years and is renewable for as long as the Company continues to use the trademarks. The Company considers its trademarks to be of material importance to its business plans. The Company has not registered any of its copyrights with the U.S. Copyright Office, but relies 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. The Company enters into confidentiality agreements with its senior employees and limits access to and distribution of its proprietary information. There can be no assurance that the steps taken by the Company in this regard will be adequate to deter misappropriation of its proprietary information or that the Company will be able to detect unauthorized use and take appropriate steps to enforce its intellectual property rights. See "Risk Factors--Intellectual Property."

In 1992, before the Company's 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. ("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. AERT has filed a motion for a new trial, which is pending before the district court. The district court also still has pending before it AERT's non-patent counterclaims against Mobil. No proceedings on those claims are currently scheduled.

In June 1998, the U.S. Patent and Trademark Office issued to AERT a patent which is a continuation in part of one of the two patent applications that resulted in the two patents held to be invalid and unenforceable in the district court action. The Company believes, based in part on advice of its legal counsel, that the Company does not infringe this patent.

Facilities and Equipment

The Company leases its corporate headquarters in Winchester, Virginia, which consists of approximately 4,500 feet of office space, on a month-to-month basis.

The Company owns its manufacturing facility in Winchester, Virginia, which contains approximately 100,000 square feet of manufacturing space, and approximately 7.5 acres of outside open storage in a lot located across from the manufacturing facility.

The Company leases storage warehouse space, which totals 75,000 square feet, pursuant to leases with expiration dates from December 1999 to July 2000. The Company currently occupies approximately 30,000 square feet in the Trex Technical Center, which it purchased in the fourth quarter of 1998.

Equipment and machinery used by the Company in its operations consist principally of plastic and wood conveying and process equipment. The Company owns all of its manufacturing equipment. The Company also operates approximately 30 wood trailers pursuant to operating leases with expiration dates from 1999 to 2003 and approximately 20 forklift trucks pursuant to operating leases with expiration dates from 2000 to 2001.

The Company regularly evaluates the capacity of its various facilities and equipment and makes capital investments to expand capacity where necessary. In 1998, the Company spent a total of $17.1 milllion on capital expenditures, including $7.4 million for additional production equipment in its Winchester facility. The Company has acquired the site for, and in January 1999 began construction of, a second manufacturing facility, which will be located near Reno, Nevada and which the Company expects to begin production in the third quarter of 1999. See "--Manufacturing Process." The Company currently estimates that its aggregate capital expenditures in 1999 will total approximately $20.3 million, most of which will be used to construct and equip the new facility.

Employees

At December 31, 1998, the Company had 217 full-time employees, of whom 23 were employed in corporate management and administration, 17 were employed in sales and marketing, six were employed in research and development and 171 were employed in manufacturing operations. Of such employees, 142 were hourly employees engaged in manufacturing activities in the Company's Winchester facility. The Company's employees are not covered by a collective bargaining agreement. The Company believes that its relationships with its employees are good.

Legal Proceedings

The Company has been named as a co-defendant in a suit filed on December 7, 1997 in the U.S. District Court for the Eastern District of Pennsylvania. The plaintiff, the owner of a ship moored in Philadelphia, alleges that design defects in a Trex decking product caused buckling of decking installed on the ship as part of a renovation project. The plaintiff seeks damages in an unspecified amount against the Company based on claims of strict liability, misrepresentation, breach of warranties, gross negligence, indemnification and violation of the New Jersey Consumer Fraud Act. Trex has denied liability on the grounds, among others, that the alleged damage to the decking resulted from poor design and improper installation. The parties have conducted certain discovery proceedings. A trial date for the suit is scheduled for June 1999.

From time to time, the Company is involved in litigation and proceedings arising out of the ordinary course of its business. Except as set forth above, there are no pending material legal proceedings to which the Company is a party or to which the property of the Company is subject.

Directors and Executive Officers

The table below sets forth certain information concerning the directors and executive officers of the Company:

Name	Age	Positions with Company	Term as Director Expires
Robert G. Matheny.....	53	President, Director	2000
Anthony J. Cavanna.....	59	Executive Vice President and Chief Financial Officer, Director	2001
Andrew U. Ferrari.....	52	Executive Vice President of Sales and Marketing, Director	2000
Roger A. Wittenberg.....	50	Executive Vice President of Technical Operations, Director	1999

Robert G. Matheny has served as the President and a director of the Company since August 1996. From July 1992 to August 1996, he was the General Manager of the Composite Products Division of Mobil Chemical Company, a division of Mobil ("Mobil Chemical"). 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 and a director of the Company since August 1996 and as Executive Vice President 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 Vice President and General Manager-European Operations 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 and a director of the Company since August 1996 and as Executive Vice President of Sales and Marketing 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 a director of the Company since August 1996 and as Executive Vice President of Technical Operations 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. Prior to 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.

The Board of Directors currently consists of four directors, divided into three classes serving staggered three-year terms. Directors and executive officers of the Company are elected to serve until they resign or are removed, or are otherwise disqualified to serve, or until their successors are elected and qualified. Directors of the Company are elected at the annual meeting of stockholders. Executive officers of the Company generally are appointed at the Board's first meeting after each annual meeting of stockholders.

Upon consummation of the Offering, the Company will appoint to the Board of Directors two directors who are not employees of the Company.

Committees of the Board of Directors

Promptly following completion of the Offering, the Board of Directors will establish an Audit Committee and a Compensation Committee.

The Audit Committee, among other things, will be responsible for recommending to the full Board of Directors the selection of the Company's independent auditors, reviewing the scope of the audit plan and the results of each audit with management and the independent auditors, reviewing the adequacy of the Company's system of internal accounting controls in consultation with the independent auditors, reviewing generally the activities and recommendations of the independent auditors, and exercising oversight with respect to the Company's code of conduct and other policies and procedures regarding adherence with legal requirements. All of the directors on the Audit Committee will be non-employee directors.

The Compensation Committee will be responsible for establishing the compensation and benefits of the executive officers of the Company, monitoring compensation arrangements for management employees for consistency with corporate objectives and stockholders' interests, and administering the Stock Incentive Plan and other management compensation plans. All of the directors on the Compensation Committee will be non-employee directors.

Director Compensation

Directors of the Company who are also officers or employees of the Company do not receive any additional compensation for serving on the Board of Directors or any of its committees. Following consummation of the Offering, each non-employee director will receive an option to purchase 1,500 shares of Common Stock upon such director's initial election or appointment to the Board of Directors. Each non-employee director will receive an annual fee of $25,000 for service on the Board of Directors and its committees. The non-employee director may elect to receive up to one-half of this fee in cash and up to all of the fee in the form of options to purchase Common Stock issued under the Stock Incentive Plan. Directors are reimbursed for their reasonable out-of-pocket expenses in attending meetings. See "--1999 Stock Option and Incentive Plan" and "--1999 Incentive Plan for Outside Directors."

Executive Compensation

The following table sets forth the compensation paid to each of the Company's executive officers during the fiscal year ended December 31, 1998 (the "Named Executive Officers"):

SUMMARY COMPENSATION TABLE

Name and Principal Positions	Annual Compensation(1) Salary ($)	All Other Compensation ($)(2)
Robert G. Matheny President	263,591	52,995
Anthony J. Cavanna Chief Financial Officer	248,144	52,281
Andrew U. Ferrari Vice President of Sales and Marketing	232,698	52,310
Roger A. Wittenberg Vice President of Technical Operations	232,698	52,925

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(1) In accordance with the rules of the Securities and Exchange Commission, other compensation in the form of perquisites and other personal benefits has been omitted because such perquisites and other personal benefits constituted less than the lesser of $50,000 or 10% of the total annual salary and bonus for each Named Executive Officer in 1998.

(2) The amounts shown in the "All Other Compensation" column consists of the following: (i) for Mr. Matheny, $3,025 in matching contributions to the Company's 401(k) Plan (as defined below), $1,600 in employer discretionary contributions to the 401(k) Plan, $6,400 in employer contributions to the Company's Money Purchase Plan (as defined below) and $41,970 in reimbursement of self-employment taxes payable by Mr. Matheny; (ii) for Mr. Cavanna, $2,613 in matching contributions to the 401(k) Plan, $1,600 in employer discretionary contributions to the 401(k) Plan, $6,400 in employer contributions to the Money Purchase Plan and $41,668 in reimbursement of self-employment taxes payable by Mr. Cavanna; (iii) for Mr. Ferrari, $2,944 in matching contributions to the 401(k) Plan, $1,600 in employer discretionary contributions to the 401(k) Plan, $6,400 in employer discretionary contributions to the Money Purchase Plan and $41,366 in reimbursement of self-employment taxes payable by Mr. Ferrari; and (iv) for Mr. Wittenberg, $3,559 in matching contributions to the 401(k) Plan, $1,600 in employer discretionary contributions to the 401(k) Plan, $6,400 in employer contributions to the Money Purchase Plan and $41,366 in reimbursement of self-employment taxes payable by Mr. Wittenberg.

1999 Stock Option and Incentive Plan

The Company's Stock Incentive Plan provides for the grant of options that are intended to qualify as "incentive stock options" under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), to employees of the Company and any future subsidiaries, as well as for the grant of non-qualified options, restricted Common Stock, restricted units of Common Stock, unrestricted Common Stock and stock appreciation rights (collectively, "Awards") to employees, non-employee directors and other individuals whose participation in the Stock Incentive Plan is determined to be in the Company's best interests. The Stock Incentive Plan authorizes the issuance of 1,400,000 shares of Common Stock (subject to adjustment in the event of a stock split, stock dividend, merger, reorganization or similar transaction). The maximum number of shares of Common Stock subject to options that may be granted to any individual under the Stock Incentive Plan is 500,000 shares (subject to such adjustment). The Stock Incentive Plan will be administered by the Compensation Committee of the Board of Directors, which has the authority, subject to the provisions of the Stock Incentive Plan, to determine the terms of any Awards. As of the date of this Prospectus, no Awards have been made under the Stock Incentive Plan.

Upon the consummation of the Offering, the Company intends to grant to certain employees non-qualified options under the Stock Incentive Plan to purchase up to an aggregate of 125,000 shares of Common Stock. No such options will be granted to executive officers of the Company. All such options will be exercisable at a price equal to the initial public offering price of the Shares. Each

option will vest with respect to one-fourth of the shares subject to the option on each of the first, second, third and fourth anniversaries of the date of grant.

The Board of Directors may authorize amendment of the Stock Incentive Plan without stockholder approval except in circumstances prescribed by applicable law or regulation. The Stock Incentive Plan does not have a termination date, but no incentive stock options may be granted after the tenth anniversary of the effective date of the plan.

Options. An option granted under the Stock Incentive Plan is exercisable only to the extent that it is vested on the date of exercise. No option may be exercisable more than ten years from the option grant date, or five years in the case of an incentive stock option granted to a person who owns more than 10% of the total combined voting power of all classes of stock of the Company or any subsidiary thereof (a "ten percent stockholder").

Each option will become vested and exercisable at such times and under such conditions as the Compensation Committee may approve. The Compensation Committee may accelerate the vesting of any option in its discretion. The exercise price per share under each option granted under the Stock Incentive Plan may not be less than 100% (110% in the case of an incentive stock option granted to a ten percent stockholder) of the fair market value of the Common Stock on the option grant date. In the case of incentive stock options, the aggregate fair market value of the Common Stock (determined on the option grant date) with respect to which such options are exercisable for the first time during any calendar year may not exceed $100,000.

Incentive stock options are non-transferable during the optionee's lifetime, but non-qualified stock options may be transferred to the spouse, children, grandchildren, parents and siblings of the optionee, to the extent permitted by the Compensation Committee.

Unless otherwise provided by the Compensation Committee, the following provisions of the Stock Incentive Plan will govern termination of options in the circumstances described below. Upon termination of a participant's employment or other relationship with the Company, other than by reason of death, permanent and total disability or retirement, all unvested options held by such participant will terminate immediately and all vested options not exercised will terminate 90 days following the employment termination date. If a participant dies while employed or providing services to the Company, terminates his employment or other relationship with the Company by reason of permanent and total disability or retires, all options held by such participant which have not previously terminated will fully vest and will be exercisable for one year thereafter, in the case of death or disability, or for three years thereafter, in the case of retirement.

Restricted Stock and Restricted Stock Units. Restricted shares of Common Stock are awards of shares of Common Stock upon which are imposed restricted periods and restrictions which subject the shares to a substantial risk of forfeiture as defined in Section 83 of the Code. Restricted Common Stock units are awards which represent a conditional right to receive shares of Common Stock in the future and which are subject to the same types of restrictions and risk of forfeiture as restricted shares of Common Stock. Restricted shares of Common Stock and restricted Common Stock units will be subject to such restrictions as the Compensation Committee may impose, including, without limitation, continuous employment with the Company or any of its future subsidiaries or the attainment of specific corporate or individual performance objectives. The restrictions and the restricted period, which generally will be a minimum of three years, may differ with respect to each recipient of an Award. An Award of restricted shares of Common Stock or restricted Common Stock units will be subject to forfeiture if certain events specified by the Board of Directors occur prior to the lapse of the restrictions. Subject to the provisions of the Stock Incentive Plan, the Compensation Committee will determine the terms and conditions of the agreement evidencing each Award of restricted shares of Common Stock and restricted Common Stock units.

Unrestricted Stock. Unrestricted shares of Common Stock are shares that are free of restrictions other than those imposed pursuant to federal or state securities laws.

Stock Appreciation Rights. A stock appreciation right ("SAR") is a right to receive, in the form of Common Stock, cash or a combination of Common Stock and cash, the spread or difference between the fair market value of the Common Stock subject to an option and the option exercise price. SARs may be granted in conjunction with all or a portion of any option granted under the Stock Incentive Plan, either at the time of the grant of such option or at any subsequent time prior to the expiration of such option. The Compensation Committee will determine at the SAR grant date or thereafter the time or times at which and the circumstances under which an SAR may be exercised in whole or in part, the time or times at which and the circumstances under which an SAR will cease to be exercisable, the method of exercise, the method of settlement, the form of consideration payable in settlement, whether or not an SAR will be in tandem or in combination with any other grant, and any other terms and conditions of any SAR. Exercisability of SARs may be subject to achievement of one or more of the same performance objectives that apply to awards of restricted shares of Common Stock or restricted Common Stock units. SARs issued in connection with incentive stock options are required to meet additional conditions. SARs are transferable only to the same extent as the related options.

1999 Incentive Plan for Outside Directors

The Company's 1999 Incentive Plan for Outside Directors sets forth the terms of compensation payable to the Company's non-employee directors ("Outside Directors") for their service on the Board of Directors. Upon his initial election or appointment of the Board of Directors, each Outside Director will receive an option to purchase 1,500 shares of Common Stock. Each Outside Director will receive an annual fee of $25,000 for service on the Board of Directors and its committees. The director may elect to receive up to one-half of this annual fee in cash and up to all of the fee in the form of options to purchase Common Stock. The value of the options issued in payment of any portion of an Outside Director's annual fee will be determined pursuant to the Black-Scholes valuation model.

The shares of Common Stock issuable upon the exercise of options under the Outside Director Plan will be issued under the Stock Incentive Plan. The exercise price per share under each option will be the fair market value of the Common Stock on the option grant date. The options that will be granted to the newly appointed Outside Directors upon the consummation of the Offering will be exercisable at a price equal to the initial public offering price of the Shares. Each option will vest with respect to one-fourth of the shares subject to the option on each of the first, second, third and fourth anniversaries of the date of grant. No option may be exercisable more than ten years from the option grant date. Options will terminate after the expiration of specified periods following the termination of the option holder's service as a director, whether by reason of death, disability, retirement or otherwise. The Outside Director Plan will be administered by a committee of the Board of Directors.

Employee Stock Purchase Plan

The 1999 Employee Stock Purchase Plan (the "Employee Stock Purchase Plan"), which will be implemented upon consummation of the Offering, is intended to qualify under Section 423 of the Code. The Company has reserved an aggregate of 300,000 shares of Common Stock for issuance under the Employee Stock Purchase Plan. The Employee Stock Purchase Plan will permit full-time employees of the Company and any future subsidiaries who have satisfied minimum service requirements to purchase Common Stock through payroll deductions, provided that no employee may purchase more than $25,000 worth of Common Stock in any calendar year. The purchase price of the Common Stock under the Employee Stock Purchase Plan will be no less than 85% of the

market value of the Common Stock, as calculated in accordance with the Employee Stock Purchase Plan.

Employee Benefit Plans

The Company sponsors a tax-qualified defined contribution employee profit sharing and 401(k) plan (the "401(k) Plan"). The 401(k) Plan consists of employee pre-tax contributions, Company matching contributions and Company discretionary contributions, and contains provisions which are intended to satisfy the tax qualification requirement of Section 401(a) of the Code. Each employee may elect to defer up to 15% of such employee's compensation, subject to a maximum of $10,000 in 1999. The Company makes matching contributions equal to a specified percentage of each employee's contribution and may also make discretionary contributions for any plan year. Employee, matching and discretionary contributions and earnings are fully vested and nonforfeitable at all times and are invested according to the direction of the employee.

The Company also sponsors a tax-qualified defined contribution employee money purchase pension plan (the "Money Purchase Plan"). The Money Purchase Plan contains provisions which are intended to satisfy the tax qualification requirement of Section 401(a) of the Code. The Company makes an annual contribution equal to 4% of employee compensation. Plan contributions and earnings are fully vested and nonforfeitable after five full years of service and are invested according to the direction of the employee.

Annual Bonus Plan

Following the Offering, the Company intends to establish an annual bonus plan pursuant to which all full-time management personnel, including executive officers, will be eligible to receive a bonus for exceptional individual or team performance. The Company will reserve the right not to award bonuses in any year.

CERTAIN TRANSACTIONS

Reorganization

Trex Company, Inc. is currently a wholly-owned subsidiary of Trex Company, LLC, a Delaware limited liability company. Prior to the consummation of the Offering, the members of Trex Company, LLC other than Mobil will contribute their membership interests in Trex Company, LLC to Trex Company, Inc. in exchange for Common Stock of Trex Company, Inc. Concurrently with such exchange, Trex Company, Inc. will purchase Mobil's membership interest in Trex Company, LLC for $3.1 million payable upon consummation of the Offering. As a result of the Exchange Transaction and such purchase, Trex Company, LLC will become a wholly-owned subsidiary of Trex Company, Inc. In connection with the Exchange Transaction, the Certificate of Incorporation and Bylaws will be restated in their entirety. See "Description of Capital Stock" for a description of the Certificate of Incorporation and Bylaws that will be in effect at the time of the consummation of the Offering.

In the Exchange Transaction, the junior membership interests in Trex Company, LLC will be exchanged for shares of Common Stock of Trex Company, Inc. as follows: (i) the membership interests of the Management Holders (as defined below) will be exchanged for a total of 9,225,000 shares of Common Stock; and (ii) the membership interests of the Institutional Investors will be exchanged for a total of 1,025,000 shares of Common Stock. The Company will receive no additional consideration in connection with the exchange of membership interests for shares of Common Stock. Immediately following the Exchange Transaction, the Management Holders and the Institutional Investors will beneficially own 90% and 10%, respectively, of the outstanding Common Stock, which is the same proportion in which they held membership interests in Trex Company, LLC immediately before the Exchange Transaction.

Before the Exchange Transaction, Trex Company, LLC will exercise an option to repurchase from the Institutional Investors approximately 667 junior membership interests designated as Class A Units. As a result of exercise of this option, the beneficial ownership of outstanding junior membership interests by the Institutional Investors will decrease to 10% from 25%, while the beneficial ownership of outstanding junior membership interests by the Management Holders will increase to 90% from 75%. The terms of this option are set forth in an agreement which Trex Company, LLC, the Management Holders and the Institutional Investors entered into in connection with the Acquisition. The option exercise price will be $.01 for each junior membership interest repurchased. The number of junior membership interests Trex Company, LLC may repurchase pursuant to the option is based on the internal rate of return earned since the Acquisition by the Institutional Investors on their investment in Trex Company, LLC, which consists of the Senior Notes, the Subordinated Notes and their junior membership interests. The initial public offering price of the Shares is one component of the internal rate of return calculation. The number of junior membership interests Trex Company, LLC will repurchase will be the same at each of the initial public offering prices of the Shares within the range set forth on the cover page of this Prospectus.

In connection with the Exchange Transaction, Trex Company, LLC will make the LLC Distribution to the Management Holders and the Institutional Investors. The estimated amount of the LLC Distribution as of December 31, 1998 is $5.6 million. Such amount will be increased by the amount of any taxable income realized by Trex Company, LLC from January 1, 1999 through the date of the LLC Distribution. Of the LLC Distribution, which is estimated to be approximately $9.3 million as of the expected payment date, approximately $6.9 million represents the amount of the previously recognized and undistributed income of Trex Company, LLC through the expected payment date on which the members have paid, or will pay, income tax and approximately $2.4 million represents a return of capital.

Trex Company, Inc. was organized in September 1998 under the laws of the State of Delaware for the purpose of acquiring all of the membership interests and operating the business of Trex Company, LLC. Trex Company, Inc. has not conducted, and prior to the Exchange Transaction will not conduct, any business other than in connection with the Offering and the other transactions described herein.

Acquisition Transactions

Acquisition. In the Acquisition, the Company purchased the assets of Mobil's Composite Products Division in a management-led buyout for a cash purchase price of approximately $29.5 million. The Acquisition and the Company's initial operations were financed by a combination of the following: (i) proceeds of $29.3 million from the sale by the Company of $24.3 million principal amount of Senior Notes, $5.0 million principal amount of Subordinated Notes and a total of 1,000 Class B Units to Connecticut General Life Insurance Company, Connecticut General Life Insurance Company on behalf of one or more separate accounts and Life Insurance Company of North America; (ii) proceeds of $3.0 million from the sale by the Company of 1,000 Preferred Units (the "Preferred Units") to Mobil; and (iii) proceeds of $2.0 million from the sale by the Company of 750 Class A Units to each of Robert G. Matheny, Anthony J. Cavanna, Andrew U. Ferrari and Roger A. Wittenberg (collectively, the "Management Holders"). The Institutional Investors will convert their Class B Units to Class A Units prior to the Reorganization.

On June 25, 1997, the Company prepaid $3.0 million principal amount of Senior Notes.

In January 1998, Connecticut General Life Insurance Company transferred 333 Class B Units to Lincoln National Life Insurance Company in connection with the sale of certain assets.

As a result of the indebtedness incurred to finance the Acquisition, the Company has been highly leveraged. The terms of the Company's financing agreements have required substantial debt service

payments. Such financing agreements also have required the Company to comply with various restrictive covenants, financial ratios and other financial and operating tests.

Acquisition-Related Agreements. The Company and its members entered into certain agreements in connection with the Acquisition relating to the members' interests in the Company or any successor entity.

Pursuant to the Members' Agreement dated as of August 29, 1996 among the Company, the Management Holders and the Institutional Investors (the "Members' Agreement"), the Company has granted certain "demand" and "piggyback" registration rights with respect to Common Stock issuable to the Institutional Investors upon consummation of the Reorganization. The Institutional Investors are entitled to require the Company to register the sale of their shares under the Securities Act on up to two occasions. In addition, if the Company proposes to register the Common Stock under the Securities Act (other than pursuant to a registration statement on Form S-4 or Form S-8), whether or not for its own account, the Institutional Investors are entitled to require the Company, subject to certain conditions, to include all or a portion of their shares in such registration. The foregoing registration rights are subject to certain notice requirements, timing restrictions and volume limitations which may be imposed by the underwriters of an offering. The Company is required to bear the expenses of all such registrations except for underwriting discounts and commissions.

Pursuant to the Limited Liability Company Agreement dated as of August 29, 1996 among the Management Holders, the Institutional Investors and Mobil, the Institutional Investors were granted the right to approve certain actions by the Company outside the ordinary course of its business, including the sale of all or a substantial part of the Company's assets and the incurrence or payment of specified types of indebtedness. This agreement will be terminated following consummation of the Reorganization.

Pursuant to the Class A Members' Agreement dated as of August 29, 1996, the Management Holders agreed to certain restrictions on the sale, transfer or other disposition of their membership interests in the Company. This agreement will be terminated following consummation of the Reorganization.

In connection with the Acquisition, each Management Holder entered into an employment agreement with the Company. The employment agreements will be terminated following consummation of the Offering.

Other Transactions

The Company paid the Institutional Investors interest on the Senior Notes and Subordinated Notes of $1.0 million for 1996, $3.0 million for 1997 and $2.7 million for 1998.

The Company paid Mobil dividends on the Preferred Units of $0.1 million for 1996, $0.4 million for 1997 and $0.4 million for 1998.

The Company will use a portion of the net proceeds of the Offering to repay the Senior Notes and the Subordinated Notes and to purchase Mobil's preferred equity interest in the Company issued in connection with the Acquisition. See "Use of Proceeds."

PRINCIPAL AND SELLING STOCKHOLDERS

The following table sets forth certain information as of December 31, 1998, on a pro forma basis after giving effect to the Reorganization, regarding the beneficial ownership of Common Stock by: (i) each person or entity known by the Company to own beneficially more than 5% of the Common Stock; (ii) each director of the Company; (iii) each Named Executive Officer; (iv) all directors and executive officers of the Company as a group; and (v) the Selling Stockholders both before and after giving effect to the sale of 103,000 Shares. Each director and executive officer has an address in care of the Company's principal executive offices at 20 South Cameron Street, Winchester, Virginia 22601.

	Shares Beneficially Owned Prior to Offering		Number of Shares Offered Hereby	Shares Beneficially Owned After Offering	
Name of Beneficial Owner (1)	Number of Shares	%		Number of Shares	%
Anthony J. Cavanna	2,306,250	22.5	--	2,306,250	17.1
Andrew U. Ferrari	2,306,250	22.5	--	2,306,250	17.1
Robert G. Matheny	2,306,250	22.5	--	2,306,250	17.1
Roger A. Wittenberg	2,306,250	22.5	--	2,306,250	17.1
Connecticut General Life Insurance Company (2).....	495,075	4.8	49,749	445,326	3.3
Connecticut General Life Insurance Company on behalf of one or more separate accounts (2).....	94,300	*	9,476	84,824	*
Life Insurance Company of North America (2).....	94,300	*	9,476	84,824	*
Lincoln National Life Insurance Company (3).....	341,325	3.3	34,299	307,026	2.3
All directors and executive officers as a group (4 persons) ...	9,225,000	90.0	--	9,225,000	68.3

- --------

* Less than 1%.

(1) In accordance with Rule 13d-3 under the Securities Exchange Act of 1934, as amended, for purposes of this table, a person is deemed to be the beneficial owner of any shares of Common Stock if such person has or shares voting power or investment power with respect to such security, or has the right to acquire beneficial ownership at any time within 60 days of the date of the table. As used herein, "voting power" is the power to vote or direct the voting of shares and "investment power" is the power to dispose or direct the disposition of shares.

(2) Shares are held of record by a nominee of such stockholder. Such stockholder is an indirect, wholly owned subsidiary of CIGNA Corporation, which may be deemed to be the beneficial owner of such shares. The address of the record holder is c/o CIGNA Investments Inc., 900 Cottage Grove Road, Hartford, Connecticut 06152.

(3) Shares are held of record by such stockholder. CIGNA Investments Inc., an indirect, wholly owned subsidiary of CIGNA Corporation, exercises voting and dispositive power with respect to such shares; CIGNA Corporation may be deemed to be the beneficial owner of such shares. The address of the record holder is 200 East Berry Street, Renaissance Square, Fort Wagner, Indiana 46802.

See "Certain Transactions" for a description of material relationships during the past three years between the Selling Stockholders and the Company.

DESCRIPTION OF CAPITAL STOCK

The following summary description of the capital stock of the Company does not purport to be complete and is subject to the provisions of the Certificate of Incorporation and Bylaws, which will be in effect at the time of the consummation of the Offering, and to the provisions of the applicable law. The Certificate of Incorporation and the Bylaws are included as exhibits to the Registration Statement of which this Prospectus forms a part.

Authorized and Outstanding Capital Stock

Upon consummation of the Reorganization, the Company will have authority to issue 43,000,000 shares of capital stock, consisting of 40,000,000 shares of Common Stock, par value $.01 per share, and 3,000,000 shares of Preferred Stock, par value $.01 per share (the "Preferred Stock"). As of December 31, 1998, after giving effect to the Reorganization and the Offering, 13,500,000 shares of Common Stock (or 14,002,950 shares of Common Stock if the Over-Allotment Option is exercised in full) will be issued and outstanding and no shares of Preferred Stock will be issued and outstanding.

Common Stock

Holders of Common Stock are entitled to one vote per share for each share held of record on all matters submitted to a vote of stockholders. Holders of Common Stock are entitled to receive ratably such dividends as may be declared by the Board of Directors on the Common Stock out of funds legally available therefor. In the event of a liquidation, dissolution or winding up of the affairs of the Company, holders of Common Stock are entitled to share ratably in the assets available for distribution after payments to the creditors and to the holders of any Preferred Stock that may be outstanding at such time. Holders of Common Stock have no preemptive rights, cumulative voting rights or rights to convert shares of Common Stock into any other securities, and are not subject to future calls or assessments by the Company. All outstanding shares of Common Stock of the Company are, and the Shares issued in the Offering will be, fully paid and nonassessable.

Preferred Stock

The Board of Directors is authorized without further stockholder action to provide for the issuance from time to time of up to 3,000,000 shares of Preferred Stock in one or more series with such powers, designations, preferences and relative, participating, optional or other rights, qualifications, limitations or restrictions as will be set forth in the resolutions providing for the issuance of such series adopted by the Board of Directors. The holders of Preferred Stock will have no preemptive rights (unless otherwise provided in the applicable certificate of designation) and will not be subject to future assessments by the Company. Such Preferred Stock may have voting or other rights which could adversely affect the rights of holders of the Common Stock. In addition, the issuance of Preferred Stock, while providing the Company with financial flexibility in connection with possible acquisitions and other corporate purposes, could, under certain circumstances, make it more difficult for a third party to gain control of the Company, discourage bids for the Common Stock at a premium, or otherwise adversely affect the market price of the Common Stock. The Company currently has no intention to issue any Preferred Stock.

Anti-Takeover Effect of Certain Charter and Bylaw Provisions

The Certificate of Incorporation and the Bylaws contain certain provisions that could make it more difficult to consummate an acquisition of the Company by means of a tender offer, a proxy contest or otherwise.

Classified Board of Directors. The Certificate of Incorporation and the Bylaws provide that the Board of Directors will be divided into three classes of directors, with the classes to as nearly equal

in number as possible. As a result, approximately one-third of the Board of Directors will be elected each year. The classification of the Board of Directors will make it more difficult for an acquiror or for other stockholders to change the composition of the Board of Directors. The Certificate of Incorporation provides that, subject to any rights of holders of Preferred Stock to elect additional directors under specified circumstances, the total number of directors constituting the entire Board of Directors will be not less than five directors nor more than 20 directors, with the authorized number of directors being fixed from time to time by the Board of Directors. In addition, the Certificate of Incorporation provides that, subject to any rights of holders of Preferred Stock, and unless the Board of Directors otherwise determines, any vacancies will be filled only by the affirmative vote of a majority of the remaining directors, though less than a quorum.

No Stockholder Action by Written Consent. The Certificate of Incorporation and Bylaws provide that, subject to the rights of any holders of Preferred Stock to act by written consent in lieu of a meeting, stockholder action may be taken only at an annual meeting or special meeting of stockholders and may not be taken by written consent in lieu of a meeting, unless the action to be effected by written consent of stockholders and the taking of such action by such written consent have expressly been approved in advance by the Board of Directors. Failure to satisfy any of the requirements for a stockholder meeting could delay, prevent or invalidate stockholder action.

Stockholder Advance Notice Procedure. The Bylaws establish an advance notice procedure for stockholders to make nominations of candidates for election as directors or to bring other business before an annual or special meeting of stockholders of the Company (the "Stockholder Notice Procedure"). The Stockholder Notice Procedure provides that only persons that are named in the Company's notice of meeting or that are nominated by the Board of Directors or by a stockholder who has given timely written notice to the Secretary of the Company prior to the meeting at which directors are to be elected, will be eligible for election as directors of the Company. Any such notice is required to set forth, among other things, specified information about the stockholder, the beneficial owner (if any) on whose behalf the nomination is made and each proposed director nominee, such other information regarding each proposed nominee as would be required to be included in a proxy statement filed pursuant to the rules and regulations of the Securities and Exchange Commission, the written consent of each proposed nominee to serve as a director of the Company if elected, and a representation whether the stockholder or the beneficial owner, if any, intends or is part of a group which intends to solicit proxies in support of such nomination. The Stockholder Notice Procedure also provides that only such business may be conducted at an annual or special meeting as has been brought before the meeting by, or at the direction of, the Board of Directors or by a stockholder who has given timely written notice to the Secretary of the Company. Any such notice is required to set forth, among other things, a brief description of the business desired to be brought before the meeting, any material interest of the stockholder in such business, and specified information about such stockholder and such stockholder's ownership of capital stock of the Company.

Section 203 of the Delaware General Corporation Law

The Company is subject to Section 203 ("Section 203") of the Delaware General Corporation Law which, subject to certain exceptions, prohibits a Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years following the time that such stockholder became an interested stockholder unless: (i) prior to such time, the board of directors of the corporation approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder; or (ii) upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares outstanding those shares owned (a) by persons who are directors and also officers and (b) by employee stock plans in which employee participants do not have the right to determine confidentially whether shares

held subject to the plan will be tendered in a tender or exchange offer; or (iii) at or subsequent to such time, the business combination is approved by the board of directors and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least 66 2/3% of the outstanding voting stock which is not owned by the interested stockholder.

Section 203 defines "business combination" to include the following: (i) any merger or consolidation of the corporation with the interested stockholder; (ii) any sale, transfer, pledge or other disposition of 10% or more of the assets of the corporation involving the interested stockholder; (iii) subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder; (iv) any transaction involving the corporation that has the effect of increasing the proportionate share of the stock of any class or series of the corporation beneficially owned by the interested stockholder; or (v) any receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation. In general, Section 203 defines an interested stockholder as any entity or person beneficially owning 15% or more of the outstanding voting stock of the corporation and any entity or person affiliated with or controlling or controlled by such entity or person.

Director Liability and Indemnification of Directors and Officers

The Delaware General Corporation Law provides that a corporation may limit the liability of each director to the corporation or its stockholders for monetary damages except for liability (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law, (iii) in respect of certain unlawful dividend payments or stock redemptions or repurchases and (iv) for any transaction from which the director derives an improper personal benefit. The Certificate of Incorporation provides for the elimination and limitation of the personal liability of directors of the Company for monetary damages to the fullest extent permitted by the Delaware General Corporation Law. In addition, the Certificate of Incorporation provides that if the Delaware General Corporation Law is amended to authorize the further elimination or limitation of the liability of a director, then the liability of the directors will be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law, as so amended. The effect of this provision is to eliminate the rights of the Company and its stockholders (through stockholder derivative suits on behalf of the Company) to recover monetary damages against a director for breach of the fiduciary duty of care as a director (including breaches resulting from negligent or grossly negligent behavior), except in situations described in clauses (i) to (iv) above. The provision does not limit or eliminate the rights of the Company or any stockholder to seek non-monetary relief such as an injunction or rescission in the event of a breach of director's duty of care. This provision is consistent with Section 102(b)(7) of the Delaware General Corporation Law, which is designed, among other things, to encourage qualified individuals to serve as directors of Delaware corporations. The Company believes this provision will assist it in securing and maintaining the services of qualified individuals who are not employees of the Company.

The Bylaws provide that the Company will, to the full extent permitted by the Delaware General Corporation Law, as amended from time to time, indemnify, and advance expenses to, each of its currently acting and former directors, officers, employees and agents.

Listing

The Common Stock has been approved for listing on the New York Stock Exchange under the symbol "TWP" subject to notice of issuance.

Transfer Agent and Registrar

ChaseMellon Shareholder Services, L.L.C. will serve as transfer agent and registrar for the Common Stock.

SHARES ELIGIBLE FOR FUTURE SALE

Upon completion of the Offering, after giving effect to the Reorganization, there will be 13,500,000 shares of Common Stock outstanding. The 3,353,000 Shares offered hereby, other than up to 162,500 Reserved Shares, will be freely tradable upon completion of the Offering without restriction under the Securities Act by persons other than "affiliates" of the Company as defined in Rule 144 under the Securities Act. The remaining shares of Common Stock will be deemed "restricted securities" within the meaning of Rule 144 and, as such, will not be eligible for future sale to the public unless they are sold in transactions under the Securities Act or pursuant to an exemption from registration, including the exemption afforded by Rule 144.

The Company, all current stockholders of the Company and the holders of Reserved Shares, have entered into "lock-up" agreements with the Underwriters pursuant to which they have agreed that they will not, for a period of 180 days after the closing of the Offering, offer, sell, contract to sell, issue or otherwise dispose of any shares of Common Stock or any securities of the Company which are substantially similar to the Common Stock, or which are convertible into or exchangeable or exercisable for Common Stock or securities substantially similar to the Common Stock without the prior written consent of Schroder & Co. Inc. Such consent may be granted in whole or in part without a public announcement. Such agreements have been expressly agreed to preclude such parties from engaging in any hedging or other transaction which is designed to or reasonably could be expected to lead to or result in a sale or disposition of securities during the applicable period, even if such securities would be disposed of by someone other than such party. Such prohibited hedging or other transactions would include, without limitation, any short sale (whether or not against the box) or any purchase, sale or grant of any right (including, without limitation, any put or call option) with respect to any such securities or with respect to any security (other than a broad-based market basket or index) that includes, relates to or derives any significant part of its value from such securities. The foregoing restrictions will not apply to the issuance of options to purchase Common Stock pursuant to the Stock Incentive Plan or the Outside Director Plan, to transfers of Common Stock to the Company or to certain transfers of Common Stock to family trusts or by gift, will or intestate succession. As a condition to any such transfer to a family trust or transfer by gift, will or intestate succession, the transferee (or trustee or legal guardian on the transferee's behalf) will be required to execute and deliver a lock-up agreement containing the terms described in this paragraph. Upon expiration of the lock-up period, the Reserved Shares will be freely tradable by persons other than affiliates of the Company and up to 10,147,000 shares of Common Stock will be eligible for sale under Rule 144.

In general, under Rule 144 as currently in effect, a stockholder (or stockholders whose shares are aggregated), including an affiliate of the Company, who has beneficially owned "restricted securities" for at least one year is entitled to sell, within any three-month period, a number of such shares that does not exceed the greater of (i) 1% of the then outstanding shares of Common Stock (approximately 135,000 shares of Common Stock immediately after the Offering) or (ii) the average weekly trading volume of the Common Stock on the New York Stock Exchange during the four calendar weeks preceding the filing of a notice on Form 144 with respect to such sale with the Securities and Exchange Commission. Sales under Rule 144 also are subject to certain other requirements regarding the manner of sale, notice and availability of current public information about the Company. Under Rule 144(k), if a period of at least two years has elapsed between the later of the date restricted securities were acquired from the Company and the date they were acquired from an affiliate of the Company, a stockholder who is not an affiliate of the Company at the time of sale and has not been an affiliate at any time during the 90 days prior to the sale would be entitled to sell shares of Common Stock immediately without compliance with the requirements under Rule 144, other than the requirements as to the availability of current public information about the Company. All current stockholders of the Company may be deemed to be affiliates of the Company for purposes of Rule 144. The foregoing summary of Rule 144 is not intended to be a complete description thereof.

The Company has granted "demand" and "piggyback" registration rights with respect to the Common Stock held by the Institutional Investors. The Institutional Investors are entitled to require the Company to register the sale of their shares under the Securities Act on up to two occasions. In addition, if the Company proposes to register the Common Stock under the Securities Act (other than pursuant to a registration statement on Form S-4 or Form S-8), whether or not for its own account, the Institutional Investors are entitled to require the Company, subject to certain conditions, to include all or a portion of their shares in such registration. The foregoing registration rights are subject to certain notice requirements, timing restrictions and volume limitations which may be imposed by the underwriters of an offering. The Company is required to bear the expenses of all such registrations except for underwriting discounts and commissions. Following the consummation of the Offering, 922,000 shares of Common Stock, or 6.8% of the total number of outstanding shares of Common Stock, will be entitled to the benefits of such registration rights. See "Certain Transactions--Acquisition Transactions."

Prior to the Offering, there has been no public market for the Common Stock. Future sales of a substantial number of shares of Common Stock in the public market, or the perception that such sales could occur, could adversely affect the prevailing market price of the Common Stock and could make it more difficult for the Company to raise funds through a public offering of its equity securities.

UNDERWRITING

Under the terms and subject to the conditions set forth in an underwriting agreement, dated , 1999 (the "Underwriting Agreement"), the Company and the Selling Stockholders have agreed to sell to each of the underwriters named below (collectively, the "Underwriters"), and each of the Underwriters has severally agreed to purchase from the Company and the Selling Stockholders, the respective number of shares of Common Stock set forth opposite its name below for aggregate gross proceeds to the Company of $45,500,000 and to the Selling Stockholders of $1,442,000, payable in cash against delivery of a certificate or certificates representing each share of Common Stock:

Underwriter	Number of Shares of Common Stock
Schroder & Co. Inc.	
J.C. Bradford & Co.	
Total	

The Underwriting Agreement provides that the Underwriters' obligation to pay for and accept delivery of the Shares is subject to certain conditions precedent and that the Underwriters will be obligated to purchase all such Shares if any are purchased. Schroder & Co. Inc., as representative of the Underwriters (the "Representative"), has informed the Company that no sales of Shares will be confirmed to discretionary accounts.

The closing of the purchase and sale of the Shares is intended to occur on or about , 1999, or such other dates as may be agreed upon by the Company and the Representative.

The Underwriters propose to offer the Shares in part directly to the public at the initial public offering price set forth on the cover page of this Prospectus and in part to certain securities dealers at a price that represents a concession not in excess of $ per Share under the initial public offering price. The Underwriters may allow, and such dealers may re-allow, a concession not in excess of $ per Share on sales to certain brokers and dealers. After the Shares are released for sale to the public, the offering price and other selling terms may from time to time be varied by the Underwriters.

The Company has granted to the Underwriters the Over-Allotment Option, exercisable for 30 days from the closing of the Offering, to purchase up to an aggregate of 502,950 additional shares of Common Stock on the same terms and conditions as apply to purchases of the Shares. To the extent such option is exercised, each Underwriter will become obligated, subject to certain conditions, to purchase approximately the same percentage of such additional shares as the number set out next to each such Underwriter's name in the table above bears to the total number of shares of Common Stock offered by the Underwriters hereunder. If the Over-Allotment Option is exercised in full, the total price to public of the Shares will be $, the total underwriting discounts and commissions will be $ and the total net proceeds to the Company will be $, after deducting the Underwriters' discounts and commissions but before estimated Offering expenses.

The obligations of the Underwriters under the Underwriting Agreement may be terminated at the discretion of the respective Underwriters upon the occurrence of certain events.

The Company, all stockholders of the Company prior to the Offering and the holders of Reserved Shares have entered into "lock-up" agreements with the Underwriters pursuant to which they have agreed that, for a period of 180 days after the closing of the Offering, subject to certain limited exceptions, they will not offer, sell, contract to sell, issue or otherwise dispose of any shares of Common Stock or any securities of the Company which are substantially similar to the Common Stock, or which are convertible into or exchangeable or exercisable for Common Stock or securities

substantially similar to the Common Stock without the prior written consent of Schroder & Co. Inc. Such consent may be granted in whole or in part without a public announcement. Such agreements have been expressly agreed to preclude such parties from engaging in any hedging or other transaction which is designed to or reasonably could be expected to lead to or result in a sale or disposition of such securities during the applicable period, even if such securities would be disposed of by someone other than such party. Such prohibited hedging or other transactions would include, without limitation, any short sale (whether or not against the box) or any purchase, sale or grant of any right (including, without limitation, any put or call option) with respect to any such securities or with respect to any security (other than a broad-based market basket or index) that includes, relates to or derives any significant part of its value from such securities. See "Shares Eligible for Future Sale."

At the request of the Company, up to 162,500 Shares have been reserved for sale in the Offering to certain individuals, including directors and employees of the Company, members of their families or friends, and other persons having business relationships with the Company. The sale of the Reserved Shares to such persons will be at the initial public offering price set forth on the cover page of this Prospectus, less the underwriting discounts and commissions. The number of Shares available for sale to the general public will be reduced to the extent these persons purchase the Reserved Shares. Any Reserved Shares not purchased will be offered by the Underwriters to the general public on the same basis as the other Shares offered hereby.

The Company and the Selling Stockholders have agreed to indemnify the Underwriters against certain liabilities that the Underwriters may incur in connection with the sale of the Shares, including liabilities arising under the Securities Act, and to contribute to payments that the Underwriters may be required to make with respect thereto.

Prior to the Offering, there has been no public market for the Common Stock. The initial public offering price of the Shares will be determined by negotiations among the Company, the Selling Stockholders and the Representative. Among the factors to be considered in determining the initial public offering price of the Shares, in addition to prevailing market conditions, are the Company's historical performance, the Underwriters' estimates of the business potential and earnings prospects of the Company, an assessment of the Company's management and the consideration of the above factors in relation to market valuation of companies in related businesses.

The Common Stock has been approved for listing on the New York Stock Exchange under the symbol "TWP" subject to notice of issuance.

In connection with the Offering, the Underwriters and their affiliates may engage in transactions that stabilize, maintain or otherwise affect the market price of the Shares. Such transactions may include stabilization transactions effected in accordance with Rule 104 of Regulation M, pursuant to which such persons may bid for or purchase Shares for the purpose of stabilizing their market price. The Underwriters also may create a short position for their accounts by selling more shares of Common Stock in connection with the Offering than they are committed to purchase from the Company and the Selling Stockholders, and in such case may purchase shares of Common Stock in the open market following completion of the Offering to cover all or a portion of such short position. In addition, the Representative, on behalf of the Underwriters, may impose "penalty bids" under contractual arrangements with the Underwriters whereby it may reclaim from a dealer participating in the Offering, for the account of the Underwriters, the selling concession with respect to Shares that are distributed in the Offering but subsequently purchased for the account of the Underwriters in the open market. Any of the transactions described in this paragraph may result in the maintenance of the price of the Shares at a level above that which might otherwise prevail in the open market. None of the transactions described in this paragraph is required, and, if such transactions are undertaken, they may be discontinued at any time.

The Company has agreed to pay to TriCapital Corporation, a member of the National Association of Securities Dealers, Inc. ("TriCapital"), in exchange for certain financial advisory services provided to the Company in connection with the Offering, a fee of $250,000 upon the consummation of the Offering as well as a cash bonus equal to a percentage of the amount by which the valuation of the Company for purposes of the Offering exceeds $150 million. To the date of this Prospectus, the Company has paid TriCapital an aggregate of $72,000, which will be offset against the amounts payable by the Company upon the consummation of the Offering. The Company also has agreed to reimburse TriCapital for all its out-of-pocket expenses incurred in connection with its performance of such services.

LEGAL MATTERS

The validity of the Shares will be passed upon for the Company by Hogan & Hartson L.L.P., Washington, D.C. Certain matters in connection with the Offering will be passed upon for the Underwriters by McDermott, Will & Emery, New York, New York.

EXPERTS

The balance sheet of Trex Company, Inc. as of December 31, 1998 has been audited by Ernst & Young LLP, independent public accountants, as set forth in their report appearing elsewhere herein, and is included in reliance upon such report given upon the authority of such firm as experts in accounting and auditing.

The financial statements of TREX Company, LLC as of December 31, 1997 and 1998, for the period from August 29, 1996 (inception) to December 31, 1996 and for the years ended December 31, 1997 and 1998 have been audited by Ernst & Young LLP, independent public accountants, as set forth in their reports appearing elsewhere herein, and are included in reliance upon such reports given upon the authority of such firm as experts in accounting and auditing.

The financial statements of the Composite Products Division of Mobil Oil Corporation (the Predecessor) for the year ended December 31, 1995 and the period from January 1, 1996 to August 28, 1996 have been audited by Ernst & Young LLP, independent public accountants, as set forth in their reports appearing elsewhere herein, and are included in reliance upon such reports given upon the authority of such firm as experts in accounting and auditing.

ADDITIONAL INFORMATION

The Company has filed with the Securities and Exchange Commission (the "Commission") a Registration Statement on Form S-1 (together with all amendments and exhibits thereto, the "Registration Statement") under the Securities Act with respect to the Shares. This Prospectus does not contain all of the information set forth in the Registration Statement, certain items of which are omitted in accordance with the rules and regulations of the Commission. Statements contained in this Prospectus as to the contents of any contract or other document filed as an exhibit to the Registration Statement are not necessarily complete, and in each instance reference is made to the copy of the document filed as an exhibit to the Registration Statement, each statement made in this Prospectus relating to such document being qualified in all respects by such reference. For further information with respect to the Company and the Shares, reference is hereby made to such Registration Statement, including the exhibits thereto and the financial statements, notes and schedules filed as a part thereof. The Registration Statement and the exhibits thereto filed by the Company with the Commission may be inspected and copied by the public at the public reference facilities maintained by the Commission at Judiciary Plaza, 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549 and are also available for inspection and copying at the regional offices of the Commission located at 7 World Trade Center, 13th Floor, New York, New York 10048, and at Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of such material also may be obtained form the Public Reference Section of the Commission at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549 at prescribed rates and, in certain cases, by accessing the Commission's World Wide Web site at http://www.sec.gov.

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT AUDITORS

Board of Directors
Trex Company, Inc.

We have audited the accompanying balance sheet of Trex Company, Inc. (the "Company") as of December 31, 1998. The balance sheet is the responsibility of the Company's management. Our responsibility is to express an opinion on the balance sheet based on our audit.

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

In our opinion, the balance sheet referred to above presents fairly, in all material respects, the financial position of Trex Company, Inc. at December 31, 1998 in conformity with generally accepted accounting principles.

/s/ Ernst & Young LLP

Vienna, Virginia,

January 27, 1999

TREX COMPANY, INC.

Balance Sheet

December 31, 1998

Assets

Cash	$1,000
Total assets	$1,000
Stockholder's Equity	
Common stock, $.01 par value, 1,000 shares authorized, 100 shares issued and outstanding	$ 1
Additional paid-in capital	999
Retained earnings	--
Total stockholder's equity	$1,000

See accompanying notes to balance sheet

TREX COMPANY, INC

Notes to Balance Sheet

December 31, 1998

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, in conjunction with a proposed initial public offering ("IPO") of the Company's Common Stock. The Company is a wholly owned subsidiary of Trex Company, LLC. Prior to the proposed IPO, the Company will amend its certificate of incorporation to increase its authorized capital to 40,000,000 shares of Common Stock and 3,000,000 shares of Preferred Stock.

Prior to the Company's proposed IPO, the junior membership interests in Trex Company, LLC will be exchanged for shares of Common Stock of the Company and the preferred membership interests in Trex Company, LLC will be purchased by the Company (the "Reorganization"). Subsequent to such transactions, Trex Company, LLC will be a wholly owned subsidiary of the Company. In conjunction with the Reorganization, Trex Company, LLC will (1) pay a cash distribution to its members representing undistributed Trex Company, LLC taxable earnings and a return of capital and (2) recognize a deferred income tax liability resulting from the conversion of Trex Company, LLC to a C corporation.

The net proceeds from the proposed IPO are planned to be used primarily to reduce outstanding indebtedness, fund a portion of the cash distribution to its members, purchase all outstanding preferred equity and provide funds for expansion of operations, working capital needs and other general corporate purposes.

The Company has had no operations or activity since inception on September 4, 1998 through December 31, 1998.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash And Cash Equivalents

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

Income Taxes

Income taxes are accounted for using the liability method required by Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes."

Fair Value Of Financial Statements

The Company considers the recorded value of its financial assets consisting of cash and cash equivalents to approximate the fair value of the respective assets at December 31, 1998.

REPORT OF INDEPENDENT AUDITORS

Board of Managers
Trex Company, LLC

We have audited the accompanying balance sheets of Trex Company, LLC (the "Company") as of December 31, 1997 and 1998, and the related statements of operations, members' equity, and cash flows for the period from July 1, 1996 (Inception) to December 31, 1996 and for the years ended December 31, 1997 and 1998. 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 generally accepted auditing standards. 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 financial statements referred to above present fairly, in all material respects, the financial position of Trex Company, LLC at December 31, 1997 and 1998, and the results of its operations and its cash flows for the period from July 1, 1996 (Inception) to December 31, 1996 and for the years ended December 31, 1997 and 1998 in conformity with generally accepted accounting principles.

/s/ Ernst & Young LLP

Vienna, Virginia,
January 21, 1999 (except Notes 11 and 12, as to

which the date is February 8, 1999)

TREX COMPANY, LLC

Balance Sheets

	December 31, 1997	December 31, 1998	Pro Forma December 31, 1998 (Note 11)
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 2,000,000	$ 1,200,000	$ 200,000
Trade accounts receivable	1,011,000	34,000	34,000
Inventories	4,475,000	6,007,000	6,007,000
Prepaid expenses and other assets	115,000	673,000	673,000
Total current assets	7,601,000	7,914,000	6,914,000
Property, plant and equipment, net	19,213,000	33,886,000	33,886,000
Intangible assets, net	10,132,000	9,298,000	9,298,000
Deferred financing charges, net	283,000	233,000	233,000
Total Assets	$37,229,000	$51,331,000	$50,331,000
LIABILITIES AND MEMBERS'/STOCKHOLDERS' EQUITY			
Current Liabilities:			
Trade accounts payable	$ 1,481,000	$ 2,577,000	$ 2,577,000
Accrued expenses	799,000	1,086,000	1,086,000
Other current liabilities	1,165,000	1,314,000	1,314,000
Distributions payable	--	--	7,644,000
Current portion of long-term debt	--	6,109,000	6,109,000
Total current liabilities	3,445,000	11,086,000	18,730,000
Long term debt	26,250,000	26,954,000	26,954,000
Total liabilities	29,695,000	38,040,000	45,684,000
Members'/Stockholders' Equity:			
Preferred units, 1,000 units authorized, issued and outstanding	3,000,000	3,000,000	--
Junior units, 4,000 units authorized, issued and outstanding	2,350,000	2,350,000	--
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; 10,250,000 shares issued and outstanding	--	--	103,000
Undistributed income/retained earnings	2,184,000	7,941,000	4,544,000
Total members'/stockholders' equity	7,534,000	13,291,000	4,647,000
Total Liabilities and Members'/Stockholders' Equity	$37,229,000	$51,331,000	$50,331,000

See accompanying notes to financial statements.

TREX COMPANY, LLC

Statements of Operations

	Period from July 1, 1996 (Inception) to December 31, 1996	Years Ended December 31, 1997	1998
Net sales	$ 5,708,000	$ 34,137,000	$ 46,818,000
Cost of sales	3,481,000	16,774,000	22,956,000
Gross profit	2,227,000	17,363,000	23,862,000
Selling, general, and administrative expenses	2,558,000	8,992,000	12,878,000
(Loss) income from operations	(331,000)	8,371,000	10,984,000
Interest income	91,000	150,000	411,000
Interest (expense)	(1,025,000)	(2,927,000)	(2,937,000)
Net (loss) income	$(1,265,000)	$ 5,594,000	$ 8,458,000
Pro Forma Data (unaudited, see Note 11):			
Historical net income			$ 8,458,000
Pro forma income taxes			(3,383,000)
Pro forma net income			$ 5,075,000
Pro forma income per share, basic			$ 0.50
Pro forma weighted average shares outstanding			10,250,000

See accompanying notes to financial statements.

TREX COMPANY, LLC

Statements of Members' Equity

For the period from July 1, 1996 (Inception) to December 31, 1996
and for the years ended December 31, 1997 and 1998

	Preferred Units	Junior Units	Undistributed Income (Loss)	Total
Balance, July 1, 1996 (Inception)	$ --	$ --	$ --	$ --
Proceeds from issuance of units	3,000,000	2,350,000	--	5,350,000
Net loss	--	--	(1,265,000)	(1,265,000)
Distributions declared	--	--	(135,000)	(135,000)
Balance, December 31, 1996	3,000,000	2,350,000	(1,400,000)	3,950,000
Net income	--	--	5,594,000	5,594,000
Distributions declared	--	--	(405,000)	(405,000)
Tax distributions	--	--	(1,605,000)	(1,605,000)
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

See accompanying notes to financial statements.

TREX COMPANY, LLC

Statements of Cash Flows

	Period from July 1, 1996 (Inception) to December 31, 1996	Years ended December 31, 1997	1998
OPERATING ACTIVITIES			
Net (loss) income	$ (1,265,000)	$ 5,594,000	$ 8,458,000
Adjustments to reconcile net income to net cash (used in) provided by operating activities			
Depreciation and amortization	858,000	2,642,000	3,114,000
Amortization of deferred financing charges	17,000	50,000	50,000
Loss on disposal of property, plant and equipment	148,000	161,000	187,000
Changes in operating assets and liabilities			
Trade accounts receivable	646,000	(485,000)	977,000
Inventories	(2,332,000)	(1,569,000)	(1,532,000)
Prepaid expenses and other assets	(115,000)	44,000	(558,000)
Trade accounts payable	280,000	(62,000)	1,096,000
Accrued expenses	426,000	197,000	287,000
Other current liabilities	1,014,000	(51,000)	149,000
Distributions payable	101,000	--	--
Net cash (used in) provided by operating activities	(222,000)	6,521,000	12,228,000
INVESTING ACTIVITIES			
Purchase of net assets	(29,191,000)	--	--
Expenditures for property, plant and equipment	(1,062,000)	(3,252,000)	(17,140,000)
Net cash used in investing activities	(30,253,000)	(3,252,000)	(17,140,000)
FINANCING ACTIVITIES			
Borrowings under mortgages and notes	28,900,000	--	6,886,000
Proceeds from issuance of preferred units	3,000,000	--	--
Proceeds from issuance of common units	2,350,000	--	--
Principal payments under mortgages and notes	--	(3,000,000)	(73,000)
Preferred distributions paid	(34,000)	(405,000)	(405,000)
Tax distributions paid	--	(1,605,000)	(2,296,000)
Net cash provided by (used in) financing activities	34,216,000	(5,010,000)	4,112,000
Net increase (decrease) in cash and cash equivalents	3,741,000	(1,741,000)	(800,000)
Cash and cash equivalents at beginning of period	--	3,741,000	2,000,000
Cash and cash equivalents at end of period	$ 3,741,000	$ 2,000,000	$ 1,200,000

See accompanying notes to financial statements.

1. BUSINESS AND ORGANIZATION

Trex Company, LLC ("Trex" or the "Company") manufactures and distributes wood polymer (thermo-plastic) composite products primarily for consumer and commercial decking applications. Trex lumber is manufactured primarily from reclaimed plastic (mainly shopping bags and stretch film) and hardwood waste.

Organization

Trex is a limited liability company formed under the laws of the State of Delaware on July 1, 1996 (Inception). The Company initiated commercial activity on August 29, 1996.

On August 29, 1996, Trex acquired substantially all of the assets and assumed certain liabilities of Mobil Corporation's Composite Products Division ("CPD"). The Company acquired these net assets for cash of approximately $29 million. The acquisition was accounted for using the purchase accounting method.

Reorganization

On September 4, 1998 the Company formed a wholly owned subsidiary, Trex Company, Inc., for the purpose of acquiring 100% of the membership interests and operating the business of the Company in conjunction with the subsidiary's proposed initial public offering of common stock (the "IPO"). The Company will account 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. As of December 31, 1998, the Company had capitalized its subsidiary with an initial capital contribution of $1,000 and the subsidiary had no other assets or operations as of that date or for the inception period then ended. The Company has reflected its investment in its subsidiary as a component of other assets as of December 31, 1998.

In connection with the anticipated IPO, which is expected to be consummated in the first quarter of 1999, the Company will complete certain transactions related thereto prior to the consummation of the IPO. See Note 12 for details of these transactions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and organizational costs resulting from the purchase of CPD. Goodwill and organizational costs are amortized using the straight line method over periods of 15 and 5 years, respectively.

The Company assesses the impairment of long-lived assets including intangible assets 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 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 warehouse.

Deferred Financing Charges

Deferred financing charges represent the unamortized portion of the discount upon the issuance of the subordinated and senior notes (See Note 5). These are amortized as interest expense using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

The Company is a partnership for income tax purposes. Accordingly, no provision for income taxes has been included in these financial statements, as taxable income or loss passes through to, and is reported by, members individually.

Research and Development Costs

Research and development costs are expensed as incurred. For the period from July 1, 1996 (Inception) to December 31, 1996 and for the years ended December 31, 1997 and 1998, research and development costs were approximately $357,000, $909,000 and $946,000, respectively.

Advertising Costs

Advertising costs are expensed as incurred. For the period from July 1, 1996 (Inception) to December 31, 1996 and for the years ended December 31, 1997 and 1998, advertising costs were approximately $461,000, $2,103,000 and $3,168,000, respectively.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the 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, 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, 1997 and 1998.

Recent Pronouncements

The Company has determined that no recent FASB accounting pronouncements will have a material impact on the Company's financial position or results of operations.

3. INVENTORIES

Inventories consist of the following as of December 31:

	1997	1998
Finished Goods	$4,026,000	$4,847,000
Raw Materials	449,000	1,160,000
	$4,475,000	$6,007,000

4. PROPERTY, PLANT AND EQUIPMENT

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

	1997	1998
Building and improvements	$ 1,659,000	$ 5,436,000
Machinery and equipment	19,040,000	27,222,000
Furniture and equipment	36,000	95,000
Forklifts and tractors	131,000	131,000
Data processing equipment	187,000	355,000
Construction in process	521,000	1,851,000
Land	--	3,437,000
	21,574,000	38,527,000
Accumulated depreciation	(2,361,000)	(4,641,000)
	$19,213,000	$33,886,000

Depreciation expense for the period from July 1, 1996 (Inception) to December 31, 1996 and for the years ended December 31, 1997 and 1998 totaled $579,000, $1,808,000 and $2,280,000, respectively.

5. INTANGIBLE ASSETS

Intangible assets consist of the following as of December 31:

	1997	1998
Goodwill	$10,609,000	$10,609,000
Organization costs	636,000	636,000
	11,245,000	11,245,000
Accumulated amortization	(1,113,000)	(1,947,000)
	$10,132,000	$ 9,298,000

Amortization expense for the period from July 1, 1996 (Inception) to December 31, 1996 and for the years ended December 31, 1997 and 1998 totaled $279,000, $834,000 and $834,000, respectively.

6. DEBT

The Company maintains an agreement with a bank to provide a $6,000,000 line of credit for working capital purposes, secured by substantially all of the Company's accounts receivable and inventories. The line of credit accrues interest at LIBOR plus 200 basis points and matures on April 10, 1999. There were no amounts outstanding at December 31, 1997 or 1998.

During the year ended December 31, 1998, the Company borrowed $4,815,000 under two mortgages to fund, in part, the acquisition of a new manufacturing facility and research development facility. The mortgages provide for monthly amortization of principal and interest over a 15-year amortization schedule, with all remaining principal due ten years from the mortgage dates. The mortgages have floating rates of LIBOR plus 100 basis points, and the Company 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. During the year ended December 31, 1998, the Company borrowed $2,071,000 under a promissory note. The note bears interest at 7.5%, payable monthly, with the entire principal amount due September 5, 1999.

6. DEBT (continued)

Debt consists of the following as of December 31:

	1997	1998
Senior Notes, due August 30, 2003, 10%	$21,250,000	$21,250,000
Subordinated Notes, due August 30, 2004, 12%	5,000,000	5,000,000
Mortgage, due September 16, 2008, 7.12%	--	3,710,000
Mortgage, due November 28, 2008, 6.8%	--	1,032,000
Promissory Note, due September 5, 1999, 7.5%	--	2,071,000
	26,250,000	33,063,000
Less current portion	--	(6,109,000)
Long-term debt	$26,250,000	$26,954,000

Maturities of debt are as follows:

Years ending December 31,	
1999	$ 6,109,000
2000	4,052,000
2001	5,317,000
2002	5,333,000
2003	7,350,000
Thereafter	4,902,000
	$33,063,000

The Senior and Subordinated Notes are secured by substantially all of the assets of the Company, with the Senior Notes holding liquidation preferences, and are held by the Company's Class B Members. The mortgages and promissory notes are secured by the Company's various real estate holdings and are held by various financial institutions.

The Company made interest payments in the amount of approximately $1,025,000, $2,975,000 and $2,875,000 for the period from July 1, 1996 (Inception) to December 31, 1996 and for the years ended December 31, 1997 and 1998, respectively.

During 1998, 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, 1998, the Company had two 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 and $1,035,000 floating-rate mortgages due in June 2008 and November 2008 exceed (fall below) 7.12 and 6.80 percent, respectively. The Company has not incurred a premium or other fee for these interest-rate swap agreements. Payments received (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 in such agreements.

7. MEMBERS' EQUITY

Trex 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 conjunction with the acquisition of substantially all of the assets and assumption of certain liabilities of CPD, the Company issued CPD 1,000 Preferred units in exchange for $3,000,000.

Class A members have the right to elect the members of the Company's Board of Managers, which carries on the day-to-day business of the Company. Major decisions of the Company, such as those outside the ordinary course of business, require the approval of both Class A and Class B members. Class B units are convertible pro-rata into Class A units.

The Preferred units are non-transferable and have limited voting rights as defined in the Limited Liability Company Agreement. Preferred units are entitled to a preferred annual return, which is cumulative and payable under the terms of the Limited Liability Company Agreement. The Company has the right to redeem the Preferred units upon 30 days prior notice at the original issuance costs plus any accumulated preferred returns at the time of redemption.

Cash distributions to members shall be distributed upon approval of the Board of Managers and are limited under the terms of the Limited Liability Company Agreement. Members' liabilities are limited to their respective capital contributions.

The Company maintains a unitholders agreement that provides for certain additional rights such as registration, approval of certain transactions and other rights as defined in the agreement.

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, 1998 were as follows :

Year ending December 31,	
1999	$378,000
2000	221,000
2001	119,000
2002	65,000
2003	47,000
Thereafter	$830,000

For the period from July 1, 1996 (Inception) to December 31, 1996 and for the years ended December 31, 1997 and 1998, the Company had rental expenses of approximately $257,000, $1,020,000 and $1,024,000, respectively, including the rental of the Company's plant which was purchased during 1998.

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. 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 Managers. The Company contributed $15,000, $85,000 and $120,000 to the 401(k) Profit Sharing Plan and $0, $50,000 and $192,000 to the Money Purchase Pension Plan during the period from July 1, 1996 (Inception) to December 31, 1996 and for the years ended December 31, 1997 and 1998, respectively.

10. OTHER INFORMATION

The Company is from time to time 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 from operations.

During 1998, the Company entered into a take-or-pay contract to secure an ongoing source of raw materials at competitive, market prices. The contract requires the Company to take or pay for raw materials in the amount of $3,300,000 annually for a period of nine years, commencing upon the counter-party's completion of its production facility. No raw materials have been supplied under this agreement.

Approximately 66%, 68% and 74% of the Company's sales for the period from July 1, 1996 (Inception) to December 31, 1996 and for the years ended December 31, 1997 and 1998, respectively, were from its five largest customers. Approximately 25%, 24% and 22% of the Company's raw materials for the period from July 1, 1996 (Inception) to December 31, 1996 and for the years ended December 31, 1997 and 1998, respectively, were purchased from four suppliers.

11. PRO FORMA DATA (Unaudited)

The unaudited pro forma balance sheet gives effect to the reorganization (see Notes 1 and 12) as if the reorganization had occurred on December 31, 1998 and reflects (i) the repurchase of the Preferred units for approximately $3,000,000 plus accrued dividends thereon of approximately $101,000, (ii) the distribution of previously taxed earnings of the Company of approximately $3,294,000 and a return of capital totaling $2,350,000, and (iii) the issuance of 10,250,000 shares of Trex Company, Inc. common stock in exchange for the Junior units in the Company. The unaudited pro forma balance sheet excludes the effects of (i) the recognition of a net deferred tax liability totaling approximately $2,400,000 that would have been recognized if the conversion from a limited liability company to a corporation taxed in accordance with Subchapter C of the Internal Revenue Code (a "C corporation") had occurred on December 31, 1998, and (ii) certain transactions which will occur upon consummation of the IPO (see Note 12).

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 40% combined effective tax rate) as if the Company had been taxed as a C corporation for the year ended December 31, 1998. Pro forma weighted average shares outstanding reflect 10,250,000 shares outstanding, which assumes that the shares resulting from the reorganization were outstanding for the year ended December 31, 1998 (See Note 12). Fully diluted income per share is the same as basic income per share, and, therefore, is not separately presented.

12. SUBSEQUENT EVENTS

The Company will complete certain transactions prior to the consummation of the IPO by its wholly owned subsidiary at December 31, 1998, Trex Company, Inc. Prior to the IPO, the Junior unitholders of the Company will contribute their membership interests in the Company to Trex Company, Inc. in exchange for common stock of Trex Company, Inc. (the "Exchange Transaction"). Concurrently with the Exchange Transaction, Trex Company, Inc. will purchase the Preferred unitholder's interest in the Company for approximately $3,101,000. As a result of the Exchange Transaction and such purchase, the Company will become a wholly owned subsidiary of Trex Company, Inc. The Company will account 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 will be the same as its ownership percentage in the Junior units of the Company.

In connection with the Exchange Transaction, the Company will make a special cash distribution to its Junior unitholders. If it had been made as of December 31, 1998, the distribution would have totaled approximately $5,644,000 and consisted of approximately $3,294,000 attributable to previously recognized and undistributed income of the Company and approximately $2,350,000 attributable to a return of capital at December 31, 1998. The actual distribution is subject to change based on the actual taxable income of the Company during 1999 through the date of the Exchange Transaction. In addition, a deferred income tax liability, estimated to be approximately $2,357,000 at December 31, 1998, will be recognized as a result of the conversion from a limited liability company to a C corporation.

Immediately prior to the Exchange Transaction, the Company will exercise an option to repurchase approximately 667 Junior units from certain unitholders at a price of $.01 per unit. The terms of this option are set forth in an agreement which the Company and the Junior unitholders entered into in connection with the CPD acquisition. The Company's equity has not been retroactively restated for the proposed reorganization.

The net proceeds from the proposed IPO are planned to be used primarily to reduce outstanding indebtedness, fund a portion of the LLC distributions, redeem all outstanding preferred equity and provide funds for expansion of operations, working capital needs, and other general corporate purposes.

REPORT OF INDEPENDENT AUDITORS

Board of Managers
Trex Company, LLC

We have audited the related statements of divisional operations and divisional operating equity deficit and cash flows of Mobil Composite Products Division of Mobil Oil Corporation for the year ended December 31, 1995 and the period from January 1, 1996 to August 28, 1996. 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 audit.

We conducted our audits in accordance with generally accepted auditing standards. 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 financial statements referred to above present fairly, in all material respects, the results of operations and cash flows of Mobil Composite Products Division for the year ended December 31, 1995 and the period from January 1, 1996 to August 28, 1996 in conformity with generally accepted accounting principles.

/s/ Ernst & Young LLP

Vienna, Virginia
June 24, 1998

MOBIL COMPOSITE PRODUCTS DIVISION OF
MOBIL OIL CORPORATION (THE PREDECESSOR)

Statements of Divisional Operations and
Divisional Operating Equity Deficit

	Year ended December 31, 1995	Period from January 1, 1996 to August 28, 1996
Net sales	$ 19,635,000	$ 18,071,000
Cost of sales	10,269,000	9,188,000
Gross profit	9,366,000	8,883,000
Selling, general, and administrative expenses	6,943,000	5,508,000
Net income	$ 2,423,000	$ 3,375,000
Divisional operating equity deficit--beginning	$(29,121,000)	$(26,698,000)
Divisional operating equity deficit--ending	$(26,698,000)	$(23,323,000)
Pro forma net income (Note 6):		
Net income (historical)	$ 2,423,000	$ 3,375,000
Pro forma tax provision (unaudited)	969,000	1,350,000
Pro forma net income (unaudited)	$ 1,454,000	$ 2,025,000

See accompanying notes to financial statements.

MOBIL COMPOSITE PRODUCTS DIVISION OF
MOBIL OIL CORPORATION (THE PREDECESSOR)

Statements of Cash Flows

	Year ended December 31, 1995	Period from January 1, 1996 to August 28, 1996
OPERATING ACTIVITIES		
Net income	$2,423,000	$3,375,000
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	1,328,000	1,117,000
Loss on disposal of property, plant and equipment	209,000	--
Changes in operating assets and liabilities		
Trade accounts receivable	(101,000)	(582,000)
Inventories	1,306,000	(170,000)
Prepaid expenses and other assets	--	(44,000)
Trade accounts payable	(225,000)	12,000
Accrued expenses	(17,000)	(107,000)
Other liabilities	(82,000)	(753,000)
Net cash provided by operating activities	4,841,000	2,848,000
INVESTING ACTIVITIES		
Expenditures for property, plant and equipment	(3,842,000)	(3,708,000)
Net cash used in investing activities	(3,842,000)	(3,708,000)
FINANCING ACTIVITIES		
Intercompany financing, net	(1,009,000)	860,000
Net cash provided by (used in) financing activities	(1,009,000)	860,000
Net decrease in cash and cash equivalents	(10,000)	--
Cash and cash equivalents at beginning of year	10,000	--
Cash and cash equivalents at end of year	$ --	$ --

See accompanying notes to financial statements.

MOBIL COMPOSITE PRODUCTS DIVISION OF
MOBIL OIL CORPORATION (THE PREDECESSOR)

Notes to Financial Statements

For the year ended December 31, 1995 and the period from
January 1, 1996 to August 28, 1996

1. BUSINESS AND ORGANIZATION

Mobil Composite Products Division, ("the Predecessor" or the "Division") manufactures and distributes wood polymer (thermo-plastic) composite products primarily for consumer and commercial decking applications. The Division is operated by Mobil Chemical Company, a subsidiary of Mobil Oil Corporation ("the Parent"). The Division markets its products throughout North America.

On August 29, 1996, Trex Company, LLC ("Trex") acquired substantially all of the assets and assumed certain of the liabilities of the Division. Trex acquired these net assets for cash of approximately $29 million.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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 charged to expense 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 life of the asset.

Depreciation expense for the year ended December 31, 1995 and the period from January 1, 1996 to August 28, 1996 totaled $1,141,000 and $992,000, respectively.

Intangible Asset

The intangible asset consists of a non-compete agreement which is amortized using the straight line method over a period of 7 years.

Revenue Recognition

The Division recognizes revenue at the point of sale, which is at time of shipment to the customer from the warehouse.

Research and Development Costs

Research and development costs are expensed as incurred. For the year ended December 31, 1995 and the period from January 1, 1996 to August 28, 1996, research and development costs were approximately $830,000 and $710,000, respectively. Approximately $204,000 of these costs were allocated from another division of the Parent for the year ended December 31, 1995, while substantially all research and development costs were incurred directly by the Division for the period from January 1, 1996 to August 28, 1996.

Advertising Costs

Advertising costs are expensed as incurred. For the year ended December 31, 1995 and the period from January 1, 1996 to August 28, 1996, advertising costs were approximately $1,240,000 and $1,542,000, respectively.

Income Taxes

Income taxes have been excluded from the accompanying financial statements as the Division was included in the consolidated tax returns of it Parent. There were no tax allocations to the division during the year ended December 31, 1995 and the period from January 1, 1996 to August 28, 1996.

Use of Estimates

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

3. LEASES

For the year ended December 31, 1995 and the period from January 1, 1996 to August 28, 1996, the Division had rental expense of approximately $684,000 and $451,000, respectively.

4. ALLOCATION OF EXPENSES

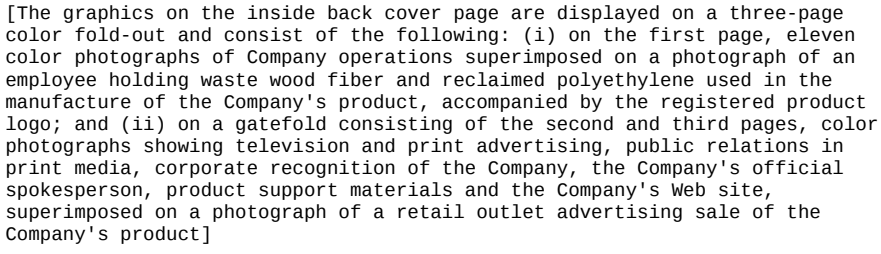
The Parent and certain of its subsidiaries provide the Division with various administrative and financial services. These services include treasury, insurance and tax administration, legal, certain payroll and employee benefit administration, health and safety and environmental compliance. Mobil's policy is to allocate centrally incurred costs primarily on the basis of usage or on estimated time spent. Management believes these allocations and charges have been made on a reasonable basis; however, they are not necessarily indicative of the level of expenses which might have been incurred had the division been operated as a stand-alone entity.

5. LITIGATION

During 1995 the Division incurred approximately $600,000 in legal expenses in connection with a patent dispute. The dispute has been resolved in favor of the Division. In addition, the Division is from time to time party to litigation arising in the ordinary course of its business. The Division is not subject to any material pending litigation.

6. PRO FORMA TAX PROVISION (UNAUDITED)

The pro forma unaudited condensed information is based upon the historical financial information of the Division adjusted to reflect estimated income tax provisions (assuming a 40% effective rate) on historical income before taxes which would have occurred had the Division been taxed as a stand-alone entity.


[The graphics on the inside back cover page are displayed on a three-page color fold-out and consist of the following: (i) on the first page, eleven color photographs of Company operations superimposed on a photograph of an employee holding waste wood fiber and reclaimed polyethylene used in the manufacture of the Company's product, accompanied by the registered product logo; and (ii) on a gatefold consisting of the second and third pages, color photographs showing television and print advertising, public relations in print media, corporate recognition of the Company, the Company's official spokesperson, product support materials and the Company's Web site, superimposed on a photograph of a retail outlet advertising sale of the Company's product]

No dealer, salesperson or other person has been authorized to give any information or to make any representations not contained in this Prospectus in connection with the offering covered by this Prospectus. If given or made, such information or representations must not be relied upon as having been authorized by the Company, the Selling Stockholders or the Underwriters. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any security other than the Common Stock, nor does it constitute an offer or solicitation in any jurisdiction where, or to any person to whom, it is unlawful to make such offer or solicitation, or an offer or solicitation by anyone in any jurisdiction in which the person making such offer or solicitation is not qualified to do so. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the facts set forth in this Prospectus or in the affairs of the Company since the date hereof.

TABLE OF CONTENTS

Until , 1999 (25 days after the date of this Prospectus), all dealers effecting transactions in the shares of Common Stock, whether or not participating in this distribution, may be required to deliver a Prospectus. This is in addition to the obligation of dealers to deliver a Prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

3,353,000 Shares

Trex Company, Inc.

Common Stock

PROSPECTUS

Schroder & Co. Inc.

J.C. Bradford & Co.

, 1999

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution

The following table sets forth the costs and expenses expected to be incurred in connection with the sale and distribution of the securities being registered hereby. All amounts except the SEC Registration Fee, the NASD Filing Fee and the NYSE Listing Fee are estimated.

SEC Registration Fee	$16,079.31
NASD Filing Fee	6,284.00
NYSE Listing Fee	*
Blue Sky Fees and Expenses	*
Accounting Fees and Expenses	*
Legal Fees and Expenses	*
Printing and Engraving Expenses	*
Transfer Agent Fees and Expenses	*
Miscellaneous	*
Total	$ *

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* To be filed by amendment.

Item 14. Indemnification of Directors and Officers

Delaware General Corporation Law. Section 145(a) of the Delaware General Corporation Law provides that a corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that the person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with such action, suit or proceeding if the person acted in good faith and in a manner the person 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 the person's 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 the person 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 the person's conduct was unlawful.

Section 145(b) of the Delaware General Corporation Law states that a corporation may 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 the person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by the person in connection with the defense or settlement of such action or suit if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which the person

shall have been adjudged to be liable to the corporation unless and only to the extent that the Delaware Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, the person is fairly and reasonably entitled to indemnity for such expenses which the Delaware Court of Chancery or such other court shall deem proper.

Section 145(c) of the Delaware General Corporation Law provides that to the extent that a present or former director or officer of a corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in subsections (a) and (b) of Section 145, or in defense of any claim, issue or matter therein, the person shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by the person in connection therewith.

Section 145(d) of the Delaware General Corporation Law states that any indemnification under subsections (a) and (b) of Section 145 (unless ordered by a court) shall be made by the corporation only as authorized in the specific case upon a determination that indemnification of the present or former director, officer, employee or agent is proper in the circumstances because the person has met the applicable standard of conduct set forth in subsections (a) and (b) of Section 145. Such determination shall be made with respect to a person who is a director or officer at the time of such determination (i) by a majority vote of the directors who are not parties to such action, suit or proceeding, even though less than a quorum, (ii) by a committee of such directors designated by majority vote of such directors, even though less than a quorum, or (iii) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion, or (iv) by the stockholders.

Section 145(f) of the Delaware General Corporation Law states that the indemnification and advancement of expenses provided by, or granted pursuant to, the other subsections of Section 145 shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office.

Section 145(g) of the Delaware General Corporation Law provides that a corporation shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against such person and incurred by such person in any such capacity or arising out of such person's status as such, whether or not the corporation would have the power to indemnify such person against such liability under the provisions of Section 145.

Section 145(j) of the Delaware General Corporation Law states that the indemnification and advancement of expenses provided by, or granted pursuant to, Section 145 shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

Certificate of Incorporation. Article XI of the Certificate of Incorporation provides that, to the fullest extent permitted by the Delaware General Corporation Law, the Company's directors will not be personally liable to the registrant or its stockholders for monetary damages resulting from a breach of their fiduciary duties as directors. However, nothing contained in such Article XII will eliminate or limit the liability of directors (i) for any breach of the director's duty of loyalty to the Company or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of the law, (iii) under Section 174 of the Delaware General Corporation Law or (iv) for any transaction from which the director derived an improper personal benefit.

Bylaws. The Bylaws provide for the indemnification of the officers and directors of the Company to the fullest extent permitted by the Delaware General Corporation Law. Article XII of the Bylaws provides that each person who was or is made a party to (or is threatened to be made a party to) any civil or criminal action, suit or proceeding by reason of the fact that such person is or was a director or officer of the Company shall be indemnified and held harmless by the Company to the fullest extent authorized by the Delaware General Corporation Law against all expenses, liability and loss (including, without limitation, attorneys' fees) incurred by such person in connection therewith, if such person acted in good faith and in a manner such person reasonably believed to be or not opposed to the best interests of the Company and had no reason to believe that such person's conduct was illegal.

Insurance. The directors and officers of the Company are covered by insurance policies indemnifying against certain liabilities, including certain liabilities arising under the Securities Act, which might be incurred by them in such capacities and against which they cannot be indemnified by the Company.

Underwriting Agreement. The Underwriting Agreement will provide for the indemnification against certain liabilities of the directors and officers of the Company and certain controlling persons under certain circumstances, including certain liabilities under the Securities Act.

Item 15. Recent Sales of Unregistered Securities

On September 10, 1998, in connection with the incorporation and organization of Trex Company, Inc., Trex Company, Inc. issued 100 shares of Common Stock to Trex Company, LLC for cash consideration of $1,000. Such issuance was exempt from the registration requirements of the Securities Act pursuant to Section 4(2) thereof.

Item 16. Exhibits and Financial Statement Schedules

(a) Exhibits

** 1.1 Form of Underwriting Agreement.

* 3.1 Form of Restated Certificate of Incorporation of the Company to be effective upon consummation of the Offering.

* 3.2 Form of Amended and Restated Bylaws of the Company to be effective upon consummation of the Offering.

* 4.1 Form of Stock Certificate for the Common Stock.

** 5.1 Opinion by Hogan & Hartson L.L.P. regarding the validity of the Common Stock.

* 10.1 Credit Agreement, dated as of December 10, 1996, between the Company and First Union National Bank of Virginia, as amended.

* 10.2 Form of 1999 Stock Option and Incentive Plan.

* 10.3 Form of 1999 Incentive Plan for Outside Directors.

* 10.4 Members' Agreement, dated as of August 29, 1996, among Trex Company, LLC and each of the persons named on the schedules thereto, as amended.

**10.5 Contribution, Exchange and Purchase Agreement, dated as of , 1999, among Trex Company, Inc., Trex Company, LLC and the members of Trex Company, LLC.

* 10.6 Form of Distributor Agreement of the Company.

* 10.7 $3,780,000 Promissory Note, dated June 15, 1998, made by Trex Company, LLC payable to First Union National Bank of Virginia.

* 10.8 $1,035,000 Promissory Note, dated November 20, 1998, made by Trex Company, LLC payable to First Union National Bank of Virginia.

* 10.9 Business Loan Agreement, dated December 2, 1998, between Trex Company, LLC and Pioneer Citizens Bank of Nevada.

*10.10 Construction Loan Agreement, dated February 5, 1999, between Trex Company, LLC and Pioneer Citizens Bank of Nevada.

* 23.1 Consent of Ernst & Young LLP, independent accountants.

**23.2 Consent of Hogan & Hartson L.L.P. (included in Exhibit 5.1).

***24.1Power of Attorney (included in signature page).

*27.1Financial Data Schedule.

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*Filed herewith.

**To be filed by amendment.

***Previously filed.

Item 17. Undertakings

The undersigned Registrant hereby undertakes to provide to the Underwriters at the closing specified in the Underwriting Agreement, certificates in such denominations and registered in such names as required by the Underwriters to permit prompt delivery to each purchaser.

The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities, the information omitted from the form of Prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of Prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of Prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this amendment to Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Winchester, Commonwealth of Virginia, on this 8th day of February 1999.

Trex Company, Inc.

By: /s/ Robert G. Matheny
Robert G. Matheny
President
(Duly Authorized Representative)

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

Name	Title	Date
/s/ Robert G. Matheny Robert G. Matheny	President and Director (Principal Executive Officer)	February 8, 1999
/s/ Anthony J. Cavanna Anthony J. Cavanna	Executive Vice President and Chief Financial Officer and Director (Principal Financial and Accounting Officer)	February 8, 1999
/s/ Andrew U. Ferrari Andrew U. Ferrari	Director	February 8, 1999
/s/ Roger A. Wittenberg Roger A. Wittenberg	Director	February 8, 1999

EXHIBIT INDEX

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*Filed herewith.
**To be filed by amendment.
***Previously filed.

Exhibit 3.1

RESTATED
CERTIFICATE OF INCORPORATION
OF
TREX COMPANY, INC.

Trex Company, Inc., a corporation organized and existing under the laws of the State of Delaware, hereby certifies as follows:

1. The name under which the corporation was originally incorporated is Trex Company, Inc., and the original Certificate of Incorporation of the corporation was filed with the Secretary of State of the State of Delaware on September 4, 1998.

2. This Restated Certificate of Incorporation restates and integrates and further amends the provisions of the Certificate of Incorporation of the corporation.

3. This Restated Certificate of Incorporation has been duly adopted in accordance with the provisions of Sections 242, 245 and 228 of the General Corporation Law of the State of Delaware.

4. The text of the Certificate of Incorporation of the corporation is hereby restated and integrated to read in its entirety as follows:

ARTICLE I
NAME

The name of the corporation is Trex Company, Inc. (the "Corporation").

ARTICLE II
REGISTERED OFFICE AND REGISTERED AGENT

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

ARTICLE III
PURPOSE

The purpose or purposes for which the Corporation is organized are to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware as from time to time amended (the "General Corporation Law").

ARTICLE IV
CAPITAL STOCK

The Corporation shall have the authority to issue a total of forty-three million (43,000,000) shares of capital stock, each with a par value of $0.01, consisting of forty million (40,000,000) shares of Common Stock and three million (3,000,000) shares of Preferred Stock.

ARTICLE V
COMMON STOCK

Except as required by law, all shares of Common Stock shall be identical in all respects and shall entitle the holders thereof to the same rights and privileges, subject to the same qualifications, limitations and restrictions. Except as otherwise provided by or pursuant to this Restated Certificate of Incorporation or as otherwise required by law, the holders of shares of Common Stock shall be entitled to one vote per share of Common Stock on all matters on which stockholders of the Corporation have the right to vote.

ARTICLE VI
PREFERRED STOCK

Section A. Preferred Stock. The Corporation is authorized to issue shares
---
of Preferred Stock from time to time in one or more series as may from time to time be determined by the Board of Directors of the Corporation (the "Board"), each of such series to be distinctly designated. The voting powers, preferences and relative, participating, optional and other special rights, and the qualifications, limitations or restrictions thereof, if any, of each such series may differ from those of any and all other series of Preferred Stock at any time outstanding, and the Board is hereby expressly granted authority to fix or alter, by resolution or resolutions, the designation, number, voting powers, preferences and relative, participating, optional, and other special rights, and the qualifications, limitations and restrictions, of each such series, including, but without limiting the generality of the foregoing, the following:

1. The distinctive designation of, and the number of shares of Preferred Stock that shall constitute, such series, which number (except where otherwise provided by the Board in the resolution establishing such series) may be increased (but not above the total number of shares of Preferred Stock) or decreased (but not below the number of shares of such series then outstanding) from time to time by like action of the Board.

2. The rights in respect of dividends, if any, of such series of Preferred Stock, the extent of the preference or relation, if any, of such dividends to the dividends payable on any other class or classes or any other series of the same or other class or classes of capital stock of the Corporation, and whether such dividends shall be cumulative or noncummualtive, and the dates at which any such dividends shall be payable.

3. The right, if any, of the holders of such series of Preferred Stock to convert the same into, or exchange the same for, shares of any other class or classes or of any other series of the same or any other class or classes of capital stock of the Corporation or any other corporation, and the terms and conditions of such conversion or exchange.

4. Whether or not shares of such series of Preferred Stock shall be subject to redemption, and the redemption price or prices and the times at which, and the terms and conditions on which, shares of such series of Preferred Stock may be redeemed.

5. The rights, if any, of the holders of such series of Preferred Stock upon the voluntary or involuntary liquidation, dissolution or winding-up of the Corporation or in the event of any merger or consolidation of or sale of assets by the Corporation.

6. The terms and amount of any sinking fund or redemption or purchase account, if any, to be provided for shares of such series of the Preferred Stock.

7. The voting powers, if any, of the holders of any series of Preferred Stock generally or with respect to any particular matter, which may be less than, equal to or greater than one vote per share, and which may, without limiting the generality of the foregoing, include the right, voting as a series by itself or together with the holders of any other series of Preferred Stock or all series of Preferred Stock as a class, to elect one or more directors of the Corporation generally or under such specific circumstances and on such conditions as shall be provided in the resolution or resolutions of the Board adopted pursuant hereto, including, without limitation, in the event there shall have been a default in the payment of dividends on or redemption of any one or more series of Preferred Stock.

Section B. Rights of Preferred Stock.

1. After the provisions with respect to preferential dividends on any series of Preferred Stock (fixed in accordance with the provisions of Section (A) of this Article VI), if any, shall have been satisfied and after the Corporation shall have complied with all the requirements, if any, with respect to redemption of, or the setting aside of sums as sinking funds or redemption or purchase accounts with respect to, any series of Preferred Stock (fixed in accordance with the provisions of Section (A) of this Article VI), and subject further to any other conditions that may be fixed in accordance with the provisions of Section (A) of this Article VI, then and not otherwise the holders of Common Stock shall be entitled to receive such dividends as may be declared from time to time by the Board.

2. In the event of the voluntary or involuntary liquidation, dissolution or winding-up of the Corporation, after distribution in full of the preferential amounts, if any (fixed in accordance with the provisions of Section (A) of this Article VI), to be distributed to the holders of Preferred Stock by reason thereof, the holders of Common Stock shall, subject to the additional rights, if any (fixed in accordance with the provisions of Section (A) of this Article VI), of the holders of any outstanding shares of Preferred Stock, be entitled to receive all of the remaining assets of the Corporation, tangible or intangible, of whatever kind available for distribution to stockholders ratably in proportion to the number of shares of Common Stock held by them respectively.

3. Except as may otherwise be required by law, and subject to the provisions of such resolution or resolutions as may be adopted by the Board pursuant to Section (A) of this Article VI granting the holders of one or more series of Preferred Stock exclusive voting powers with respect to any matter, each holder of Common Stock may have one vote in respect to each share of Common Stock held on all matters voted upon by the stockholders.

4. The number of authorized shares of Preferred Stock and each class of Common Stock may, without a class or series vote, be increased or decreased from time to time by the affirmative vote of the holders of shares having a majority of the total number of votes which may be cast in the election of directors of the Corporation by all stockholders entitled to vote in such an election, voting together as a single class.

ARTICLE VII
BY-LAWS

The Board is expressly authorized to adopt, amend or repeal the By-laws of the Corporation.

ARTICLE VIII
ELECTION OF DIRECTORS

The directors of the Corporation shall not be required to be elected by written ballots unless the By-laws of the Corporation so provide.

ARTICLE IX
BOARD OF DIRECTORS

Section A. Classified Board. The Board, other than those directors elected by the holders of any series of Preferred Stock as provided for or fixed pursuant to the provisions of Article VI hereof, shall be divided into three classes, as nearly equal in number as the then-authorized number of directors constituting the Board permits, with the term of office of one class expiring each year and with each director serving for a term ending at the third annual meeting of stockholders of the Corporation following the annual meeting at which such director was elected. One class of directors shall be initially elected for a term expiring at the annual meeting of stockholders to be held in the year 2000, another class shall be initially elected for a term expiring at the annual meeting of stockholders to be held in the year 2001, and another class shall be initially elected for a term expiring at the annual meeting of stockholders to be held in the year 2002. Members of each class shall hold office until their successors are elected and qualified. At each succeeding annual meeting of the stockholders of the Corporation, the successors of the class of directors whose term expires at that meeting shall be elected by a plurality vote of all votes cast at such meeting to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election.

Section B. Vacancies. Except as otherwise provided for or fixed pursuant to the provisions of Article VI hereof relating to 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 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. 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 shall have been duly elected and qualified. No decrease in the number of directors constituting the Board shall shorten the term of any incumbent director.

Section C. Directors Elected by Holders of Preferred Stock. During any period when the holders of any series of Preferred Stock have the right to elect additional directors as provided for or fixed pursuant to the provisions of Article VI hereof, then upon commencement and for the duration of the period during which

such right continues (i) the then otherwise total authorized number of directors of the Corporation shall automatically be increased by such specified number of directors, and the holders of such Preferred Stock shall be entitled to elect the additional directors so provided for or fixed pursuant to such provisions, and (ii) each such additional director shall serve until such director's successor shall have been duly elected and qualified, or until such director's right to hold such office terminates pursuant to such provisions, whichever occurs earlier. Except as otherwise provided by the Board in the resolution or resolutions establishing such series, whenever the holders of any series of Preferred Stock having such right to elect additional directors are divested of such right pursuant to the provisions of such stock, the terms of office of all such additional directors elected by the holders of such stock, or elected to fill any vacancies resulting from death, resignation, disqualification or removal of such additional directors, shall forthwith terminate and the total and authorized number of directors of the Corporation shall be reduced accordingly. Notwithstanding the foregoing, whenever, pursuant to the provisions of Article VI hereof, the holders of any one or more series of Preferred Stock shall have the right, voting separately as a series or together with holders of other such series, to elect directors at an annual or special meeting of stockholders, the election, term of office, filling of vacancies and other features of such directorships shall be governed by the terms of this Restated Certificate of Incorporation and the Certificate of Designation applicable thereto, and such directors so elected shall not be divided into classes pursuant to this Article IX unless expressly provided by such terms.

Section D. Number of Directors Constituting the Board. Except as otherwise provided for or fixed pursuant to Article VI hereof relating to the rights of the holders of any series of Preferred Stock to elect additional directors, the total number of directors constituting the entire Board shall be not less than five (5) nor more than twenty (20), with the then-authorized number of directors being fixed from time to time by the Board.

ARTICLE X
NO ACTION BY WRITTEN CONSENT OF STOCKHOLDERS

Except as otherwise provided for or fixed pursuant to the provisions of Article VI hereof 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 stockholders and the taking of such action by such written consent have expressly been approved in advance by the Board.

ARTICLE XI
DIRECTOR LIABILITY

A director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the General Corporation Law or (iv) for any transaction from which the director derived any improper personal benefit. If the General Corporation Law is amended after the filing of this Restated Certificate of Incorporation to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the General Corporation Law, as so amended. No modification or repeal of the provisions of this Article XI shall adversely affect any right or protection of any director of the Corporation existing at the date of such modification or repeal or create any liability or adversely affect any such right or protection for any acts or omissions of such director occurring prior to such modification or repeal.

IN WITNESS WHEREOF, this Restated Certificate of Incorporation, which restates and integrates and further amends the provisions of the Certificate of Incorporation of the Corporation as heretofore amended or supplemented and which has been duly adopted in accordance with Sections 242 and 245 of the General Corporation Law, as the Corporation has received payment for its capital stock, has been executed by its President this _____, 1999.

TREX COMPANY, INC.

By:

Name: Robert G. Matheny
Title: President

Exhibit 3.2

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 (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 (ii) 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 Rule 14a-11 thereunder (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 (a) 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 (a) 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
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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 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, 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, 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 (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.

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 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. 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 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 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 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, 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, 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 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 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 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.

Exhibit 4.1

PAR VALUE $0.01
PER SHARE

[BORDER]

COMMON STOCK

THIS CERTIFICATE IS
TRANSFERABLE IN THE
CITY OF RIDGEFIELD PARK, NJ
OR NEW YORK, NY

Number

SHARES

TREX COMPANY, INC. (R)
Incorporated Under the Laws of the State of Delaware

TREX COMPANY, INC.

CUSIP
See Reverse For Certain Definitions

THIS IS TO CERTIFY THAT

is the owner of

FULLY PAID AND NON-ASSESSABLE SHARES OF THE COMMON STOCK, PAR VALUE $0.01 PER SHARE, OF

Trex Company, Inc., transferable only on the books of the Corporation by the holder hereof in person or by duly authorized Attorney upon surrender of this Certificate properly endorsed. This Certificate is not valid unless countersigned and registered by the Transfer Agent and Registrar.

In Witness Whereof, the Corporation has caused this Certificate to be executed and attested to by the manual or facsimile signatures of its duly authorized officers, under a facsimile of its corporate seal to be affixed hereto.

Dated:

[CORPORATE SEAL]

TREX COMPANY, INC.

Countersigned and Registered:
ChaseMellon Shareholder Services, L.L.C.

TRANSFER AGENT
AND REGISTRAR

AUTHORIZED SIGNATURE

/s/ Robert G. Matheny

PRESIDENT

/s/ Anthony J. Cavanna

TREASURER

[Image of _____]

Upon request, the Corporation will furnish any holder of shares of Common Stock of the Corporation, without charge, with a full statement of the powers, designations, preferences and relative, participating, optional or other special rights of any class or series of capital stock of the Corporation, and the qualifications, limitations or restrictions of such preferences and/or rights.

The following abbreviations, when used in the inscription on the face of this Certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM - as tenants in common
TEN ENT - as tenants by the entireties
JT TEN - as joint tenants with right of survivorship and not as tenants in common
UNIF GIFT MIN ACT - _____ Custodian _____
(Cust) (Minor)
under Uniform Gifts to Minors
Act _____
(State)

Additional abbreviations may also be used though not in the above list.

For value received _____ hereby sell, assign and transfer unto

PLEASE INSERT SOCIAL SECURITY OR OTHER
IDENTIFYING NUMBER OF ASSIGNEE

(Please print or typewrite name and address, including postal zip code of assignee)

_____ Shares of Common Stock represented by the within Certificate, and do hereby irrevocably constitute and appoint

_____ Attorney

to transfer the said Stock on the books of the within named Corporation with full power of substitution in the premises.

Dated _____, 19__

In presence of

- ----------

- ----------
NOTICE: The signature to this assignment must correspond with the name as written upon the face of this Certificate in every particular, without alteration or enlargement or any change whatsoever.

Signature(s) Guaranteed:

- ----------
THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (BANKS, STOCKBROKERS, SAVINGS AND LOAN ASSOCIATIONS AND CREDIT UNIONS WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM) PURSUANT TO SEC RULE 17Ad-15.

CREDIT AGREEMENT dated as of December 10, 1996 between TREX COMPANY, LLC, a Delaware limited liability company, and FIRST UNION NATIONAL BANK OF VIRGINIA, a national banking association.

The parties hereto agree as follows:

ARTICLE I
DEFINITIONS

Section 1.01 Definitions. All capitalized terms used in this Agreement or in any Appendix, Schedule or Exhibit hereto which are not otherwise defined herein or therein shall have the respective meanings set forth in the Appendix attached hereto identified as the Definitions Appendix. The Definitions Appendix is incorporated herein by reference in its entirety and is a part of this Agreement to the same extent as if it had been set forth in this Section 1.01 in full.

Section 1.02 Accounting Terms and Determinations. Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared, in accordance with generally accepted accounting principles in the United States of America as in effect from time to time, applied on a basis consistent (except for changes concurred in by the Borrower's independent public accountants) with the most recent audited consolidated financial statements of the Borrower and its Consolidated Subsidiaries delivered to the Bank.

ARTICLE II
THE CREDIT

Section 2.01 Commitment to Lend. The Bank agrees, on the terms and conditions set forth in this Agreement, to make Loans to the Borrower from time to time during the Revolving Credit Period in amounts such that the aggregate principal amount of Loans at any one time outstanding will not exceed the lesser of (i) the Commitment and (ii) the Borrowing Base. Within the foregoing limit, the Borrower may borrow, prepay and reborrow Loans at any time during the Revolving Credit Period.

Section 2.02 Methods of Borrowing.

(a) Notice of Borrowing. Except as otherwise provided in this Section, the Borrower may, with the approval of the Bank, give the Bank notice substantially in the form of Exhibit A hereto (a "Notice of Borrowing") not later than 12:00 P.M. (local time in Jacksonville, Florida) on the date of each requested Loan, specifying the date of such Loan and the amount of such Loan.

(b) Operating Account Overdrafts. If on any day Items are presented to the Bank for payment against the Operating Account which Items, in the aggregate, would, if paid in full, cause the Available Balance in the Operating Account on such day to be less than $0, such presentation shall be deemed to be a request by the Borrower for a Loan on the date of such presentation in an amount equal to the amount (rounded upward to the nearest $1,000) required to cause such Available Balance to equal $0.

(c) Overdrafts in Other Accounts. The Bank may, at its option, pay any Item which will cause any deposit account maintained by the Borrower with the Bank to become overdrawn, and such payment shall be deemed a Loan hereunder.

Section 2.03 Funding of Loans. The Bank shall disburse the proceeds of each Loan requested, or deemed to be requested, pursuant to Section 2.02 as follows:

(a) The proceeds of each Loan under Section 2.02(a) shall be made available by the Bank to the Borrower in Federal or other funds immediately available at the Bank's address referred to in Section 8.01.

(b) The proceeds of each Loan under Section 2.02(b) or (c) shall be disbursed by the Bank by way of direct payment of the relevant Item or by way of deposit to the Operating Account of the amount set forth in Section 2.02(b), as the case may be.

Section 2.04 Note.

(a) Evidence of Loans. The Loans shall be evidenced by a single Note payable to the order of the Bank in an amount equal to the aggregate unpaid principal amount of the Loans.

(b) Records of Amounts Due. The Bank shall record the date and amount of each Loan made by it and the date and amount of each payment of principal made by the Borrower with respect thereto, and may, if the Bank so elects in connection with any transfer or enforcement of the Note, endorse on the schedule forming a part thereof appropriate notations to evidence the foregoing information with respect to each such Loan then outstanding; provided that the failure of the Bank to make any such recordation or endorsement shall not affect the obligations of the Borrower hereunder or under the Note. The Bank is hereby irrevocably authorized by the Borrower so to endorse the Note and to attach to and make a part of the Note a continuation of any such schedule as and when required. The Bank shall send the Borrower a copy of any endorsements and continuations so made.

Section 2.05 Interest Rate.

(a) LIBOR-based Rate. Each Loan shall bear interest on the outstanding principal amount thereof, for each day from the date such Loan is made until it becomes due,

at a rate per annum equal to the applicable LIBOR-based Rate for such day. Such interest shall be payable for each month in arrears on the first day of the immediately succeeding calendar month.

The "Adjusted London Interbank Offered Rate" means on any day a rate per annum equal to the quotient obtained (rounded upward, if necessary, to the next higher 1/100 of 1 %) by dividing (i) the London Interbank Offered Rate for such day by (ii) 1.00 minus the Euro-Dollar Reserve Percentage.

"LIBOR-based Rate" means for any day, the sum of (i) the Adjusted London Interbank Offered Rate for such day plus (ii) 200 basis points.

The "London Interbank Offered Rate" means the rate per annum designated as the British Bankers' Association settlement rate as of 11:00 A.M. (London time) for one month deposits in Dollars in the London interbank market that appears on the display on page 3750 (under the caption "USD" of the Telerate Services, Incorporated screen (the "Telerate Screen") (or on such other display as may replace such page on the Telerate Screen) at such time) each Euro-Dollar Business Day; provided that if no offered quotations appear on the Telerate
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Screen or if quotations are not given on the Telerate Screen for such one month period, then the London Interbank Offered Rate shall mean the rate per annum determined by the Bank at which United States Dollars in the amount of $5,000,000 are being offered to leading banks in the London interbank market for Dollar deposits at approximately 11:00 A.M. London time two Euro-Dollar Business Days prior to such day for settlement in immediately available funds by leading banks in the London interbank market for a one month period.

"Euro-Dollar Reserve Percentage" means for any day that percentage (expressed as a decimal) which is in effect on such day, as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement for a member bank of the Federal Reserve System in New York City with deposits exceeding five billion dollars in respect of "Euro-currency liabilities" (or in respect of any other category of liabilities which includes deposits by reference to which the interest rate on Loans is determined or any category of extensions of credit or other assets which includes loans by a non-United States office of the Bank to United States residents). The Adjusted London Interbank Offered Rate shall be adjusted automatically on and as of the effective date of any change in the Euro-Dollar Reserve Percentage.

The LIBOR-based Rate shall change from time to time with changes to occur on the date the London Interbank Offered Rate changes on the Telerate Screen page 3750, or if such rate is not available, by reference to the rate being offered to leading banks.

(b) Overdue Amounts. Any overdue principal of or interest on any Loan shall
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bear interest, payable on demand, for each day from and including the date payment thereof was

due to but excluding the date of actual payment, at a rate per annum equal to the sum of 2% plus the LIBOR-based Rate applicable to such Loan on such day.

Section 2.06 Fees.

(a) Unused Commitment Fee. The Borrower shall pay to the Bank an unused commitment fee (the "Commitment Fee") for each day at a rate per annum equal to the product of (i) 12.5 basis points multiplied by (ii) the excess of the Commitment over the aggregate amount of the Loans on such day. Such unused commitment fee shall accrue from and including the Effective Date to but excluding the Termination Date (or earlier date of termination of the Commitment in its entirety) and shall be payable quarterly in arrears on each Quarterly Date and on the Termination Date.

(b) Audit Fee. The Borrower shall pay an audit fee, not to exceed $2,500.00, for each audit required to be made pursuant to Section 5.06.

Section 2.07 Adjustments of Commitment.

(a) Optional Termination or Reductions of Commitment. The Borrower may, upon at least three Business Days' notice to the Bank, (i) terminate the Commitment at any time, if no Loans are outstanding at such time or (ii) reduce from time to time the amount of the Commitment in excess of the aggregate outstanding principal amount of the Loans. If the Commitment is terminated in its entirety, all accrued fees shall be payable on the effective date of such termination.

(b) Optional Extension of Commitment.

(i) The Revolving Credit Period shall be for an initial term of two years. The Bank may elect, by notice to the Borrower not less than 15 days and not more than 45 days prior to the first anniversary of the Effective Date or the first anniversary of an Extension Date (as applicable, an "Anniversary Date"), to extend the Revolving Credit Period until the second anniversary of such Anniversary Date (each of the first and subsequent Anniversary Dates on which the Revolving Credit Period is extended hereunder being referred to herein as an "Extension Date"). Failure by the Bank to notify the Borrower of such election within the above time period shall be deemed to constitute an election by the Bank not to extend the Revolving Credit Period.

(ii) If the Bank shall have elected to extend the Revolving Credit Period as provided in this Section 2.07(b), the Borrower shall deliver to the Bank, on the applicable Extension Date (and in exchange for the Note of the Borrower then held by the Bank), a Note maturing on the second anniversary of such Extension Date in the principal amount of the Commitment.

(iii) If the Bank shall have elected to extend the Revolving Credit Period as provided in this Section 2.07(b), then the Revolving Credit Period shall continue until the second anniversary of the Extension Date in effect, and the term "Termination Date", as used herein, shall mean such second anniversary.

Section 2.08 Maturity and Repayment of Loans.

(a) Maturity of Termination Date. Each Loan shall mature, and the principal amount thereof shall be due and payable, on the Termination Date.

(b) Mandatory Prepayments of Loans Exceeding Borrowing Base. If on any day the aggregate outstanding principal amount of all Loans exceeds the Borrowing Base, the Borrower shall prepay, and there shall become due and payable, on such date the principal amount of the Loans equal to such excess, together with interest thereon to the date of repayment.

(c) Mandatory Repayments from Operating Account.

(i) Deposits of Proceeds to Operating Account. The Borrower shall instruct all Account Debtors and other Persons obligated in respect of Accounts and other Collateral to make all payments in respect of the Accounts or other Collateral directly to the Bank (by instructing that such payments be remitted to a post office box which shall be in the name of the Borrower but under the control of the Bank). Except as provided in Section 3.04 of the Security Agreement, all such payments made to the Bank shall be deposited in the Operating Account. In addition to the foregoing, the Borrower agrees that if the proceeds of any Collateral (including the payments made in respect of Accounts) shall be received by it, the Borrower shall, unless Section 3.04 of the Security Agreement shall require otherwise, as promptly as possible deposit such proceeds to the Operating Account. Until so deposited, all such proceeds shall be held in trust by the Borrower for and as the property of the Bank and shall not be commingled with any other funds or property of the Borrower. The Borrower hereby irrevocably authorizes and empowers the Bank, its officers, employees and authorized agents to endorse and sign its name on all checks, drafts, money orders or other media of payment so delivered, and such endorsements or assignments shall, for all purposes, be deemed to have been made by the Borrower prior to any endorsement or assignment thereof by the Bank. The Bank may use any convenient or customary means for the purpose of collecting such checks, drafts, money orders or other media of payment.

(ii)Loans Due to Extent of Available Balance. Each Business Day, that principal amount of the Loans equal to the then Available Balance shall become due and payable.

(iii) Withdrawals from Operating Account to Pay Obligations. The Available Balance on deposit in the Operating Account, or so much thereof as is necessary to pay in full the Obligations referred to in this Section 2.08(c)(iii), shall be withdrawn by the Bank each Business Day and applied to repay the Obligations which are then due and payable (including those which become due and payable on such date pursuant to subsection (ii) above).

(d) Optional Prepayments of Loans. The Borrower may upon at least one Business Day's notice to the Bank, prepay any Loan, in whole at any time, or from time to time in part, without penalty, by paying the principal amount to be prepaid together with accrued interest thereon to the date of prepayment. The notice of prepayment delivered by the Borrower to the Bank shall not be revocable by the Borrower following its receipt by the Bank.

Section 2.09 General Provisions as to Payments. The Borrower shall make each payment of principal of and interest on the Loans and fees hereunder not later than 12:00 Noon (local time in Jacksonville, Florida) on the date when due, without set-off, counterclaim or other deduction, in Federal or other funds immediately available in Jacksonville, Florida, to the Bank at its address referred to in Section 8.01. The Borrower hereby irrevocably authorizes the Bank to deduct from the Operating Account at any time such amount as may then be necessary to pay Obligations referred to in clause (ii)(A) of the definition of Available Balance. Whenever any payment of principal of, or interest on, the Loans or of fees shall be due on a day which is not a Business Day, the date for payment thereof shall be extended to the next succeeding Business Day. If the date for any payment of principal is extended by operation of law or otherwise, interest thereon shall be payable for such extended time.

Section 2.10 Computation of Interest and Fees. Interest on Loans hereunder shall be computed on the basis of a year of 360 days and paid for the actual number of days elapsed (including the first day but excluding the last day).

ARTICLE III
CONDITIONS

Section 3.01 Conditions to Closing. The obligation of the Bank to make the first Loan hereunder is subject to the satisfaction of the following conditions:

(a) Effectiveness. This Agreement shall have become effective in accordance with Section 8.08.

(b) Note. On or prior to the Closing Date, the Bank shall have received a duly executed Note dated on or before the Closing Date complying with the provisions of Section 2.04.

(c) Other Loan Documents. Each of the Loan Documents to be executed on or before the Closing Date shall be in form and substance reasonably satisfactory to the Bank and shall have been duty executed and delivered to the Bank by each of the parties thereto.

(d) Adverse Change, etc. On the Closing Date, nothing shall have occurred (and the Bank shall not have become aware of any facts or conditions not previously known) which has, or could reasonably be expected to have, a Material Adverse Effect.

(e) Officer's Certificate. The Bank shall have received a certificate dated the Closing Date signed on behalf of the Borrower by the Chairman of the Board, the President, any Vice President or the Treasurer of the Borrower stating that (x) on the Closing Date and after giving effect to the Loan being made on the Closing Date, no Default or Event of Default shall have occurred and be continuing and (y) to the best knowledge and belief of such officer, the representations and warranties of the Borrower contained in the Loan Documents are true and correct on and as of the Closing Date.

(f) Opinion of Borrower's Counsel. On the Closing Date, the Bank shall have received from counsel to the Borrower an opinion addressed to the Bank, dated the Closing Date, substantially in the form of Exhibit C hereto and covering such additional matters incident to the transactions contemplated hereby as the Bank may reasonably request.

(g) Company Proceedings. On the Closing Date, the Bank shall have received (i) a copy of the Borrower's Certificate of Formation, as amended, certified by the Secretary of the State of Delaware and dated as of a recent date prior to the Closing Date; (ii) a certificate of the Secretary of the State of Delaware and each other state in which the Borrower is qualified as a foreign limited liability company to do business, dated as of a recent date prior to the Closing Date, as to the good standing of the Borrower; (iii) a copy of the Borrower's Limited Liability Company Agreement, including all amendments thereto; and (iv) a certificate of the appropriate officer or other authorized person of the Borrower dated the Closing Date and certifying (A) that the documents referred to in clause (iii) above have not been amended since the date of said certificate, (B) that attached thereto is a true, correct and complete copy of resolutions adopted by the managers of the Borrower authorizing the execution, delivery and performance of the Credit Agreement, the Note and the Security Agreement and each other document delivered in connection herewith or therewith and that said resolutions have not been amended and are in full force and effect on the date of such certificate, (C) as to the incumbency and specimen signatures of each officer or other authorized person of the Borrower executing this Agreement, the Note and the Security Agreement or any other document delivered in connection herewith or therewith and (D) certifying as to the names and respective jurisdictions of organization of all Subsidiaries of the Borrower existing on the Closing Date.

All company and legal proceedings and instruments and agreements relating to the transactions contemplated by this Agreement or in any other document delivered in connection therewith shall be satisfactory in form and substance to the Bank and its counsel, and the Bank

shall have received all information and copies of all documents and papers, including records of company proceedings, governmental approvals, good standing certificates and bring-down telegrams, if any, which the Bank reasonably may have requested in connection therewith, such documents and papers where appropriate to be certified by proper company or governmental authorities.

(h) Perfection of Security Interests; Search Reports. On or prior to the Closing Date, the Bank shall have received:

(i) a Perfection Certificate of the Borrower, substantially in the form of Exhibit A to the Security Agreement;

(ii) appropriate Financing Statements (Form UCC-1 or such other financing statements or similar notices as shall be required by local law) fully executed for filing under the Uniform Commercial Code or other applicable local law of each jurisdiction in which the filing of a financing statement or giving of notice may be required, or reasonably requested by the Bank, to perfect the security interests purported to be created by the Loan Documents;

(iii) copies of reports from Prentice-Hall Financial Services or other independent search service reasonably satisfactory to the Bank listing all effective financing statements that name the Borrower (under its present name and any previous name and, if requested by the Bank, under any trade names) as debtor or seller that are filed in the jurisdictions referred to in clause (i) above, together with copies of such other financing statements (none of which shall cover the Collateral except to the extent evidencing Permitted Liens or for which the Bank shall have received termination statements (Form UCC-3) or such other termination statements as shall be required by local law) fully executed for filing; and

(iv) evidence of the completion of all other filings and recordings of, or with respect to, the Loan Documents as may be necessary or, in the opinion of the Bank, desirable to perfect the security interests intended to be created by the Loan Documents.

(i) Closing Date Borrowing Base Certificate. On the Closing Date, the Borrower shall have delivered to the Bank its initial Borrowing Base Certificate meeting the requirements of Section 5.01(f).

(j) Payment of Fees. All reasonable costs, fees and expenses due to the Bank on or before the Closing Date (including, without limitation, legal fees and expenses) shall have been paid.

(k) Counsel Fees. The Bank shall have received payment from the Borrower of the reasonable fees and expenses of McGuire, Woods, Battle & Boothe, LLP described in Section 8.03 which are billed through the Closing Date.

The Bank shall promptly notify the Borrower of the Closing Date, and such notice shall be conclusive and binding on all parties hereto. The documents referred to in this Section shall be delivered to the Bank no later than the Closing Date. The certificates and opinion referred to in this Section shall be dated the Closing Date.

(l) CIGNA Agreements. The Bank shall have received a certificate of the appropriate officer or other authorized person of the Borrower dated the Closing Date and certifying (A) that attached thereto are true, correct and complete copies of the CIGNA Agreements, and (B) that the documents referred to in clause (A) above have not been amended since the date of said certificate.

Section 3.02 Conditions to All Loans. The obligation of the Bank to make each Loan is subject to the satisfaction of the following conditions:

(i) the fact that the Closing Date shall have occurred;

(ii) the fact that, immediately after the making of such Loan, the aggregate outstanding principal amount of all Loans shall not exceed the lesser of (A) the Commitment and (B) the Borrowing Base;

(iii) the fact that, immediately before and after the making of such Loan, no Default shall have occurred and be continuing;

(iv) the fact that the representations and warranties of the Borrower contained in this Agreement shall be true on and as of the date of such Loan; and

(v) (A) the Bank shall in good faith have determined that its prospect of receiving payment in full of the Obligations then outstanding or its ability to exercise its rights and remedies hereunder and under the other Loan Documents have not been impaired, (B) no event or condition shall have occurred since the Effective Date which has or could reasonably be expected to have a Material Adverse Effect or (C) the Bank shall not reasonably suspect that one or more Events of Default have occurred.

Each Loan hereunder shall be deemed to be a representation and warranty by the Borrower on the date of such Loan as to the facts specified in clauses (iii) and (iv) of this Section.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants that:

Section 4.01 Existence and Power. The Borrower is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware, and has all powers and all material governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted. Each of the Subsidiaries is duly organized, validly existing and in good standing under the laws of the state of its organization and has all powers and all material governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted. Each of the Borrower and the Subsidiaries is duly qualified as a foreign entity, licensed and in good standing in each jurisdiction where qualification or licensing is required by the nature of its business or the character and location of its property, business or customers and in which the failure to so qualify or be licensed, as the case may be, in the aggregate, could have a Material Adverse Effect.

Section 4.02 Company and Govermmental Authorization; No Contravention. The execution, delivery and performance by the Borrower of the Loan Documents to which it is a party are within the limited liability company powers of the Borrower, have been duly authorized by all necessary company action, require no action by or in respect of, or filing with, any governmental body, agency or official (except for any such action or filing as shall have been taken or made and that is in full force and effect from and after the Closing Date) and do not contravene, or constitute (with or without the giving of notice or lapse of time or both) a default under, any provision of applicable law or of the organizational documents of the Borrower or any Subsidiary or of any agreement, judgment, injunction, order, decree or other instrument binding upon or affecting the Borrower or any Subsidiary or result in the creation or imposition of any Lien on any asset of the Borrower or any of its Subsidiaries.

Section 4.03 Binding Effect. Each Loan Document other than the Note to which the Borrower is a party constitutes a valid and binding agreement of the Borrower and the Note, when executed and delivered in accordance with this Agreement, will constitute a valid and binding obligation of the Borrower, in each case enforceable against the Borrower in accordance with its terms except in each case as such enforceability may be limited by bankruptcy, insolvency or similar laws affecting creditors' rights generally and by equitable principles of general applicability (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Section 4.04 Financial Condition.

(a) [Intentionally Deleted]

(b) Interim Financial Statements. The unaudited consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of September, 1996 and the related unaudited consolidated income statements for the month then ended, copies of which have been delivered to the Bank, fairly present, in conformity with generally accepted accounting principles applied on a basis consistent with the financial statements referred to in subsection (a) of this Section, the consolidated financial position of the Borrower and its Consolidated Subsidiaries as of such date and their consolidated results of operations and changes in financial position for such twelve-month period (subject to normal year-end audit adjustments).

(c) Material Adverse Change. Since September, 1996 there has been no material adverse change in condition (financial or otherwise), results of operations, properties, assets, business or prospects of the Borrower or of the Borrower and its Consolidated Subsidiaries, considered as a whole.

Section 4.05 Litigation. Except as set forth on Schedule 4.05, ther is no material action, suit, proceeding or investigation pending against, or to the knowledge of the Borrower threatened against, contemplated or affecting, the Borrower or any of its Subsidiaries before any court, arbitrator or any governmental body, agency or official which has, or could reasonably be expected to have, a Material Adverse Effect, or which in any manner draws into question the validity or enforceability of this Agreement or the Note, and there is no basis known to the Borrower or any of its Subsidiaries for any such action, suit, proceeding or investigation.

Section 4.06 Regulation U; Use of Proceeds. The Borrower and its Subsidiaries do not own any "margin stock" as such term is defined in Regulation U. The proceeds of the Loans will be used by the Borrower only for the purposes set forth in Section 5.16 hereof.

Section 4.07 Regulatory Restrictions on Borrowing. Neither the Borrower nor any of its Subsidiaries is an "investment company" within the meaning of the Investment Company Act of 1940, as amended, a "holding company" within the meaning of the Public Utility Holding Company Act of 1935, as amended, or otherwise subject to any regulatory scheme which restricts its ability to incur debt.

Section 4.08 Subsidiaries. Part I of Schedule 4.08 (as such Schedule may be supplemented by a writing delivered by the Borrower to the Bank from time to time after the Effective Date) hereto lists each Subsidiary of the Borrower (and the direct and indirect ownership interests of the Borrower therein), in each case existing on the Effective Date. Except as set forth on Part 1 of such Schedule 4.08, each such Subsidiary existing on the date hereof is, and, in the case of any additional corporate Subsidiaries formed after the Effective Date, each of such additional corporate Subsidiaries will be at each time that this representation is made or deemed to be made after the Effective Date, a wholly-owned Subsidiary that is a corporation duly incorporated, validly existing and, to the extent relevant in such jurisdiction, in good standing under the laws of its jurisdiction of incorporation, and has all corporate powers

and all material governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted. Except as listed on Part 2 of Schedule 4.08 (as such Schedule may be supplemented by a writing delivered by the Borrower to the Bank from time to time after the Effective Date), neither the Borrower nor any of its Subsidiaries is engaged in any joint venture or partnership with any other Person.

Section 4.09 Full Disclosure. All factual information (taken as a whole) furnished by or on behalf of the Borrower or any of its Subsidiaries in writing to the Bank for purposes of or in connection with this Agreement or any transaction contemplated hereby is true and accurate in all material respects on the date as of which such information is dated or certified and is not incomplete by omitting to state any material fact necessary to make such information (taken as a whole) not misleading at such time in light of the circumstances under which such information was provided. Except for economic trends generally known to the public affecting generally the industry in which the Borrower and its Subsidiaries conduct their business, the Borrower has disclosed to the Bank in writing any and all facts which materially and adversely affect or may materially and adversely affect (to the extent the Borrower can now reasonably foresee), the business, operations or financial condition of the Borrower and its Consolidated Subsidiaries, taken as a whole, or the ability of the Borrower to perform its obligations under this Agreement.

Section 4.10 Tax Returns and Payments. Each of the Borrower and its Subsidiaries has filed all United States Federal income tax returns and all other material tax returns, domestic and foreign, required to be filed by it and has paid all taxes and assessments payable by it which have become due pursuant to such returns or pursuant to any assessment received by the Borrower or any Subsidiary, other than those not yet delinquent and except for those contested in good faith. Each of the Borrower and its Subsidiaries has paid, or has provided adequate reserves (in good faith judgment of the management of the Borrower) for the payment of, all federal, state and foreign income taxes applicable for all prior fiscal years and for the current fiscal year to the date hereof.

Section 4.11 Compliance with ERISA. Each member of the ERISA Group has fulfilled its obligations under the minimum funding standards of ERISA and the Internal Revenue Code with respect to each Plan and is in compliance in all material respects with the presently applicable provisions of ERISA and the Internal Revenue Code with respect to each Plan. No member of the ERISA Group has (i) sought a waiver of the minimum funding standard under Section 412 of the Internal Revenue Code in respect of any Plan, (ii) failed to make any contribution or payment to any Plan or Multiemployer Plan or in respect of any Benefit Arrangement, or made any amendment to any Plan or Benefit Arrangement, which has resulted or could result in the imposition of a Lien or the posting of a bond or other security under ERISA or the Internal Revenue Code or (iii) incurred any liability under Title IV of ERISA other than a liability to the PBGC for premiums under Section 4007 of ERISA.

Section 4.12 Intellectual Property. Each of 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 their respective 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, except as set forth on Schedule 4.12, 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 4.13 No Burdensome Restrictions. No contract, lease, agreement or other instrument to which the Borrower or any of its Subsidiaries is a party or by which any of its property is bound or affected, no charge, corporate restriction, judgment, decree or order and no provision of applicable law or governmental regulation has had or is reasonably expected to have a Material Adverse Effect.

Section 4.14 Environmental Matters. In the ordinary course of its business, the Borrower conducts an ongoing review of the effect of Environmental Laws on the business, operations and properties of the Borrower and its Subsidiaries, in the course of which it identifies and evaluates associated liabilities and costs (including, without limitation, any capital or operating expenditures required for clean-up or closure of properties presently or previously owned, any capital or operating expenditures required to achieve or maintain compliance with environmental protection standards imposed by law or as a condition of any license, permit or contract, any related constraints on operating activities, including any periodic or permanent shutdown of any facility or reduction in the level of or change in the nature of operations conducted at any such facility, any costs or liabilities in connection with off-site disposal of wastes or Hazardous Substances, and any actual or potential liabilities to third parties, including employees, and any related costs and expenses). On the basis of this review, the Borrower has reasonably concluded that such associated liabilities and costs, including the costs of compliance with Environmental Laws, are unlikely to have a material adverse effect on the business, financial condition, results of operations or prospects of the Borrower and its Consolidated Subsidiaries, considered as a whole.

Section 4.15 Accounts. With respect to each Account, all records, papers and documents relating thereto (if any) are genuine and in all respects what they purport to be, and all papers and documents (if any) relating thereto: (i) represent legal, valid and binding obligations of the respective Account Debtor, subject to adjustments customary in the business of the Borrower, with respect to unpaid indebtedness incurred by such Account Debtor in respect of the performance of labor or services or the sale or lease and delivery of the merchandise listed therein, or both, (ii) are the only original writings evidencing and embodying such obligation of the Account Debtor named therein (other than copies created for general accounting

purposes) and are in compliance with all applicable federal, state and local laws and applicable laws of any relevant foreign jurisdiction.

ARTICLE V
COVENANTS

The Borrower agrees that, so long as the Bank has any Commitment hereunder or any Obligation remains unpaid:

Section 5.01 Information. The Borrower will deliver or cause to be delivered to the Bank:

(a) Annual Financial Statements. As soon as available and in any event within 90 days after the end of each fiscal year of the Borrower, a consolidated and consolidating balance sheet of the Borrower and its Consolidated Subsidiaries as of the end of such fiscal year and the related consolidated and consolidating statements of income, changes in members' equity and cash flows for such fiscal year, setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail and accompanied by an opinion thereon by Ernst & Young, LLP or other independent public accountants reasonably satisfactory to the Bank, which opinion shall not be qualified as to the scope of the audit and which shall state that such consolidated financial statements present fairly the consolidated financial position of the Borrower and its Consolidated Subsidiaries as of the date of such financial statements and the results of their operations for the period covered by such financial statements in conformity with generally accepted accounting principles applied on a consistent basis (except for changes in the application of which such accountants concur) and shall not contain any "going concern" or like qualification or exception or qualification arising out of the scope of the audit.

(b) Monthly Financial Statements. As soon as available and in any event within 15 days after the end of each of the first eleven months of each fiscal year of the Borrower a consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of the end of such fiscal month (with all supporting schedules) and the related consolidated statements of income, changes in members' equity and cash flows of the Borrower and its Consolidated Subsidiaries for such month, setting forth in each case in comparative form the figures for the corresponding month of the Borrower's previous fiscal year, all certified (subject to normal year-end audit adjustments) as to fairness of presentation, generally accepted accounting principles and consistency by the chief financial officer or chief accounting officer of the Borrower.

(c) Officer's Certificate. Simultaneously with the delivery of each set of financial statements referred to in subsections (a) and (b) above, a certificate of the chief financial officer or chief accounting officer of the Borrower, (i) if applicable, setting forth in reasonable detail the calculations required to establish whether the Borrower was in compliance

with the requirements of Sections 5.18 through 5.20, on the date of such financial statements, (ii) setting forth in reasonable detail the business outlook and performance of the Borrower and its Consolidated Subsidiaries as of the date of such certificate, (iii) stating whether there exists on the date of such certificate any Default and, if any Default then exists, setting forth the details thereof and the action which the Borrower is taking or proposes to take with respect thereto, and (iv) stating whether, since the date of the most recent previous delivery of financial statements pursuant to subsections (a) and (b) of this Section, there has been any material adverse change in the condition (financial or otherwise), results of operations, properties, assets, business or prospects of the Borrower or of the Borrower and its Consolidated Subsidiaries, considered as a whole, and, if so, the nature of such material adverse change.

(d) Accountant's Certificate. Simultaneously with the delivery of
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each set of financial statements referred to in subsection (a) above, a statement of the firm of independent public accountants which reported on such statements (x) whether anything has come to their attention to cause them to believe that any Default existed on the date of such statements and (y) confirming the calculations set forth in the officer's certificate delivered simultaneously therewith pursuant to subsection (d) above.

(e) Borrowing Base Certificate. Upon receipt of a notice from the
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Bank that a Loan has been made, a Borrowing Base Certificate executed by the chief financial officer or chief accounting officer of the Borrower setting forth the Borrowing Base as of the date of receipt of said notice. Once a Loan has been made, the Borrower shall submit a Borrowing Base Certificate at least monthly, within 10 days after the end of each calendar month, until such time as the outstanding principal balance of the Loans has been reduced to Zero Dollars ($0.00) and such balance has been maintained for thirty (30) consecutive days, and shall resume in accordance herewith upon the next following Loan.

(f) Accounts Receivables Agings. As soon as available and in any
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event within 15 days after the end of each calendar month:

(A) a report listing all Accounts of the Borrower as of the last Business Day of such month, which report shall include the amount and age of each Account, the name and mailing address of each Account Debtor and such other information as the Bank may reasonably require in order to verify the Eligible Accounts, all in reasonable detail and in form reasonably satisfactory to the Bank;

(B) a report listing all Inventory of the Borrower as of the last Business Day of such month, which shall include the cost and location thereof and such other information as the Bank may reasonably require in order to verify the Eligible Inventory, all in reasonable detail and in form reasonably satisfactory to the Bank; and

(C) a report listing all accounts payable of the Borrower in reasonable detail and in form reasonably satisfactory to the Bank.

(g) Default. Forthwith upon the occurrence of any Default, a certificate of the chief financial officer or chief accounting officer of the Borrower setting forth the details thereof and the action which the Borrower is taking or proposes to take with respect thereto.

(h) Litigation. As soon as reasonably practicable after obtaining knowledge of the commencement of, or of a material threat of the commencement of, an action, suit, proceeding or investigation against the Borrower or any of its Subsidiaries which could materially adversely affect the condition (financial or otherwise), results of operations, properties, assets, business or prospects of the Borrower and its Consolidated Subsidiaries, considered as a whole, or could otherwise have a Material Adverse Effect or which in any manner questions the validity of this Agreement or any of the other transactions contemplated hereby or thereby, an explanation of the nature of such pending or threatened action, suit, proceeding or investigation and such additional information as may be reasonably requested by the Bank.

(i) Auditors' Management Letters. Promptly upon receipt thereof, copies of each report submitted to the Borrower or any of its Consolidated Subsidiaries by independent public accountants in connection with any annual, interim or special audit made by them of the books of the Borrower or any of its Consolidated Subsidiaries including, without limitation, each report submitted to the Borrower or any of its Consolidated Subsidiaries concerning its accounting practices and systems and any final comment letter submitted by such accountants to management in connection with the annual audit of the Borrower and its Consolidated Subsidiaries.

(j) Tax Returns. Within 10 days after filing, copies of all federal, state and local income tax returns filed by the Borrower or any Subsidiary.

(k) ERISA Matters. If and when any member of the ERISA Group (i) gives or is required to give notice to the PBGC of any "reportable event" (as defined in Section 4043 of ERISA) with respect to any Plan which might constitute grounds for a termination of such Plan under Title IV of ERISA, or knows that the plan administrator of any Plan has given or is required to give notice of any such reportable event, a copy of the notice of such reportable event given or required to be given to the PBGC; (ii) receives notice of complete or partial withdrawal liability under Title IV of ERISA or notice that any Multiemployer Plan is in reorganization, is insolvent or has been terminated, a copy of such notice; (iii) receives notice from the PBGC under Title IV of ERISA of an intent to terminate, impose liability (other than for premiums under Section 4007 of ERISA) in respect of, or appoint a trustee to administer any Plan, a copy of such notice; (iv) applies for a waiver of the minimum funding standard under Section 412 of the Internal Revenue Code, a copy of such application; (v) gives notice of intent to terminate any Plan under Section 4041(c) of ERISA, a copy of such notice and other

information filed with the PBGC; (vi) gives notice of withdrawal from any Plan pursuant to Section 4063 of ERISA, a copy of such notice; or (vii) fails to make any payment or contribution to any Plan or Multiemployer Plan or in respect of any Benefit Arrangement or makes any amendment to any Plan or Benefit Arrangement which has resulted or could reasonably be expected to result in the imposition of a Lien or the posting of a bond or other security, a certificate of the chief financial officer or the chief accounting officer of the Borrower setting forth details as to such occurrence and action, if any, which the Borrower or applicable member of the ERISA Group is required or proposes to take.

(l) Environmental Matters. Promptly, upon receipt of any complaint, order, citation, notice or other written communication from any Person with respect to, or upon the Borrower's obtaining knowledge of, (A) the existence or alleged existence of a violation of any applicable Environmental Law in connection with any property now or previously owned, leased or operated by the Borrower or any of its Subsidiaries, (B) any release on such property or any part thereof in a quantity that is reportable under any applicable Environmental Law and (C) any pending or threatened proceeding for the termination, suspension or non-renewal of any permit required under any applicable Environmental Law, in each case in which there is a reasonable likelihood of an adverse decision or determination which could result in a Material Adverse Effect.

(m) Other Information. From time to time such additional financial or other information regarding the condition (financial or otherwise), results of operations, properties, assets, business or prospects of the Borrower or any of its Subsidiaries as the Bank may reasonably request.

Section 5.02 Payment of Obligations. The Borrower will pay and discharge, and will cause each of its Subsidiaries to pay and discharge, as the same shall become due and payable, (i) all their respective obligations and liabilities, including all claims or demands of materialmen, mechanics, carriers, warehousemen, landlords and other like persons which, in any such case, if unpaid, might by law give rise to a Lien upon any of their properties or assets and (ii) all lawful taxes, assessments and charges or levies made upon their properties or assets, by any governmental body, agency or official, except where any of the items in clause (i) or (ii) of this Section 5.02 may be diligently contested in good faith by appropriate proceedings and the Borrower or such Subsidiary shall have set aside on its books, if required under generally accepted accounting principles, appropriate reserves for the accrual of any such items.

Section 5.03 Maintenance of Property; Insurance.

(a) Maintenance of Properties. The Borrower will keep, and will cause each of its Subsidiaries to keep, all property useful and necessary in their respective businesses in good working order and condition, subject to ordinary wear and tear.

(b) Insurance. The Borrower will maintain, and will cause each of its Subsidiaries to maintain, insurance with financially sound and responsible companies in such amounts (and with such risk retentions) and against such risks as is usually carried by owners of similar businesses and properties in the same general areas in which the Borrower and its Subsidiaries operate. The Borrower will deliver to the Bank upon request from time to time full information as to the insurance carried.

Section 5.04 Conduct of Business and Maintenance of Existence. The Borrower will continue, and will cause each of its Subsidiaries to continue, to engage in business of the same general type as now conducted by the Borrower and its Subsidiaries, and will preserve, renew and keep in full force and effect, and will cause each of its Subsidiaries to preserve, renew and keep in full force and effect, their respective corporate existence and their respective rights, privileges and franchises necessary or desirable in the normal conduct of business; provided that nothing in this Section 5.04 shall prohibit (i) the merger of a Subsidiary into the Borrower or the merger or consolidation of a Subsidiary with or into another Person if the corporation surviving such consolidation or merger is a Subsidiary and if, in each case, after giving effect thereto, no Default shall have occurred; or (ii) the change in the Borrower's form of business entity to a corporation taxed in accordance with Subchapter C of the Internal Revenue Code, provided that (A) such successor corporation shall expressly assume in a manner satisfactory to the Bank the due and punctual performance and observance of each covenant and obligation of the Borrower under this Agreement, the Note, and the other Loan Documents to which it is a party; and (B) the Loan Documents are modified accordingly to the satisfaction of the Bank.

Section 5.05 Compliance with Laws. The Borrower will comply, and will cause each of its Subsidiaries to comply, with all applicable laws, ordinances, rules, regulations, and requirements of governmental authorities (including, without limitation, Environmental Laws, ERISA and the rules and regulations thereunder) except (i) where the necessity of compliance therewith is contested in good faith by appropriate proceedings or (ii) where noncompliance could not reasonably be expected to have a Material Adverse Effect.

Section 5.06 Accounting: Inspection of Property, Books and Records. The Borrower will keep, and will cause each of its Subsidiaries to keep, proper books of record and account in which full, true and correct entries in conformity with generally accepted accounting principles shall be made of all dealings and transactions in relation to their respective businesses and activities, will maintain, and will cause each of its Subsidiaries to maintain, their respective fiscal reporting periods on the present basis and will permit, and will cause each of its Subsidiaries to permit, representatives of the Bank to visit and inspect any of their respective properties, to examine and make copies from any of their respective books and records and to discuss their respective affairs, finances and accounts with their officers, employees and independent public accountants, all at such reasonable times and as often as may reasonably be desired, but not more frequently than annually unless a Default has occurred. Notwithstanding the above, the Borrower shall be permitted to make adjustments to its books of record and

accounts as may be required or as may be requested by an audit or outside review, so long as the purpose of such adjustment is to bring said books or accounts into conformity with generally accepted accounting principles.

Section 5.07 Collection of Accounts. The Borrower shall use its best efforts to cause to be collected from each Account Debtor, as and when due, any and all amounts owing under or on account of each Account (including, without limitation, Accounts which are delinquent, such Accounts to be collected in accordance with lawful collection procedures) and shall apply forthwith upon receipt thereof all such amounts as are so collected to the outstanding balance of such Account. The Borrower may rescind or cancel any indebtedness or obligation evidenced by any Account, modify, make adjustments to, extend, renew, compromise or settle any material dispute, claim, suit or legal proceeding relating to or sell or assign any Account, or interest therein, provided that the Borrower obtains the written consent of the Bank prior to doing any of the foregoing (which consent shall not be unreasonably or untimely withheld or delayed) Notwithstanding the foregoing, subject to the rights of the Bank under the Loan Documents, unless a Default or an Event of Default shall have occurred and be continuing, the Borrower may allow in the ordinary course of business as adjustments to amounts owing under its Accounts (i) an extension or renewal of the time or times of payment, or settlement for less than the total unpaid balance, which the Borrower finds appropriate in accordance with sound business judgment and (ii) a refund or credit due as a result of discounts, over-billings and miscellaneous credits, all in accordance with the Borrower's ordinary course of business consistent with its historical collection practices. The reasonable costs and expenses (including, without limitation, reasonable attorneys' fees) of collection, whether incurred by the Borrower or the Bank, shall be borne by the Borrower. Upon the sale or assignment of any Account as allowed by this Section 5.07, the Bank will (as soon as reasonably practicable after receipt of notice from the Borrower requesting the same but at the expense of the Borrower) send the Borrower, for each jurisdiction in which a UCC financing statement is on file to perfect the security interests granted to the Bank hereunder, a termination statement to the effect that the Bank no longer claims a security interest under such financing statement.

Section 5.08 Notification to Account Debtors. Upon the effectiveness of this Agreement, the Borrower will promptly notify each Account Debtor in respect of any Account or Instrument that any payments due or to become due in respect of such Collateral are to be made in the name of the Borrower to such address and post office box as shall be specified by the Bank. Except as set forth in Section 3.04 of the Security Agreement, each such payment shall, upon receipt by the Bank, be deposited in the Operating Account in accordance with Section 2.08(c). In the event the Borrower, in good faith, fails to notify any Account Debtor as required hereby, the Borrower shall have 30 days from the earlier of (i) becoming aware of such failure, or (ii) being made aware of such failure, to comply with this Section. Upon the occurrence of a Default or an Event of Default, the Borrower will promptly notify (and the Borrower hereby authorizes the Bank so to notify) each Account Debtor in respect of any Account or Instrument that such Collateral has been assigned to the Bank and that any payments

due or to become due in respect of such Collateral are to be made directly to the Bank in accordance with Section 3.04 of the Security Agreement.

Section 5.09 Restriction on Liens. The Borrower will not, and will not permit any of its Subsidiaries to, create, incur, assume or suffer to exist any Lien upon or with respect to any Collateral, or sell any Collateral subject to an understanding or agreement, contingent or otherwise, to repurchase such Collateral (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 5.09 shall not prevent the creation, incurrence, assumption or existence of the following (with such Liens described below being herein referred to as "Permitted Liens"):

(i) Liens created by the Loan Documents;

(ii) Liens for taxes not yet due or Liens for taxes being contested in good faith and by appropriate proceedings for which adequate reserves (in the good faith judgment of the management of the Borrower) have been established; and

(iii) Liens imposed by law securing the charges, claims, demands or levies of carriers, warehousemen, mechanics and other like persons which were incurred in the ordinary course of business which (A) do not in the aggregate materially detract from the value of the property or assets subject to such Lien or materially impair the use thereof in the operation of the business of the Borrower or any Subsidiary or (B) are being contested in good faith by appropriate proceedings, which proceedings have the effect of preventing the forfeiture or sale of the property or assets subject to such lien.

Section 5.10 Limitation on Guarantees. Neither the Borrower nor any of its Subsidiaries shall Guarantee any Debt of any Person or Persons in excess of $100,000.00 in the aggregate at any time.

Section 5.11 [Intentionally Deleted]

Section 5.12 Consolidations, Mergers and Sales of Assets. The Borrower will not (i) consolidate or merge with or into any other Person or (ii) sell, lease or otherwise transfer, directly or indirectly, all or substantially all of the assets of the Borrower to any other Person or Persons; provided that 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 shall have occurred.

Section 5.13 Investments: Line of Business.

(a) Investments. Neither the Borrower nor any Subsidiary will hold, make or acquire any Investment in any Person, except:

(i) the Borrower and any Subsidiary may invest in cash and Cash Equivalents;

(ii) the Borrower and any Subsidiary may acquire and hold receivables owing to them, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;

(iii) the Borrower and any Subsidiary may acquire and own investments (including Debt obligations) received in connection with the bankruptcy or reorganization of suppliers and customers and in settlement of delinquent obligations of, and other disputes with, customers and suppliers arising in the ordinary course of business;

(iv) the Borrower may make loans and advances to any employees in the ordinary course of business, provided such loans and advances do not exceed at any time, in the aggregate, $50,000.00;

(b) Asset Acquisitions. The Borrower will not, and will not permit any of its Subsidiaries to, make any acquisition of assets outside the ordinary course of business.

(c) Joint Ventures and Similar Arrangements. The Borrower will not, and will not permit any of its Subsidiaries to, enter into any joint venture or partnership agreement or arrangement or any other agreement or arrangement with any Person involving the sharing of profits or joint or coordinated purchasing or distribution.

Section 5.14 Payments, etc. The Borrower will not, and will not permit any of its Subsidiaries to, make any distribution, dividend, payment or delivery of property or cash to its members as such, or redeem, retire, purchase or otherwise acquire, directly or indirectly, for a consideration, any membership or other interests or shares of any class of its capital stock now or hereafter outstanding (or any warrants for or options or stock appreciation rights in respect of any of such shares), or set aside any funds for any of the foregoing purposes, or permit any of its Subsidiaries to purchase or otherwise acquire for consideration any membership interest in the Borrower or any shares of capital stock or other interest in any other Subsidiary, as the case may be, now or hereafter outstanding (or any options or warrants or stock appreciation rights issued by such Person with respect to its capital stock), except that:

(i) any Subsidiary of the Borrower may pay Dividends to the Borrower; and

(ii) the Borrower may make any payments not prohibited by the CIGNA Agreements.

Section 5.15 Use of Proceeds. The proceeds of the Loans made under this Agreement will be used by the Borrower for permanent working capital financing of the Borrower's accounts receivable and inventory. No such use of the proceeds for general corporate purposes will be, directly or indirectly, for the purpose, whether immediate, incidental or ultimate, of buying or carrying any "margin stock" within the meaning of Regulation U.

Section 5.16 Transactions with Other Persons. The Borrower will not, and will not permit any of its Subsidiaries to, enter into any agreement with any Person whereby any of them shall agree to any restriction on the right of the Borrower or any of its Subsidiaries to amend or waive any of the provisions of this Agreement or any other Loan Document.

Section 5.17 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 the correlative percentage set forth below for the period indicated:

Period	Maximum Percentage
Closing Date through December 31, 1996	90%
January 1, 1997 through September 30, 1997	85%
October 1, 1997 through March 31, 1998	75%
April 1, 1998 through September 30, 1998	70%
October 1, 1998 through March 31, 1999	65%
April 1, 1999 through September 30, 1999	55%
October 1, 1999 and thereafter	50%

Section 5.18 Fixed Charge Coverage Ratio. The Borrower will not, as of the end of any fiscal quarter on or after the end of the fiscal quarter ending March 31, 1997, permit the Fixed Charge Coverage Ratio to be less than 2.0:1.0.

Section 5.19 Limitation on Operating Leases. The Borrower will not, and will not cause any Subsidiary to, enter into any operating lease at any time if the pro forma Fixed Charge Coverage Ratio giving effect to such operating lease during the most recent period used to determine compliance under Section 5.18 would be less than 2.0:1.0.

Section 5.20 Working Capital. [Intentionally Deleted]

Section 5.21 Independence of Covenants. All covenants contained herein shall be given independent effect so that if a particular action or condition is not permitted by any of such covenants, the fact that such action or condition would be permitted by an exception to, or otherwise be within the limitations of another covenant shall not avoid the occurrence of a Default if such action is taken or condition exists.

ARTICLE VI
DEFAULTS

Section 6.01 Events of Default. If one or more of the following events ("Events of Default") shall have occurred and be continuing:

(i) the Borrower shall fail to pay, within 5 days after the date when due, any principal, interest, fee, or any other amount payable hereunder or under the Note;

(ii) the Borrower shall fail to observe or perform any covenant contained in Article V (other than those contained in Sections 5.01 through 5.03);

(iii) the Borrower shall fail to observe or perform any covenant or agreement contained in this Agreement (other than those covered by clauses (i) or (ii) above) for 30 days after notice thereof has been given to the Borrower by the Bank;

(iv) any representation, warranty, certification or statement made by the Borrower in this Agreement or in any certificate, financial statement or other document delivered pursuant hereto or thereto shall prove to have been incorrect in any material respect when made;

(v) the Borrower or any Subsidiary shall fail to make any payment or perform any collateralization obligation in respect of any Material Financial Obligations when due or within any applicable grace period;

(vi) any event or condition shall occur which results in the acceleration of the maturity of any Material Debt of the Borrower or any Subsidiary or enables (or, with the giving of notice or lapse of time or both, would enable) the holder of such Material Debt or any Person acting on such holder's behalf to accelerate the maturity thereof;

(vii) the Borrower or any Subsidiary shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to

itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver,, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or shall take any corporate action to authorize any of the foregoing;

(viii) an involuntary case or other proceeding shall be commenced against the Borrower or any Subsidiary seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 90 days; or an order for relief shall be entered against the Borrower or any Subsidiary under the federal Bankruptcy laws as now or hereafter in effect;

(ix) any member of the ERISA Group shall fail to pay when due an amount or amounts aggregating in excess of $25,000 which it shall have become liable to pay under Title IV of ERISA; or notice of intent to terminate a Material Plan shall be filed under Title IV of ERISA by any member of the ERISA Group, any plan administrator or any combination of the foregoing; or the PBGC shall institute proceedings under Title IV of ERISA to terminate, to impose liability (other than for premiums under Section 4007 of ERISA) in respect of, or to cause a trustee to be appointed to administer any Material Plan; or a condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that any Material Plan must be terminated; or there shall occur a complete or partial withdrawal from, or default, within the meaning of Section 4219(c)(5) of ERISA, with respect to, one or more Multiemployer Plans which could reasonably be expected to cause one or more members of the ERISA Group to incur a current payment obligation in excess of $25,000;

(x) one or more judgments or orders for the payment of money in excess of $25,000 in the aggregate shall be rendered against the Borrower or any Subsidiary of the Borrower and such judgments or orders shall continue unsatisfied and unstayed for a period of 30 days; or

(xi) a Change of Control shall have occurred;

then, and in every such event, while such event is continuing, the Bank may (A) by notice to the Borrower terminate the Commitment and it shall thereupon terminate, and (B) by notice to the Borrower declare the Loans (together with accrued interest thereon) to be, and the Loans shall thereupon become, immediately due and payable without presentment, demand, protest or other notice of any kind (except as set forth in clause (A) above), all of which are hereby waived

by the Borrower; provided that in the case of any Default or any Event of Default specified in clause 6.1(vii) or 6.1(viii) above with respect to the Borrower, without any notice to the Borrower or any other act by the Bank, the Commitment shall thereupon terminate and the Loans (together with accrued interest and accrued and unpaid fees thereon) shall become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower.

ARTICLE VII
CHANGE IN CIRCUMSTANCES

Section 7.01 [Intentionally deleted]

Section 7.02 Illegality. If, on or after the date of this Agreement, the adoption of any applicable law, rule or regulation, or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by the Bank with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency shall make it unlawful or impossible for the Bank to make, maintain or fund Loans and the Bank shall so notify the Borrower, until the Bank notifies the Borrower that the circumstances giving rise to such suspension no longer exist, each Loan then outstanding which bears interest at the LIBOR-based Rate shall be converted immediately to a Base Rate Loan and all new Loans shall be Base Rate Loans.

Section 7.03 Increased Cost and Reduced Return.

(a) Increased Costs. If on or after the date hereof, the adoption of any applicable law, rule or regulation, or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by the Bank with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency:

(i) shall subject the Bank to any tax, duty or other charge with respect to its Loans, the Note or its obligation to make Loans, or shall change the basis of taxation of payments to the Bank of the principal of or interest on its Loans or any other amounts due under this Agreement in respect of its Loans or its obligation to make Loans (except for changes in the rate of tax on the overall net income of the Bank imposed by the jurisdiction in which the Bank's principal executive office is located); or

(ii) shall impose, modify or deem applicable any reserve (including, without limitation, any such requirement imposed by the Board of Governors of the

Federal Reserve System, but excluding any such requirement included in an applicable Euro-Dollar Reserve Percentage, special deposit, insurance assessment or similar requirement against assets of, deposits with or for the account of, letters of credit issued or participated in by, or other credit extended by, the Bank or shall impose on the Bank or on the United States market for certificates of deposit or the London interbank market any other condition affecting its Loans, the Note or its obligation to make Loans;

and the result of any of the foregoing is to increase the cost to the Bank of making or maintaining any Loan, or to reduce the amount of any sum received or receivable by the Bank under this Agreement or under the Note with respect thereto, by an amount deemed by the Bank to be material, then, until the Bank notifies the Borrower that the circumstances giving rise to such increased costs no longer exist, each Loan then outstanding which bears interest at the LIBOR-based Rate shall be converted immediately to a Base Rate Loan and all new Loans shall be Base Rate Loans.

(b) Capital Adequacy. If the Bank shall have determined
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that, after the date hereof, the adoption of any applicable law, rule or regulation regarding capital adequacy, or any change in any such law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on capital of the Bank (or its Parent) as a consequence of the Bank's obligations hereunder to a level below that which the Bank could have achieved but for such adoption, change, request or directive (taking into consideration its policies with respect to capital adequacy) by an amount deemed by the Bank to be material, then, until the Bank notifies the Borrower that the circumstances giving rise to such law, rule, regulation no longer exist, each Loan then outstanding which bears interest at the LIBOR-based Rate shall be converted immediately to a Base Rate Loan and all new Loans shall be Base Rate Loans.

(c) Notices. The Bank will promptly notify the Borrower
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of any event of which it has knowledge, occurring after the date hereof, that will entitle the Bank to convert the Loans pursuant to this Section. A certificate of the Bank asserting its right to do so under this Section and setting forth in reasonable detail the circumstances giving rise to such action hereunder shall be conclusive in the absence of manifest error.

Section 7.04 Base Rate Loans Substituted for Affected LIBOR-
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based Loans. Upon the occurrence of any event or condition set forth in Section
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7.02 or 7.03, each Loan then outstanding which bears interest at the LIBOR-based Rate shall be converted immediately to a Base Rate Loan and all new Loans shall be Base Rate Loans. If the Bank notifies the Borrower that the circumstances giving rise to such change in interest rate no longer apply, the principal amount of each such Base Rate Loan shall cease immediately to constitute a Base Rate Loan and shall thereafter bear interest in accordance with Section 2.05(a).

ARTICLE VIII
MISCELLANEOUS

Section 8.01 Notices. Unless otherwise specified herein, all notices, requests and other communications to a party hereunder shall be in writing (including bank wire, telex, facsimile transmission or similar writing) and shall be given to such party: (i) at its address, facsimile number or telex number set forth on the signature pages hereof, or (ii) at such other address, facsimile number or telex number as such party may hereafter specify for the purpose of communication hereunder by notice to the other party hereto. Each such notice, request or other communication shall be effective (i) if given by telex, when such telex is transmitted to the telex number specified in this Section and the appropriate answer back is received, (ii) if given by facsimile transmission, when transmitted to the facsimile number specified in this Section and confirmation of receipt is received, (iii) if given by mail, 72 hours after such communication is deposited in the mails, certified mail, return receipt requested, with appropriate first class postage prepaid, addressed as specified in this Section or (iv) if given by any other means, when delivered at the address specified in this Section 8.01. Rejection or refusal to accept, or the inability to deliver because of a changed address of which no notice was given shall not affect the validity of notice given in accordance with this Section.

Section 8.02 No Waivers. No failure by either party to exercise, no course of dealing with respect to, and no delay in exercising any right, power or privilege hereunder or under the Note shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies provided herein shall be cumulative and not exclusive of any rights or remedies provided by law.

Section 8.03 Expenses. The Borrower shall pay (i) all reasonable out-of-pocket expenses of the Bank, including reasonable fees and disbursements of special and local counsel for the Bank, in connection with the preparation and administration of this Agreement and the other Loan Documents, any waiver or consent thereunder or any amendment thereof or any Default or alleged Default thereunder and (ii) if an Event of Default occurs, all reasonable out-of-pocket expenses incurred by the Bank, including (without duplication) the reasonable fees and disbursements of outside counsel, in connection with such Event of Default and collection, bankruptcy, insolvency and other enforcement proceedings resulting therefrom.

Section 8.04 Amendments and Waivers. Any provision of this Agreement or the Notes may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by the Borrower and the Bank.

Section 8.05 Successors and Assigns. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and

assigns, except that the Borrower may not assign or otherwise transfer any of its rights under this Agreement without the prior written consent of the Bank.

Section 8.06 Governing Law. This Agreement and the Note shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia.

Section 8.07 Arbitration: Submission to Jurisdiction.

(a) Upon demand of any party hereto, whether made before or after institution of any judicial proceeding, any dispute, claim or controversy arising out of, connected with or relating to this Agreement, the Note or any other Loan Document ("Disputes") between parties to this Agreement shall be resolved by binding arbitration as provided herein. Institution of a judicial proceeding by a party does not waive the right of that party to demand arbitration hereunder. Disputes may include, without limitation, tort claims, counterclaims, disputes as to whether a matter is subject to arbitration, claims brought as class actions, claims arising from loan documents executed in the future, or claims arising out of or connected with the transaction reflected by this Agreement.

Arbitration shall be conducted under and governed by the Commercial Financial Disputes Arbitration Rules (the "Arbitration Rules") of the American Arbitration Association (the "AAA") and Title 9 of the U.S. Code. All arbitration hearings shall be conducted in the city in which is located the office of the Bank identified in Section 8.01 as the place where notices are to be sent to the Bank. The expedited procedures set forth in Rule 51 et seq. of the Arbitration Rules shall be applicable to claims of less than $1,000,000. All applicable statutes of limitation shall apply to any Dispute. A judgment upon the award may be entered in any court having jurisdiction. The panel from which all arbitrators are selected shall be comprised of licensed attorneys. The single arbitrator selected for expedited procedure shall be a retired judge from the highest court of general jurisdiction, state or federal, of the state where the hearing will be conducted or if such person is not available to serve, the single arbitrator may be a licensed attorney. Notwithstanding the foregoing, this arbitration provision does not apply to disputes under or related to Derivatives Obligations.

(b) Notwithstanding the preceding binding arbitration provisions, the Bank and the Borrower agree to preserve, without diminution, certain remedies that any party hereto may employ or exercise freely, independently or in connection with an arbitration proceeding or after an arbitration action is brought. The Bank and the Borrower shall have the right to proceed in any court of proper jurisdiction or by self-help to exercise or prosecute the following remedies, as applicable: (i) all rights to foreclose against any real or personal property or other security by exercising a power of sale granted under any Loan Document or under applicable law or by judicial foreclosure and sale, including a proceeding to confirm the sale; (ii) all rights of self-help including peaceful occupation of real property and collection of rents, set-off, and peaceful possession of personal property; (iii) obtaining provisional or ancillary remedies including injunctive relief, sequestration, garnishment, attachment, appointment of receiver and filing an

involuntary bankruptcy proceeding; and (iv) when applicable, a judgment by confession of judgment. Preservation of these remedies does not limit the power of an arbitrator to grant similar remedies that may be requested by a party in a Dispute.

The Borrowers and the Bank agree that they shall not have a remedy of punitive or exemplary damages against the other in any Dispute and hereby waive any right or claim to punitive or exemplary damages they have now or which may arise in the future in connection with any Dispute whether the Dispute is resolved by arbitration or judicially.

(c) Any legal action or proceeding with respect to this Agreement, the Note or any other Loan Document or any document related hereto or thereto may be brought in the courts of the Commonwealth of Virginia or of the United States of America for the Western District of Virginia, and by execution and delivery of this Agreement the Borrower hereby accepts for itself and in respect of its property, generally and unconditionally, the nonexclusive jurisdiction of the aforesaid courts. The Borrower hereby irrevocably and unconditionally waives any objection, including without limitation, any objection to the laying of venue or based on the grounds of the forum non conveniens which it now or hereafter may have to the bringing of any action or proceeding in such respective jurisdictions. Service of process in any such case may be had against the Borrower by delivery in accordance with the notice provisions herein or as otherwise permitted by law, and the Borrower agrees that such service shall be valid in all respects for establishing personal jurisdiction over it.

Section 8.08 Counterparts; Integration; Effectiveness. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. Each of this Agreement, the Note and the other Loan Documents shall be deemed to incorporate the other of said documents by reference and all of said documents shall constitute the entire agreement and understanding among the parties hereto and supersede any and all prior agreements and understandings, oral or written, relating to the subject matter hereof. This Agreement shall become effective upon receipt by the Bank of counterparts hereof signed by each of the parties hereto.

Section 8.09 Confidentiality. The Bank agrees to hold all non-public information obtained pursuant to the requirements of this Agreement in accordance with its customary procedure for handling confidential information of this nature and in accordance with safe and sound banking practices, provided that nothing herein shall prevent any Bank from disclosing such information (i) to any other Person if reasonably incidental to the administration of the Loans, (ii) upon the order of any court or administrative agency, (iii) upon the request or demand of any regulatory agency or authority, (iv) which had been publicly disclosed other than as a result of a disclosure by the Bank prohibited by this Agreement, (v) in connection with any litigation to which the Bank or its subsidiaries or parent may be a party, (vi) to the extent necessary in connection with the exercise of any remedy hereunder and (vii) to the Bank's legal counsel and independent auditors.

Section 8.10 Severability; Modification. If any provision hereof is invalid or unenforceable in any jurisdiction, then, to the fullest extent permitted by law, (i) the other provisions hereof shall remain in full force and effect in such jurisdiction; and (ii) the invalidity or unenforceability of any provision hereof in any jurisdiction shall not affect the validity or enforceability of such provisions in any other jurisdiction. If, in accordance with an opinion of counsel to the Borrower reasonably satisfactory to the Bank (and obtained at the Borrower's expense), compliance with any provision hereof or of any other Loan Document would constitute a "Default" as defined under the CIGNA Agreements, then said provision of this Agreement shall be amended to the extent necessary, as set forth in said opinion, to remove said Default, and the other provisions hereof shall remain in full force and effect and shall be liberally construed in favor of the Bank in order to carry out the intentions of the parties hereto as nearly as may be possible.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

TREX COMPANY, LLC

20 South Cameron Street
Winchester, Virginia 22601
Facsimile No.:

By: /s/ Anthony J. Cavanna

Anthony J. Cavanna, Chief Executive Officer

FIRST UNION NATIONAL BANK OF VIRGINIA

Commercial Banking
201 North Loudoun Street
Winchester, Virginia 22601
Facsimile No.: (540) 665-6672

By: /s/ George G. Ball

George G. Ball, III, Vice President

EXHIBIT B

Form of Note

Roanoke, Virginia
_____, 1996

For value received, TREX COMPANY, LLC, a Delaware limited liability company (the "Borrower"), promises to pay to the order of FIRST UNION NATIONAL BANK OF VIRGINIA (the "Bank") the unpaid principal amount of each Loan made by the Bank to the Borrower pursuant to the Credit Agreement referred to below on the maturity date provided for in the Credit Agreement. The Borrower promises to pay interest on the unpaid principal amount of each such Loan on the dates and at the rate or rates provided for in the Credit Agreement. All such payments of principal and interest shall be made in accordance with the provisions of the Credit Agreement.

All Loans made by the Bank and all repayments of the principal thereof shall be recorded by the Bank and, if the Bank so elects in connection with any transfer or enforcement hereof, appropriate notations to evidence the foregoing information with respect to each Loan then outstanding shall be endorsed by the Bank on the schedule attached to and made a part hereof, provided that the failure of the Bank to make any such recordation or endorsement shall not affect the obligations of the Borrower hereunder or under the Credit Agreement.

This note is the Note referred to in the Credit Agreement dated as of between the Borrower and the Bank (as the same may be amended from time to time, the "Credit Agreement"). Terms defined in the Credit Agreement are used herein with the same meanings. Reference is made to the Credit Agreement for provisions for the mandatory and optional prepayment hereof and the acceleration of the maturity hereof.

TREX COMPANY, LLC

By:

Name:
Title:

Definitions Appendix

The definitions set forth in this Definitions Appendix are incorporated by reference into Section 1.01 of the Credit Agreement dated as of December 10, 1996 between Trex Company, LLC and First Union National Bank of Virginia (as the same may be amended, modified or supplemented from time to time, the "Credit Agreement"). Reference in this Definitions Appendix to "this Agreement", "herein", "hereof", "hereunder" and to any Article or Section shall be interpreted to mean the Credit Agreement and the referenced Article or Section, including this Definitions Appendix.

Definitions

"A/R Turnover" means, as of the last day of any calendar month, the aggregate Net Unpaid Balance of all Eligible Accounts as of said day, divided by the Net Monthly Sales for said month, multiplied by 30, the result to be expressed as a number of days.

"Accounts" means all "accounts" (as defined in the UCC) now owned or hereafter acquired by the Borrower, and shall also mean and include all accounts receivable, contract rights, book debts, notes, drafts and other obligations or indebtedness owing to the Borrower arising from the sale, lease or exchange of goods or other property by it and/or the performance of services by it (including, without limitation, any such obligation which might be characterized as an account, contract right or general intangible under the Uniform Commercial Code in effect in any jurisdiction) and all of the Borrower's rights in, to and under all purchase orders for goods, services or other property, and all of the Borrower's rights to any goods, services or other property represented by any of the foregoing (including returned or repossessed goods and unpaid seller's rights of rescission, replevin, reclamation and rights to stoppage in transit) and all monies due to or to become due to the Borrower under all contracts for the sale, lease or exchange of goods or other property and/or the performance of services by it (whether or not yet earned by performance on the part of the Borrower), in each case whether now in existence or hereafter arising or acquired including, without limitation, the right to receive the proceeds of said purchase orders and contracts and all collateral security and guarantees of any kind given by any Person with respect to any of the foregoing.

"Account Debtor" means, with respect to any Account, any Person obligated to make payment thereunder, including, without limitation, any account debtor thereon.

"Adjusted Consolidated Net Income" means, with reference to any period, the net income (or loss) of the Borrower and its Subsidiaries for such period (taken as a cumulative whole), as determined in accordance with GAAP, 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, provided that there shall be excluded:

(i) the income (or loss) of any Person accrued prior to the date it becomes a Subsidiary or is merged into or consolidated with the Borrower or a Subsidiary, and the income (or loss) of any Person, substantially off of the assets of which have been acquired in any manner, realized by such other Person prior to the date of acquisition,

(ii) the income (or loss) of any Person (other than a Subsidiary) in which the Borrower or any Subsidiary has an ownership interest, except to the extent that any such income has been actually received by the Borrower or such Subsidiary in the form of cash dividends or similar cash distributions,

(iii) the undistributed earnings of any Subsidiary to the extent that the declaration or payment of dividends of similar distributions by such Subsidiary is not at the time permitted by the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Subsidiary,

(iv) any restoration to income of any contingency reserve, except to the extent that provision for such reserve was made out of income accrued during such period,

(v) any aggregate net gain (but not any aggregate net loss) during such period arising from the sale, conversion, exchange or other disposition of capital assets (such term to include, without limitation, (A) all non-current assets and, without duplication, (B) the following, whether or not current: all fixed assets, whether tangible or intangible, all inventory sold in conjunction with the disposition of fixed assets, and all securities),

(vi) any gains resulting from any write-up of any assets (but not any loss resulting from any write-down of any assets),

(vii) any net gain from the collection of the proceeds of life insurance policies,

(viii) any gain arising from the acquisition of any security, or the extinguishment, under GAAP, of any Debt, of the Borrower or any Subsidiary,

(ix) any net income or gain (but not any loss) during such period from (A) any change in accounting principles in accordance with GAAP, (B) any prior period adjustments resulting from any change in accounting principles in accordance with GAAP, (C) any extraordinary items, or (D) any discontinued operation or the disposition thereof,

(x) any deferred credit representing the excess of equity in any Subsidiary at the date of acquisition over the cost of the investment in such Subsidiary,

(xi) in the case of a successor to the Borrower by consolidation or merger or as a transferee of its assets, any earnings of the successor corporation prior to such consolidation, merger or transfer of assets, and

(xii) any portion of such net income that cannot be freely converted into United States Dollars.

"Adjusted London Interbank Offered Rate" has the meaning set forth in Section 2.05(a).

"Advance Rate Percentage" means, for any calendar month, (i) 90%, if the A/R Turnover for the immediately preceding calendar month was 25 days or less and (ii) 80%, if the A/R Turnover for the immediately preceding calendar month was more than 25 days.

"Affiliate" means (i) any Person that directly, or indirectly through one or more intermediaries, controls the Borrower (a "Controlling Person") or (ii) any Person (other than the Borrower or a Subsidiary) which is controlled by or is under common control with a Controlling Person. As used herein, the term "control" means possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"Agreement" means this Credit Agreement, as it may be amended, modified or supplemented from time to time.

"Available Balance" means at any time, (i) without duplication, all funds on deposit in the Operating Account on such day which the Bank, in accordance with its standard practices for posting of debits and credits to demand deposit accounts of a type similar to the Operating Account, deems to be collected funds, including, without limitation, all wire transfers credited to the Operating Account at such time and all other Federal or other immediately available funds on deposit in or deposited into the Operating Account at such time less (ii) the sum of (A) all interest, fees and other Obligations not constituting principal of the Loans which Obligations are due and payable at such time and (B) all Items deducted from the Operating Account at such time.

"Bank" means First Union National Bank of Virginia, a national banking association, and its successors and assigns.

"Base Rate" means for any day, the Prime Rate for such day.

"Base Rate Loan" means a Loan which bears interest at the Base Rate plus the Variance.

"Benefit Arrangement" means at any time an employee benefit plan within the meaning of Section 3(3) of ERISA which is not a Plan or a Multiemployer Plan and which is maintained or otherwise contributed to by any member of the ERISA Group.

"Borrower" means Trex Company, LLC, a Delaware limited liability company, and its successors.

"Borrowing Base" means at any date the sum of (i) the Advance Rate Percentage multiplied by the aggregate Net Unpaid Balance of all Eligible Accounts and (ii) the lesser of (A) $1,500,000.00 or (B) 50% of the value of all Eligible Inventory.

"Borrowing Base Certificate" means a certificate of the Borrower in a form satisfactory to the Bank containing a computation of the Borrowing Base.

"Business Day" means any day except a Saturday, Sunday or other day on which commercial banks in the Commonwealth of Virginia are authorized by law to close.

"Capital Lease" means, at any time, a lease with respect to which the lessee is required concurrently to recognize the acquisition of an asset and the incurrence of a liability in accordance with GAAP.

"Capital Lease Obligations" means, with respect to any Person and a Capital Lease, the amount of the obligation of such Person as the lessee under such Capital Lease which would, in accordance with GAAP, appear as a liability on a balance sheet of such Person.

"Cash Equivalents" means (i) direct obligations of the United States or any agency thereof, or obligations guaranteed by the United States of any agency thereof, (ii) commercial paper rated in the highest grade by a nationally recognized credit rating agency or (iii) time deposits with, including certificates of deposit issued by, any office located in the United States of any bank or trust company which is organized under the laws of the United States or any state thereof and has capital, surplus and undivided profits aggregating at least $250,000,000; provided, in each case that such investment matures
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within one year from the date of acquisition thereof by the Borrower.

"Change of Control" means any event or condition, a result of which is that Anthony J. Cavanna, Roger A. Wittenberg, Robert G. Matheny and Andrew U. Ferrari cease, as a group, to own beneficially (i) less than (A) a majority of the outstanding Class A Units or (B) 40% of the issued Class A Units and Class B Units of the Borrower on a fully diluted basis; or (ii) after the change of the Borrower's form of business entity to a corporation taxed in accordance with Subchapter C of the Internal Revenue Code, less than (A) a majority of the voting common stock of the Borrower or (B) 40% of the voting common stock of the Borrower (whether voting or non-voting) on a fully diluted basis.

"CIGNA Agreements" means (i) that certain Members' Agreement dated as of August 29, 1996 among the Borrower and each of the "Purchasers" and "Management Holders" (as defined therein); (ii) that certain Limited Liability Company Agreement dated August 29, 1996 among the members of the Borrower; and (iii) that certain Securities Purchase Agreement dated as of August 29, 1996 between the Borrower and each of the "Purchasers" (as defined therein); as said agreements exist on the Effective Date and which have been delivered to the Bank at least five days prior to the Effective Date.

"Class A Units" has the meaning set forth in the Operating Agreement.

"Class B Units" has the meaning set forth in the Operating Agreement.

"Closing Date" means the date, not later than December 10, 1996, on which the Bank determines that the conditions specified in or pursuant to Section 3.01 have been satisfied.

"Collateral" means all right, title and interest of the Borrower in the following, whether now owned or existing or hereafter acquired, created or arising, whether tangible or intangible, and regardless of where located:

(i) Accounts;

(ii) Inventory;

(iii) the Collateral Accounts, all cash deposited therein from time to time, the Liquid Investments made pursuant to Section 3.04 of the Security Agreement and other monies and property (including deposit accounts) of any kind of the Borrower maintained with or in the possession or under the control of the Bank;

(iv) all books and records (including, without limitation, customer lists, credit files, computer programs, printouts and other computer materials and records) of the Borrower pertaining to any of the Collateral; and

(v) all Proceeds of all or any of the Collateral described in clauses (i) through (iii), above.

"Collateral Accounts" means the Cash Proceeds Account, the Operating Account and the Insurance Account.

"Commitment" means $3,000,000.00, as such amount may be increased or decreased pursuant to this Agreement.

"Consolidated Debt" means at any date the Debt of the Borrower and its Consolidated Subsidiaries, determined on a consolidated basis as of such date.

"Consolidated Income Available for Fixed Charges" means, with respect to any period, Adjusted Consolidated Net Income for such period plus all amounts deducted in the computation thereof on account of (i) Fixed Charges, (ii) charges for depreciation and amortization for such period, (iii) charges for management fees paid during such period and (iv) taxes imposed on or measured by income or excess profits.

"Consolidated Net Worth" means, as of the date of determination with respect to the Borrower,

(i) 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

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(ii) 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.

"Consolidated Subsidiary" means with respect to any Person at any date any Subsidiary of such Person or other entity the accounts of which would be consolidated with those of such Person in its consolidated financial statements if such statements were prepared as of such date in accordance with generally accepted accounting principles.

"Debt" of any Person means, at any date, without duplication, (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (iii) all obligations of such Person to pay the deferred purchase price of property or services (other than trade accounts payable arising in the ordinary course of business), (iv) all obligations of such Person as lessee under Capital Leases, (v) all obligations of such Person to purchase securities or other property which arise out of or in connection with the sale of the same or substantially similar securities or property, (vi) all non-contingent obligations (and, for purposes of Section 5.09 and the definitions of Material Debt and Material Financial Obligations, all contingent obligations) of such Person to reimburse any bank or other person in respect of amounts paid under a letter of credit, bankers' acceptance or similar instrument, (vii) all obligations of others secured by a Lien on any asset of such Person, whether or not such obligation is assumed by such Person and (viii) all obligations of others Guaranteed by such Person.

"Default" means any condition or event which constitutes an Event of Default or which with the giving of notice or lapse of time or both would, unless cured or waived, become an Event of Default.

"Derivatives Obligations" of any Person means all obligations of such Person in respect of any rate swap transaction, basis swap, forward rate transaction, commodity swap,

commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of the foregoing transactions) or any combination of the foregoing transactions.

"Dollars" and the sign "$" means lawful money of the United States of America.

"Effective Date" means the date this Agreement becomes effective in accordance with Section 8.08.

"Eligible Accounts" means all billed Accounts for goods delivered or services rendered owing to the Borrower as the Bank, in its reasonable discretion, shall from time to time elect to consider Eligible Accounts for purposes of the Credit Agreement. Without limiting the discretion of the Bank to consider any such accounts not to be Eligible Accounts, and by way of example only of the types of accounts that the Bank may consider not to be Eligible Accounts, the Bank may consider the following classes of accounts not to be Eligible Accounts:

(i) Accounts arising out of sales that are not in the ordinary course of the business of the Borrower;

(ii) Accounts on terms other than those normal or customary in the business of the Borrower;

(iii) Accounts owing from any person that is an Affiliate of the Borrower;

(iv) Accounts which are outstanding more than 70 days past the original invoice date with respect thereto;

(v) Accounts of any Account Debtor if 50% or more of the Accounts of such Account Debtor are more than 70 days past original invoice date;

(vi) Accounts the liability for which has been disputed by the Account Debtor;

(vii) Accounts owing from any Person that shall take or be the subject of any action or proceeding of the type described in Section 6.01(vii) or (viii) hereof;

(viii) Accounts owing from any Person that is also a supplier to or creditor of the Borrower;

(ix) Accounts arising out of sales to Account Debtors outside the United States, unless the account is (A) fully backed by an irrevocable letter of credit containing

terms acceptable to the Bank issued by a financial institution satisfactory to the Bank or (B)on terms acceptable to the Bank;

(x) Accounts arising out of sales on a bill-and-hold, guaranteed sale, sale-and-return, sale on approval or consignment basis or subject to any right of return, set-off or charge-back;

(xi) Accounts owing from an Account Debtor that is an agency, department or instrumentality of the United States or any state governmental authority in the United States unless the Borrower shall have satisfied the requirements of the Assignment of Claims Act of 1940, as amended, and any similar state legislation in respect thereof and the Bank is satisfied as to the absence of set-offs, counterclaims and other defenses to payment on the part of the United States or such state governmental authority;

(xii) Accounts representing billings in excess of costs and earnings and retainage;

(xiii) Accounts in respect of which the Security Agreement does not or has ceased to create a valid and perfected first priority Lien in favor of the Bank, subject only to Permitted Liens; and

(xiv) any other Accounts, the validity, collectibility or amount of which is determined in good faith by the Borrower or the Bank to be doubtful.

"Eligible Inventory" means all Inventory of the Borrower consisting of finished goods, to be valued at the lower of cost or fair market value, as to which the Bank has a first priority perfected security interest subject only to Permitted Liens, of a kind usually and customarily sold by the Borrower and which is not, because of damage, age, unmerchantability, obsolescence or any other condition or circumstance, materially impaired in condition, value or marketability in the good faith opinion of the Bank or the Borrower.

"Environmental Laws" means any and all federal, state, local and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or other governmental restrictions relating to the environment or to emissions, discharges or releases of pollutants, contaminants, petroleum or petroleum products, chemicals or industrial, toxic or hazardous substances or wastes into the environment including, without limitation, ambient air, surface water, ground water, or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, petroleum or petroleum products, chemicals or industrial, toxic or hazardous substances or wastes or the clean-up or other remediation thereof.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, or any successor statute.

"ERISA Group" means the Borrower, any Subsidiary and all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with the Borrower or any Subsidiary, are treated as a single employer under Section 414 of the Internal Revenue Code.

"Euro-Dollar Business Day" means any Business Day on which commercial banks are open for international business (including dealings in Dollar deposits) in London.

"Euro-Dollar Reserve Percentage" has the meaning set forth in Section 2.05(a).

"Event of Default" has the meaning set forth in Section 6.01.

"Fixed Charge Coverage Ratio" means, at any time, the ratio of (i) Consolidated Income Available for Fixed Charges for the period of four consecutive fiscal quarters ending on, or most recently ended prior to, such time to (ii) Fixed Charges for such period; provided that with respect to the fiscal quarters ending March 31, 1997, June 30, 1997 and September 30, 1997, such period shall be one, two and three fiscal quarters, respectively.

"Fixed Charges" means, with respect to any period and without duplication, the sum of (i) Interest Charges for such period and (ii) Lease Rentals for such period.

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

"Guarantee" by any Person means any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing any Debt or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation (whether arising by virtue of partnership arrangements, by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (ii) entered into for the purpose of assuring in any other manner the obligee of such Debt or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); provided that the term Guarantee shall not include endorsements for
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collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"Hazardous Substances" means any toxic, radioactive, caustic or otherwise hazardous substance, including petroleum, its derivatives, by-products and other hydrocarbons, or any substance having any constituent elements displaying any of the foregoing characteristics.

"Indemnitee" has the meaning set forth in Section 8.03(b).

"Interest Charges" means, with respect to any period, the sum (without duplication) of the following (in each case, eliminating all offsetting debits and credits between the Borrower and its Subsidiaries and all other items require to be eliminated in the course of the preparation of consolidated financial statements of the Borrower and its Subsidiaries in accordance with GAAP); (i) all interest in respect of Debt of the Borrower and its Subsidiaries (including imputed interest on Capital Lease Obligations) deducted in determining Adjusted Consolidated Net Income for such period, together with all interest capitalized or deferred during such period, and (ii) all debt discount and expense (other than in respect of the Note) amortized or required to be amortized in the determination of Adjusted Consolidated Net Income for such period.

"Internal Revenue Code" means the Internal Revenue Code of 1986, as amended, or any successor statute.

"Inventory" means all "inventory" (as defined in the UCC) now owned or hereafter acquired by the Borrower, wherever located, and shall also mean and include, without limitation, all raw materials and other materials and supplies, work-in-process and finished goods and any products made or processed therefrom and all substances, if any, commingled therewith or added thereto.

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

"Item" means any "item" as defined in Section 4-104 of the UCC, and shall also mean and include checks, drafts, money orders or other media of payment.

"Lease Rentals" means, with respect to any period, the sum of the rental and other obligations required to be paid during such period by the Borrower or any Subsidiary as lessee under all leases of real or personal property (other than Capital Leases), excluding any amount required to be paid by the lessee (whether or not therein designated as rental or additional rental) on account of maintenance or repairs, insurance, taxes, assessments, water rates and similar charges, provided that, if at the date of determination, any such
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rental or other obligations (or portion thereof) are contingent or not otherwise definitely determinable by the terms of the related lease, the amount of such obligations (or such portion thereof) (i) shall be assumed to be equal to the amount of such obligations for the period of 12 consecutive calendar months immediately preceding the date of determination or (ii) if the related lease was not in effect during such preceding 12-month period, shall be the amount estimated by the chief financial officer or chief accounting officer of the Borrower on a reasonable basis and in good faith.

"LIBOR-based Rate" has the meaning set forth in Section 2.05(a).

"Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset. For the purposes of this

Agreement, the Borrower or any Subsidiary shall be deemed to own subject to a Lien any asset which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, Capital Lease or other title retention agreement relating to such asset.

"Loan" means a loan made pursuant to Section 2.01.

"Loan Documents" means the Credit Agreement, the Note, the Security Agreement and the Subordination Agreement, collectively, and "Loan Document" means any of them.

"London Interbank Offered Rate" has the meaning set forth in Section 2.05(a).

"Material Adverse Effect" means (i) any material adverse effect upon the condition (financial or otherwise), results of operations, properties, assets, business or prospects of the Borrower or of the Borrower and its Consolidated Subsidiaries, taken as a whole; (ii) a material adverse effect on the ability of the Borrower to consummate the transactions contemplated hereby to occur on the Closing Date; (iii) a material adverse effect on the ability of the Borrower to perform its obligations under this Agreement and the Note or (iv) a material adverse effect on the rights and remedies of the Bank under this Agreement and the Note.

"Material Debt" means Debt (other than the Notes) of the Borrower and/or one or more of its Subsidiaries, arising in one or more related or unrelated transactions, in an aggregate principal or face amount exceeding $100,000.

"Material Financial Obligations" means a principal or face amount of Debt and/or payment obligations in respect of Derivatives Obligations of the Borrower and/or one or more of its Subsidiaries, arising in one or more related or unrelated transactions, exceeding in the aggregate $100,000.

"Material Plan" means at any time a Plan or Plans having aggregate Unfunded Liabilities in excess of $25,000.

"Multiemployer Plan" means at any time an employee pension benefit plan within the meaning of Section 4001(a)(3) of ERISA to which any member of the ERISA Group is then making or accruing an obligation to make contributions or has within the preceding five plan years made contributions, including for these purposes any Person which ceased to be a member of the ERISA Group during such five year period.

"Net Monthly Sales" means, for any calendar month, the Borrower's gross sales for said month, less returns, allowances and discounts, and other adjustments.

"Net Unpaid Balance" means at any date the unpaid balance of an Eligible Account at such date not including any unearned finance charges, late payment charges or other charges, or any extension, service or collection fees in respect thereof.

"Note" means a promissory note of the Borrower, substantially in the form of Exhibit B hereto, evidencing the obligation of the Borrower to repay the Loans.

"Notice of Borrowing" means a Notice of Borrowing (as defined in Section 2.02(a)).

"Obligations" means:

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

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

(iii) all Derivatives Obligations (including, without limitation, any amounts which accrue after the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency or reorganization of the Borrower, whether or not allowed or allowable as a claim in any such proceeding) of the Borrower to the Bank;

(iv) all other indebtedness, obligations and liabilities of the Borrower to the Bank, now existing or hereafter arising or incurred, whether or not evidenced by notes or other instruments, and whether such indebtedness, obligations and liabilities are direct or indirect, fixed or contingent, liquidated or unliquidated, due or to become due, secured or unsecured, joint, several or joint and several, related or unrelated to the Loans, similar or dissimilar to the indebtedness arising out of or in connection with the Credit Agreement or of the same or a different class of indebtedness as the indebtedness arising out of or in connection with the Credit Agreement, including, without limitation, any overdrafts in any deposit accounts maintained by the Borrower with the Bank, all obligations of the Borrower with respect to letters of credit, if any, issued by the Bank for the account of the Borrower any indebtedness of the Borrower that is purchased by or assigned to the Bank;

together in each case with all renewals, modifications, consolidations or extensions thereof.

"Operating Account" means the demand deposit account maintained with the Bank by the Borrower on which the Borrower draws checks to pay its operating expenses.

"Operating Agreement" means that certain Limited Liability Company Agreement of the Borrower dated August 29, 1996, among all of the members of the Borrower as of such date.

"Parent" means, with respect to the Bank, any Person controlling the Bank.

"PBGC" means the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

"Perfection Certificate" means a certificate, substantially in the form of Exhibit A to the Security Agreement, completed and supplemented with the schedules and attachments contemplated thereby to the satisfaction of the Bank, and duly executed by the chief executive officer and the chief legal officer of the Borrower.

"Permitted Liens" means the Security Interests and the other Liens on the Collateral permitted to be created, to be assumed or to exist pursuant to Section 5.09.

"Person" means an individual, a corporation, a partnership, an association, a trust or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"Plan" means at any time an employee pension benefit plan (other than a Multiemployer Plan) which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Internal Revenue Code and either (i) is maintained, or contributed to, by any member of the ERISA Group for employees of any member of the ERISA Group or (ii) has at any time within the preceding five years been maintained, or contributed to, by any Person which was at such time a member of the ERISA Group for employees of any Person which was at such time a member of the ERISA Group.

"Prime Rate" means the rate announced by the Bank from time to time as its Prime Rate, as such rate may change from time to time with changes to occur on the date the Bank's Prime Rate changes. The Bank's Prime Rate is one of several interest rate bases used by the Bank. The Bank lends at rates above and below the Bank's Prime Rate, and the Borrower acknowledges that the Bank's Prime Rate is not represented or intended to be the lowest or most favorable rate of interest offered by the Bank.

"Proceeds" means all proceeds of, and all other profits, products, rents or receipts, in whatever form, arising from the collection, sale, lease, exchange, assignment, licensing or other disposition of or other realization upon or payment for the use of, Collateral, including (without limitation) all claims of the Borrower against third parties for loss of, damage to or destruction of, or for proceeds payable under, or unearned premiums with respect to, policies of insurance in respect of, any Collateral, and any condemnation or requisition payments with respect to any Collateral, in each case whether now existing or hereafter arising.

"Quarterly Date" means the first Business Day of each January, April, July and October.

"Regulation U" means Regulation U of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"Revolving Credit Period" means the period from and including the Closing Date to but not including the Termination Date.

"Subordinated Debt" of any Person means all Debt which (i) bears interest at rates not greater than such Person shall reasonably determine to be the prevailing market rate, at the time such Subordinated Debt is issued, for interest on comparable subordinated debt issued by comparable issuers, (ii) is subordinated in right of payment to such Person's indebtedness, obligations and liabilities to the Bank under the Loan Documents pursuant to payment and subordination provisions satisfactory in form and substance to the Bank and (iii) is issued pursuant to loan documents having covenants and events of default that are satisfactory in form and substance to the Bank but that in no event are less favorable, including with respect to rights of acceleration, to the Borrower than the terms hereof.

"Subsidiary" means any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by the Borrower.

"Termination Date" means that date which is two years from the Closing Date, as said date may be extended pursuant to Section 2.07(b).

"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.

"UCC" means the Uniform Commercial Code as in effect on the date hereof in the Commonwealth of Virginia; provided that if by reason of mandatory
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provisions of law, for matters pertaining only to the perfection or the effect of perfection or non-perfection of the Security Interest in any Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than Virginia, " UCC " means the Uniform Commercial Code as in effect in such other jurisdiction for purposes of the provisions hereof relating to such perfection or effect of perfection or non-perfection.

"Unfunded Liabilities" means, with respect to any Plan at any time, the amount (if any) by which (i) the value of all benefit liabilities under such Plan, determined on a plan termination basis using the assumptions prescribed by the PBGC for purposes of Section 4044 of ERISA, exceeds (ii) the fair market value of all Plan assets allocable to such liabilities under Title IV of ERISA (excluding any accrued but unpaid contributions), all determined as of the then most recent valuation date for such Plan, but only to the extent that such excess represents a potential liability of a member of the ERISA Group to the PBGC or any other Person under Title IV of ERISA.

"United States" means the United States of America, including the States and the District of Columbia, but excluding its territories and possessions.

"Variance" means a rate per annum (which may be a negative number) above or below the LIBOR-based Rate in effect on the date the interest rate on the Loans is converted in accordance with Section 7.04 of the Credit Agreement which the Bank, in its sole discretion, determines is appropriate to adjust the Base Rate in effect on such day in order that the interest rate on the Loans as of such date will be in comparable to said LIBOR-based Rate.

"Working Capital" means the Borrower's current assets minus its current liabilities.

Usage

The following rules of construction and usage shall be applicable to any instrument that is governed by this Appendix:

(a) All terms defined in this Appendix shall have the defined meanings when used in any instrument governed hereby and in any certificate or other document made or delivered pursuant thereto unless otherwise defined therein.

(b) The words "hereof", "herein", "hereunder" and words of similar import when used in an instrument refer to such instrument as a whole and not to any particular provision or subdivision thereof-, references in any instrument to "Article", "Section" or another subdivision or to an attachment are, unless the context otherwise requires, to an article, section or subdivision of or an attachment to such instrument; and the term "including" means "including without limitation".

(c) The definitions contained in this Appendix are equally applicable to both the singular and plural forms of such terms and to the masculine as well as to the feminine and neuter genders of such terms.

(d) Any agreement, instrument or statute defined or referred to below or in any agreement or instrument that is governed by this Appendix means such agreement or instrument or statute as from time to time amended, modified or supplemented, including (in the

case of agreements or instruments) by waiver or consent and (in the case of statutes) by succession of comparable successor statutes and includes (in the case of agreements or instruments) references to all attachments thereto and instruments incorporated therein. References to a Person are also to its permitted successors and assigns.

FIRST AMENDMENT TO CREDIT AGREEMENT

This First Amendment to Credit Agreement (this "Amendment") is dated as of March 1, 1997 and is between Trex Company, LLC, a Delaware limited liability company (the "Borrower"), and First Union National Bank of Virginia, a national banking association (the "Bank").

RECITALS

R-1. The Bank and the Borrower entered into a Credit Agreement dated as of December 10, 1996 (the "Credit Agreement").

R-2. The Bank and the Borrower have agreed to amend Section 5.17 of the Credit Agreement.

NOW, THEREFORE, for $10.00 and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Borrower and the Bank agree as follows:

1. Section 5.17 of the Credit Agreement is hereby amended by deleting such Section and substituting in its place the following new Section:

Section 5.17 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 the correlative percentage set forth below for the period indicated:

Period	Maximum Percentage
Closing Date through July 31, 1997	90%
August 1, 1997 through December 31, 1998	80%
January 1, 1999 through March 31, 1999	65%
April 1, 1999 through September 30, 1999	55%
October 1, 1999 and thereafter	50%

2. Except as expressly provided in this Amendment, the Credit Agreement shall otherwise be unchanged and shall remain in full force and effect.

WITNESS the following signatures and seals.

Trex Company, LLC

By: /s/ A. J. Cavanna
Name: Anthony J. Cavanna
Title: C. E. O.

First Union National Bank of Virginia

By: /s/ George G. Ball III
Name: George G. Ball III
Title: Vice President

SECOND AMENDMENT TO CREDIT AGREEMENT

This Second Amendment to Credit Agreement (this "Amendment") is dated as of January 26, 1998 and is between Trex Company, LLC, a Delaware limited liability company (the "Borrower"), and First Union National Bank, a national banking association, successor by merger to First Union National Bank of Virginia (the "Bank"). Capitalized terms used herein, unless otherwise defined herein, shall have the meanings provided in the Credit Agreement.

RECITALS

R-1. The Bank and the Borrower entered into a Credit Agreement dated as of December 10, 1996, as amended by the First Amendment to Credit Agreement dated as of March 1, 1997 (the "Credit Agreement").

R-2. The Bank and the Borrower have agreed to increase the amount of the Commitment and to amend the Credit Agreement in certain other respects.

NOW, THEREFORE, for $10.00 and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Borrower and the Bank agree as follows:

1. The definition of "Borrowing Base" in the Definitions Appendix, incorporated by reference in Section 1.01 of the Credit Agreement, is hereby deleted and the following new definition is substituted in its place:

> "Borrowing Base" means at any date the sum of (i) the Advance Rate Percentage multiplied by the aggregate Net Unpaid Balance of all Eligible Accounts and (ii) the lesser of (A) $3,000,000 or (B) 50% of the value of all Eligible Inventory.

2. The definition of "Commitment" in the Definitions Appendix, incorporated by reference in Section 1.01 of the Credit Agreement, is hereby deleted and the following new definition is substituted in its place:

> "Commitment" means, as of January 26, 1998 until December 10, 1998, $6,000,000, as such amount may be increased or decreased pursuant to this Agreement.

3. Section 2.08(b) of the Credit Agreement is hereby amended by deleting such Section and substituting in its place the following new Section:

> Section 2.08. Maturity and Repayment of Loans.
> ----------
> ****
>
> (b) Mandatory Prepayments of Loans. If on any day the
> ----------
> aggregate outstanding principal amount of all Loans exceeds the lesser of (i) the Commitment and (ii) the Borrowing Base, the Borrower shall prepay, and there shall become due and payable, on

such date the principal amount of the Loans equal to such excess, together with interest thereon to the date of repayment.

4. Section 5.17 of the Credit Agreement is hereby amended by deleting such Section and substituting in it place the following new Section:

Section 5.17 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 the correlative percentage set forth below for the period indicated:

Period	Maximum Percentage
Date of Closing through July 31, 1997	90%
August 1, 1997 through October 31, 1997	80%
November 1, 1997 through August 31, 1998	85%
September 1, 1998 through May 31, 1999	80%
June 1, 1999 through November 30, 1999	70%
December 1, 1999 through August 31, 2000	60%
September 1, 2000 and thereafter	50%

5. This Amendment shall be and become effective as of the date hereof when all of the conditions set forth below in this paragraph 5 shall have been satisfied:

(a) The Bank shall have received this Amendment, which shall have been duly executed on behalf of the Borrower.

(b) The Bank shall have received evidence satisfactory to it that the CIGNA Agreements have been amended to permit the execution, delivery and performance of this Amendment.

(c) The Bank shall have received evidence satisfactory to it that the execution,

delivery and performance of this Amendment have been duly authorized by the Borrower.

(d) No material adverse change shall have occurred since November 30, 1997 in the condition (financial or otherwise), business or management of the Borrower.

6. The Borrower hereby represents and warrants to the Bank that, after giving effect to this Amendment, (a) no Default or Event of Default exits under the Credit Agreement or any of the Loan Documents and (b) the representations and warranties set forth in Article IV of the Credit Agreement are, subject to the limitations set forth therein, true and correct in all material respects as of the date hereof (except for those which expressly relate to an earlier date).

7. The Borrower shall pay all of the Bank's reasonable expenses, including attorneys' fees, in connection with the preparation of this Amendment.

8. Except as expressly provided in this Amendment, the Credit Agreement shall otherwise be unchanged and shall remain in full force and effect.

WITNESS the following signatures and seals.

Trex Company, LLC

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

Name: Anthony Cavanna

Title: CFO/CEO

First Union National Bank

By: /s/ B. Scott Arthur (Seal)

Name: B. Scott Arthur

Title: Vice President

THIRD AMENDMENT
TO CREDIT AGREEMENT

THIS THIRD AMENDMENT TO CREDIT AGREEMENT (this "Amendment"), is dated as of December 4, 1998 by and among TREX COMPANY, LLC, a Delaware limited liability company ("Borrower"); and FIRST UNION NATIONAL BANK, successor in interest to First Union National Bank of Virginia, a national banking association ("Bank").

R E C I T A L S

A. Borrower and Bank are parties to that certain Credit Agreement dated as of December 10, 1996; as amended by that certain First Amendment to Credit Agreement dated as of March 1, 1997; and as further amended by that certain Second Amendment to Credit Agreement dated as of January 26, 1998 (the "Credit Agreement") and that certain Commercial Note dated as of December 10, 1996 (the "Note").

B. Pursuant to the Credit Agreement, Bank agreed, among other things, to make revolving credit loans to Borrower until the Termination Date on the terms and conditions set forth in the Credit Agreement.

C. Bank has agreed to extend the Termination Date of the Note contained in the Credit Agreement on certain terms and conditions. Therefore Bank and Borrower desire to modify the Credit Agreement as provided herein.

A G R E E M E N T

NOW THEREFORE, in consideration of the mutual covenants herein and for Ten Dollars and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Incorporation of Recitals. The Recitals set forth above are incorporated herein by this reference as if fully set forth in the text of this Amendment.

2. Definitions. Capitalized terms used in this Amendment and not otherwise defined herein shall have the meanings set forth in the Credit Agreement.

3. Balance. Borrower, Bank and Guarantor affirm and agree that the unpaid principal balance of the Note as of the date hereof is $, with accrued, unpaid interest as of the date hereof of $.

4. Amended Definitions. The definition of "Termination Date" contained in the Definitions Appendix incorporated by reference into Section 1.01 of the Credit Agreement is hereby deleted and the following definition is substituted therefor:

"Termination Date" shall mean February 10, 1999, as said date may be extended pursuant to Section 2.07(b).

5. Representations and Warranties. Borrower hereby confirms to Bank that all representations and warranties of Borrower contained in the Credit Agreement are true and correct as of the date hereof.

6. Full Force and Effect. Except as specifically set forth herein, all terms and conditions of the Credit Agreement and the other Loan Documents shall remain unchanged and in full force and effect.

7. Binding Effect. Borrower hereby reaffirms its covenant and agreement to perform, comply with and be bound by each and every one of the terms and provisions of the Credit Agreement, as modified by this Amendment.

8. Acknowledgment; No Novation. Borrower and Bank agree that this Amendment shall not constitute a novation of the indebtedness evidenced by the Note.

9. Successors and Assigns. This Amendment shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, executors, administrators, personal representatives, successors and assigns.

10. Severability. In case any one or more of the provisions contained in this Amendment shall be invalid, illegal or unenforceable, the validity and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

[Remainder of this page is intentionally left blank.]

The undersigned have caused this Amendment to be executed in the names and under the seals of the undersigned, with the intent that this be a sealed instrument.

BORROWER:

TREX COMPANY, LLC, a Delaware limited liability company

(SEAL)

By: /s/ Anthony J. Cavanna

Anthony J. Cavanna
Chief Executive Officer

BANK:

FIRST UNION NATIONAL BANK, a national banking association

(SEAL)

By: /s/ B. Scott Arthur

Name: B. Scott Arthur

Title: Vice President

FOURTH AMENDMENT
TO CREDIT AGREEMENT

THIS FOURTH AMENDMENT TO CREDIT AGREEMENT (this "Amendment"), is dated as of January 29, 1999 by and among TREX COMPANY, LLC, a Delaware limited liability company ("Borrower"); and FIRST UNION NATIONAL BANK, successor in interest to First Union National Bank of Virginia, a national banking association ("Bank").

R E C I T A L S

A. Borrower and Bank are parties to that certain Credit Agreement dated as of December 10, 1996, as amended by that certain First Amendment to Credit Agreement dated as of March 1, 1997, that certain Second Amendment to Credit Agreement dated as of January 26, 1998 and that certain Third Amendment to Credit Agreement dated as of December 4, 1998 (the "Credit Agreement") and that certain Commercial Note dated as of December 10, 1996 (the "Note").

B. Pursuant to the Credit Agreement, Bank agreed, among other things, to make revolving credit loans to Borrower until the Termination Date on the terms and conditions set forth in the Credit Agreement.

C. Bank has agreed to extend the Termination Date of the Note contained in the Credit Agreement on certain terms and conditions. Therefore Bank and Borrower desire to modify the Credit Agreement as provided herein.

A G R E E M E N T

NOW THEREFORE, in consideration of the mutual covenants herein and for Ten Dollars and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Incorporation of Recitals. The Recitals set forth above are incorporated herein by this reference as if fully set forth in the text of this Amendment.

2. Definitions. Capitalized terms used in this Amendment and not otherwise defined herein shall have the meanings set forth in the Credit Agreement.

3. Amended Definitions. The definition of "Termination Date" contained in Section 1.1 of the Credit Agreement is hereby deleted in its entirety and the following definition is substituted therefor:

"Termination Date" shall mean April 10, 1999, or such later date as may be agreed by Bank, in writing.

4. Representations and Warranties. Borrower hereby confirms to Bank that all representations and warranties of Borrower contained in the Credit Agreement are true and correct as if made on the date hereof.

5. Full Force and Effect. Except as specifically set forth herein, all terms and conditions of the Credit Agreement and the other Loan Documents shall remain unchanged and in full force and effect.

6. Binding Effect. Borrower hereby reaffirms its covenant and agreement to perform, comply with and be bound by each and every one of the terms and provisions of the Credit Agreement, as modified by this Amendment.

7. Acknowledgment; No Novation. Borrower and Bank agree that this Amendment shall not constitute a novation of the indebtedness evidenced by the Note.

8. Successors and Assigns. This Amendment shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, executors, administrators, personal representatives, successors and assigns.

9. Severability. In case any one or more of the provisions contained in this Amendment shall be invalid, illegal or unenforceable, the validity and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

[The remainder of this page is intentionally left blank.]

The undersigned have caused this Amendment to be executed in the names and under the seals of the undersigned, with the intent that this be a sealed instrument.

BORROWER:

TREX COMPANY, LLC, a Delaware limited liability company

(SEAL)

By: /s/ Anthony J. Cavanna

Anthony J. Cavanna
Chief Executive Officer

BANK:

FIRST UNION NATIONAL BANK, a national banking association

(SEAL)

By: /s/ B. Scott Arthur

Name: B. Scott Arthur

Title: Vice President

FIFTH AMENDMENT
TO CREDIT AGREEMENT

THIS FIFTH AMENDMENT TO CREDIT AGREEMENT (this "Amendment"), is dated as of February 4, 1999 by and among TREX COMPANY, LLC, a Delaware limited liability company ("Borrower"); and FIRST UNION NATIONAL BANK, successor in interest to First Union National Bank of Virginia, a national banking association ("Bank").

R E C I T A L S

A. Borrower and Bank are parties to that certain Credit Agreement dated as of December 10, 1996, as amended by that certain First Amendment to Credit Agreement dated as of March 1, 1997, that certain Second Amendment to Credit Agreement dated as of January 26, 1998, that certain Third Amendment to Credit Agreement dated as of December 4, 1998 and that certain Fourth Amendment to Credit Agreement dated as of January 29, 1999 (the "Credit Agreement") and that certain Commercial Note dated as of December 10, 1996 (the "Note").

B. Pursuant to the Credit Agreement, the parties agreed, among other things, to limit Borrower's right to pay dividends.

C. Bank and Borrower have agreed to amend the limitation contained in the Credit Agreement with respect to Borrower's right to pay dividends.

A G R E E M E N T

NOW THEREFORE, in consideration of the mutual covenants herein and for Ten Dollars and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Incorporation of Recitals. The Recitals set forth above are incorporated herein by this reference as if fully set forth in the text of this Amendment.

2.

3. Definitions. Capitalized terms used in this Amendment and not otherwise defined herein shall have the meanings set forth in the Credit Agreement.

4.

5. 3. Amendment. Section 5.14 of the Credit Agreement is hereby deleted in its entirety and the following new Section 5.14 is substituted therefor:

6.

Section 5.14 Payments, etc. The Borrower will not, and will not permit any of its Subsidiaries to, make any distribution, dividend, payment or delivery of property or cash to its members as such, or redeem, retire, purchase or otherwise acquire, directly or indirectly, for a consideration, any membership or other interests or shares of any class of its capital stock now or hereafter outstanding (or

any warrants for or options or stock appreciation rights in respect of any of such shares), or set aside any funds for any of the foregoing purposes, or permit any of its Subsidiaries to purchase or otherwise acquire for consideration any membership interest in the Borrower or any shares of capital stock or other interest in any other Subsidiary, as the case may be, now or hereafter outstanding (or any options or warrants or stock appreciation rights issued by such Person with respect to its capital stock), except that:

(i) any Subsidiary of Borrower may pay dividends to Borrower; and

(ii) Borrower may pay dividends if, after giving effect on a pro forma basis to such payment (A) no Default would exist, and (B) the ratio of Total Consolidated Debt to Total Consolidated Capitalization, as a percentage, would not exceed 50%.

4. Representations and Warranties. Borrower hereby confirms to Bank that all representations and warranties of Borrower contained in the Credit Agreement are true and correct as if made on the date hereof.

5. Full Force and Effect. Except as specifically set forth herein, all terms and conditions of the Credit Agreement and the other Loan Documents shall remain unchanged and in full force and effect.

6. Binding Effect. Borrower hereby reaffirms its covenant and agreement to perform, comply with and be bound by each and every one of the terms and provisions of the Credit Agreement, as modified by this Amendment.

7. Acknowledgment; No Novation. Borrower and Bank agree that this Amendment shall not constitute a novation of the indebtedness evidenced by the Note.

8. Successors and Assigns. This Amendment shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, executors, administrators, personal representatives, successors and assigns.

9. Severability. In case any one or more of the provisions contained in this Amendment shall be invalid, illegal or unenforceable, the validity and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

10. Counterparts. This Amendment may be executed by the parties hereto in two counterparts, each of which shall be deemed an original and both of which shall constitute together but one and the same agreement. To facilitate execution, facsimile signatures shall be considered binding on the parties hereto.

The undersigned have caused this Amendment to be executed in the names and under the seals of the undersigned, with the intent that this be a sealed instrument.

BORROWER:

TREX COMPANY, LLC, a Delaware limited liability company

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

Name: Anthony J. Cavanna
Title: Chief Executive Officer

BANK:

FIRST UNION NATIONAL BANK, a national banking association

By: /s/ B. Scott Arthur (SEAL)

Name: B. Scott Arthur
Title: Vice President

TREX COMPANY, INC.
1999 STOCK OPTION AND INCENTIVE PLAN

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TREX COMPANY, INC.
1999 STOCK OPTION AND INCENTIVE PLAN

Trex Company, Inc., a Delaware corporation (the "Company"), sets forth herein the terms of its 1999 Stock Option and Incentive Plan (the "Plan") as follows:

1. PURPOSE

The Plan is intended to enhance the Company's ability to attract and retain highly qualified officers, key employees, outside directors and other persons, and to motivate such officers, key employees, outside directors and other persons to serve the Company and its affiliates (as defined herein) and to expend maximum effort to improve the business results and earnings of the Company, by providing to such officers, key employees, outside directors and other persons an opportunity to acquire or increase a direct proprietary interest in the operations and future success of the Company. To this end, the Plan provides for the grant of stock options, restricted stock, restricted stock units, unrestricted stock and stock appreciation rights in accordance with the terms hereof. Stock options granted under the Plan may be non-qualified stock options or incentive stock options, as provided herein, except that stock options granted to outside directors and all Service Providers shall in all cases be non-qualified stock options.

2. DEFINITIONS

For purposes of interpreting the Plan and related documents (including Award Agreements), the following definitions shall apply:

2.1. "Affiliate" of, or person "affiliated" with, a person means any company or other trade or business that controls, is controlled by or is under common control with such person within the meaning of Rule 405 of Regulation C under the Securities Act.

2.2. "Award Agreement" means the stock option agreement, restricted stock agreement, restricted stock unit agreement, stock appreciation right agreement or other written agreement between the Company and a Grantee that evidences and sets out the terms and conditions of a Grant.

2.3. "Board" means the Board of Directors of the Company.

2.4. "Code" means the Internal Revenue Code of 1986, as now in effect or as hereafter amended.

2.5. "Committee" means a committee of, and designated from time to time by resolution of, the Board, which shall consist of no fewer than two members of

the Board, none of whom shall be an officer or other salaried employee of the Company or any affiliate of the Company.

2.6. "Company" means Trex Company, Inc.

2.7. "Effective Date" means the date designated by the Board in its resolution adopting the Plan.

2.8. "Exchange Act" means the Securities Exchange Act of 1934, as now in effect or as hereafter amended.

2.9. "Fair Market Value" means the closing price of a share of Stock reported on the New York Stock Exchange ("NYSE") on the date Fair Market Value is being determined, provided that if there should be no closing price reported on such date, the Fair Market Value of a share of 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 were reported. Notwithstanding the foregoing, in the event that the shares of Stock are listed upon more than one established stock exchange, Fair Market Value means the closing price of a share of Stock reported on the exchange that trades the largest volume of shares on such date. If the 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 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 Stock in such market. If the 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.

2.10. "Grant" means an award of an Option, Restricted Stock, Restricted Stock Unit, Unrestricted Stock, or Stock Appreciation Right under the Plan.

2.11. "Grant Date" means, as determined by the Board or authorized Committee, (i) the date as of which the Board or such Committee approves a Grant or (ii) such other date as may be specified by the Board or such Committee.

2.12. "Grantee" means a person who receives or holds an Option, Restricted Stock, Restricted Stock Unit, Stock Appreciation Right or Unrestricted Stock under the Plan.

2.13. "Immediate Family Members" means the spouse, children, grandchildren, parents and siblings of the Grantee.

2.14. "Incentive Stock Option" means an "incentive stock option" within the meaning of Section 422 of the Code.

2.15. "Option" means an option to purchase one or more shares of Stock pursuant to the Plan.

2.16. "Option Period" means the period during which Options may be exercised as set forth in Section 10 hereof.

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

2.18. "Outside Director" means a member of the Board who is not an officer or employee of the Company or any Subsidiary.

2.19. "Plan" means this Trex Company, Inc. 1999 Stock Option and Incentive Plan, as amended from time to time.

2.20. "Reporting Person" means a person who is required to file reports under Section 16(a) of the Exchange Act.

2.21. "Restricted Period" means the period during which Restricted Stock or Restricted Stock Units are subject to restrictions or conditions pursuant to Section 12.2 hereof.

2.22. "Restricted Stock" means shares of Stock, awarded to a Grantee pursuant to Section 12 hereof, that are subject to restrictions and to a risk of forfeiture.

2.23. "Restricted Stock Unit" means a unit awarded to a Grantee pursuant to Section 12 hereof, which represents a conditional right to receive a share of Stock in the future, and which is subject to restrictions and to a risk of forfeiture.

2.24. "Securities Act" means the Securities Act of 1933, as now in effect or as hereafter amended.

2.25. "Service Provider" means a consultant or adviser to the Company, a manager of the Company's properties or affairs, or other similar service provider or Affiliate of the Company, and employees of any of the foregoing, as such persons may be designated from time to time by the Board pursuant to Section 6 hereof.

2.26. "Stock" means the common stock, par value $0.01 per share, of the Company.

2.27. "Stock Appreciation Right" or "SAR" means a right granted to a Grantee pursuant to Section 13 hereof.

2.28. "Subsidiary" means any "subsidiary corporation" of the Company within the meaning of Section 424(f) of the Code.

2.29. "Termination Date" means the date upon which an Option shall terminate or expire, as set forth in Section 10.2 hereof.

2.30. "Unrestricted Stock" means an award of Stock granted to a Grantee pursuant to Section 14 hereof.

3. ADMINISTRATION OF THE PLAN

3.1. Board

The Board shall have such powers and authorities related to the administration of the Plan as are consistent with the Company's certificate of incorporation, bylaws and applicable law. The Board shall have full power and authority to take all actions and to make all determinations required or provided for under the Plan, any Grant or any Award Agreement, and shall have full power and authority to take all such other actions and make all such other determinations not inconsistent with the specific terms and provisions of the Plan that the Board deems to be necessary or appropriate to the administration of the Plan, any Grant or any Award Agreement. All such actions and determinations shall be by the affirmative vote of a majority of the members of the Board present at a meeting or by unanimous consent of the Board executed in writing in accordance with the Company's certificate of incorporation, bylaws and applicable law. The interpretation and construction by the Board of any provision of the Plan, any Grant or any Award Agreement shall be final and conclusive. As permitted by law, the Board may delegate its authority under the Plan to a member of the Board or an executive officer of the Company; provided, however, that, unless otherwise provided by resolution of the Board, only the Board or the Committee may make a Grant to an executive officer of the Company and establish the number of shares of Stock that may be subject to Grants with respect to any fiscal period.

3.2. Committee.

The Board from time to time may delegate to a Committee such powers and authorities related to the administration and implementation of the Plan, as set forth in Section 3.1 hereof and in other applicable provisions of the Plan, as the Board shall determine, consistent with the Company's certificate of incorporation, bylaws and applicable law. In the event that the Plan, any Grant or any Award

Agreement provides for any action to be taken or determination to be made by the Board, such action may be taken by or such determination may be made by the Committee if the power and authority to do so has been delegated to the Committee by the Board as provided for in this Section 3.2. Unless otherwise expressly determined by the Board, any such action or determination by the Committee shall be final, binding and conclusive. As permitted by law, the Committee may delegate the authority delegated to it under the Plan to a member of the Board of Directors or an executive officer of the Company; provided, however, that, unless otherwise provided by the Board, only the Board or the Committee may make a Grant to a Reporting Person of the Company and establish the number of shares of Stock that may be subject to Grants during any fiscal period.

3.3. Grants.

Subject to the other terms and conditions of the Plan, the Board shall have full and final authority (i) to designate Grantees, (ii) to determine the types of Grants to be made to a Grantee, (iii) to determine the number of shares of Stock to be subject to a Grant, (iv) to establish the terms and conditions of each Grant, including, but not limited to, the Option Price of any Option, the nature and duration of any restriction or condition (or provision for lapse thereof, including lapse relating to a change in control of the Company) relating to the vesting, exercise, transfer or forfeiture of a Grant or the shares of Stock subject thereto, and any terms or conditions that may be necessary to qualify Options as Incentive Stock Options, (v) to prescribe the form of each Award Agreement evidencing a Grant, (vi) to make Grants alone, in addition to, in tandem with, or in substitution or exchange for any other Grant or any other award granted under another plan of the Company or a Subsidiary, and (vii) to amend, modify or supplement the terms of any outstanding Grant. Such authority specifically includes the authority, in order to effectuate the purposes of the Plan but without amending the Plan, to modify Grants to eligible individuals who are foreign nationals or are individuals who are employed outside the United States to recognize differences in local law, tax policy or custom. As a condition to any subsequent Grant, the Board shall have the right, at its discretion, to require Grantees to return to the Company any Grants previously awarded under the Plan. Subject to the terms and conditions of the Plan, any such subsequent Grant shall be upon such terms and conditions as are specified by the Board at the time the subsequent Grant is made.

The Company may retain the right in an Award Agreement to cause a forfeiture of the gain realized by a Grantee on account of actions taken by the Grantee in violation or breach of or in conflict with any non-competition agreement, any agreement prohibiting solicitation of employees or clients of the Company or any affiliate thereof or any confidentiality obligation with respect to the Company or any affiliate thereof or otherwise in competition with the Company, to the extent specified in such Award Agreement applicable to the Grantee. Furthermore, the

Company may annul a Grant if the Grantee is an employee of the Company or an affiliate thereof and is terminated "for cause" as defined in the applicable Award Agreement. The Board may permit or require the deferral of any award payment, subject to such rules and procedures as it may establish, which may include provisions for the payment or crediting of interest or dividend equivalents, including converting such credits into deferred Stock equivalents.

3.4. No Liability.

No member of the Board or of the Committee shall be liable for any action or determination made in good faith with respect to the Plan or any Grant or Award Agreement.

3.5. Applicability of Rule 16b-3.

Those provisions of the Plan that make express reference to Rule 16b-3 under the Exchange Act shall apply only to Reporting Persons.

4. STOCK SUBJECT TO THE PLAN

4.1. Aggregate Limitation.

Subject to adjustment as provided in Section 18 hereof, the aggregate number of shares of Stock available for issuance under the Plan pursuant to Options or other Grants shall be one million four hundred thousand (1,400,000) shares, which shares may be authorized but unissued shares, treasury shares or issued and outstanding shares that are purchased in the open market. Any shares of Stock granted under the Plan which are forfeited to the Company because of the failure to meet an award contingency or condition shall again be available for issuance pursuant to new awards granted under the Plan. Any shares of Stock covered by an award (or portion of an award) granted under the Plan which is forfeited or canceled, expires or is settled in cash shall be deemed not to have been issued for purposes of determining the maximum number of shares of Stock available for issuance under the Plan. If any stock option is exercised by tendering shares of Stock, either actually or by attestation, to the Company as full or partial payment in connection with the exercise of a stock option under the Plan or any prior plan of the Company as hereinabove described, only the number of shares of Stock issued net of the shares of Stock tendered shall be deemed issued for purposes of determining the maximum number of shares of Stock available for issuance under the Plan. Shares of Stock issued under the Plan through the settlement, assumption or substitution of outstanding awards or obligations to grant future awards resulting from the acquisition of another entity shall not reduce the maximum number of shares available for issuance under the Plan.

4.2. Other Plan Limits.

Subject to adjustment as provided in Section 18 hereof, the following additional limitations are imposed under the Plan. The maximum number of shares of Stock that may be delivered through stock options intended to be Incentive Stock Options shall be one million four hundred thousand (1,400,000) shares. Subject to adjustment as provided in Section 18 hereof, the maximum number of shares of Stock that may be issued in conjunction with awards granted pursuant to Sections 12 and 14 hereof shall be two hundred fifty thousand (250,000); provided, however, that shares issued in satisfaction of other compensation obligations of the Company shall not count against this maximum number.

4.3. Payment Shares.

Subject to the overall limitation on the number of shares of Stock that may be delivered under the Plan, the Board may use available shares of Stock as the form of payment for compensation, grants or rights earned or due under any other compensation plans or arrangements of the Company, including the plan of any entity acquired by the Company, and such payment shares shall not count against the limitation on the maximum number of shares specified in Section 4.2.

4.4. Application of Aggregate Limitation.

The Board may adopt reasonable counting procedures to ensure appropriate counting, avoid double counting (as, for example, in the case of tandem or substitute awards) and make adjustments if the number of shares of Stock actually delivered differs from the number of shares of Stock previously counted in connection with a Grant.

4.5. Per-Grantee Limitation.

During any time when the Company has a class of equity security registered under Section 12 of the Exchange Act:

(i) no person eligible for a Grant under Section 6 hereof may be awarded Options for purposes of the Plan exercisable for greater than five hundred thousand (500,000) shares of Stock (subject to adjustment as provided in Section 18 hereof);

(ii) the maximum number of shares of Unrestricted Stock and Restricted Stock that may be awarded under the Plan (including for this purpose any shares of Stock represented by Restricted Stock Units) to any person eligible for a Grant under Sections 12 and 14 hereof if such Grant is intended to qualify as performance-based under Code Section 162(m) is two hundred fifty

thousand (250,000) for purposes of the Plan (subject to adjustment as provided in Section 18 hereof);

(iii) the maximum number of shares of Stock that may be the subject of SARs awarded to any Grantee under Section 13 hereof is two hundred fifty thousand (250,000) for purposes of the Plan (subject to adjustment as provided in Section 18 hereof).

5. EFFECTIVE DATE AND TERM OF THE PLAN

5.1. Effective Date.

The Plan shall be effective as of the Effective Date, subject to approval of the Plan by the stockholders of the Company, within one year before or after the date upon which the Plan was adopted by the Board. Such approval shall be by a majority of the votes cast on the proposal at a meeting of stockholders, provided that a quorum is present. Upon approval of the Plan by the stockholders of the Company as set forth above, all Grants made under the Plan on or after the Effective Date shall be fully effective as if the stockholders of the Company had approved the Plan on the Effective Date. If the stockholders fail to approve the Plan within the time period set forth above, any Grants made hereunder shall be null and void and of no effect.

5.2. Term.

The Plan has no termination date; however, no Incentive Stock Option may be granted under the Plan on or after _____ __, 2009.

6. PERMISSIBLE GRANTEES

6.1. Employees and Service Providers.

Subject to the provisions of Section 7 hereof, Grants may be made under the Plan to any employee of the Company or any Subsidiary, including any such employee who is an officer or director of the Company, to an Outside Director, to a Service Provider or employee of a Service Provider providing, or who has provided, services to the Company or any Subsidiary, and to any other individual whose participation in the Plan is determined by the Board to be in the best interests of the Company, as the Board shall determine and designate from time to time.

6.2. Multiple Grants.

An eligible person may receive more than one Grant, subject to such restrictions as are provided herein.

7. LIMITATIONS ON GRANTS OF INCENTIVE STOCK OPTIONS

An Option shall constitute an Incentive Stock Option only (i) if the Grantee of such Option is an employee of the Company or any Subsidiary of the Company; (ii) to the extent specifically provided in the related Award Agreement; and (iii) to the extent that the aggregate Fair Market Value (determined at the time the Option is granted) of the shares of Stock with respect to which all Incentive Stock Options held by such Grantee become exercisable for the first time during any calendar year (under the Plan and all other plans of the Grantee's employer and its affiliates) does not exceed $100,000. This limitation shall be applied by taking Options into account in the order in which they were granted.

8. AWARD AGREEMENT

Each Grant pursuant to the Plan shall be evidenced by an Award Agreement, in such form or forms as the Board shall from time to time determine. Award Agreements issued from time to time or at the same time need not contain similar provisions but shall be consistent with the terms of the Plan. Each Award Agreement evidencing a Grant of Options shall specify whether such Options are intended to be non-qualified stock options or Incentive Stock Options, and in the absence of such specification such options shall be deemed non-qualified stock options.

9. OPTION PRICE

The Option Price of each Option shall be no less than the Fair Market Value of a share of Stock on the date of grant and stated in the Award Agreement evidencing such Option; provided, however, that in the event that a Grantee would otherwise be ineligible to receive an Incentive Stock Option by reason of the provisions of Sections 422(b)(6) and 424(d) of the Code (relating to ownership of more than ten percent (10%) of the Company's outstanding shares of Stock), the Option Price of an Option granted to such Grantee that is intended to be an Incentive Stock Option shall be not less than one hundred ten percent (110%) of the Fair Market Value of a share of Stock on the Grant Date. In no case shall the Option Price of any Option be less than the par value of a share of Stock.

10. VESTING, TERM AND EXERCISE OF OPTIONS

10.1. Vesting and Option Period.

Subject to Sections 10.2 and 18 hereof, each Option granted under the Plan shall become exercisable at such times and under such conditions as shall be determined by the Board and stated in the Award Agreement. For purposes of this Section 10.1, fractional numbers of shares of Stock subject to an Option shall be rounded down to the next nearest whole number. The period during which any Option shall be exercisable shall constitute the "Option Period" with respect to such Option.

10.2. Term.

Each Option granted under the Plan shall terminate, and all rights to purchase shares of Stock thereunder shall cease, upon the expiration of ten years from the date such Option is granted, or under such circumstances and on such date prior thereto as is set forth in the Plan or as may be fixed by the Board and thereafter stated in the Award Agreement relating to such Option; provided, however, that in the event that the Grantee would otherwise be ineligible to receive an Incentive Stock Option by reason of the provisions of Sections 422(b)(6) and 424(d) of the Code (relating to ownership of more than ten percent (10%) of the outstanding shares of Stock), an Option granted to such Grantee that is intended to be an Incentive Stock Option shall not be exercisable after the expiration of five years from its date of grant.

10.3. Acceleration.

Any limitation on the exercise of an Option contained in any Award Agreement may be rescinded, modified or waived by the Board, in its sole discretion, at any time and from time to time after the Grant Date of such Option, so as to accelerate the time at which the Option may be exercised.

10.4. Termination of Employment or Other Relationship for a Reason Other than Death or Disability.

Unless otherwise provided by the Board, upon the termination of a Grantee's employment or other relationship with the Company and its Subsidiaries other than by reason of death, "permanent and total disability" (within the meaning of Section 22(e)(3) of the Code) or retirement, any Option or portion thereof held by such Grantee that has not vested in accordance with the provisions of Section 10.1 hereof shall terminate immediately, and any Option or portion thereof that has vested in accordance with the provisions of Section 10.1 hereof but has not been exercised shall terminate at the close of business on the 90th day following the

Grantee's termination of employment or other relationship (or, if such 90th day is a Saturday, Sunday or holiday, at the close of business on the next preceding day that is not a Saturday, Sunday or holiday). Upon termination of an Option or portion thereof, the Grantee shall have no further right to purchase shares of Stock pursuant to such Option or portion thereof. Whether a leave of absence or leave on military or government service shall constitute a termination of employment or other relationship for purposes of the Plan shall be determined by the Board, whose determination shall be final and conclusive. For purposes of the Plan, a termination of employment, service or other relationship shall not be deemed to occur if the Grantee is immediately thereafter employed with the Company, a Subsidiary or a Service Provider, or is engaged as a Service Provider or an Outside Director. Whether a termination of a Grantee's employment or other relationship with the Company and its Subsidiaries shall have occurred shall be determined by the Board, whose determination shall be final and conclusive.

10.5. Rights in the Event of Death.

Unless otherwise provided by the Board, if a Grantee dies while employed by or providing services to the Company, all Options granted to such Grantee that have not previously terminated shall fully vest on the date of death, and the executors or administrators or legatees or distributees of such Grantee's estate shall have the right, at any time within one year after the date of such Grantee's death and prior to termination of the Option pursuant to Section 10.2 hereof, to exercise any Option held by such Grantee at the date of such Grantee's death.

10.6. Rights in the Event of Disability.

Unless otherwise provided by the Board, if a Grantee's employment or other relationship with the Company is terminated by reason of the "permanent and total disability" (within the meaning of Section 22(e)(3) of the Code) of such Grantee, such Grantee's Options that have not previously terminated shall fully vest, and shall be exercisable for a period of one year after such termination of employment or other relationship, subject to earlier termination of the Option as provided in Section 10.2 hereof. Whether a termination of employment or other relationship is considered to be by reason of "permanent and total disability" for purposes of the Plan shall be determined by the Board, whose determination shall be final and conclusive.

10.7. Rights in the Event of Retirement.

Unless otherwise provided by the Board, if a Grantee retires under the terms of any Company retirement plan applicable to the Grantee or as determined by the Board, the Grantee shall be considered retired and all Options granted to such Grantee that have not previously terminated shall fully vest on the date of

retirement, and the Grantee shall have the right, at any time within three years after the date of such Grantee's retirement and prior to termination of the Option pursuant to Section 10.2 hereof, to exercise any Option held by such Grantee at the date of such Grantee's retirement.

10.8. Limitations on Exercise of Option.

Notwithstanding any other provision of the Plan, in no event may any Option be exercised, in whole or in part, prior to the date the Plan is approved by the stockholders of the Company as provided herein, or after ten years following the date upon which the Option is granted, or after the occurrence of an event referred to in Section 18 hereof which results in termination of the Option.

10.9. Method of Exercise.

An Option that is exercisable may be exercised by the Grantee's delivery to the Company of written notice of exercise on any business day, at the Company's principal office, addressed to the attention of the Board. Such notice shall specify the number of shares of Stock with respect to which the Option is being exercised and shall be accompanied by payment in full of the Option Price of the shares of Stock for which the Option is being exercised. The minimum number of shares of Stock with respect to which an Option may be exercised, in whole or in part, at any time shall be the lesser of (i) 100 shares or such lesser number set forth in the applicable Award Agreement and (ii) the maximum number of shares of Stock available for purchase under the Option at the time of exercise. Payment of the Option Price for the shares of Stock purchased pursuant to the exercise of an Option shall be made (i) in cash or in cash equivalents acceptable to the Company; (ii) to the extent permitted by law and at the Board's discretion, through the actual or constructive tender to the Company of shares of Stock, which shares of Stock, if acquired from the Company, shall have been held for at least six months prior to such tender and which shall be valued, for purposes of determining the extent to which the Option Price has been paid thereby, at their Fair Market Value on the date of exercise; or (iii) to the extent permitted by law and at the Board's discretion, by a combination of the methods described in clauses (i) and (ii). The Board may provide, by inclusion of appropriate language in an Award Agreement, that payment in full of the Option Price need not accompany the written notice of exercise, provided that the notice is accompanied by delivery of an unconditional and irrevocable undertaking by a licensed broker acceptable to the Company as the agent for the individual exercising the Option to deliver promptly to the Company sufficient funds to pay the Option Price and directs that the certificate or certificates for the shares of Stock for which the Option is exercised be delivered to a licensed broker acceptable to the Company as the agent for the individual exercising the Option and, at the time such certificate or certificates are delivered, the broker tenders to the Company cash (or cash equivalents acceptable to the

Company) equal to the Option Price for the shares of Stock purchased pursuant to the exercise of the Option plus the amount (if any) of federal or other taxes which the Company may in its judgment be required to withhold with respect to the exercise of the Option. An attempt to exercise any Option granted hereunder other than as set forth above shall be invalid and of no force and effect.

10.10. Rights as a Stockholder; Dividend Equivalents.

Unless otherwise stated in the applicable Award Agreement, an individual holding or exercising an Option shall have none of the rights of a stockholder (for example, the right to receive cash or dividend payments or distributions attributable to the subject shares of Stock or to direct the voting of the subject shares of Stock) until the shares of Stock covered thereby are fully paid and issued to such individual. Except as provided in Section 18 hereof, no adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date of such issuance. However, the Board may, on such conditions as it deems appropriate, provide that a Grantee will receive a benefit in lieu of cash dividends that would have been payable on any or all shares of Stock subject to the Grant if such shares of Stock had been outstanding. Without limitation, the Board may provide for payment to the Grantee of amounts representing such dividends, either currently or in the future, or for the investment of such amounts on behalf of the Grantee.

10.11. Delivery of Stock Certificates.

Promptly after the exercise of an Option by a Grantee and the payment in full of the Option Price, such Grantee shall be entitled to the issuance of a Stock certificate or certificates evidencing such Grantee's ownership of the shares of Stock subject to the Option.

11. TRANSFERABILITY OF OPTIONS

11.1. General Rule

Except as provided in Section 11.2 hereof, during the lifetime of a Grantee, only the Grantee (or, in the event of legal incapacity or incompetency, the Grantee's guardian or legal representative) may exercise an Option. Except as provided in Section 11.2 hereof, no Option shall be assignable or transferable by the Grantee to whom it is granted, other than by will or the laws of descent and distribution.

11.2. Family Transfers.

To the extent permitted by the Board and under such rules and conditions as imposed by the Board, a Grantee may transfer all or part of an Option that is not an

Incentive Stock Option to (i) any Immediate Family Member, (ii) a trust or trusts for the exclusive benefit of any Immediate Family Member or (iii) a partnership or limited liability company in which Immediate Family Members are the only partners or members, provided that (x) there may be no consideration for any such transfer, and (y) subsequent transfers of transferred Options or transfers of an interest in a trust, partnership, or limited liability company to which an Option has been transferred are prohibited except those in accordance with this Section 11.2 or by will or the laws of descent and distribution. Following such transfer, any such Option shall continue to be subject to the same terms and conditions as were applicable immediately prior to the transfer, provided that, for purposes of this Section 11.2, the term "Grantee" shall be deemed to refer to the transferee. The events of termination of employment or other relationship referred to in Section 10.4 hereof shall continue to be applied with respect to the original Grantee, following which the Option shall be exercisable by the transferee only to the extent and for the periods specified in Section 10.4, 10.5, 10.6 or 10.7 hereof.

12. RESTRICTED STOCK

12.1. Grant of Restricted Stock or Restricted Stock Units.

The Board from time to time may grant Restricted Stock or Restricted Stock Units to persons eligible to receive Grants under Section 6 hereof, subject to such restrictions, conditions and other terms as the Board may determine.

12.2. Restrictions.

At the time a Grant of Restricted Stock or Restricted Stock Units is made, the Board shall establish a period of time (the "Restricted Period") applicable to such Restricted Stock or Restricted Stock Units. Unless otherwise determined by the Board, unless the Grant is being made in consideration of compensation due under another plan, or unless vesting is subject to performance, the Restricted Period will be a minimum of three years. Each Grant of Restricted Stock or Restricted Stock Units may be subject to a different Restricted Period. At the time a Grant of Restricted Stock or Restricted Stock Units is made, the Board may, in its sole discretion, prescribe restrictions in addition to or other than the expiration of the Restricted Period, including the satisfaction of corporate or individual performance objectives, which may be applicable to all or any portion of the Restricted Stock or Restricted Stock Units. Such performance objectives shall be established in writing by the Board by not later than the 90th day of the period of service to which such performance objectives relate and while the outcome is substantially uncertain. Performance objectives may be stated either on an absolute or relative basis and may be based on any of the following criteria: earnings per share, total stockholder return, operating earnings, growth in assets, return on equity, return on capital, market share, stock price, net income, cash flow, sales growth (in general, by type of

product and by type of customer), retained earnings, completion of acquisitions, completion of divestitures and asset sales, cost or expense reductions, introduction or conversion of product brands and achievement of specified management information systems objectives. Performance objectives may include positive results, maintaining the status quo or limiting economic losses. Subject to the fifth sentence of this Section 12.2, the Board also may, in its sole discretion, shorten or terminate the Restricted Period or waive any other restrictions applicable to all or a portion of the Restricted Stock or Restricted Stock Units. Neither Restricted Stock nor Restricted Stock Units may be sold, transferred, assigned, pledged or otherwise encumbered or disposed of during the Restricted Period or prior to the satisfaction of any other restrictions prescribed by the Board with respect to such Restricted Stock or Restricted Stock Units.

12.3. Restricted Stock Certificates.

The Company shall issue, in the name of each Grantee to whom Restricted Stock has been granted, Stock certificates representing the total number of shares of Restricted Stock granted to the Grantee, as soon as reasonably practicable after the Grant Date. The Board may provide in an Award Agreement that either (i) the Secretary of the Company shall hold such certificates for the Grantee's benefit until such time as the Restricted Stock is forfeited to the Company or the restrictions lapse, or (ii) such certificates shall be delivered to the Grantee, provided, however, that such certificates shall bear a legend or legends complying with the applicable securities laws and regulations and making appropriate reference to the restrictions imposed under the Plan and the Award Agreement.

12.4. Rights of Holders of Restricted Stock.

Unless the Board otherwise provides in an Award Agreement, holders of Restricted Stock shall have the right to vote such shares of Stock and the right to receive any dividends declared or paid with respect to such shares of Stock. The Board may provide that any dividends paid on Restricted Stock must be reinvested in shares of Stock, which may or may not be subject to the same vesting conditions and restrictions applicable to such Restricted Stock. All distributions, if any, received by a Grantee with respect to Restricted Stock as a result of any stock split, stock dividend, combination of shares or other similar transaction shall be subject to the restrictions applicable to the original Grant.

12.5. Rights of Holders of Restricted Stock Units.

Unless the Board otherwise provides in an Award Agreement, holders of Restricted Stock Units shall have no rights as stockholders of the Company. The Board may provide in an Award Agreement evidencing a Grant of Restricted Stock Units that the holder of such Restricted Stock Units shall be entitled to receive,

upon the Company's payment of a cash dividend on its outstanding shares of Stock, a cash payment for each Restricted Stock Unit held equal to the per-share dividend paid on the shares of Stock. Such Award Agreement may also provide that such cash payment will be deemed reinvested in additional Restricted Stock Units at a price per unit equal to the Fair Market Value of a share on the date that such dividend is paid.

12.6. Termination of Employment or Other Relationship for a Reason Other than Death or Disability.

Unless otherwise provided by the Board, upon the termination of a Grantee's employment or other relationship with the Company and its Subsidiaries, in either case other than, in the case of individuals, by reason of death or "permanent and total disability" (within the meaning of Section 22(e)(3) of the Code), any Restricted Stock or Restricted Stock Units held by such Grantee that have not vested, or with respect to which all applicable restrictions and conditions have not lapsed, shall immediately be deemed forfeited. Upon forfeiture of Restricted Stock or Restricted Stock Units, the Grantee shall have no further rights with respect to such Grant, including, but not limited to, any right to vote Restricted Stock or any right to receive dividends with respect to Restricted Stock or Restricted Stock Units. Whether a leave of absence or leave on military or government service shall constitute a termination of employment or other relationship for purposes of the Plan shall be determined by the Board, whose determination shall be final and conclusive. For purposes of the Plan, a termination of employment, service or other relationship shall not be deemed to occur if the Grantee is immediately thereafter employed with the Company or any other Service Provider, or is engaged as a Service Provider or an Outside Director. Whether a termination of a Grantee's employment or other relationship with the Company and its Subsidiaries shall have occurred shall be determined by the Board, whose determination shall be final and conclusive.

12.7. Rights in the Event of Death.

Unless otherwise provided by the Board, if a Grantee dies while employed by the Company or a Service Provider, or while serving as a Service Provider, all Restricted Stock or Restricted Stock Units granted to such Grantee shall fully vest on the date of death unless the Board provided otherwise in the Award Agreement relating to such Restricted Stock or Restricted Stock Units. Upon such vesting, the shares of Stock represented thereby shall be deliverable in accordance with the terms of the Plan to the executors, administrators, legatees or distributees of the Grantee's estate.

12.8. Rights in the Event of Disability.

Unless otherwise provided by the Board, if a Grantee's employment or other relationship with the Company or a Service Provider, or service as a Service Provider, is terminated by reason of the "permanent and total disability" (within the meaning of Section 22(e)(3) of the Code) of such Grantee, such Grantee's then unvested Restricted Stock or Restricted Stock Units shall be fully vested. Whether a termination of employment, service or other relationship is to be considered by reason of "permanent and total disability" for purposes of the Plan shall be determined by the Board, whose determination shall be final and conclusive.

12.9. Delivery of Shares and Payment Therefor.

Upon the expiration or termination of the Restricted Period and the satisfaction of any other conditions prescribed by the Board, the restrictions applicable to Restricted Stock or Restricted Stock Units shall lapse, and, unless otherwise provided in the Award Agreement, upon payment by the Grantee to the Company, in cash or by check, of the greater of (i) the aggregate par value of the shares of Stock represented by such Restricted Stock or Restricted Stock Units or (ii) the purchase price, if any, specified in the Award Agreement relating to such Restricted Stock or Restricted Stock Units, a certificate for such shares shall be delivered, free of all such restrictions, to the Grantee or the Grantee's beneficiary or estate, as the case may be.

13. STOCK APPRECIATION RIGHTS

13.1. Grant of Stock Appreciation Rights.

The Board may from time to time grant SARs to persons eligible to receive grants under Section 6 hereof, subject to the provisions of this Section 13 and to such restrictions, conditions and other terms as the Board may determine.

13.2. Nature of a Stock Appreciation Right.

An SAR shall confer on the Grantee a right to receive, upon exercise thereof, the excess of (A) the Fair Market Value of one share of Stock on the date of exercise over (B) the grant price of the SAR, as determined by the Board. Unless the Board provides otherwise in the Award Agreement, the grant price of an SAR shall not be less than the Fair Market Value of a share of Stock on the Grant Date.

13.3. Terms and Conditions Governing SARs.

The Board shall determine at the Grant Date or thereafter the time or times at which and the circumstances under which an SAR may be exercised in whole or in

part (including exercise based on achievement of performance objectives or future service requirements), the time or times at which and the circumstances under which an SAR shall cease to be exercisable, the method of exercise, the method of settlement, form of consideration payable in settlement, whether or not an SAR shall be in tandem or in combination with any other Grant, and any other terms and conditions of any SAR.

14. UNRESTRICTED STOCK

The Board may, in its sole discretion, grant Stock (or sell Stock at par value or such other higher purchase price determined by the Board) free of restrictions other than those required under federal or state securities laws ("Unrestricted Stock") to persons eligible to receive grants under Section 6 hereof. Unrestricted Stock may be granted or sold as described in the preceding sentence in respect of past services or other valid consideration, or in lieu of any cash compensation due to such Grantee.

15. PARACHUTE LIMITATIONS

If the Grantee is a "disqualified individual" (as defined in Section 280G(c) of the Code), any Option, Restricted Stock, Restricted Stock Unit or SAR and any other right to receive any payment or benefit under the Plan shall not vest or become exercisable (i) to the extent that the right to vest or any other right to any payment or benefit, taking into account all other rights, payments or benefits to or for the Grantee, would cause any payment or benefit to the Grantee under the Plan to be considered a "parachute payment" within the meaning of Section 280G(b)(2) of the Code as then in effect (a "Parachute Payment") and (ii) if, as a result of receiving a Parachute Payment, the aggregate after-tax amounts received by the Grantee from the Company under any Award Agreements, the Plan, and all other rights, payments or benefits to or for the Grantee would be less than the maximum after-tax amount that could be received by the Grantee without causing the payment or benefit to be considered a Parachute Payment. In the event that, but for the provisions of this Section 15, the Grantee would be considered to have received a Parachute Payment under any Award Agreements that would have the effect of decreasing the after-tax amount received by the Grantee as described in clause (ii) of the preceding sentence, then the Grantee shall have the right, in the Grantee's sole discretion, to designate any rights, payments or benefits under any Award Agreements, the Plan, any other agreements and any benefit arrangements to be reduced or eliminated so as to avoid having the payment or benefit to the Grantee under any Award Agreements be deemed to be a Parachute Payment.

16. REQUIREMENTS OF LAW

16.1. General.

The Company shall not be required to sell or issue any shares of Stock under any Grant if the sale or issuance of such shares of Stock would constitute a violation by the Grantee, any other person exercising a right emanating from such Grant, or the Company of any provision of any law or regulation of any governmental authority, including, without limitation, any federal or state securities laws or regulations. If at any time the Company shall determine, in its discretion, that the listing, registration or qualification of any shares of Stock subject to a Grant upon any securities exchange or under any governmental regulatory body is necessary or desirable as a condition of, or in connection with, the issuance or purchase of shares of Stock hereunder, no shares of Stock may be issued or sold to the Grantee or any other person exercising a right emanating from such Grant unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Company, and any delay caused thereby shall in no way affect the date of termination of the Grant. Without limiting the generality of the foregoing, upon the exercise of any Option or any SAR that may be settled in shares of Stock or the delivery of any Restricted Stock or shares of Stock underlying Restricted Stock Units, unless a registration statement under the Securities Act is in effect with respect to the shares of Stock covered by such Grant, the Company shall not be required to sell or issue such shares of Stock unless the Board has received evidence satisfactory to it that the Grantee or any other person exercising a right emanating from such Grant may acquire such shares of Stock pursuant to an exemption from registration under the Securities Act. Any such determination by the Board shall be final, binding and conclusive. The Company may, but shall in no event be obligated to, register any securities covered hereby pursuant to the Securities Act. The Company shall not be obligated to take any affirmative action in order to cause the exercise of an Option or an SAR or the issuance of shares of Stock pursuant to the Plan to comply with any law or regulation of any governmental authority. As to any jurisdiction that expressly imposes the requirement that an Option (or SAR that may be settled in shares of Stock) shall not be exercisable until the shares of Stock covered by such Option (or SAR) are registered or are exempt from registration, the exercise of such Option (or SAR) under circumstances in which the laws of such jurisdiction apply shall be deemed conditioned upon the effectiveness of such registration or the availability of such an exemption.

16.2. Rule 16b-3.

During any time when the Company has a class of equity security registered under Section 12 of the Exchange Act, it is the intent of the Company that Grants pursuant to the Plan and the exercise of Options and SARs granted hereunder will

qualify for the exemption provided by Rule 16b-3 under the Exchange Act. To the extent that any provision of the Plan or action by the Board does not comply with the requirements of Rule 16b-3, such provision or action shall be deemed inoperative to the extent permitted by law and deemed advisable by the Board, and shall not affect the validity of the Plan. In the event that Rule 16b-3 is revised or replaced, the Board may exercise its discretion to modify the Plan in any respect necessary to satisfy the requirements of, or to take advantage of any features of, the revised exemption or its replacement.

17. AMENDMENT AND TERMINATION OF THE PLAN

The Board may, at any time and from time to time, amend, suspend or terminate the Plan as to any shares of Stock as to which Grants have not been made. Except as permitted under this Section 17 or Section 18 hereof, no amendment, suspension or termination of the Plan shall, without the consent of the Grantee, alter or impair rights or obligations under any Grant theretofore awarded under the Plan.

18. EFFECT OF CHANGES IN CAPITALIZATION

18.1. Changes in Stock.

Subject to Section 18.2 hereof, in the event of any merger, reorganization, consolidation, recapitalization, separation, liquidation, stock dividend, spin-off, split-up, share combination or other change in the corporate structure of the Company affecting the shares of Stock, (a) such adjustment may be made in the number and class of shares which may be delivered under Section 4 hereof and the Grant limits under Section 4 hereof, and in the number and class of or price of shares subject to outstanding Grants as may be determined to be appropriate and equitable by the Board, in its sole discretion, to prevent dilution or enlargement of existing rights; and (b) the Board or, if another legal entity assumes the obligations of the Company hereunder, the board of directors, compensation committee or similar body of such other legal entity shall either (i) make appropriate provision for the protection of outstanding Grants by the substitution on an equitable basis of appropriate equity interests or awards similar to the Grants, provided that the substitution neither enlarges nor diminishes the value and rights under the Grants, or (ii) upon written notice to the Grantees, provide that Grants shall be exercised distributed, canceled or exchanged for value pursuant to such terms and conditions (including the waiver of any existing terms or conditions) as shall be specified in the notice. Any adjustment of an Incentive Stock Option under this Section 18.1 shall be made in such a manner so as not to constitute a "modification" within the meaning of Section 424(h)(3) of the Code. The conversion of any convertible securities of the Company shall not be treated as a change in the corporate structure of the Company affecting the shares of Stock. Subject to any contrary language in an Award Agreement evidencing a Grant of Restricted Stock, any

restrictions applicable to such Restricted Stock shall apply as well to any replacement shares received by the Grantee as a result of the merger, reorganization or other transaction referred to in this Section 18.1.

18.2. Reorganization, Sale of Assets or Sale of Stock.

Upon the dissolution or liquidation of the Company or upon a merger, consolidation or reorganization of the Company with one or more other entities in which the Company is not the surviving entity, or upon a sale of substantially all of the assets of the Company to another entity, or upon any transaction (including, without limitation, a merger or reorganization in which the Company is the surviving entity) approved by the Board that results in any person or entity (or person or entities acting as a group or otherwise in concert) owning eighty percent (80%) or more of the combined voting power of all classes of securities of the Company, (i) all outstanding Restricted Stock and Restricted Stock Units shall be deemed to have vested, and all restrictions and conditions applicable to such Restricted Stock and Restricted Stock Units shall be deemed to have lapsed, immediately prior to the occurrence of such transaction, and (ii) all Options and SARs outstanding hereunder shall become immediately exercisable for a period of fifteen days immediately prior to the scheduled consummation of such transaction. Any exercise of an Option or SAR during such fifteen-day period shall be conditioned upon the consummation of the transaction and shall be effective only immediately before the consummation of the transaction.

This Section 18.2 shall not apply to any transaction to the extent that (A) provision is made in writing in connection with such transaction for the continuation of the Plan or the assumption of the Options, SARs, Restricted Stock and Restricted Stock Units theretofore granted, or for the substitution for such Options, SARs, Restricted Stock and Restricted Stock Units of new options, stock appreciation rights, restricted stock and restricted stock units covering the stock of a successor entity, or a parent or subsidiary thereof, with appropriate adjustments as to the number and kinds of shares or units and exercise prices, in which event the Plan and Options, SARs, Restricted Stock and Restricted Stock Units theretofore granted shall continue in the manner and under the terms so provided or (B) a majority of the full Board determines that such transaction shall not trigger application of the provisions of this Section 18.2 subject to Section 26 hereof and limited by any "change in control" provision in any employment agreement or Award Agreement applicable to the Grantee. Upon consummation of any such transaction, the Plan and all outstanding but unexercised Options and SARs shall terminate, except to the extent provision is made in writing in connection with such transaction for the continuation of the Plan or the assumption of such Options and SARs theretofore granted, or for the substitution for such Options and SARs of new options and stock appreciation rights covering the shares of a successor entity, or a parent or subsidiary thereof, with appropriate adjustments as to the number and

kinds of shares or units and exercise prices, in which event the Plan and Options and SARs theretofore granted shall continue in the manner and under the terms so provided. The Board shall send written notice of an event that will result in such a termination to all individuals who hold Options and SARs not later than the time at which the Company gives notice thereof to its stockholders.

18.3. Adjustments.

Adjustments under this Section 18 related to shares of Stock or securities of the Company shall be made by the Board, whose determination in that respect shall be final and conclusive. No fractional shares or other securities shall be issued pursuant to any such adjustment, and any fractions resulting from any such adjustment shall be eliminated in each case by rounding downward to the nearest whole share.

18.4. No Limitations on Company.

The making of Grants pursuant to the Plan shall not affect or limit in any way the right or power of the Company to make adjustments, reclassifications, reorganizations or changes of its capital or business structure or to merge, consolidate, dissolve or liquidate, or to sell or transfer all or any part of its business or assets.

19. DISCLAIMER OF RIGHTS

No provision in the Plan or in any Grant or Award Agreement shall be construed to confer upon any individual the right to remain in the employ or service of the Company or any affiliate thereof, or to interfere in any way with any contractual or other right or authority of the Company or Service Provider either to increase or decrease the compensation or other payments to any individual at any time, or to terminate any employment or other relationship between any individual and the Company or any affiliate thereof. In addition, notwithstanding anything contained in the Plan to the contrary, unless otherwise stated in the applicable Award Agreement or employment agreement, no Grant awarded under the Plan shall be affected by any change of duties or position of the Grantee, so long as such Grantee continues to be a director, officer, consultant or employee of the Company. The obligation of the Company to pay any benefits pursuant to the Plan shall be interpreted as a contractual obligation to pay only those amounts described herein, in the manner and under the conditions prescribed herein. The Plan shall in no way be interpreted to require the Company to transfer any amounts to a third party trustee or otherwise hold any amounts in trust or escrow for payment to any participant or beneficiary under the terms of the Plan. No Grantee shall have any of the rights of a stockholder with respect to the shares of Stock subject to an Option

or SAR except to the extent such shares of Stock shall have been issued upon the exercise of the Option or SAR.

20. NONEXCLUSIVITY OF THE PLAN

Neither the adoption of the Plan nor the submission of the Plan to the stockholders of the Company for approval shall be construed as creating any limitations upon the right and authority of the Board to adopt such other incentive compensation arrangements (which arrangements may be applicable either generally to a class or classes of individuals or specifically to a particular individual or particular individuals) as the Board in its discretion determines desirable, including, without limitation, the granting of Stock options otherwise than under the Plan.

21. WITHHOLDING TAXES

The Company or a Subsidiary, as the case may be, shall have the right to deduct from payments of any kind otherwise due to a Grantee any federal, state or local taxes of any kind required by law to be withheld with respect to the vesting of or other lapse of restrictions applicable to Restricted Stock or Restricted Stock Units or upon the exercise of an Option or SAR or the grant of Unrestricted Stock. At the time of such vesting, lapse or exercise, the Grantee shall pay to the Company or the Subsidiary, as the case may be, any amount that the Company or the Subsidiary may reasonably determine to be necessary to satisfy such withholding obligation. Subject to the prior approval of the Company or the Subsidiary, which may be withheld by the Company or the Subsidiary, as the case may be, in its sole discretion, the Grantee may elect to satisfy such obligations, in whole or in part, (i) by causing the Company or the Subsidiary to withhold shares of Stock otherwise issuable to the Grantee or (ii) by delivering to the Company or the Subsidiary shares of Stock already owned by the Grantee. The shares of Stock so delivered or withheld shall have an aggregate Fair Market Value equal to such withholding obligations. The Fair Market Value of the shares of Stock used to satisfy such withholding obligation shall be determined by the Company or the Subsidiary as of the date that the amount of tax to be withheld is to be determined. A Grantee who has made an election pursuant to this Section 21 may satisfy such Grantee's withholding obligation only with shares of Stock that are not subject to any repurchase, forfeiture, unfulfilled vesting or other similar requirement.

22. CAPTIONS

The use of captions in the Plan or any Award Agreement is for convenience of reference only and shall not affect the meaning of any provision of the Plan or such Award Agreement.

23. OTHER PROVISIONS

Each Grant awarded under the Plan may contain such other terms and conditions not inconsistent with the Plan as may be determined by the Board, in its sole discretion.

24. NUMBER AND GENDER

With respect to words used in this Plan, the singular form shall include the plural form and, the masculine gender shall include the feminine gender, as the context requires.

25. SEVERABILITY

If any provision of the Plan or any Award Agreement shall be finally determined to be illegal or unenforceable by any court of law in any jurisdiction, the remaining provisions hereof and thereof shall be severable and enforceable in accordance with their terms, and all provisions shall remain enforceable in any other jurisdiction.

26. POOLING

Notwithstanding anything in the Plan to the contrary, if any action described in the Plan would cause a transaction to be ineligible for pooling of interests accounting that would, but for the action under the Plan, be eligible for such accounting treatment, the Board shall modify or adjust such action so that the transaction will be eligible for pooling of interests accounting, if the Company intends to use such accounting in the transaction. Such modification or adjustment may include payment of cash or issuance to a Grantee of shares of Stock of equivalent Fair Market Value.

27. GOVERNING LAW

The validity and construction of this Plan and the instruments evidencing the Grants awarded hereunder shall be governed by the laws of the State of Delaware (without giving effect to the choice of law provisions thereof).

* * * *

The Plan was duly adopted and approved by the Board of Directors of the Company as of the ___th day of _____, 1999.

The Plan was duly approved by the stockholders of the Company on the ____th day of _____, 1999.

Exhibit 10.3

TREX COMPANY, INC.

1999 INCENTIVE PLAN
FOR OUTSIDE DIRECTORS

TABLE OF CONTENTS

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. 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 twenty-five thousand dollars ($25,000); provided, however, that such Annual Director Fee may be increased or decreased 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 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 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: the Option shall be exercisable in respect of twenty five percent (25%) of the number of shares covered by the grant on each of the first, second, third and fourth anniversaries of the Grant Date. 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
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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 be 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 11.1 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 _____ __, 1999.

* * * * *

Exhibit 10.4

MEMBERS' AGREEMENT

MEMBERS' AGREEMENT (as the same may hereafter be amended, supplemented or modified, this "Agreement"), dated as of August 29, 1996, among TREX Company, LLC, a Delaware limited liability company (together with its successors and assigns, the "Company"), each of the Purchasers (the "Purchasers") named on Schedule A hereto, and the Persons named on Schedule B hereto (the "Management Holders").

RECITALS:

The Company and each of the Purchasers have entered into separate Securities Purchase Agreements (the "Securities Purchase Agreements"), dated as of even date herewith, pursuant to which the Company has agreed to sell, and the Purchasers have agreed to purchase, (i) $24,250,000 in aggregate principal amount of the Company's 10% Senior Notes (the "Senior Notes") due August 30, 2003, (ii) $5,000,000 in aggregate principal amount of the Company's 12% Subordinated Notes (the "Subordinated Notes", and together with the Senior Notes, the "Notes") due August 30, 2004, and (iii) 1,000 Class B Units, for an aggregate consideration of $29,250,000 in cash.

AGREEMENT:

NOW THEREFORE, in consideration of the mutual promises herein contained, the parties hereto mutually agree as follows:

1. HOLDERS' PUT RIGHTS.

1.1 GRANTING OF PUT; PRICE. At any time or from time to time after the Put Effective Date, each holder of any Bundled Securities, upon written notice to the Company (a "Put Notice"), shall be entitled to sell, and the Company shall be obligated to purchase from such holder, any or all of the Bundled Securities held by such holder at a purchase price (the "Put Option Purchase Price") equal to the sum of:

(a) the product of:

(i) the number of Class B Units sought to be sold by the holder thereof at such time; multiplied by

(ii) the Unit Price of Class B Units determined as of the date of such Put Notice;

plus

(b) the product of:

(i) the number of Class A Units sought to be sold by such holder at such time that have been issued upon the conversion of Class B Units; multiplied by

(ii) the Unit Price of Class A Units determined as of the date of such Put Notice.

1.2 PUT NOTICE. Each Put Notice delivered pursuant to Section 1.1 shall specify:

(a) the name of the holder of Bundled Securities delivering such Put Notice;

(b) that such holder is exercising its option, pursuant to this Section 1, to sell certain of the Bundled Securities held by such holder; and

(c) the number of, and a description of, the Bundled Securities being tendered, including a statement, to the extent relevant, of:

(i) the total number of Class B Units sought to be sold by such holder; and

(ii) the total number of Class A Units sought to be sold by such holder that were issued upon the conversion of Class B Units.

1.3 COMPANY NOTICES.

(a) The Company, within thirty (30) days of receipt of such Put Notice, shall deliver to the holder or holders exercising its or their put option pursuant to this Section 1 a notice specifying the Put Repurchase Date, providing the names and addresses of each of the holders of Bundled Securities, and stating the type and number of the Bundled Securities held by each such holder.

(b) The Company, not less than ten (10) days prior to the Put Repurchase Date, shall deliver to the holder or holders exercising its or their put option pursuant to this Section 1 a notice containing a detailed calculation of the Unit Price with respect to the Class B Units and (if such holder holds Class A Units at such time) the Class A Units and containing a detailed calculation of the Put Option Purchase Price (calculated as if the date of such notice was the Put Repurchase Date) with respect to the Bundled Securities which are to be so repurchased from such holder.

1.4 OBLIGATION TO PURCHASE BUNDLED SECURITIES. The Company shall be obligated to purchase any or all of such holder's Bundled Securities as specified in such holder's Put Notice, and shall pay the Put Option Purchase Price payable to such holder in cash in immediately available funds, on the Put Repurchase Date, against delivery by such holder of any and all certificates or other instruments evidencing such Bundled Securities, together with appropriate instruments of transfer or assignment, if any, duly endorsed in blank.

1.5 SUBORDINATION. The rights of the holders of Bundled Securities to receive the Put Option Purchase Price shall be subordinated to the rights of the holders of the Notes to receive payments in respect thereof to the same extent as the rights of the holders of the Subordinated Notes to receive payments in respect thereof are subordinated, pursuant to Section 22 of the Securities Purchase Agreements, as in effect on the date hereof, are subordinated to the rights of the holders of the Senior Notes to receive payments in respect thereof, with the same effect as if the provisions of Section 22 of the Securities Purchase Agreements, and the definitions of defined terms used therein, were set forth herein, mutatis mutandis.

1.6 LIMITATIONS ON RIGHT OF REPURCHASE. Notwithstanding anything contained in this Section 1 to the contrary, the Company shall not be obligated to pay the Put Option Purchase Price in respect of a Put Notice, if, at any time:

(a) payment of the Put Option Purchase Price at such time would result in a breach of, or default or event of default in respect of, the Securities Purchase Agreements, the Senior Notes or the Subordinated Notes without the written consent of those holders of the Senior Notes and the Subordinated Notes the consent of which would be necessary to waive such breach, default or event of default (and such consent shall not have been obtained), or

(b) payment of the Put Option Purchase Price is, at such time, prohibited by applicable law (including, without limitation, Section 18-607 of the Delaware Limited Liability Company Act);

provided, however, that if such breach, event of default, default or violation would not result from the purchase of any number of Bundled Securities which is less than the total number of Bundled Securities the Company is obligated to purchase on the Put Repurchase Date, the Company shall purchase on the Put Repurchase Date the maximum number of Bundled Securities it may so purchase, allocated among the holders which have elected to have their Bundled Securities so repurchased ratably according to the number of Bundled Securities so tendered (without regard to whether such Bundled Securities are Class A Units or Class B Units. If as a result of the operation of clauses (a) or (b) above any Bundled Securities specified in a Put Notice may not be purchased for cash by the Company, then the Put Notice with respect to such Bundled Securities shall be deemed to be rescinded, subject to the right of the holders of such Bundled

Securities to deliver another Put Notice or Put Notices with respect to such Bundled Securities.

2. SPECIAL RIGHT OF REPURCHASE.

2.1 GRANTING OF CALL; PRICE. At any time after the Call Effective Date, the Company may give written notice to each holder of Bundled Securities (a "Repurchase Notice") of its intention to repurchase all, but not less than all, of the Bundled Securities, at a purchase price (the "Repurchase Price"), with respect to each holder of Bundled Securities, equal to the sum of:

(a) the product of:

(i) the number of Class B Units held by the holder thereof at such time; multiplied by

(ii) the Unit Price of Class B Units determined as of the date of such Repurchase Notice;

plus

(b) the product of:

(i) the number of Class A Units held by such holder at such time that have been issued upon the conversion of Class B Units; multiplied by

(ii) the Unit Price of Class A Units determined as of the date of such Repurchase Notice.

2.2 REPURCHASE NOTICE. Such Repurchase Notice shall:

(a) state that the Company intends to purchase the Bundled Securities from each of the holders thereof;

(b) specify the date on which the Company will repurchase the Bundled Securities of each such holder, which date shall be not less than thirty (30) days nor more than sixty (60) days from the date of such Repurchase Notice (the "Call Repurchase Date");

(c) provide the names and addresses of each of such holders, and state the type and number of the Bundled Securities held by each such holder;

(d) contain a detailed calculation of the Unit Price with respect to the Class B Units and (if such holder holds Class A Units at such time) the Class A Units; and

(e) contain a detailed calculation of the Repurchase Price (calculated as if the date of such notice were the Call Repurchase Date) with respect to the Bundled Securities which shall be due to each such holder in connection with such repurchase.

2.3 OBLIGATION TO REPURCHASE. The Repurchase Notice having been so given to each such holder, the Company shall be obligated to purchase all of each such holder's Bundled Securities, and shall pay the Repurchase Price payable to each such holder in immediately available funds, on the Call Repurchase Date, and each such holder shall deliver to the Company any and all certificates or other instruments evidencing its respective Bundled Securities, together with appropriate instruments of transfer or assignment, if any, duly endorsed in blank.

2.4 SUBORDINATION. The rights of the holders of Bundled Securities to receive the Repurchase Price shall be subordinated to the rights of the holders of the Notes to receive payments in respect thereof to the same extent as the rights of the holders of the Subordinated Notes to receive payments in respect thereof are subordinated, pursuant to Section 22 of the Securities Purchase Agreements, as in effect on the date hereof, are subordinated to the rights of the holders of the Senior Notes to receive payments in respect thereof, with the same effect as if the provisions of Section 22 of the Securities Purchase Agreements, and the definitions of defined terms used therein, were set forth herein, mutatis mutandis.

2.5 LIMITATIONS ON RIGHT OF REPURCHASE. Notwithstanding anything contained in this Section 2 to the contrary, the Company shall not at any time be permitted to exercise the call option provided for in this Section 2, or pay the Repurchase Price on the Call Repurchase Date, if, at such time:

(a) payment of the Repurchase Price at such time would result in a breach of, or default or event of default in respect of, the Securities Purchase Agreements, the Senior Notes or the Subordinated Notes without the written consent of those holders of the Senior Notes and the Subordinated Notes the consent of which would be necessary to waive such breach, default or event of default, or

(b) payment of the Repurchase Price is, at such time, prohibited by applicable law (including, without limitation, Section 18-607 of the Delaware Limited Liability Company Act).

3. TAG-ALONG RIGHTS.

3.1 TAG-ALONG RIGHTS IN RESPECT OF SALES BY INITIAL MEMBERS AND THE COMPANY.

(a) RIGHT TO SELL PROPORTIONATE NUMBER OF ISSUABLE UNITS. Each of the Initial Members hereby agrees that it will not sell all or any portion of the Issuable Units owned by it and the Company agrees that it will not sell any Issuable Units (other than in a registered public offering in which the holders of Bundled Securities are entitled to participate pursuant to Section 6.2) hereof unless, as part of such transaction, each holder of Bundled Securities shall have the right (but, subject to Section 4 hereof, not the obligation) to sell a proportionate amount of the Bundled Securities then held by such holder at the same price and on the same terms, and to the same purchaser or purchasers.

For purposes of this Section 3.1, the "proportionate amount" which a holder of Bundled Securities shall be entitled to sell with respect to any proposed transaction shall be equal to the product (calculated as of the date of such proposed transaction) of:

(i) the total number of Bundled Securities then owned by such holder; times

(ii) the quotient of:

(A) the aggregate number of Issuable Units proposed to be sold in such transaction by the Other Members and/or the Company; divided by

(B) the aggregate number of Issuable Units owned by the Other Members participating in such sale plus the aggregate number of Issuable Units, if any, proposed to be sold by the Company in such transaction.

(b) NOTICE OF PROPOSED SALE. The Initial Members and/or the Company intending to sell any Issuable Units shall provide to each of the holders of the Bundled Securities written notice of such intention not less than forty-five (45) days prior to the closing of such proposed sale. Such written notice (the "Notice of Sale") shall specify in detail the terms of such proposed sale (including the type of Security proposed to be sold and the price per unit of such Security), shall state the date on which such proposed sale is to be consummated and shall designate one party to whom notice of the determination to participate in such proposed sale should be delivered.

(c) ELECTION BY HOLDERS. Upon receipt of a Notice of Sale, each holder of Bundled Securities shall have twenty (20) days to deliver written notice of its election to participate in such sale and the number of Issuable Units which it elects to sell, which number shall not exceed its proportionate amount.

(d) PRO RATA CUTBACK OF NUMBER OF ISSUABLE UNITS SOLD. In the event that the Initial Members and/or the Company intending to sell the Issuable Units shall be unable to sell the aggregate number of Issuable Units to be sold by the Other Members and/or the Company and which the holders of the Bundled Securities have elected to sell pursuant to Section 3.1(a) hereof at the price specified in the Notice of Sale, then the number of Issuable Units to be sold by the Other Members and/or the Company and such holders of Bundled Securities electing to sell such Issuable Units shall be reduced ratably (as between such groups and as among the members of such groups) to the extent necessary to reduce the total number of Issuable Units to be included in such offering to the maximum number which the selling Other Members and/or the Company can sell at such price. Whether or not any such adjustment in the number of Issuable Units to be sold is required to be made, the Initial Members and/or the Company shall give each such holder which has elected to sell Issuable Units written notice of the number of Units it is permitted to sell pursuant to this Section 3.1 (after giving effect to the provisions of this Section 3.1(d)) not less than fifteen (15) days prior to the date of such sale.

(e) CONVERSION. As provided in the Limited Liability Company Agreement, the Issuable Units may be converted by the purchasers thereof into Class A Units.

(f) CLOSING OF SALE. Each holder of Bundled Securities electing to participate in a sale described in any Notice of Sale shall deliver to the purchaser specified in such Notice of Sale, against payment of the total purchase price for the Issuable Units to be purchased (at the price per Issuable Unit specified in such Notice of Sale), on the closing date specified in such Notice of Sale, a certificate or certificates, if any, representing the number of Issuable Units which it has elected to sell (net of any reduction pursuant to Section 3.1(d)) pursuant to this Section 3.1, together with appropriate instruments of transfer, if any, duly endorsed in blank.

(g) EXPENSES OF SALE. All expenses and costs of any sale of Issuable Units pursuant to this Section 3.1 (other than the fees of counsel to the holders of Bundled Securities related to such sale) shall be for the account of and paid by the Initial Members.

4. BOARD OBSERVATION RIGHTS.

4.1 BOARD OBSERVATION RIGHTS. At any time during which any CIGNA Affiliate shall hold any Bundled Securities, CIGNA Investments shall have the right to have its designated representative attend (or, in the case of a telephonic meeting, to listen by telephone to) any meeting of the Board of Managers. The Company shall give each CIGNA Affiliate holding Bundled Securities:

(a) prior written notice of each such meeting, to be given no later than the earlier of:

(i) the date written notice is actually given to the Board of Managers; and

(ii) the latest date on which notice may permissibly be given by law;

(b) within sixty (60) days of each such meeting, copies of the records of proceedings of, or minutes of, such meeting; and

(c) in the event that CIGNA Investments has notified the Company in writing that it will be in attendance at any such meeting, all information provided to the Board of Managers at or prior to such meeting in respect of the matters to be discussed thereat.

4.2 COOPERATION WITH CIGNA INVESTMENTS. At all times during which any CIGNA Affiliate shall hold any Bundled Securities, the Company shall permit CIGNA Investments, at its expense, to visit and inspect any of the Properties of the Company or any Subsidiary, to examine all their respective books of account, records, reports and other papers, to make copies and extracts therefrom, and to discuss their respective affairs, finances and accounts with their respective officers, employees and independent public accountants (and by this provision the Company authorizes said accountants to discuss the finances and affairs of the Company and the Subsidiaries) all at such reasonable times and as often as may be reasonably requested.

5. HOLDERS' PREEMPTIVE RIGHTS.

5.1 RIGHT TO ELECT PURCHASE OF ADDITIONAL ISSUABLE UNITS. In the event that the Company shall at any time offer to sell any Issuable Units (other than Excluded Units) then the Company shall offer to each holder of Bundled Securities the right to subscribe for and purchase a portion of the total number of the Issuable Units so sold equal to the Additional Issuable Units Number with respect to such holder at such time, at the same price, on the same date and on the same terms offered to the proposed purchasers, on the terms set forth in this Section 5.

5.2 NOTICE OF SALE OF ISSUABLE UNITS. The Company shall give not less than sixty (60) days written notice to each holder of Bundled Securities of any sale of Issuable Units described in Section 5.1, which notice shall specify:

(a) the number of Issuable Units and the type of Issuable Units to be offered;

(b) the purchase price per Issuable Unit to be paid by the purchasers of such Issuable Units;

(c) if any of such Issuable Units consist of Rights, the terms of such Rights, including the exercise price and expiration date;

(d) the date on which such proposed sale is to be consummated (the "Additional Sale Closing Date");

(e) the Additional Issuable Units Number with respect to such holder;

(f) that such holder shall have the right to purchase a number of the Issuable Units so offered equal to the Additional Issuable Units Number; and

(g) that such holder may elect to purchase a number of the Issuable Units so offered equal to the Additional Issuable Units Number by delivering notice to the Company on or before the date which is thirty (30) days prior to the date of such proposed sale (the "Additional Issuable Units Election Date"), and that such notice shall constitute an irrevocable subscription to purchase such indeterminate number of Issuable Units at such purchase price.

5.3 DETERMINATION OF NUMBER OF ISSUABLE UNITS TO BE PURCHASED. Following the Additional Issuable Units Election Date, the Company shall determine the Additional Issuable Units Number with respect to each holder of Bundled Securities electing to purchase Additional Issuable Units, and shall notify each such holder in writing within ten (10) days after the Additional Issuable Units Election Date of:

(a) the purchase price per Issuable Unit and the type of such Issuable Units;

(b) the aggregate consideration to be paid by such holder (which shall equal the product of the Additional Issuable Units Number times the purchase price per Issuable Unit);

(c) the Additional Sale Closing Date; and

(d) wire instructions for the account to which the Company wishes holders of Bundled Securities electing to participate in the sale to transfer funds pursuant to Section 5.4.

5.4 CLOSING OF SALE. Each holder of Bundled Securities electing to participate in a sale pursuant to this Section 5 shall deliver to the Company by wire transfer in immediately available funds on the Additional Sale Closing Date the aggregate consideration (as set forth in Section 5.3(b)) for the Additional Issuable Units Number of Issuable Units to be purchased by such holder. The Company shall deliver to each holder of Bundled Securities electing to participate in a sale pursuant to this Section 5, against such wire transfer, a certificate or certificates representing a number of Issuable Units equal to the Additional Issuable Units Number with respect to such holder. If the Issuable Units being issued consist of Rights, such holder shall receive a certificate or certificates evidencing such Rights. If the Issuable Units being issued consist of Common Units, such holder shall receive a certificate or certificates, if any, evidencing Common Units of such type.

5.5 NO OTHER AUTHORIZATION OF EQUITY SECURITIES. The Company will not authorize or issue any class of equity securities (including, without limitation, Common Units) not authorized on the date hereof.

6. REGISTRATION RIGHTS.

6.1 REQUIRED REGISTRATION.

(a) FILING OF REGISTRATION STATEMENT. The Company will, upon the written request of the Initiating Holders given at any time after the Initial Public Offering Date requesting that the Company effect the registration under the Securities Act of all or part of such Initiating Holders' Registrable Securities and specifying the Registrable Securities to be sold and the intended method of disposition thereof, promptly give written notice of such requested registration to all holders of Registrable Securities, and thereupon will use its best efforts to effect the registration (the "Required Registration") under the Securities Act of:

(i) the Registrable Securities that the Company has been so requested to register by the Initiating Holders; and

(ii) all other Registrable Securities that the Company has been requested to register by the holders thereof by written request given to the Company within thirty (30) days after the giving of such written notice by the Company (which request shall specify the Registrable Securities to be sold and the intended method of disposition of such Registrable Securities);

all to the extent required to permit the disposition (in accordance with the intended method thereof as aforesaid) of the Registrable Securities so to be registered; provided, however, that the Company shall be required to effect only two (2) registrations pursuant to this Section 6.1 that are deemed effected under Section 6.1(e) hereof.

(c) TIME FOR FILING AND EFFECTIVENESS. On or before the date which is ninety (90) days after the request for such registration, the Company shall file with the SEC the Required Registration with respect to all Registrable Securities to be so registered, and shall use its best efforts to cause such Required Registration to become effective as promptly as practicable after the filing thereof, and use its best efforts to cause such Required Registration to become effective no later than the day which is one hundred eighty (180) days after the request for such registration.

(c) SELECTION OF UNDERWRITERS. If Registrable Securities that the Company has been requested to register pursuant to a Required Registration are to be disposed of in an underwritten public offering, the underwriters of such offering shall be one or more underwriting firms of recognized standing selected by the Requisite Holders and reasonably acceptable to the Company.

(d) PRIORITY ON REQUIRED REGISTRATIONS. If the managing underwriter shall advise the Company in writing (with a copy to each holder of Registrable Securities requesting sale) that, in such underwriter's opinion, the number of shares of Securities requested to be included in such Required Registration exceeds the number that can be sold in such offering within a price range acceptable to the Company (such writing to state the basis of such opinion and the approximate number of shares of Securities that may be included in such offering without such effect), the Company will include in such Required Registration, to the extent of the number of shares of Securities that the Company is so advised can be sold in such offering:

(i) first, Registrable Securities requested to be sold by the holders of Bundled Securities pursuant to this Section 6.1, pro rata among the holders requesting sale on the basis of the number of Issuable Units requested to be so registered by such holders; and

(ii) second, all other Securities proposed to be registered by the Company and any Other Members, in such proportions as the Company and such Other Members shall agree.

(e) WHEN REQUIRED REGISTRATION IS DEEMED EFFECTED. A Required Registration pursuant to this Section 6.1 shall not be deemed to have been effected for purposes of the proviso to Section 6.1(a) hereof if:

(i) the registration does not become effective and remain effective for a period of at least one hundred eighty (180) days, without interference by the issuance by the SEC of any stop order with respect thereto;

(ii) in the case of any underwritten offering undertaken on a firm commitment basis, all the Registrable Securities requested to be registered in connection therewith were not sold;

(iii) the Requisite Holders withdraw their request for registration in its entirety at any time because the Requisite Holders reasonably believed that the registration statement or any prospectus related thereto contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements made therein (in the case of any prospectus, in light of the circumstances under which they were made) not misleading, notified the Company of such fact and requested that the Company correct such alleged misstatement or omission, and the Company has refused to correct such alleged misstatement or omission; or

(iv) the conditions to closing specified in the purchase agreement or underwriting agreement entered into in connection with such Required Registration are not satisfied, other than by reason of some-act or omission by the holders of the Registrable Securities that were to have been registered and sold.

6.2 INCIDENTAL REGISTRATION.

(A) FILING OF REGISTRATION STATEMENT. If the Company at any time proposes to register any of its Common Units (an "Incidental Registration") under the Securities Act (other than pursuant to a registration statement on Form S-4 or Form S-8 or any successor forms thereto, in connection with an offer made solely to existing Security holders or employees of the Company), for sale to the public in a public offering, it will each such time give prompt written notice to all holders of Registrable Securities of its intention to do so, which notice shall be given to all such holders at least thirty (30) Business Days prior to the date that a registration statement relating to such registration is proposed to be filed with the SEC. Upon the written request of any such holder to include its shares under such registration statement (which request shall be made within fifteen (15) Business Days after the receipt of any such notice and shall specify the Registrable Securities intended to be disposed of by such holder), the Company will use its best efforts to effect the registration of all Registrable Securities that the Company has been so requested to register by such holder; provided, however, that if, at any time after giving written notice of its intention to register any Securities and prior to the effective date of the registration statement filed in

connection with such registration, the Company shall determine for any reason not to register such Common Units, the Company may, at its election, give written notice of such determination to each such holder and, thereupon, shall be relieved of its obligation to register any Registrable Securities of such Persons in connection with such registration.

(b) SELECTION OF UNDERWRITERS. Notice of the Company's intention to register such Common Units shall designate the proposed underwriters of such offering (which shall be one or more underwriting firms of recognized standing) and shall contain the Company's agreement to use its best efforts, if requested to do so, to arrange for such underwriters to include in such underwriting the Registrable Securities that the Company has been so requested to sell pursuant to this Section 6.2, it being understood that the holders of Registrable Securities shall have no right to select different underwriters for the disposition of their Registrable Securities.

(c) PRIORITY ON INCIDENTAL REGISTRATIONS. If the managing underwriter shall advise the Company in writing (with a copy to each holder of Registrable Securities requesting sale) that, in such underwriter's opinion, the number of shares of Common Units requested to be included in such Incidental Registration exceeds the number that can be sold in such offering within a price range acceptable to the Company (such writing to state the basis of such opinion and the approximate number of Common Units that may be included in such offering without such effect), the Company will include in such Incidental Registration, to the extent of the number of Common Units that the Company is so advised can be sold in such offering:

(i) in the case of any registration initiated by the Company for the purpose of selling Securities for its own account:

(A) first, the number of Common Units that the Company proposes to issue and sell for its own account; and

(B) second, Registrable Securities requested to be sold by the holders of Bundled Securities pursuant to this Section 6.2 and all Common Units proposed to be registered by Other Members, pro rata among such holders on the basis of the number of Issuable Units requested to be so registered by such holders; and

(ii) in the case of a registration initiated by any Other Member pursuant to demand or required registration rights in favor of such Other Member:

(A) first, Registrable Securities requested to be sold by the Other Members requesting such Registration and Registrable

Securities requested to be sold by the holders of Bundled Securities pursuant to this Section 6.2, pro rata among such holders on the basis of the number of Issuable Units requested to be so registered by such holders; and

(B) second, the number of Common Units that the Company proposes to issue and sell for its own account.

6.3 REGISTRATION PROCEDURES. The Company will use its best efforts to effect each Required Registration pursuant to Section 6.1 hereof and any Incidental Registration of any Registrable Securities as provided in Section 6.2 hereof, and to cooperate with the sale of such Registrable Securities in accordance with the intended method of disposition thereof as quickly as practicable, and the Company will as expeditiously as possible:

(a) subject, in the case of an Incidental Registration, to the proviso to Section 6.2(a), prepare and file with the SEC the registration statement and use its best efforts to cause the Registration to become effective; provided, however, that before filing any registration statement or prospectus or any amendments or supplements thereto, the Company will furnish to the holders of the Registrable Securities covered by such registration statement, their counsel, and the underwriters, if any, and their counsel, copies of each original registration statement proposed to be filed at least fifteen (15) days prior thereto and copies of each amendment, prospectus and supplement at least three (3) Business Days prior thereto, which documents will be subject to the reasonable review, within such period, of such holders, their counsel and the underwriters; and the Company will not file any registration statement or amendment thereto or any prospectus or any supplement thereto (including such documents incorporated by reference) to which the Requisite Holders shall reasonably object within such period;

(b) subject, in the case of an Incidental Registration, to the proviso to Section 6.2(a), prepare and file with the SEC such amendments and post-effective amendments to any registration statement and any prospectus used in connection therewith as may be necessary to keep such registration statement effective and to comply with the provisions of the Securities Act with respect to the disposition of all Registrable Securities covered by such registration statement until such time as all of such Securities have been disposed of in accordance with the intended methods of disposition by the seller or sellers thereof set forth in such registration statement and cause the prospectus to be supplemented by any required prospectus supplement, and as so supplemented to be filed pursuant to Rule 424 under the Securities Act, provided that if the Company is not then eligible to use a registration statement on Form S-3 under the Securities Act, the Company shall not be obligated to keep such registration statement effective for more than two (2) years after the original effective date of such registration statement;

(c) furnish to each holder of Registrable Securities included in such Registration and the underwriter or underwriters, if any, without charge, at least one signed copy of the registration statement and any post-effective amendment thereto, upon request, and such number of conformed copies thereof and such number of copies of the prospectus (including each preliminary prospectus and each prospectus filed under Rule 424 under the Securities Act), any amendments or supplements thereto and any documents incorporated by reference therein, as such holder or underwriter may reasonably request in order to facilitate the disposition of the Registrable Securities being sold by such holder (it being understood that the Company consents to the use of the prospectus and any amendment or supplement thereto by each holder of Registrable Securities covered by such registration statement and the underwriter or underwriters, if any, in connection with the offering and sale of the Registrable Securities covered by the prospectus or any amendment or supplement thereto);

(d) notify each holder of the Registrable Securities of any stop order or other order suspending the effectiveness of any registration statement, issued or threatened by the SEC in connection therewith, and take all reasonable actions required to prevent the entry of such stop order or to remove it or obtain withdrawal of it at the earliest possible moment if entered;

(e) if requested by the managing underwriter or underwriters or any holder of Registrable Securities in connection with any sale pursuant to a registration statement, promptly incorporate in a prospectus supplement or post-effective amendment such information relating to such underwriting as the managing underwriter or underwriters or such bolder reasonably requests to be included therein; and make all required filings of such prospectus supplement or post effective amendment as soon as practicable after being notified of the matters incorporated in such prospectus supplement or post-effective amendment;

(f) on or prior to the date on which a Registration is declared effective, use its best efforts to register or qualify, and cooperate with the holders of Registrable Securities included in such Registration, the underwriter or underwriters, if any, and their counsel, in connection with the registration or qualification of the Registrable Securities covered by such Registration for offer and sale under the securities or "blue sky" laws of each state and other jurisdiction of the United States as any such holder or underwriter reasonably requests in writing; use its best efforts to keep each such registration or qualification effective, including through new filings, or amendments or renewals, during the period such registration statement is required to be kept effective; and do any and all other acts or things necessary or advisable to enable the disposition in all such jurisdictions reasonably requested of the Registrable Securities covered by such Registration; provided, however, that the Company will not be required to qualify generally to do business in any jurisdiction where it is not then so qualified or to

take any action which would subject it to general service of process in any such jurisdiction where it is not then so subject;

(g) in connection with any sale pursuant to a Registration, cooperate with the holders of Registrable Securities and the managing underwriter or underwriters, if any, to facilitate the timely preparation and delivery of certificates (not bearing any restrictive legends) representing Securities to be sold under such Registration, and enable such Securities to be in such denominations and registered in such names as the managing underwriter or underwriters, if any, or such holders may request;

(h) use its best efforts to cause the Registrable Securities to be registered with or approved by such other governmental agencies or authorities within the United States and having jurisdiction over the Company or any Subsidiary as may reasonably be necessary to enable the seller or sellers thereof or the underwriter or underwriters, if any, to consummate the disposition of such Securities;

(i) make available for inspection by any holder of Registrable Securities included in any Registration, any underwriter participating in any disposition pursuant to any Registration, and any attorney, accountant or other agent retained by any such seller or underwriter, all financial and other records, pertinent corporate documents and properties of the Company, as shall be reasonably necessary to enable them to exercise their due diligence responsibility, and cause the Company's officers, directors and employees to supply all information reasonably requested by any such Person in connection with such Registration;

(j) use its best efforts to obtain:

(i) at the time of effectiveness of each Registration, a "comfort letter" from the Company's independent certified public accountants covering such matters of the type customarily covered by "cold comfort letters" as the Requisite Holders and the underwriters reasonably request; and

(ii) at the time of any underwritten sale pursuant to the registration statement, a "bring-down comfort letter," dated as of the date of such sale, from the Company's independent certified public accountants covering such matters of the type customarily covered by comfort letters as the Requisite Holders and the underwriters reasonably request;

(k) use its best efforts to obtain, at the time of effectiveness of each Incidental Registration and at the time of any sale pursuant to each Registration, an opinion or opinions, favorable to the Requisite Holders in form and scope, from counsel for the Company in customary form;

(i) notify each seller of Registrable Securities covered by such Registration, upon discovery that, or upon the happening of any event as a result of which, the prospectus included in such Registration, as then in effect, includes an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading, and promptly prepare, file with the SEC and furnish to such seller or holder a reasonable number of copies of a supplement to or an amendment of such prospectus as may be necessary so that, as thereafter delivered to the purchasers or prospective purchasers of such Securities, such prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances under which they are made;

(m) otherwise comply with all applicable rules and regulations of the SEC, and make generally available to its security holders (as contemplated by Section 11(a) under the Securities Act) an earnings statement satisfying the provisions of Rule 158 under the Securities Act not later than ninety (90) days after the end of the twelve (12) month period beginning with the first month of the Company's first fiscal quarter commencing after the effective date of the registration statement, which statement shall cover said twelve (12) month period;

(n) provide and cause to be maintained a transfer agent and registrar for all Registrable Securities covered by each Registration from and after a date not later than the effective date of such Registration;

(o) use its best efforts to cause all Registrable Securities covered by each Registration to be listed subject to notice of issuance, prior to the date of first sale of such Registrable Securities pursuant to such Registration, on each securities exchange on which the Common Units issued by the Company are then listed, and admitted to trading on NASDAQ, if the Common Units or any such other Securities are then admitted to trading on NASDAQ; and

(p) enter into such agreements (including underwriting agreements in customary form) and take such other actions as the Requisite Holders shall reasonably request in order to expedite or facilitate the disposition of such Registrable Securities.

The Company may require each holder of Registrable Securities that will be included in such Registration to furnish the Company with such information in respect of such holder of its Registrable Securities that will be included in such Registration as the Company may reasonably request in writing and as is required by applicable laws or regulations.

6.4 PREPARATION; REASONABLE INVESTIGATION. In connection with the preparation and filing of each registration statement registering Registrable Securities under the

Securities Act, the Company will give the holders of such Registrable Securities so registered, their underwriters, if any, and their respective counsel and accountants the opportunity to participate in the preparation of such registration statement (other than reports and proxy statements incorporated therein by reference and lawfully and properly filed with the SEC) and each prospectus included therein or filed with the SEC, and each amendment thereof or supplement thereto, and will give each of them such access to its books and records and such opportunities to discuss the business of the Company with its officers and the independent public accountants who have certified its financial statements as shall be necessary, in the opinion of such holders' or such underwriters' to conduct a reasonable investigation within the meaning of the Section 11 (b)(3) of the Securities Act.

6.5 RIGHTS OF REQUESTING HOLDERS. Each holder of Registrable Securities which makes a written request therefor within thirty (30) days after the notice to such holders provided for in Section 6.1 or Section 6.2 hereof, as the case may be, hereof, shall have the right to receive the copies of the information, notices and other documents described in Section 6.3(c), Section 6.3(l) and Section 6.3(m) hereof in connection with any proposed Registration by the Company under the Securities Act.

6.6 REGISTRATION EXPENSES. The Company will pay all Registration Expenses in connection with each registration of Registrable Securities, including, without Limitation, any such registration not effected by the Company.

6.7 INDEMNIFICATION; CONTRIBUTION.

(a) INDEMNIFICATION BY THE COMPANY. The Company shall indemnify, to the fullest extent permitted by law, each holder of Registrable Securities, its officers, directors and agents, if any, and each Person, if any, who controls such holder within the meaning of section 15 of the Securities Act, against all losses, claims, damages, liabilities (or proceedings in respect thereof) and expenses (under the Securities Act or common law or otherwise), joint or several, resulting from any violation by the Company of the provisions of the Securities Act or any untrue statement or alleged untrue statement of a material fact contained in any registration statement or prospectus (and as amended or supplemented if amended or supplemented) or any preliminary prospectus or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein (in the case of any prospectus, in light of the circumstances under which they were made) not misleading, except to the extent that such losses, claims, damages, liabilities (or proceedings in respect thereof) or expenses are caused by any untrue statement or alleged untrue statement contained in or by any omission or alleged omission from information concerning any holder furnished in writing to the Company by such holder expressly for use therein. If the offering pursuant to any registration statement provided for under this Section 6 is made through underwriters, no action or failure to act on the part of such underwriters (whether or not such

underwriter is an Affiliate of any holder of Registrable Securities) shall affect the obligations of the Company to indemnify any holder of Registrable Securities or any other Person pursuant to the preceding sentence. If the offering pursuant to any registration statement provided for under this Section 6 is made through underwriters, the Company agrees, to the extent required by such underwriters, to enter into an underwriting agreement in customary form with such underwriters and to indemnify such underwriters, their officers, directors and agents, if any, and each Person, if any, who controls such underwriters within the meaning of section 15 of the Securities Act to the same extent as hereinbefore provided with respect to the indemnification of the holders of Registrable Securities; provided that the Company shall not be required to indemnify any such underwriter, or any officer or director of such underwriter or any Person who controls such underwriter within the meaning of section 15 of the Securities Act, to the extent that the loss, claim, damage, liability (or proceedings in respect thereof) or expense for which indemnification is claimed results from such underwriter's failure to send or give a copy of an amended or supplemented final prospectus to the Person asserting an untrue statement or alleged untrue statement or omission or alleged omission at or prior to the written confirmation of the sale of Registrable Securities to such Person if such statement or omission was corrected in such amended or supplemented final prospectus prior to such written confirmation and the underwriter was provided with such amended or supplemented final prospectus.

(b) INDEMNIFICATION BY THE HOLDERS. In connection with any registration statement in which a holder of Registrable Securities is participating, each such holder, severally and not jointly, shall indemnify, to the fullest extent permitted by law, the Company, each underwriter and their respective officers, directors and agents, if any, and each Person, if any, who controls the Company or such underwriter within the meaning of section 15 of the Securities Act, against any losses, claims, damages, liabilities (or proceedings in respect thereof) and expenses resulting from any untrue statement or alleged untrue statement of a material fact or any omission or alleged omission of a material fact required to be stated in the registration statement or prospectus or preliminary prospectus or any amendment thereof or supplement thereto or necessary to make the statements therein (in the case of any prospectus, in light of the circumstances under which they were made) not misleading, but only to the extent that such untrue statement is contained in or such omission is from information so concerning a holder furnished in writing by such holder expressly for use therein; provided, however, that such holder's obligations hereunder shall be limited to an amount equal to the proceeds to such holder of the Registrable Securities sold pursuant to such registration statement.

(c) CONTROL OF DEFENSE. Any Person entitled to indemnification under the provisions of this Section 6.7 shall give prompt notice to the indemnifying party of any claim with respect to which it seeks indemnification and unless in such indemnified party's reasonable judgment a conflict of interest between such

indemnified and indemnifying parties may exist in respect of such claim, permit such indemnifying party to assume the defense of such claim, with counsel reasonably satisfactory to the indemnified party; and if such defense is so assumed, such indemnifying party shall not enter into any settlement without the consent of the indemnified party if such settlement attributes liability to the indemnified party and such indemnifying party shall not be subject to any liability for any settlement made without its consent (which shall not be unreasonably withheld); and any underwriting agreement entered into with respect to any registration statement provided for under this Section 6 shall so provide. In the event an indemnifying party shall not be entitled, or elects not, to assume the defense of a claim, such indemnifying party shall not be obligated to pay the fees and expenses of more than one counsel or firm of counsel for all parties indemnified by such indemnifying party in respect of such claim, unless in the reasonable judgment of any such indemnified party a conflict of interest may exist between such indemnified party and any other of such indemnified parties in respect to such claim.

(d) CONTRIBUTION. If for any reason the foregoing indemnity is unavailable, then the indemnifying party shall contribute to the amount paid or payable by the indemnified party as a result of such losses, claims, damages, liabilities or expenses:

(i) in such proportion as is appropriate to reflect the relative benefits received by the indemnifying party on the one hand and the indemnified party on the other; or

(ii) if the allocation provided by clause (i) above is not permitted by applicable law or provides a lesser sum to the indemnified party than the amount hereinafter calculated, in such proportion as is appropriate to reflect not only the relative benefits received by the indemnifying party on the one hand and the indemnified party on the other but also the relative fault of the indemnifying party and the indemnified party as well as any other relevant equitable considerations.

Notwithstanding the foregoing, no holder of Registrable Securities shall be required to contribute any amount in excess of the amount such holder would have been required to pay to an indemnified party if the indemnity under Section 6.7(b) hereof was available. No Person guilty of fraudulent misrepresentation (within the meaning of section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation. The obligation of any Person to contribute pursuant to this Section 6.7 shall be several and not joint.

(e) TIMING OF PAYMENTS. An indemnifying party shall make payments of all amounts required to be made pursuant to the foregoing provisions of this Section 6.7 to or for the account of the indemnified party from time to time

promptly upon receipt of bills or invoices relating thereto or when otherwise due or payable.

(f) SURVIVAL. The indemnity and contribution agreements contained in this Section 6.7 shall remain in full force and effect regardless of any investigation made by or on behalf of a participating holder of Registrable Securities, its officers, directors, agents or any Person, if any, who controls such holder as aforesaid, and shall survive the transfer of such Securities by such holder.

6.8 HOLDBACK AGREEMENTS; REGISTRATION RIGHTS TO OTHERS.

(a) In connection with each underwritten sale of Registrable Securities, the Company agrees, and each holder of Registrable Securities by acquisition of such Registrable Securities agrees, to enter into customary holdback agreements concerning sale or distribution of Registrable Securities and other equity Securities of the Company, except, in the case of any holder of Registrable Securities, to the extent that such holder is prohibited by applicable law or exercise of fiduciary duties from agreeing to withhold Registrable Securities from sale or is acting in its capacity as a fiduciary or investment adviser. Without limiting the scope of the term "fiduciary," a holder shall be deemed to be acting as a fiduciary or an investment adviser if its actions or the Registrable Securities proposed to be sold are subject to the Employee Retirement Income Security Act of 1974, as amended, or the Investment Company Act of 1940, as amended, or if such Registrable Securities are held in a separate account under applicable insurance law or regulation.

(b) If the Company shall at any time after the date hereof provide to any holder of any Securities of the Company rights with respect to the registration of such Securities under the Securities Act:

(i) such rights shall not be in conflict with or adversely affect any of the rights provided in this Section 6 to the holders of Registrable Securities; and

(ii) if such rights are provided on terms or conditions more favorable to such holder than the terms and conditions provided in this Section 6, the Company will provide (by way of amendment to this Section 6 or otherwise) such more favorable terms or conditions to the holders of Registrable Securities.

6.9 OTHER REGISTRATION OF COMMON UNITS. If any Common Units required to be reserved for purposes of conversion of any class of Common Units into any other class of Common Units require registration with or approval of any governmental authority under any federal or state law (other than the Securities Act) before such Common Units may be issued upon conversion, the Company will, at its expense and as

expeditiously as possible, use its best efforts to cause such Common Units to be duly registered or approved, as the case may be.

6.10 AVAILABILITY OF INFORMATION. The Company will comply with the reporting requirements of Sections 13 and 15(d) of the Exchange Act and will comply with all other public information reporting requirements of the SEC as from time to time in effect, and cooperate with the holders of Registrable Securities, so as to permit disposition of the Registrable Securities pursuant to an exemption from the Securities Act for the sale of any Registrable Securities (including, without limitation, the current public information requirements of Rule 144(c) and Rule 144A under the Securities Act). The Company win also cooperate with each holder of any Registrable Securities in supplying such information as may be necessary for such holder to complete and file any information reporting forms presently or hereafter required by the SEC as a condition to the availability of an exemption from the Securities Act for the sale of any Registrable Securities.

7. RESTRICTIONS ON TRANSFER AND OTHER AGREEMENTS.

7.1 RESTRICTIONS ON TRANSFER TO TRANSFEREES. No party hereto shall sell, assign, transfer or otherwise dispose of any Issuable Units to any transferee under any circumstance, and the Company shall neither issue nor sell any additional Issuable Units, to any transferee, unless such transferee shall have assumed in writing all of the obligations of its transferor imposed by this Agreement and shall have agreed to be bound by each of the terms and provisions of this Agreement to which such transferor was bound, pursuant to an undertaking substantially in the form set forth as Exhibit A hereto.

7.2 COOPERATION BY THE COMPANY. The Company shall refuse to register any transfer of any Issuable Units to any transferee unless the Company shall have received from the prospective transferee a written agreement to be bound by the provisions of this Agreement as required by Section 7.1 hereof, and such other evidence as the Company may reasonably require to establish compliance with such Section 7.1. The Company shall be protected in, and shall have no liability to any Other Member for, and no such holder shall assert any claim against the Company for, failing to register any transfer of any Issuable Units in an effort to comply with the provisions of this Agreement, unless such refusal to transfer is made in bad faith.

7.3 LEGENDING OF CERTIFICATES. Each certificate, if any, representing any Issuable Units shall bear the following legend:

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO THE TERMS OF A MEMBERS' AGREEMENT, DATED AS OF AUGUST 29, 1996, THE PROVISIONS OF WHICH ARE INCORPORATED HEREIN BY REFERENCE. SUCH MEMBERS' AGREEMENT PROVIDES, AMONG OTHER THINGS, THAT THIS

SECURITY MAY NOT BE SOLD OR TRANSFERRED TO ANY PERSON WHO HAS NOT EXPRESSLY ASSUMED THE OBLIGATIONS OF SUCH AGREEMENT AND CONTAINS, AMONG OTHER PROVISIONS, PROVISIONS WHICH LIMIT THE TRANSFER OF THIS SECURITY. A COPY OF SUCH MEMBERS' AGREEMENT IS AVAILABLE FROM THE COMPANY UPON REQUEST."

7.4 SECURITIES ACT RESTRICTIONS; LEGEND. The Company shall not register any transfer of Issuable Units if it has reason to believe that such transfer is being requested in violation of the registration requirements of Section 5 of the Securities Act. Except as otherwise permitted by Section 7.6 hereof, each certificate, if any, representing an Issuable Unit shall be stamped or otherwise imprinted with a legend in substantially the following form:

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE OFFERED OR SOLD EXCEPT IN A TRANSACTION REGISTERED UNDER SUCH ACT OR PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF SUCH ACT."

7.5 TERMINATION OF RESTRICTIONS.

(a) WITH RESPECT TO ISSUABLE UNITS SOLD IN A PUBLIC OFFERING. Each and all of the provisions of this Agreement shall terminate immediately as to any Issuable Units (but this Agreement shall remain in force with respect to any remaining Issuable Units);

(i) when such Issuable Units have been effectively registered under the Securities Act and disposed of in accordance with the registration statement covering such Issuable Units; or

(ii) when they shall have been distributed to the public pursuant to Rule 144 (or any successor provision) under the Securities Act; or

(iii) when they shall have been otherwise transferred and subsequent disposition of them shall not require registration or qualification under the Securities Act or any similar state law then in force.

Whenever such restrictions shall terminate as to any Issuable Units, the holder thereof shall be entitled to receive from the Company, without expenses (other than transfer taxes, if any), new Issuable Units of like tenor not bearing the applicable legends set forth in Section 7.3 or Section 7.4 hereof.

(B) UPON A TAG-ALONG SALE. The provisions of Section 1 and Section 2 of this Agreement shall terminate immediately with respect to Bundled Securities sold (but the provisions of Section 1 and Section 2 of this Agreement shall remain in force with respect to any remaining Bundled Securities not so sold) in any sale pursuant to Section 3.1 of this Agreement.

7.6 TERMINATION OF VARIOUS PROVISIONS. The provisions of Section 1, Section 2, Section 3, Section 4 and Section 5 of this Agreement shall terminate on the Public Market Date.

8. EARNBACK OF BUNDLED SECURITIES.

(a) COMPANY OPTION TO REPURCHASE BUNDLED SECURITIES. Upon the earliest to occur of (i) the Public Market Date, (ii) the Call Repurchase Date, (iii) the Put Repurchase Date, (iv) the sale of all or substantially all of the assets of the Company for cash, (v) the sale of all of the Common Units of the Company for cash, or (vi) the merger of the Company with another Person pursuant to which the holders of Common Units receive solely cash consideration in exchange for such Common Units, the Company shall have the option to repurchase, at the price and in the manner set forth in Section 8(b) below, the Bundled Securities, ratably from the holders thereof (so long as such securities have not been sold to the public either (x) pursuant to a registration statement filed pursuant to the Securities Act or (y) pursuant to the exemption from registration provided by Rule 144 promulgated pursuant to the Securities Act), representing up to but not exceeding 15% of the Common Units of the Company on a fully-diluted basis (with the result that the Purchasers and/or their transferees will retain Bundled Securities representing at least 10% of the Common Units of the Company on a fully-di1uted basis); provided that all Notes shall have been previously paid in full or will be repaid in full, together with all accrued interest and Prepayment Premium, if any, thereon in accordance with the terms of the Securities Purchase Agreements, concurrently with the applicable event described in clauses (i) through (vi) above and such repurchase; and provided further that the holders of the Notes and the Bundled Securities, considered as a whole, will receive an Internal Rate of Return of at least 25% after giving effect to all payments in respect of the Notes and the Bundled Securities (other than Tax Distributions, as defined in the Limited Liability Company Agreement) previously and concurrently received by them (including as a payment for this purpose the value of the remaining Bundled Securities to be retained at such time by such holders as a group (valued at the Unit Price)).

(b) EXERCISE OF OPTION. The option of the Company to repurchase Bundled Securities pursuant to Section 8(a) above may be exercised only once and must be exercised, if at all, prior to or simultaneously with the applicable event described in Section 8(a)(i) through 8(a)(vi). The Company shall give each holder of Bundled Securities not less than 30 days' prior written notice of its exercise of such option stating the date of the repurchase (which shall be no later than the date of the applicable event described in Section 8(a)(i) through 8(a)(vi)) and providing in reasonable detail a

calculation of the number of Bundled Securities to be purchased and Internal Rate of Return of such holders through the date of purchase. The price per Common Unit to be paid by the Company upon exercise of such option shall be $.01 per Class A Unit and Class B Unit. In the event that any holder of Bundled Securities shall disagree with the Company's calculation of the number of Class A Units and Class B Units to be purchased and the Internal Rate of Return, such holder may, within 15 days of its receipt of the Company's notice and calculation deliver a notice to the Company objecting to such calculation. If the Company and such holder do not resolve such dispute within 10 days after such holder has sent such notice of objection, such calculations shall be made by an investment banking firm of recognized standing (which shall own no Securities of and shall not be an Affiliate, Subsidiary or related Person of, the Company) retained by the Company and reasonably acceptable to the Required Holders.

9. CLAWBACK.

In the event that there occurs any transaction or series of transactions which results in (i) the sale of all or substantially all of the Common Units of the Company, (ii) the merger of the Company with another Person, (iii) the sale of all or substantially all of the assets of the Company, or (iv) the occurrence of a Public Market Date, and any of the foregoing occurs on a date which is within nine months after a Call Repurchase Date, then each holder of Bundled Securities which sold such Bundled Securities to the Company on such Call Repurchase Date shall have the right to receive from the Company, within 5 days after the occurrence of such transaction or series of transactions, a cash payment in an amount per unit of Bundled Securities so sold equal to the difference, if any, between

(x) (A) the total amount of consideration received by the holders of the Common Units of the Company divided by the number of Common Units
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subject to the sale of all or substantially all of the Common Units of the Company, in the case of clause (i) above, or a merger of the Company, in the case of clause (ii) above, (B) the total amount of consideration received by the Company divided by the number of Common
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Units outstanding at the time of the sale of substantially all of the assets of the Company, in the case of clause (iii) above, or (C) the total amount of consideration received by the Company divided by the
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number of Common Units sold by the Company on the Public Market Date, in the case of clause (iv) above, and

(y) the Repurchase Price received by such holder on such Call Repurchase Date divided by the number of Bundled Securities purchased from such
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holder by the Company on such Call Repurchase Date.

In the event any non-cash consideration is received by the shareholders of the Company or by the Company in any such transaction or series of transactions, such non-cash consideration shall be valued at the fair market value thereof by an investment banking

firm (which investment banking firm shall own no Securities of, and shall not be an Affiliate, Subsidiary or a related Person of, the Company) of recognized national standing retained by the Company and reasonably acceptable to the Required Holders, and which value shall be determined without regard to the absence of a liquid or ready market for such non-cash consideration.

10. DEFINED TERMS.

As used herein, the following terms have the respective meanings set forth below or set forth in the Section hereof following such term:

ADDITIONAL ISSUABLE UNITS ELECTION DATE -- Section 5.2(f).

ADDITIONAL ISSUABLE UNITS NUMBER -- with respect to any holder of Bundled Securities electing to purchase Issuable Units pursuant to Section 5 hereof, means the product of:

(a) the aggregate number of Issuable Units offered to be sold by the Company; times

(b) the quotient of:

(i) the aggregate number of Issuable Units held on the Additional Issuable Units Election Date by such holder; divided by

(ii) the aggregate number of Issuable Units outstanding on the Additional Issuable Units Election Date;

in each case, prior to giving effect to the offering of such Issuable Units giving rise to the rights of such holders to purchase additional Issuable Units pursuant to Section 5 hereof.

For purposes of this definition, holders of Rights at any time shall be deemed to be holders of the Common Units that are at such time issuable upon exercise in full of such Rights, whether or not such holders are then entitled so to exercise such Rights pursuant to the terms thereof.

ADDITIONAL SALE CLOSING DATE -- Section 5.2(d).

AFFILIATE -- means, at any time, a Person (other than a Subsidiary or a Purchaser):

(a) that directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, the Company;

(b) that beneficially owns or holds five percent (5%) or more of the Class A Units of the Company; or

(c) five percent (5%) or more of the Voting Stock (or in the case of a Person that is not a corporation, five percent (5%) or more of the equity interests) of which is beneficially owned or held by the Company or a Subsidiary;

at such time.

As used in this definition,

control - 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 the ownership of voting securities, by contract or otherwise.

AGREEMENT -- the introductory paragraph hereof.

BOARD OF MANAGERS -- means the Board of Managers (as defined in Section 4.2 of the Limited Liability Company Agreement) of the Company or any committee thereof that, in the instance, shall have the lawful power to exercise the power and authority of such board OF directors.

BUNDLED SECURITIES - means the following:

(a) any Class B Units that have been issued by the Company; and

(b) any Class A Units into which such Class B Units shall have been converted at any time; and

(c) any Securities issued or issuable in exchange for or in replacement of any Securities referred to in clause (a) or clause (b) above, including, without limitation, upon the occurrence of an Incorporation Event.

BUNDLED SECURITY HOLDER -- means, at any time, a holder (other than the Company or any Affiliate or Subsidiary) of the Bundled Securities at such time (excluding any Bundled Securities held directly or indirectly by the Company or any Affiliate or Subsidiary).

BUSINESS DAY -- means a day other than a Saturday, a Sunday or a day on which banks in New York City are required or permitted by law (other than a general banking moratorium or holiday for a period exceeding four (4) consecutive days) to be closed.

CALL EFFECTIVE DATE -- means August 29, 2002.

CALL REPURCHASE DATE -- Section 2.2.

CIGNA AFFILIATE -- means CIGNA Investments and any Person controlled by, controlling or under common control with, or advised with respect to its investments by, CIGNA Investments.

CIGNA INVESTMENTS -- means CIGNA Investments, Inc.

CLASS A UNIT - defined in Section 1.2(1) of the Limited Liability Company Agreement and includes any shares of Securities issued or issuable in exchange for or in replacement of any Class A Units, including, without limitation, upon the occurrence of an Incorporation Event.

CLASS B UNIT - defined in Section 1.2(1) of the Limited Liability Company Agreement and includes any shares of Securities issued or issuable in exchange for or in replacement of any Class B Units, including, without limitation, upon the occurrence of an Incorporation Event.

CLOSING DATE -- means August 29, 1996.

COMMON UNITS -- means and includes:

(a) the Class A Units and Class B Units of the Company;

(b) any other equity securities of the Company which are not limited to a fixed sum or a fixed percentage of par value in respect of participation in dividends and distributions in liquidation; and

(c) any other Securities of the Company or any other Person that at any time shall be issuable or shall have been issued in exchange for or in replacement of Common Units, including, without limitation, upon the occurrence of an Incorporation Event.

COMPANY -- the introductory paragraph hereof.

EXCHANGE ACT -- means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission promulgated thereunder.

EXCLUDED UNITS -- means and includes all Issuable Units issued:

(a) in connection with the conversion of Class B Units into Class A Units;

(b) to employees of the Company as compensation or pursuant to any employee benefit plan, so long as:

(i) after giving effect to the issuance of such Issuable Units, the aggregate number of Issuable Units issued pursuant to this clause (b) since the date of this Agreement and then remaining outstanding does not exceed five percent (5%) of the number of Common Units outstanding on a fully-diluted basis; and

(ii) no other holder of any Rights or any Securities convertible or exchangeable into, Common Units or any other Securities of the Company, shall have the right to any preemptive or similar rights in respect of such issuance.

INCIDENTAL REGISTRATION -- Section 6.2 hereof.

INCORPORATION EVENT - defined in Section 11.2.

INITIAL MEMBERS -- means and includes the Class A Members (as defined in Section 1.2(1) of the Limited Liability Company Agreement) as of the date hereof and their respective successors and assigns.

INITIAL PUBLIC OFFERING DATE -- means the first date upon which Common Units shall have been issued or sold pursuant to an underwritten public offering (whether on a firm commitment basis or a best efforts basis if such best efforts are successful) thereof pursuant to an effective registration statement filed with the SEC pursuant to the Securities Act.

INITIATING HOLDERS -- means, at any time, the holders (other than the Company or any Affiliate thereof) of at least fifty percent (50%) of the Bundled Securities at such time (excluding any Bundled Securities held directly or indirectly by the Company or any affiliate thereof).

INTERNAL RATE OF RETURN -- means the internal rate of return on the aggregate amount initially paid by the Purchasers to the Company for the Senior Notes and the Subordinated Notes. In calculating the amount required to provide a 25% internal rate of return, each amount taken into account as part of such computation (including principal, interest and Prepayment Premium, if any, paid on and in respect of the Notes) shall be discounted back to the date of Closing utilizing an annual discount rate of 25%. The amount sufficient to provide the required return shall be that amount which, when so discounted and added to all other amounts received in respect of the Notes and the Bundled Securities (other than Tax Distributions, as defined in the Limited Liability Company Agreement) so discounted equals the aggregate purchase price for the Notes and the Class B Units issued on the date of Closing.

ISSUABLE UNIT -- means and includes at any time:

(a) an issued and outstanding Common Unit, and

(b) a Right and (without duplication) all Common Units issuable upon exercise of such Right, in each case at such time.

For purposes of this definition of "Issuable Unit", a Right to acquire one Common Unit shall constitute one Issuable Unit, and a Person shall be deemed to own an Issuable Unit if such Person has a Right to acquire such Issuable Unit whether or not such Right is exercisable at such time.

LIMITED LIABILITY COMPANY AGREEMENT - means that certain Limited Liability Company Agreement dated as of August 29, 1996 by and among Mobil, the Management Holders and the Purchasers.

MANAGEMENT HOLDERS -- the introductory paragraph hereof.

MOBIL - the introductory paragraph hereof.

NASDAQ -- means the National Association of Securities Dealers Automated Quotation System.

NOTES -- defined in the Recitals.

NOTICE OF SALE -- Section 3.1(b).

OTHER MEMBERS -- means and includes, at any time, all holders of Issuable Units at such time (other than the holders of Bundled Securities), including, without limitation, the Initial Members.

PERSON -- means an individual, partnership, corporation, limited liability company, trust, unincorporated organization, or a government or agency or political subdivision there of.

PREPAYMENT PREMIUM - defined in the Securities Purchase Agreements.

PUBLIC MARKET DATE -- means the first day upon which at least thirty-five percent (35%) (by number of Issuable Units) of the Common Units of the Company have been sold by the Company and for the Company's own account in one or more public offerings pursuant to a registration statement or registration statements filed with the SEC pursuant to the provisions of the Securities Act.

PUBLIC OFFERING -- shall mean, with respect to any Issuable Units, any sale in a transaction either registered under, or requiring registration under, Section 5 of the Securities Act.

PURCHASERS -- the introductory paragraph hereof.

PUT EFFECTIVE DATE -- means August 29, 2001.

PUT NOTICE -- Section 1.1.

PUT OPTION PURCHASE PRICE -- Section 1.1.

PUT REPURCHASE DATE -- means, with respect to the exercise of any put option pursuant to Section 1 of this Agreement, a date designated by the Company which is not less than forty-five (45) but not more than sixty (60) days after the date of the Put Notice relating to the exercise of such put option.

REGISTRABLE SECURITIES -- means, at any time:

(a) any Class B Units that have been issued by the Company;

(b) any Class A Units into which such Class B Units shall have been converted at any time;

(c) any other Securities that are issuable in exchange for or in replacement of any of the Class B Units or Class A Units referred to in clause (a) or clause (b) above, including, without limitation, upon the occurrence of an Incorporation Event.

As to any particular Registrable Securities once issued, such Securities shall cease to be Registrable Securities:

(i) when a registration statement with respect to the sale of such Securities shall have become effective under the Securities Act and such Securities shall have been disposed of in accordance with such registration statement;

(ii) when they shall have been distributed to the public pursuant to Rule 144 (or any successor provision) under the Securities Act; or

(iii) when they shall have been otherwise transferred and subsequent disposition of them shall not require registration or qualification under the Securities Act or any similar state law then in force.

REGISTRATION -- means each Required Registration and each Incidental Registration.

REGISTRATION EXPENSES -- means all expenses incident to the Company's performance of or compliance with Section 6.1 through Section 6.5 hereof, inclusive, including, without limitation, all registration and filing fees, fees and expenses of compliance with securities or blue sky laws (including reasonable fees and disbursements of counsel in connection with blue sky qualifications of the Registrable Securities), expenses of printing certificates for the Registrable Securities in a form eligible for deposit with Depositary Trust Company, messenger and delivery expenses, internal expenses (including, without limitation, all salaries and expenses of the Company's officers and employees performing legal or accounting duties), and fees and disbursements of counsel for the Company and its independent certified public accountants (including the expenses of any management review, cold comfort letters or any special audits required by or incident to such performance and compliance), securities acts liability insurance (if the Company elects to obtain such insurance), the reasonable fees and expenses of any special experts retained by the Company in connection with such registration, fees and expenses of other Persons retained by the Company and fees and expenses of counsel (including local counsel) for holders of Registrable Securities, selected by the Requisite Holders; but not including any underwriting fees, discounts or commissions attributable to the sale of Registrable Securities or fees and expenses of more than one counsel representing the holders of Registrable Securities or any other selling expenses, discounts or commissions incurred in connection with the sale of Registrable Securities.

REPURCHASE NOTICE -- Section 2.1.

REPURCHASE PRICE -- Section 2.1.

REQUIRED HOLDERS -- means, at any time, the holders (other than the Company or any Affiliate or Subsidiary) of at least sixty-six and two-thirds percent (66-2/3%) of the Bundled Securities at such time (excluding any Bundled Securities held directly or indirectly by the Company or any Affiliate or Subsidiary).

REQUIRED INITIAL MEMBERS -- means, at any time, Initial Members (other than the Company or any Subsidiary) holding at least fifty-one percent (51%) of those Issuable Units held by the Initial Members at such time (excluding any Issuable Units held directly or indirectly by the Company or any Subsidiary).

REQUIRED REGISTRATION -- Section 6.1(a).

REQUISITE HOLDERS -- means, with respect to any registration or proposed registration of Registrable Securities pursuant to Section 6 hereof, any holder or holders (other than the Company or any Affiliate or Subsidiary) holding at least sixty-six and two-thirds percent (66-2/3%) of the shares of Registrable Securities (excluding any

shares of Registrable Securities directly or indirectly held by the Company or any Affiliate or Subsidiary) to be so registered.

RIGHT -- means and includes any warrant, option (including, without limitation, options held by Mobil and the Management Holders) or other right to acquire Common Units.

SEC -- means, at any time, the Securities and Exchange Commission or any other federal agency at such time administering the Securities Act.

SECURITIES ACT -- means the Securities Act of 1933, as amended, and the rules and regulations of the Commission promulgated thereunder.

SECURITIES PURCHASE AGREEMENTS -- defined in the Recitals.

SECURITY -- means "security" as defined by Section 2(1) of the Securities Act.

SENIOR NOTES -- defined in the Recitals.

SUBORDINATED NOTES -- defined in the Recitals.

SUBSIDIARY -- means, as to any Person, any corporation in which such Person or one or more Subsidiaries of such Person or such Person and one or more Subsidiaries of such Person owns sufficient voting securities to enable it or them (as a group) ordinarily, in the absence of contingencies, to elect a majority of the directors (or Persons performing similar functions) of such corporation. The term "Subsidiary," as used herein without reference to any Person, shall mean a Subsidiary of the Company.

UNIT PRICE -- means, with respect to any Common Unit, the fair value of a Class A Unit as of a date that is within fifteen (15) days of the date as of which the determination is to be made, determined by an investment banking firm or securities rating service (which investment banking firm or securities rating service shall own no Securities of, and shall not be an Affiliate, Subsidiary or a related Person of, the Company) of recognized national standing retained by the Company and reasonably acceptable to the Required Holders, and which determination is made:

(a) under the assumption that all Rights have been exercised; and

(b) without regard to the absence of a liquid or ready market for such Class A Unit.

For all purposes in this Agreement, the value of a Class B Unit shall be deemed to be equal to the value of a Class A Unit.

VOTING STOCK -- means, with respect to any corporation, any shares of stock of such corporation whose holders are entitled under ordinary circumstances to vote for the election of directors of such corporation (irrespective of whether at the time stock of any other class or classes shall have or might have voting power by reason of the happening of any contingency).

11. MISCELLANEOUS.

11.1 CONVERSION TO CORPORATION FORM.

(a) On or before the Initial Public Offering Date, the Company shall change its form of business entity to a corporation taxed in accordance with Subchapter C of the Internal Revenue Code.

(b) Upon the conversion of the Company's form of business entity as set forth in clause (a) above, the Company (or the successor entity thereto) shall issue common stock to the holders of Class A Units and Class B Units (having substantially the same voting rights as the Class A Units and Class B Units, respectively) in exchange for and in replacement of the Class A Units and Class B Units held by such holders.

11.2 BINDING EFFECT; INCORPORATION, ETC. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. In the event that the Company (a) changes its form of business entity to a corporation (an "Incorporation Event") or otherwise changes its form of business entity, (b) consolidates or merges with any other Person, (c) sells, conveys, transfers, leases or otherwise disposes of all or substantially all of its assets (whether now owned or hereafter acquired) in a single transaction or series of transactions to any Person, the Company shall cause any such Person or other successor to the Company to agree in writing to be bound by all the provisions of this Agreement.

11.3 NOTICES. All written communications provided for hereunder shall be sent by United States mail (registered or certified mail) or nationwide overnight delivery service (with charges prepaid), or by facsimile, delivery confirmed with a copy by first class mail or overnight courier (with charges prepaid), and:

(a) if to the Company, at:

20 South Cameron Street
Winchester, Virginia 22601
Facsimile: (540) 678-1820

with a copy to:

Allen Weiner, Esq.
Arter & Hadden
1801 K Street, N.W.
Washington, D.C. 20006
Facsimile: (202) 857-0172

or such other address as the Company shall designate to each holder of Bundled Securities in writing:

(b) if to any Initial Member, if the address for such Initial Member is set forth in Schedule A hereto, then at the address set forth therein for such Initial Member or, if the address for such holder is not set forth therein, then at the address provided to the Company by such holder or such other address as such holder shall designate to the Company in writing; and

(c) if to any holder of Bundled Securities, if such holder is a Purchaser, then at the address set forth in Schedule A hereto for such Purchaser, or, if such holder is not a Purchaser, then at the address provided to the Company by such holder or such other address as such holder shall designate to the Company in writing.

The Company, upon the written request of any holder of Bundled Securities or Initial Member, will promptly supply such holder with a list of the names and addresses of each party hereto at such time.

11.4 AMENDMENTS AND WAIVERS.

(a) The provisions of Section 1, Section 2, Section 5 and Section 10 hereof, and of any term defined in Section 8 hereof as used in any such Section, may be amended, modified or supplemented, and compliance with any such Section hereof waived, only by a writing duly executed by or on behalf of each of the Bundled Security Holders and the Company.

(b) the provisions of Section 6 hereof, and of any term defined in Section 8 hereof as used in Section 6 hereof, may be amended, modified or supplemented only by a writing duly executed by or on behalf of the Required Holders and the Company; provided, however, that compliance by the Company with the provisions of Section 6 hereof, with respect to any particular registration, may be waived by the Requisite Holders; and provided, further, that no amendment, modification or supplement of the provisions of Section 6.1(d) or Section 6.2(c) hereof which adversely affect the rights of any Initial Member shall be made without the consent of such Initial Member;

(c) the provisions of Section 3 and Section 7 hereof, and of any term defined in Section 8 hereof as used in any such Section, may be amended, modified or supplemented, and compliance with any such Section hereof waived, only by a writing duly executed by or on behalf of the Required Holders, the Required Initial Members and the Company; provided, however, that any amendment, modification or supplement of any such provisions or definitions that change the relative rights among the Initial Members shall require the consent of each Initial Member; and

(d) the provisions of Section 4 hereof, and of any term defined in Section 8 hereof as used in Section 4 hereof, may be amended, modified or supplemented, and compliance with any such Section hereof waived, only by a writing duly executed by or on behalf of the holders of Bundled Securities which are CIGNA affiliates, the Required Initial Members and the Company.

11.5 EXPIRATION OF AGREEMENT. All provisions of this Agreement shall terminate with respect to any Issuable Units which are sold in a Public Offering.

11.6 AVAILABILITY OF INFORMATION. At any time that any class of the Common Units is registered under section 12(b) or section 12(g) of the Exchange Act, the Company will comply with the reporting requirements of sections 13 and 15(d) of the Exchange Act (whether or not it shall be required to do so pursuant to such Sections) and will comply with all other public information reporting requirements of the SEC from time to time in effect. In addition, the Company shall file such reports and information, and shall make available to the public and to the holders of Bundled Securities such information, as shall be necessary to permit such holders to offer and sell Issuable Units pursuant to the provisions of Rules 144 and 144A promulgated under the Securities Act. The Company will also cooperate with each such holder in supplying such information as may be necessary for such holder to complete and file any information reporting forms presently or hereafter required by the SEC as a condition to the availability of an exemption from the registration provisions of the Securities Act in connection with the sale of any Issuable Units. The Company will furnish to each such holder, promptly upon their becoming available, copies of all financial statements, reports, notices and proxy statements sent or made available generally by the Company to its holders of equity securities, and copies of all regular and periodic reports and all registration statements and prospectuses filed by the Company with any securities exchange or with the SEC.

11.7 GOVERNING LAW. THIS AGREEMENT SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, AND THE RIGHTS OF THE PARTIES SHALL BE GOVERNED BY, THE INTERNAL LAW OF THE STATE OF NEW YORK.

11.8 JURISDICTION; JURY TRIAL. EACH OF THE PARTIES HERETO IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY UNITED STATES FEDERAL OR NEW YORK STATE COURT IN ANY ACTION OR

PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OF THE OTHER DOCUMENTS AND INSTRUMENTS CONTEMPLATED HEREBY AND EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT. NONE OF THE PARTIES HERETO SHALL ALL SEEK A JURY TRIAL IN ANY LAWSUIT, PROCEEDING, COUNTERCLAIM OR OTHER LITIGATION PROCEDURE BASED UPON OR ARISING OUT OF OR OTHERWISE RELATED TO THIS AGREEMENT AND EACH OF THE PARTIES HERETO HEREBY WAIVES ANY AND ALL RIGHT TO ANY SUCH JURY TRIAL AND ANY RIGHT EACH MAY HAVE TO ASSERT THE DOCTRINE OF FORUM NON CONVENIENS OR TO OBJECT TO VENUE TO THE EXTENT ANY SUCH PROCEEDING IS BROUGHT IN ACCORDANCE WITH THIS SECTION 9.6.

11.9 COUNTERPARTS. This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

11.10 DESCRIPTIVE HEADINGS. Descriptive headings of the several sections of this Agreement are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof.

11.11 SEVERABILITY. The fact that any given provision of this Agreement is found to be unenforceable, void or voidable under the laws of any jurisdiction shall not effect the validity of the remaining provisions of this Agreement in such jurisdiction, and shall not effect the enforceability of the entire Agreement under the laws of any other jurisdiction.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

TREX COMPANY, LLC

By: /s/ A. J. Cavanna

Name: Anthony J. Cavanna

Title: C.E.O.

CONNECTICUT GENERAL LIFE INSURANCE COMPANY, on behalf of one or more separate accounts

By: CIGNA Investments, Inc.

By: /s/ Linda W. Schumann

Name: LINDA W. SCHUMANN

Title: MANAGING DIRECTOR

CONNECTICUT GENERAL LIFE INSURANCE COMPANY

By: CIGNA Investments, Inc.

By: /s/ Linda W. Schumann

Name: LINDA W. SCHUMANN

Title: MANAGING DIRECTOR

LIFE INSURANCE COMPANY OF NORTH AMERICA

By: CIGNA Investments, Inc.

By: /s/ Linda W. Schumann

Name: LINDA W. SCHUMANN

Title: MANAGING DIRECTOR

/s/ Anthony J. Cavanna

Anthony J. Cavanna

/s/ Roger A. Wittenberg

Roger A. Wittenberg

/s/ Robert G. Matheny

Robert G. Matheny

/s/ Andrew U. Ferrari

Andrew U. Ferrari

AMENDMENT TO MEMBERS' AGREEMENT

THIS AMENDMENT dated as of June 15, 1998 to the Members' Agreement dated as of August 29, 1996 is between TREX Company, LLC, a Delaware limited liability company (the "Company") and each of the persons listed on Schedule 1 hereto (the "Members").

RECITALS:

A. The Company has heretofore entered into that certain Securities Purchase Agreement dated as of August 29, 1996, as amended (the "Securities Purchase Agreement") with each of Connecticut General Life Insurance Company, Connecticut General Life insurance Company, on behalf of one or more separate accounts, and Life Insurance Company of North America. The Company has heretofore issued $24,250,000 of its 10% Senior Notes due August 30, 2003, $5,000,000 of its 12% Subordinated Notes due August 30, 2004, and 1,000 of its Class B Units pursuant to the Securities Purchase Agreement.

B. The Company has heretofore entered into that certain Members' Agreement dated as of August 29, 1996 (the "Members' Agreement") with each of Connecticut General Life Insurance Company, Connecticut General Life Insurance Company, on behalf of one or more separate accounts, Life Insurance Company of North America, Anthony J. Cavanna, Roger A. Wittenberg, Robert O. Marheny and Andrew U. Ferrari.

C. The Company and the Members now desire to amend certain provisions of the Members' Agreement in the respects, but only in the respects, hereinafter set forth.

NOW, THEREFORE, the Company and the Members, in consideration of good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, do hereby agree as follows:

I. The definition of "Public Market Date" in Section 10 of the Members' Agreement is hereby amended by deleting such definition in its entirety and replacing it with the following;

"Public Market Date - means the first day upon which Common Units of the Company have been sold by the Company and for the Company's own account in one or more public offerings pursuant to a registration statement or registration statements filed with the SEC pursuant to the provisions of the Securities Act, and the aggregate gross cash proceeds received by the Company and for the Company's own account as a result of such sale or sales equals or exceeds $40,000,000."

This Amendment shall be construed in connection with and as part of the Members' Agreement, and except as expressly amended by this agreement, all terms, conditions, and covenants contained in the Members' Agreement are hereby ratified and shall be and remain in full force and effect. Any terms used but not defined herein, shall have the meanings ascribed thereto in the Members' Agreement.

Any and all notices, requests certificates and other instruments executed and delivered after the execution and delivery of this amendment may refer to the Members' Agreement without making specific reference to this amendment but nevertheless all such references shall be deemed to include this amendment unless the context otherwise requires.

This Amendment shall be governed by and construed in accordance with the law of the State of New York excluding choice-of-law principles of the law of such State that would require the application of the laws of a jurisdiction other than such State.

This Amendment may be executed in any number or counterparts, each executed counterpart constituting an original, but all together only one Amendment.

IN WITNESS WHEREOF, the Company and the Members have caused this instrument to be executed, all as of the day and year first above written.

THE COMPANY: TREX COMPANY, LLC

By /s/ A.J. Cavanna

Name: Anthony J. Cavanna
Title: CFO

THE MEMBERS: CONNECTICUT GENERAL LIFE INSURANCE COMPANY
By CIGNA Investments, Inc.

By /s/ Stephen A. Osborn

Name: Stephen A. Osborn
Title: Managing Director

CONNECTICUT GENERAL LIFE INSURANCE COMPANY,
ON BEHALF OF ONE OR MORE SEPARATE ACCOUNTS
By CIGNA Investments, Inc.

By /s/ Stephen A. Osborn

Name: Stephen A. Osborn
Title: Managing Director

LIFE INSURANCE COMPANY OF NORTH AMERICA
By CIGNA Investments, Inc.

By /s/ Stephen A. Osborn

Name: Stephen A. Osborn
Title: Managing Director

THE LINCOLN NATIONAL LIFE INSURANCE COMPANY
By Lincoln Investment Management, Inc.,
Its Attorney In Fact

By /s/

Name:
Title:

/s/ A. J. Cavanna

Anthony J. Cavanna

/s/ Roger A. Wittenberg

Roger A. Wittenberg

/s/ Robert G. Matheny

Robert G. Matheny

/s/ Andrew U. Ferrari

Andrew U. Ferrari

SCHEDULE 1

Members

Connecticut General Life Insurance Company

Connecticut General Life Insurance Company, on behalf of one or more separate accounts

Life Insurance Company of North America

The Lincoln National Life Insurance Company

Anthony J. Cavanna

Roger A. Wittenberg

Robert G. Matheny

Andrew U. Ferrari

Exhibit 10.6

TREX DISTRIBUTOR AGREEMENT

THIS AGREEMENT is made this ____ day of _____, _____ (the "Execution Date"), by and between the TREX COMPANY, LLC at 20 South Cameron Street, Winchester, Virginia 22601 (the "Company") and

- ----------

- ----------
the "Distributor"
- ----------

WITNESSETH:

WHEREAS, the Company is engaged in the business of developing, manufacturing, assembling and distributing synthetic wood products under the trademark "Trex(R)" (collectively, the "Trex Products"); and

WHEREAS, the Distributor wishes to have the right to purchase and resell Trex Products; and

WHEREAS, the Company desires to appoint Distributor to sell Trex Products.

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained in this Agreement, the parties hereto agree as follows:

1. APPOINTMENT: PRIMARY AREA OF RESPONSIBILITY

Upon the terms and subject to the conditions of this Agreement, the Company hereby appoints the Distributor as an authorized distributor of Trex Products, and the Distributor hereby accepts such appointment within the following area of primary responsibility: See Schedule A. In such capacity, the Distributor will purchase Trex Products from the Company and will devote its continuing best efforts to the promotion, sale and use of such products. Subject to the provisions of Sections 8 and 9 of this Agreement, the Distributor shall have the non-exclusive right to sell Trex Products.

Company reserves the right to take the following actions within the Distributor's Primary Area of Responsibility (PAR): (I) to appoint or be represented by other or additional distributors; (ii) to make sales directly to any or all customers of the same and/or other Company products; and (iii) to sell exclusively on a direct basis, to certain types of customers or specific accounts which Company may, in its sole discretion, designate from time to time in accordance with then current Company policies. The Company will notify Distributor prior to appointing additional distributors.

2. TERM

The term of this Agreement shall be for a period of one (1) year, commencing upon the acceptance and execution of this Agreement by the Company unless previously terminated pursuant to the provisions of this agreement. The Agreement shall automatically renew for additional one year terms on the anniversary date of this Agreement with the same terms and conditions of this Agreement unless either party provides the other with sixty (60) days prior written notice of their intent to terminate this Agreement.

3. PRICES: TERMS OF PURCHASE

(a) Prices. The Distributor shall purchase Trex Products at the prices in effect at the time of shipment of the order except as follows: All orders that have been received by the Company as of the effective date of a price change and have a ship date as specified on the Company's Order Acknowledgment Form of no more than 60 days from the date of the price change by the Company will be billed at the price which was in effect when the order was received by the Company.

(b) Terms of Purchase. All orders for Trex Products placed by Distributor shall be in writing or by fax. All orders shall be subject to acceptance by the Company at Winchester, Virginia. All products shall be shipped FCA assigned plant or warehouse. The shipment destination must be within the Distributor's primary area of responsibility. The Company will not ship product outside of the Distributor's primary area of responsibility (PAR) unless the destination is an unassigned PAR or the shipment is in support of a negotiated national account or OEM program. Payment shall be net 10 days unless otherwise approved by the Company prior to shipment. Any taxes, administrative or governmental charges incurred as a result of the purchase of Trex Products are the sole responsibility of the Distributor. The Distributor agrees to indemnify and hold harmless the Company against any and all claims made against the Company for taxes; administrative or governmental charges as set forth above and all losses to the Company associated herewith including but not limited to attorneys fees and costs. The Distributor agrees to submit current financial statements to the Company.

4. ADDITION, DISCONTINUANCE AND MODIFICATION OF PRODUCTS

The Company shall have the right from time to time, and at any time, to introduce new Trex Products, discontinue the manufacture or sale of any of its Trex Products and to make changes in the design or construction of any of such Trex Products without incurring any obligation or liability whatsoever. The Company will give the Distributor 60-day prior notice of any discontinuance of a Trex Product.

5. NONEXCLUSIVE LICENSE

The Company is the owner and registrant of the trademarked name "Trex". The Company hereby grants to the Distributor a nonexclusive license to use the Trademark in connection with the sale of Trex Products. Any use of the Trademark by the Distributor must be in a form and format approved by the Company in advance of such usage, and the Distributor agrees to comply with such standards and procedures as may be established by the Company from time to time for the use of the Trademark. No right, title or interest is conferred by this Agreement to the Distributor in the Trademark other than the nonexclusive license described above and any use by the Distributor of the Trademark shall not be construed as conferring any title or ownership therein in the Distributor. The Distributor agrees and acknowledges the right of the Company to the exclusive right to use and to license the Trademark.

The Distributor agrees that both during the term of this Agreement, and after the expiration or termination of this Agreement, the Distributor will not directly or indirectly contest the validity or ownership of the Trademark. During the term of this Agreement, Distributor agrees that it will promptly notify the Company if it becomes aware of any claims by any other person as to the validity or ownership of the Trademark.

6. PROMOTIONAL MATERIALS

In connection with the license granted by this Agreement, the Company may, in its sole and absolute discretion, take reasonable action to assist the Distributor in the Distributor's efforts to promote and sell Trex Products. The Company may, in consideration of the Distributor's active promotion of Trex Products, provide the Distributor with reasonable quantities of support materials such as product information and sales promotional literature.

7. OBLIGATIONS OF DISTRIBUTOR

(a) Sales Activities. The Distributor agrees to use its continuing best efforts vigorously and actively to promote the sale and safe use of Trex Products. In connection with such efforts, the Distributor, at its sole cost and expense, shall organize and maintain a sales force and shall maintain adequate sales and warehouse facilities within the primary area of responsibility, that are satisfactory to the Company.

The Distributor should use his best efforts to ensure that all material sold to its customers and to parties responsible for designing and engineering Trex can be resold only into appropriate applications for Trex and must be in complete compliance with all federal, state and local statutes and ordinances as well as local building codes as needed. Trex Products are not to be used as primary load-bearing members such as joints, stringers, posts, studs, beams, or ledgers. The Distributor should refer to the physical properties and usage date including but not limited to the NES(NER-508), Trex Usage Guidelines and CSI Spec Data Sheet supplied by the Company and devote its best efforts to make this information available to its customers and to parties responsible for designing and engineering applications utilizing Trex. The distributor understands that these and other publications are updated periodically and that it will be the Distributor's responsibility and obligations to review the updated publications and upon signed certified mail receipt thereof communication this information to its customers. The Distributor is

charged with the responsibility of ensuring that structural and other limitations of the Trex Product are communicated to its customers and that these customers agree to properly educate all prospective users regarding these limitations.

(b) Minimum Inventory Requirements.

The Distributor agrees to maintain an inventory during the April-September period of a minimum number of trailer loads as specified in Schedule B (Minimum Inventory Requirement).

(c) Advertising. Each printed advertisement, flyer, handbill, television spot, radio script, yellow pages listing or any other advertising or promotional material bearing or using the trade name "Trex" or pertaining to Trex Products must be approved by the Company in writing prior to its use by the Distributor. Such approval will not be unreasonably withheld or delayed.

(d) Reputation The Distributor shall continually maintain to the satisfaction of the Company a general reputation for honesty, integrity and good credit standing and shall maintain the highest quality standards.

(e) Compliance With Law. The Distributor shall comply with all laws, ordinances and regulations, both state and federal, applicable to the Distributor's business.

(f) Expenses. The Distributor shall pay and discharge, and the Company shall have no obligation to pay for, any expenses or costs of any kind or nature incurred by the Distributor in connection with its distribution function hereunder, including, without limitation, any expenses or costs involved in marketing Trex Products.

8. FAILURE TO MEET MINIMUM INVENTORY REQUIREMENTS QUOTAS

The Distributor agrees to exert its best efforts to meet the Minimum Inventory Requirements Quota indicated in Section 7(b) of this Agreement. If the Distributor does not achieve the established Minimum Inventory Requirements Quota during any particular one-year period, the Company has the option to terminate this Agreement in accordance with the provisions of Section 12(b) upon the Distributor's failure to achieve the established Minimum Inventory Requirements Quota. Inventory quotas are not applicable during a period of restricted allotment.

9. FORCE MAJEURE

Company shall be excused from delay or non-performance in the delivery of an order and Distributor shall have no claim for damage if and to the extent such delay or failure is caused by occurrences beyond the control of the Company including, but not limited to, market conditions; acts of God; war, riots and civil disturbances; expropriation or confiscation of facilities or compliance with any order or request of governmental authority; strikes, labor or employment difficulties whether direct or indirect; or any cause whatsoever which is not within the reasonable control of the Company. The Company shall immediately notify the Distributor of the existence of any such force majeure condition and the anticipated extent of the delay or non-delivery. The Company shall, in such event, have the right to allocate available Trex Products among its customers and Distributors in its sole discretion.

10. DISTRIBUTOR'S REMEDIES

If the Company, for any reason whatsoever, fails or is unable to deliver any Trex Products ordered by the Distributor, the Distributor's sole and exclusive remedy shall be the recovery of the purchase price, if any, paid by the Distributor to the Company for such Trex Products. The Company shall not incur any liability whatsoever for any delay in the delivery of any Trex Products to the Distributor. In no event shall the Company be liable for any incidental, consequential or other damages arising out of any failure to deliver any Trex Products to the Distributor or any delay in the delivery thereof.

11. RELATIONSHIP OF PARTIES: INDEMNIFICATION OF COMPANY

(a) Independent Contractor Status. The relationship of the parties established by this Agreement is that of vendor and vendee, and all work and duties to be performed by the Distributor as contemplated by this Agreement shall be performed by it as an independent contractor. The full cost and responsibility for hiring, firing and compensating employees of the Distributor shall be borne by the Distributor.

(b) No Authority to Bind Company. Nothing in this Agreement or otherwise shall be construed as constituting an appointment of the Distributor as an agent, legal representative, joint venture, partner, employee or servant of the Company for any purpose whatsoever. The Distributor is not authorized to transact business, incur obligations, sell goods, solicit orders, or assign or create any obligation of any kind, express or implied, on behalf of the Company, or to bind it in any way whatsoever, or to make any contract, promise, warranty or representation on the Company's behalf with respect to products sold by the Company or any other matter, or to accept any service of process upon the Company or receive any notice of any nature whatsoever on the Company's behalf.

(c) Indemnification. Under no circumstances shall the Company be liable for any act, omission, contract, debt or other obligation of any kind of the Distributor or any salesman, employee, agent or other person acting for or on behalf of the Distributor. The Distributor shall indemnify and hold the Company harmless from any and all claims, liabilities, losses, damages or expenses (including reasonable attorneys, fees and costs) arising directly or indirectly from, as a result of, or in connection with, the Distributor's operation of the Distributor's business. The terms of this indemnity shall survive the termination of this Agreement.

12. TERMINATION

(a) Voluntary Termination. The Distributor shall have the right to terminate this Agreement at any time by giving written notice to the Company not less than 90 days prior to the effective date of such termination.

(b) Termination by Company and Immediate Termination. The Company shall have the right to terminate this Agreement at any time by giving written notice to the Distributor not less than 90 days prior to the effective termination except for the occurrence of any of the following events which shall immediately terminate the rights granted to the Distributor under this agreement without the need for notification to be sent to or received by the Distributor:

(1) the Distributor becomes bankrupt or insolvent; a receiver is appointed to take possession of the Distributor's business or property, or any part thereof; the Distributor makes a general assignment for the benefit of creditors or any similar event occurs;

(2) the Distributor is convicted of a crime of moral turpitude or any felonious criminal offense; or

(3) the Distributor attempts to assign or dispose of its interest in this Agreement in violation of the terms of this Agreement.

(4) The Distributor knowingly sells Trex for other than appropriate applications.

13. EFFECT OF TERMINATION

(a) Licenses. All rights and licenses granted to the Distributor pursuant to this Agreement shall terminate automatically upon the termination of this Agreement.

(b) Indebtedness. Termination of this Agreement shall not operate as a cancellation of any indebtedness of either party to the other party at the time of such termination.

(c) Distributor's Obligations. Upon termination of this Agreement for any reason, including its expiration or its termination under Section 12, the Distributor shall:

(1) immediately cease to be a Trex distributor;

(2) immediately and permanently discontinue, and cease to use in any advertising, sign, display, telephone directory or listing, or printed matter whatsoever, the words "authorized," "dealer," distributor" and/or any other word or words suggesting a dealership or distributorship, in connection with the name "Trex";

(3) cease to use the name "Trex" in conjunction with the Distributor's corporate, trade or business name;

(4) cease to engage in any other activity or practice which would tend to indicate, suggest or represent, either directly or indirectly, that the Distributor is part of the Company's organization or that the Distributor is authorized or franchised by the Company to sell Trex Products;

(5) immediately take all steps and actions which are reasonably necessary or appropriate to comply with the foregoing;

(6) within 10 days of the effective date of such termination, pay the Company all sums then outstanding and owed to the Company; and

(7) all provisions of this Agreement except 14(a) shall remain in full force and effect.

(d) Company's Obligations. If this Agreement is terminated by the Company, the Company shall, within sixty days of such termination, purchase Distributor's inventory of Trex Products at a price equal to the price initially paid by the Distributor for such products.

(e) Rights of the Company.

(I) If the Distributor shall refuse or fail to comply with any of the foregoing provisions of this Section 13, the Distributor shall be liable to and shall indemnify and reimburse the Company for all costs, attorney fees, and/or other expenses incurred by the Company in connection with the enforcement of said provisions, provided, however, that the remedies provided herein shall not be exclusive of other remedies available to the Company.

(ii) The Company may set-off or apply any sums due the Distributor to any sums for which the Distributor is indebted or owes to the Company.

14. RESTRICTIVE COVENANTS

(a) Noncompetition. The Distributor acknowledges that confidential information relative to marketing, manufacturing and installing methods for Trex Products will be made available to the Distributor during the term of this Agreement. Furthermore, the Distributor will enjoy the benefits and goodwill of the Trex trade name, the opportunity and right to sell the quality products associated therewith, the goodwill generated for Trex Products by the Company and its other distributors, as well as the marketing and technical support of the Company, all of which the Distributor agrees and acknowledges is highly advantageous and valuable to the Distributor. In order to protect the Company's interest in the aforesaid and to strengthen the Distributor's commitment to the promotion of Trex Products, the Distributor and each of the individuals signing this Agreement on behalf of the Distributor agrees that during the term of this Agreement, that neither the Distributor nor the designated individuals will, in any manner, directly or indirectly, except with the prior written consent of the Company, promote, advertise,

manufacture, market, distribute, sell or install a product produced from composite recycled plastics and composite recycled wood fibers which competes with Trex Products, which has the same purpose, function or use as Trex Products, or which is essentially of the same or similar design as Trex Products. This restriction applies to all Distributor locations that are authorized to sell Trex. The Distributor will make its best effort to restrict any confidential information including pricing, marketing programs, and product development plans to the locations authorized to sell Trex.

(b) Nonsolicitation. The Distributor, and each of the individuals signing this Agreement on behalf of the Distributor, agrees that during the term of this Agreement, except as expressly permitted by this Agreement, and for a period of 24 months after termination of this Agreement for any reason, neither the Distributor nor any of the signing individuals, will solicit, or cause to be solicited, the employees of the Company.

(c) Extension. The period of time during which the Distributor and the individuals signing on its behalf are prohibited from engaging in the business activities specified in the provisions of Sections 14(a) and 14(b) shall be extended by any length of time during which the Distributor or a signing individual is in breach of such provisions.

(d) Enforcement.

(i) It is agreed and understood by and among the parties to this Agreement that the restrictive covenants set forth in this Section 14 are essential elements of this Agreement and that, but for the agreement of the Distributor to comply with such covenants, the Company would not have agreed to enter into this Agreement. Such covenants of the Distributor shall be construed as agreements independent of any other provisions of this Agreement and shall survive the termination of this Agreement and continue for the duration specified. The existence of any claim or cause of action of the Distributor against the Company, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of such restrictive covenants.

(ii) It is agreed by the parties to this Agreement that if any portion of the restrictive covenants set forth in Sections 14(a) and 14(b) is held to be unreasonable, arbitrary or against public policy, then each such covenant shall be considered divisible both as to time and geographical area, with each month of a specified period being deemed a separate period of time and each county within each state being deemed a separate geographical area, it being the intention of the parties that a lesser period of time or geographical area shall be enforced so long as the same is not unreasonable, arbitrary or against public policy. The parties to this Agreement agree that, in the event any court of competent jurisdiction determines that a specified time period or a specified geographical area is unreasonable, arbitrary or against public policy, a lesser time period or geographical area which is determined to be reasonable, nonarbitrary and not against public policy may be enforced against the Distributor.

(iii) The parties hereto agree that damages at law will be an insufficient remedy to the Company in the event that the restrictive covenants of this Section 14 are violated and that in addition to any other remedies of rights that may be available to the Company, the Company shall also be entitled, upon application to a court of competent jurisdiction, to obtain injunctive relief to enforce the provisions of this Section 14.

(e) Binding on Individuals. Each of the individuals signing this Agreement on behalf of the Distributor specifically agrees to be fully bound by the foregoing restrictive covenants of this Section 14.

15. CONFIDENTIAL INFORMATION

(a) Except as authorized in writing by the Company, Distributor shall not at any time, either during or after the term of this Agreement, disclose or use, directly or indirectly, any proprietary information of the Company of which the Distributor gains knowledge during or by reason of this Agreement and the Distributor shall retain all such information in trust in a fiduciary capacity for the sole use and benefit of the Company.

(b) Proprietary information means information developed by or for the Company which is not otherwise generally known in any industry in which the Company is or may become engaged and includes, but is not limited to, information developed by or for the Company, whether now owned or hereafter obtained, concerning plans, marketing and sales methods, materials, processes, procedures, devices utilized by the Company, prices, suppliers, manufacturers, customers with whom the Company deals (or organizations or other entities or persons associated with such customers), trade secrets and other confidential information of any type, together with all written, graphic and other materials relating to all or any part of the same.

(c) The Distributor acknowledges that the proprietary information of the Company is valuable, special and unique to the Company's business, that on such proprietary information the Company's business depends and that the Company wishes to protect such proprietary information by keeping it secret and confidential for the sole use and benefit of the Company. The Distributor shall take all steps necessary, and all steps reasonably requested by the Company, to insure that all such information is kept secret and confidential for the sole use and benefit of the Company, including, if requested by the Company, using its best efforts to have all employees and agents of the Distributor execute and deliver to the Company confidentiality agreements in a form satisfactory to the Company. Distributor represents that it has a policy and procedure designed to protect all proprietary information including notices to its employees to prevent unauthorized publication and disclosure of any such information.

(d) Upon termination of this Agreement, the Distributor shall promptly return to the Company any property of the Company, including, without limitation, all sales and marketing documents, manuals and other records and proprietary information of the Company, as well as any samples in the Distributor's possession or control, whether prepared by the Distributor or others and whether the Distributor acquired or received such property or material in connection with its performance under this Agreement or otherwise. The Distributor agrees that it will not make or retain any copy of, or extract from, such property or materials. The Company agrees to compensate the Distributor for the cost of any returned sales materials that were authorized by the Company and purchased by the Distributors within 12 months of the date of termination.

16. GENERAL

(a) Insurance. Both parties hereto agrees to carry such liability insurance and/or other insurance as they deem advisable in connection with their respective businesses. Neither party shall be obligated to carry any insurance for the protection of the other.

(b) Waiver. Failure of either party at any time to require performance by the other party of any provision hereof shall not be deemed to be a continuing waiver of that provision, or a waiver of its rights under any other provision of this Agreement, regardless of whether such provision is of the same or a similar nature.

(c) Specific Performance. The parties agree that the subject matter of this Agreement is unique and that damages at law will be insufficient to protect the interests of the Company in the case of a violation by the Distributor of its obligations under this Agreement. In addition to any remedies or rights that may be available to the Company under this Agreement, the Company shall be entitled, upon application to a court of competent jurisdiction, to obtain injunctive relief to enforce the provisions of this Agreement against the Distributor.

(d) Effective Date. This Agreement shall not become effective until accepted and executed by the Company in Winchester, Virginia.

(e) Complete Agreement. This Agreement (including the exhibits hereto and all documents and papers delivered pursuant hereto and any written amendments hereof executed by the parties to this Agreement) constitutes the entire agreement, and supersedes all prior agreements and understandings, oral and written, among the parties to this Agreement with respect to the subject matter hereof. This Agreement may be amended only by written agreement executed by all of the parties hereto. No purchase order or sales form will be applicable to any sales pursuant to this Agreement and only the terms of this Distributor Agreement shall govern such sales.

(f) Applicable Law: Severability.

(i) This Agreement shall be construed under, and governed by, the laws of the State of Virginia (except that if any choice of law provision of Virginia law would result in the application of the law of a state or jurisdiction other than Connecticut, such provision shall not apply). The parties agree that jurisdiction and venue for any legal proceedings arising from or in any way connected to this Agreement will lie in the State Court of any appropriate county in the state of Virginia.

(ii) If any provision of this Agreement is unenforceable or invalid, the Agreement shall be ineffective only to the extent of such provisions, and the enforceability or validity of the remaining provisions of this Agreement shall not be affected thereby.

(g) Transfer by the Distributor. Without the prior written approval of the Company (which shall not be unreasonably withheld), the Distributor shall have no right to sell, assign, transfer, convey, give away, pledge, mortgage or encumber or otherwise dispose of the license granted hereunder or any interest in this Agreement. Any transfer, assignment or other disposition made other than in accordance with the requirements of this Agreement, whether made by operation of law or otherwise or for no consideration, shall be null and void and without any legal force or effect; and, the Company shall not be obligated to recognize the same. Prior to making any proposed assignment, transfer or other disposition of the Distributor or an interest in this Agreement, the Distributor shall provide the Company with 60 days' prior written notice, which notice shall include a complete and accurate written description of the purpose, terms and conditions of the proposed transaction.

(h) Assignment by the Company. Upon thirty days' prior written notice to the Distributor, the Company may assign its rights, duties and obligations under this Agreement.

(i) Notices. Any notice or other communication related to this Agreement shall be effective if sent by first class mail, postage prepaid, to the address set forth in this Agreement, or to such other address as may be designated in writing to the other party.

(j) Headings. The section and other headings in this Agreement are for purposes of reference only and shall not be referred to in interpreting its provisions.

IN WITNESS WHEREOF, the parties have signed this Agreement, the Distributor having signed on the day and year first above written, and the Company having signed on the date indicated below.

TREX COMPANY, LLC

By: ----------

ATTEST:

(CORPORATE SEAL) Effective Date: ----------

- ----------
Secretary

"Distributor"

ATTEST: ----------

(CORPORATE SEAL)

By: ----------

- ----------
Secretary

Exhibit 10.7

PROMISSORY NOTE

$3,780,000.00 June 15, 1998

TREX COMPANY, LLC
20 S. CAMERON STREET
WINCHESTER, VIRGINIA 22601
(Individually and collectively, "Borrower")

FIRST UNION NATIONAL BANK
201 S. JEFFERSON STREET
ROANOKE, VIRGINIA 24011
(Hereinafter referred to as the "Bank")

Borrower promises to pay to the order of Bank, in lawful money of the United States of America, at its office indicated above or wherever else Bank may specify, the sum of Three Million Seven Hundred Eighty Thousand Dollars and No Cents ($3,780,000.00) or such sum as may be advanced and outstanding from time to time, with interest on the unpaid principal balance at the rate and on the terms provided in this Promissory Note (including all renewals, extensions or modifications hereof, this "Note").

SECURITY. Borrower has granted Bank a security interest in the collateral described in the Loan Documents including, but not limited to, real property collateral described in that certain Deed of Trust of even date herewith.

INTEREST RATE DEFINITIONS.

LIBOR. 1-Month LIBOR Rate plus (100 basis points) ("LIBOR-Based Rate"). "LIBOR" is the rate for U.S. dollar deposits of that many months maturity as reported on Telerate page 3750 as of 11:00 a.m., London time, on the second London business day before the relevant Interest Period begins (or if not so reported, then as determined by the Bank from another recognized source or interbank quotation).

INTEREST RATE TO BE APPLIED.

INTEREST RATE. Subject to the provisions hereof, the unpaid principal balance of this Note shall bear interest from the date hereof at the LIBOR-Based Rate, as determined by Bank prior to the commencement of each consecutive interest period of 1 month (each, an "Interest Period") during the term of the Note. Upon determination by Bank of the LIBOR-Based Rate for any Interest Period, such LIBOR-Based Rate shall remain in effect, subject to the provisions hereof, for the entire Interest Period until redetermined as provided above for the next successive Interest Period.

INDEMNIFICATION. Borrower indemnifies Bank against Bank's loss or expense in employing deposits as a consequence of (a) Borrower's failure to make any payment when due under this Note, or (b) any payment, prepayment or conversion of any loan on a date other than the last day of the Interest Period ("Indemnified Loss or Expense"). The amount of such Indemnified Loss or Expense shall be determined by Bank based upon the assumption that Bank funded 100% of that portion of the loan in the London interbank market.

DEFAULT RATE. In addition to all other rights contained in this Note, if a Default (defined herein) occurs and as long as a Default continues, all outstanding Obligations shall bear interest at the LIBOR-Based Rate plus 3% ("Default Rate"). The Default Rate shall also apply from acceleration until the Obligations or any judgment thereon is paid in full.

INTEREST AND FEE(S) COMPUTATION (ACTUAL/360) . Interest and fees, if any, shall be computed on the basis of a 360-day year for the actual number of days in the applicable period ("Actual/360 Computation"). The Actual/360

Computation determines the annual effective yield by taking the stated (nominal) rate for a year's period and then dividing said rate by 360 to determine the daily periodic rate to be applied for each day in the applicable period. Application of the Actual/360 Computation produces an annualized effective interest rate exceeding that of the nominal rate.

REPAYMENT TERMS. This Note shall be due and payable as set forth in the Repayment Schedule attached hereto and made a part hereof. All remaining principal and interest shall be due and payable on June 16, 2008.

SCHEDULED PAYMENT ADJUSTMENT. At Bank's option and with notice to Borrower, the scheduled payment amount will increase as is necessary (i) to pay all accruals of interest for the period and previous periods and (ii) to maintain principal repayment according to the amortization that would have occurred if the Interest Rate in effect on the date of this Note had remained constant. The increased payment amount shall remain in effect for as long as the original scheduled payment amount is insufficient to pay accrued interest and principal and shall be further adjusted upward or downward to reflect changes in the variable interest rate. The scheduled payment amount will not be reduced below the original scheduled payment amount.

APPLICATION OF PAYMENTS. Monies received by Bank from any source for application toward payment of the Obligations shall be applied to accrued interest and then to principal. If a Default occurs, monies may be applied to the Obligations in any manner or order deemed appropriate by Bank.

If any payment received by Bank under this Note or other Loan Documents is rescinded, avoided or for any reason returned by Bank because of any adverse claim or threatened action, the returned payment shall remain payable as an obligation of all persons liable under this Note or other Loan Documents as though such payment had not been made.

LOAN DOCUMENTS AND OBLIGATIONS. The term "Loan Documents" used in this Note and other Loan Documents refers to all documents executed in connection with the loan evidenced by this Note and any prior notes which evidence all or any portion of the loan evidenced by this Note, and may include, without limitation, a commitment letter that survives closing, a loan agreement, this Note, guaranty agreements, security agreements, security instruments, financing statements, mortgage instruments, letters of credit and any renewals or modifications, whenever any of the foregoing are executed, but does not include swap agreements (as defined in 11 U.S.C.(S)101).

The term "Obligations" used in this Note refers to any and all indebtedness and other obligations under this Note, all other obligations under any other loan Document(s), and all obligations under any swap agreements as defined in 11 U.S.C.(S)101 between Borrower and Bank whenever executed including the ISDA Master Agreement dated March 20, 1998 between Bank and Borrower.

LATE CHARGE. If any payments are not timely made, Borrower shall also pay to Bank a late charge equal to five percent (5%) of each payment past due for eight (8) or more days.

Acceptance by Bank of any late payment without an accompanying late charge shall not be deemed a waiver of Bank's right to collect such late charge or to collect a late charge for any subsequent late payment received.

If this Note is secured by owner-occupied residential real property located outside the state in which the office of Bank first shown above is located, the late charge laws of the state where the real property is located shall apply to this Note and the late charge shall be the highest amount allowable under such laws. If no amount is stated thereunder, the late charge shall be five percent (5%) of each payment past due for ten (10) or more days.

ATTORNEYS' FEES AND OTHER COLLECTION COSTS. Borrower shall pay all of Bank's reasonable expenses incurred to enforce or collect any of the Obligations, including, without limitation, reasonable arbitration, paralegals', attorneys' and experts' fees and expenses, whether incurred without the commencement of a suit, in any trial, arbitration, or administrative proceeding, or in any appellate or bankruptcy proceeding.

USURY. Regardless of any other provision of this Note or other Loan Documents, if for any reason the effective interest should exceed the maximum lawful interest, the effective interest shall be deemed reduced to, and shall be, such maximum lawful interest, and (i) the amount which would be excessive interest shall be deemed applied to the reduction of the principal balance of this Note and not to the payment of interest, and (ii) if the loan evidenced by this Note has been or is thereby paid in full, the excess shall be returned to the party paying same, such application to the principal balance of this Note or the refunding of excess to be a complete settlement and acquittance thereof.

DEFAULT. If any of the following occurs a default ("Default") under this Note shall exist: NONPAYMENT; NONPERFORMANCE. The failure of timely payment or performance of the Obligations or Default under this Note or any other Loan Documents. FALSE WARRANTY. A warranty or representation made deemed made in the Loan Documents or furnished Bank in connection with the loan evidenced by this Note proves materially false, or if of a continuing nature, becomes materially false. CROSS DEFAULT. At Bank's option, any default in payment or performance of any obligation under any other loans, contracts or agreements of Borrower, any Subsidiary or Affiliate of Borrower, any general partner of or the holder(s) of the majority ownership interests of Borrower with Bank or its affiliates ("Affiliate" shall have the meaning as defined in 11 U.S.C.(S)101, except that the term "debtor" therein shall be substituted by the term "Borrower" herein; "Subsidiary" shall mean any corporation of which more than 50% of the issued or outstanding voting stock is owned directly or indirectly by Borrower). CESSATION; BANKRUPTCY. The death of, appointment of guardian for, dissolution of, termination of existence of, loss of good standing status by, appointment of a receiver for, assignment for the benefit of creditors of, or commencement of any bankruptcy or insolvency proceeding by or against Borrower, its Subsidiaries or Affiliates, if any, or any general partner of or the holder(s) of the majority ownership interests of Borrower, or any party to the Loan Documents. MATERIAL CAPITAL STRUCTURE OR BUSINESS ALTERATION. Without prior written consent of Bank, (i) a material alteration in the kind or type of Borrower's business or that of Borrower's Subsidiaries or Affiliates, if any; (ii) the sale of more than 50% of the Borrower's outstanding stock or voting power of or in a single transaction or a series of transactions; (iii) the acquisition of substantially all of the business or assets or more than 50% of the outstanding stock or voting power of any other entity; or (iv) should any Borrower, or any of Borrower's Subsidiaries or Affiliates, or any guarantor enter into any merger or consolidation.

REMEDIES UPON DEFAULT. If a Default occurs under this Note or any Loan Documents, Bank may at any time thereafter, take the following actions: BANK LIEN. Foreclose its security interest or lien against Borrower's accounts without notice. ACCELERATION UPON DEFAULT. Accelerate the maturity of this Note and all other of the Obligations shall be immediately due and payable. CUMULATIVE. Exercise any rights and remedies as provided under the Note and other Loan Documents, or as provided by law or equity.

FINANCIAL AND OTHER INFORMATION. Borrower shall deliver to Bank such information as Bank may reasonably request from time to time, including without limitation, financial statements and information pertaining to Borrower's financial condition. Such information shall be true, complete, and accurate.

YEAR 2000 COMPATIBILITY. Borrower shall take all action necessary to assure that Borrower's computer based systems are able to operate and effectively process data including dates on and after January 1, 2000. At the request of Bank, Borrower shall provide Bank assurance acceptable to Bank of Borrower's Year 2000 compatibility.

LOAN AGREEMENT. Borrower represents and warrants that the provisions of Article IV (excluding Sections 4.04 and 4.05) of the Credit Agreement between Bank and Borrower dated December 10, 1996, and all modifications and amendments thereof (the "Credit Agreement") are true and correct as of the date of the Note; and at all times, Borrower shall comply with the provisions of Article V of the Credit Agreement. Borrower's obligation to comply with such provisions shall continue notwithstanding the satisfaction in full of all obligations referred to in the Credit Agreement.

WAIVERS AND AMENDMENTS. No waivers, amendments or modifications of this Note and other Loan Documents shall be valid unless in writing and signed by an officer of Bank. No waiver by Bank of any Default shall operate as a waiver of any other Default or the same Default on a future occasion. Neither the failure nor any delay on the part of Bank in exercising any right, power, or remedy under this Note and other Loan Documents shall operate as a waiver thereof, nor shall a single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or remedy.

Each Borrower or any other person liable under this Note waives presentment, protest, notice of dishonor, demand for payment, notice of intention to accelerate maturity, notice of acceleration of maturity, notice of sale and all other notices of any kind. Further, each agrees that Bank may extend, modify or renew this Note or make a novation of the loan evidenced by this Note for any period and grant any releases, compromises or indulgences with respect to any collateral securing this Note, or with respect to any other Borrower or any person liable under this Note or other Loan Documents, all without notice to or consent of each Borrower or each person who may be liable under this Note or other Loan Documents and without affecting the liability of Borrower or any person who may be liable under this Note or other Loan Documents.

MISCELLANEOUS PROVISIONS. ASSIGNMENT. This Note and other Loan Documents shall inure to the benefit of and be binding upon the parties and their respective heirs, legal representatives, successors and assigns. Bank's interests in and rights under this Note and other Loan Documents are freely assignable, in whole or in part, by Bank. In addition, nothing in

this Note or any of the Loan Documents shall prohibit Bank from pledging or assigning this Note or any of the Loan Documents or any interest therein to any Federal Reserve Bank. Borrower shall not assign its rights and interest hereunder without the prior written consent of Bank, and any attempt by Borrower to assign without Bank's prior written consent is null and void. Any assignment shall not release Borrower from the Obligations. APPLICABLE LAW; CONFLICT BETWEEN DOCUMENTS. This Note and other Loan Documents shall be governed by and construed under the laws of the state named in Bank's address shown above without regard to that state's conflict of laws principles. If the terms of this Note should conflict with the terms of the Loan Agreement or any commitment letter that survives closing, the terms of this Note shall control. JURISDICTION. Borrower irrevocably agrees to non-exclusive personal jurisdiction in the state named in Bank's address shown above. SEVERABILITY. If any provision of this Note or of the other Loan Documents shall be prohibited or invalid under applicable law, such provision shall be ineffective but only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Note or other such document. NOTICES. Any notices to Borrower shall be sufficiently given, if in writing and mailed or delivered to the Borrower's address shown above or such other address as provided hereunder; and to Bank, if in writing and mailed or delivered to Bank's office address shown above or such other address as Bank may specify in writing from time to time. In the event that either party hereto changes address at any time prior to the date the Obligations are paid in full, that party shall promptly give written notice of such change of address by registered or certified mail, return receipt requested, all charges prepaid. PLURAL; CAPTIONS. All references in the Loan Documents to Borrower, guarantor, person, document or other nouns of reference mean both the singular and plural form, as the case may be, and the term "person" shall mean any individual, person or entity. The captions contained in the Loan Documents are inserted for convenience only and shall not affect the meaning or interpretation of the Loan Documents. BINDING CONTRACT. Borrower by execution of and Bank by acceptance of this Note agree that each party is bound to all terms and provisions of this Note. ADVANCES. Bank in its sole discretion may make other Advances under this Note pursuant hereto. POSTING OF PAYMENTS. All payments received during normal banking hours after 2:00 p.m. local time at the office of Bank first shown above shall be deemed received at the opening of the next banking day. JOINT AND SEVERAL OBLIGATIONS. Borrower is jointly and severally obligated under this Note. FEES AND TAXES. Borrower shall promptly pay all documentary, intangible recordation and/or similar taxes on this transaction whether assessed at closing or arising from time to time.

ARBITRATION. Upon demand of any party hereto, whether made before or after institution of any judicial proceeding, any dispute, claim or controversy arising out of, connected with or relating to this Note and any other Loan Documents ("Disputes") between or among parties to this Note and any other Loan Documents shall be resolved by binding arbitration as provided herein. Institution of a judicial proceeding by a party does not waive the right of that party to demand arbitration hereunder. Disputes may include, without limitation, tort claims, counterclaims, disputes as to whether a matter is subject to arbitration, claims brought as class actions, claims arising from Loan Documents executed in the future, or claims arising out of or connected with the transaction reflected by this Note.

Arbitration shall be conducted under and governed by the Commercial Financial Disputes Arbitration Rules (the "Arbitration Rules") of the American Arbitration Association (the "AAA") and Title 9 of the U.S. Code. All arbitration hearings shall be conducted in the city in which the office of Bank first stated above is located. The expedited procedures set forth in Rule 51 et seq. of the
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Arbitration Rules shall be applicable to claims of less than $1,000,000.00. All applicable statutes of limitation shall apply to any Dispute. A judgment upon the award may be entered in any court having jurisdiction. The panel from which all arbitrators are selected shall be comprised of licensed attorneys. The single arbitrator selected for expedited procedure shall be a retired judge from the highest court of general jurisdiction, state or federal, of the state where the hearing will be conducted or if such person is not available to serve, the single arbitrator may be a licensed attorney. Notwithstanding the foregoing, this arbitration provision does not apply to disputes under or related to swap agreements.

PRESERVATION AND LIMITATION OF REMEDIES. Notwithstanding the preceding binding arbitration provisions, Bank and Borrower agree to preserve, without diminution, certain remedies that any party hereto may employ or exercise freely, independently or in connection with an arbitration proceeding or after an arbitration action is brought. Bank and Borrower shall have the right to proceed in any court of proper jurisdiction or by self-help to exercise or prosecute the following remedies, as applicable: (i) all rights to foreclose against any real or personal property or other security by exercising a power of sale granted under the Loan Documents or under applicable law or by judicial foreclosure and sale, including a proceeding to confirm the sale; (ii) all rights of self-help including peaceful occupation of real property and collection of rents, set-off, and peaceful possession of personal property; (iii) obtaining provisional or ancillary remedies including injunctive relief, sequestration, garnishment, attachment, appointment of receiver and filing an involuntary bankruptcy proceeding; and (iv) when applicable, a judgment by confession of judgment. Preservation of these remedies does not limit the power of an arbitrator to grant similar remedies that may be requested by a party in a Dispute.

Borrower and Bank agree that they shall not have a remedy of punitive and exemplary damages against the other in any Dispute and hereby waive any right or claim to punitive or exemplary damages they have now or which may arise in the future in connection with any Dispute whether the Dispute is resolved by arbitration or judicially.

IN WITNESS WHEREOF, Borrower, on the day and year first above written, has caused this Note to be executed under seal, AND THIS NOTE IS DEEMED EFFECTIVE AS OF JUNE 15, 1998.

TREX COMPANY, LLC

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

Anthony J. Cavanna, Chief Executive Officer

TAXPAYER IDENTIFICATION NUMBER(S): 54-1810859

Exhibit 10.8

PROMISSORY NOTE

$1,035,000.00 November 20, 1998

TREX COMPANY, LLC
20 S. CAMERON STREET
WINCHESTER, VIRGINIA 22601
(Individually and collectively, "Borrower")

FIRST UNION National Bank
201 S. Jefferson Street
Roanoke, Virginia 24011
(Hereinafter referred to as the "Bank")

Borrower promises to pay to the order of Bank, in lawful money of the United States of America, at its office indicated above or wherever else Bank may specify, the sum of One Million Thirty Five Thousand Dollars and No Cents ($1,035,000.00) or such sum as may be advanced and outstanding from time to time, with interest on the unpaid principal balance at the rate and on the terms provided in this Promissory Note (including all renewals, extensions or modifications hereof, this "Note").

SECURITY. Borrower has granted Bank a security interest in the collateral described in the Loan Documents including, but not limited to, real property collateral described in that certain Deed of Trust of even date herewith.

INTEREST RATE DEFINITIONS.

LIBOR. 1-Month LIBOR Rate plus (100 basis points) ("LIBOR-Based Rate"). "LIBOR" is the rate for U.S. dollar deposits of that many months maturity as reported on Telerate page 3750 as of 11:00 a.m., London time, on the second London business day before the relevant Interest Period begins (or if not so reported, then as determined by the Bank from another recognized source or interbank quotation).

INTEREST RATE TO BE APPLIED.

INTEREST RATE. Subject to the provisions hereof, the unpaid principal balance of this Note shall bear interest from the date hereof at the LIBOR-Based Rate, as determined by Bank prior to the commencement of each consecutive interest period of 1 month (each, an "Interest Period") during the term of the Note. Upon

determination by Bank of the LIBOR-Based Rate for any Interest Period, such LIBOR-Based Rate shall remain in effect, subject to the provisions hereof, for the entire Interest Period until redetermined as provided above for the next successive Interest Period.

INDEMNIFICATION. Borrower indemnifies Bank against Bank's loss or expense in employing deposits as a consequence of (a) Borrower's failure to make any payment when due under this Note, or (b) any payment, prepayment or conversion of any loan on a date other than the last day of the Interest Period ("Indemnified Loss or Expense"). The amount of such Indemnified Loss or Expense shall be determined by Bank based upon the assumption that Bank funded 100% of that portion of the loan in the London interbank market.

DEFAULT RATE. In addition to all other rights contained in this Note, if a Default (defined herein) occurs and as long as a Default continues, all outstanding Obligations shall bear interest at the LIBOR-Based Rate plus 3% ("Default Rate"). The Default Rate shall also apply from acceleration until the Obligations or any judgment thereon is paid in full.

INTEREST AND FEE(S) COMPUTATION (ACTUAL/360) . Interest and fees, if any, shall be computed on the basis of a 360-day year for the actual number of days in the applicable period ("Actual/360 Computation"). The Actual/360 Computation determines the annual effective yield by taking the stated (nominal) rate for a year's period and then dividing said rate by 360 to determine the daily periodic rate to be applied for each day in the applicable period. Application of the Actual/360 Computation produces an annualized effective interest rate exceeding that of the nominal rate.

REPAYMENT TERMS. This Note shall be due and payable as set forth in the Repayment Schedule attached hereto and made a part hereof. All remaining principal and interest shall be due and payable on November 28, 2008.

SCHEDULED PAYMENT ADJUSTMENT. At Bank's option and with notice to Borrower, the scheduled payment amount will increase as is necessary (i) to pay all accruals of interest for the period and previous periods and (ii) to maintain principal repayment according to the amortization that would have occurred if the Interest Rate in effect on the date of this Note had remained constant. The increased payment amount shall remain in effect for as long as the original scheduled payment amount is insufficient to pay accrued interest and principal and shall be further adjusted upward or downward to reflect changes in the variable interest rate. The scheduled payment amount will not be reduced below the original scheduled payment amount.

APPLICATION OF PAYMENTS. Monies received by Bank from any source for application toward payment of the Obligations shall be applied to accrued interest

and then to principal. If a Default occurs, monies may be applied to the Obligations in any manner or order deemed appropriate by Bank.

If any payment received by Bank under this Note or other Loan Documents is rescinded, avoided or for any reason returned by Bank because of any adverse claim or threatened action, the returned payment shall remain payable as an obligation of all persons liable under this Note or other Loan Documents as though such payment had not been made.

LOAN DOCUMENTS AND OBLIGATIONS. The term "Loan Documents" used in this Note and other Loan Documents refers to all documents executed in connection with the loan evidenced by this Note and any prior notes which evidence all or any portion of the loan evidenced by this Note, and may include, without limitation, a commitment letter that survives closing, a loan agreement, this Note, guaranty agreements, security agreements, security instruments, financing statements, mortgage instruments, letters of credit and any renewals or modifications, whenever any of the foregoing are executed, but does not include swap agreements (as defined in 11 U.S.C. 101).

The term "Obligations" used in this Note refers to any and all indebtedness and other obligations under this Note, all other obligations under any other loan Document(s), and all obligations under any swap agreements as defined in 11 U.S.C. 101 between Borrower and Bank whenever executed including the ISDA Master Agreement dated March 20, 1998 between Bank and Borrower.

LATE CHARGE. If any payments are not timely made, Borrower shall also pay to Bank a late charge equal to five percent (5%) of each payment past due for eight (8) or more days.

Acceptance by Bank of any late payment without an accompanying late charge shall not be deemed a waiver of Bank's right to collect such late charge or to collect a late charge for any subsequent late payment received.

If this Note is secured by owner-occupied residential real property located outside the state in which the office of Bank first shown above is located, the late charge laws of the state where the real property is located shall apply to this Note and the late charge shall be the highest amount allowable under such laws. If no amount is stated thereunder, the late charge shall be five percent (5%) of each payment past due for ten (10) or more days.

ATTORNEYS' FEES AND OTHER COLLECTION COSTS. Borrower shall pay all of Bank's reasonable expenses incurred to enforce or collect any of the Obligations, including, without limitation, reasonable arbitration, paralegals', attorneys' and experts' fees and expenses, whether incurred without the

commencement of a suit, in any trial, arbitration, or administrative proceeding, or in any appellate or bankruptcy proceeding.

USURY. Regardless of any other provision of this Note or other Loan Documents, if for any reason the effective interest should exceed the maximum lawful interest, the effective interest shall be deemed reduced to, and shall be, such maximum lawful interest, and (i) the amount which would be excessive interest shall be deemed applied to the reduction of the principal balance of this Note and not to the payment of interest, and (ii) if the loan evidenced by this Note has been or is thereby paid in full, the excess shall be returned to the party paying same, such application to the principal balance of this Note or the refunding of excess to be a complete settlement and acquittance thereof.

DEFAULT. If any of the following occurs a default ("Default") under this Note shall exist: NONPAYMENT; NONPERFORMANCE. The failure of timely payment or performance of the Obligations or Default under this Note or any other Loan Documents. FALSE WARRANTY. A warranty or representation deemed made in the Loan Documents or furnished Bank in connection with the loan evidenced by this Note proves materially false, or if of a continuing nature, becomes materially false. CROSS DEFAULT. At Bank's option, any default in payment or performance of any obligation under any other loans, contracts or agreements of Borrower, any Subsidiary or Affiliate of Borrower, any general partner of or the holder(s) of the majority ownership interests of Borrower with Bank or its affiliates ("Affiliate" shall have the meaning as defined in 11 U.S.C. 101, except that the term "debtor" therein shall be substituted by the term "Borrower" herein; "Subsidiary" shall mean any corporation of which more than 50% of the issued or outstanding voting stock is owned directly or indirectly by Borrower). CESSATION; BANKRUPTCY. The death of, appointment of guardian for, dissolution of, termination of existence of, loss of good standing status by, appointment of a receiver for, assignment for the benefit of creditors of, or commencement of any bankruptcy or insolvency proceeding by or against Borrower, its Subsidiaries or Affiliates, if any, or any general partner of or the holder(s) of the majority ownership interests of Borrower, or any party to the Loan Documents. MATERIAL CAPITAL STRUCTURE OR BUSINESS ALTERATION. Without prior written consent of Bank, (i) a material alteration in the kind or type of Borrower's business or that of Borrower's Subsidiaries or Affiliates, if any; (ii) the sale of more than 50% of the Borrower's outstanding stock or voting power of or in a single transaction or a series of transactions; (iii) the acquisition of substantially all of the business or assets or more than 50% of the outstanding stock or voting power of any other entity; or (iv) should any Borrower, or any of Borrower's Subsidiaries or Affiliates, or any guarantor enter into any merger or consolidation.

REMEDIES UPON DEFAULT. If a Default occurs under this Note or any Loan Documents, Bank may at any time thereafter, take the following actions: BANK LIEN. Foreclose its security interest or lien against Borrower's accounts without notice. ACCELERATION UPON DEFAULT. Accelerate the maturity of this Note and all

other of the Obligations shall be immediately due and payable. CUMULATIVE. Exercise any rights and remedies as provided under the Note and other Loan Documents, or as provided by law or equity.

FINANCIAL AND OTHER INFORMATION. Borrower shall deliver to Bank such information as Bank may reasonably request from time to time, including without limitation, financial statements and information pertaining to Borrower's financial condition. Such information shall be true, complete, and accurate.

YEAR 2000 COMPATIBILITY. Borrower shall take all action necessary to assure that Borrower's computer based systems are able to operate and effectively process data including dates on and after January 1, 2000. At the request of Bank, Borrower shall provide Bank assurance acceptable to Bank of Borrower's Year 2000 compatibility.

LOAN AGREEMENT. Borrower represents and warrants that the provisions of Article IV (excluding Sections 4.04 and 4.05) of the Credit Agreement between Bank and Borrower dated December 10, 1996, and all modifications and amendments thereof (the "Credit Agreement") are true and correct as of the date of the Note; and at all times, Borrower shall comply with the provisions of Article V of the Credit Agreement. Borrower's obligation to comply with such provisions shall continue notwithstanding the satisfaction in full of all obligations referred to in the Credit Agreement.

WAIVERS AND AMENDMENTS. No waivers, amendments or modifications of this Note and other Loan Documents shall be valid unless in writing and signed by an officer of Bank. No waiver by Bank of any Default shall operate as a waiver of any other Default or the same Default on a future occasion. Neither the failure nor any delay on the part of Bank in exercising any right, power, or remedy under this Note and other Loan Documents shall operate as a waiver thereof, nor shall a single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or remedy.

Each Borrower or any other person liable under this Note waives presentment, protest, notice of dishonor, demand for payment, notice of intention to accelerate maturity, notice of acceleration of maturity, notice of sale and all other notices of any kind. Further, each agrees that Bank may extend, modify or renew this Note or make a novation of the loan evidenced by this Note for any period and grant any releases, compromises or indulgences with respect to any collateral securing this Note, or with respect to any other Borrower or any person liable under this Note or other Loan Documents, all without notice to or consent of each Borrower or each person who may be liable under this Note or other Loan Documents and without affecting the liability of Borrower or any person who may be liable under this Note or other Loan Documents.

MISCELLANEOUS PROVISIONS. ASSIGNMENT. This Note and other Loan Documents shall inure to the benefit of and be binding upon the parties and their respective heirs, legal representatives, successors and assigns. Bank's interests in and rights under this Note and other Loan Documents are freely assignable, in whole or in part, by Bank. In addition, nothing in this Note or any of the Loan Documents shall prohibit Bank from pledging or assigning this Note or any of the Loan Documents or any interest therein to any Federal Reserve Bank. Borrower shall not assign its rights and interest hereunder without the prior written consent of Bank, and any attempt by Borrower to assign without Bank's prior written consent is null and void. Any assignment shall not release Borrower from the Obligations. APPLICABLE LAW; CONFLICT BETWEEN DOCUMENTS. This Note and other Loan Documents shall be governed by and construed under the laws of the state named in Bank's address shown above without regard to that state's conflict of laws principles. If the terms of this Note should conflict with the terms of the Loan Agreement or any commitment letter that survives closing, the terms of this Note shall control. JURISDICTION. Borrower irrevocably agrees to non-exclusive personal jurisdiction in the state named in Bank's address shown above. SEVERABILITY. If any provision of this Note or of the other Loan Documents shall be prohibited or invalid under applicable law, such provision shall be ineffective but only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Note or other such document. NOTICES. Any notices to Borrower shall be sufficiently given, if in writing and mailed or delivered to the Borrower's address shown above or such other address as provided hereunder; and to Bank, if in writing and mailed or delivered to Bank's office address shown above or such other address as Bank may specify in writing from time to time. In the event that either party hereto changes address at any time prior to the date the Obligations are paid in full, that party shall promptly give written notice of such change of address by registered or certified mail, return receipt requested, all charges prepaid. PLURAL; CAPTIONS. All references in the Loan Documents to Borrower, guarantor, person, document or other nouns of reference mean both the singular and plural form, as the case may be, and the term "person" shall mean any individual, person or entity. The captions contained in the Loan Documents are inserted for convenience only and shall not affect the meaning or interpretation of the Loan Documents. BINDING CONTRACT. Borrower by execution of and Bank by acceptance of this Note agree that each party is bound to all terms and provisions of this Note. Advances. Bank in its sole discretion may make other Advances under this Note pursuant hereto. POSTING OF PAYMENTS. All payments received during normal banking hours after 2:00 p.m. local time at the office of Bank first shown above shall be deemed received at the opening of the next banking day. JOINT AND SEVERAL OBLIGATIONS. Borrower is jointly and severally obligated under this Note. FEES AND TAXES. Borrower shall promptly pay all documentary, intangible recordation and/or similar taxes on this transaction whether assessed at closing or arising from time to time.

ARBITRATION. Upon demand of any party hereto, whether made before or after institution of any judicial proceeding, any dispute, claim or controversy arising out of, connected with or relating to this Note and any other Loan Documents ("Disputes") between or among parties to this Note and any other Loan Documents shall be resolved by binding arbitration as provided herein. Institution of a judicial proceeding by a party does not waive the right of that party to demand arbitration hereunder. Disputes may include, without limitation, tort claims, counterclaims, disputes as to whether a matter is subject to arbitration, claims brought as class actions, claims arising from Loan Documents executed in the future, or claims arising out of or connected with the transaction reflected by this Note.

Arbitration shall be conducted under and governed by the Commercial Financial Disputes Arbitration Rules (the "Arbitration Rules") of the American Arbitration Association (the "AAA") and Title 9 of the U.S. Code. All arbitration hearings shall be conducted in the city in which the office of Bank first stated above is located. The expedited procedures set forth in Rule 51 et seq. of the
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Arbitration Rules shall be applicable to claims of less than $1,000,000.00. All applicable statutes of limitation shall apply to any Dispute. A judgment upon the award may be entered in any court having jurisdiction. The panel from which all arbitrators are selected shall be comprised of licensed attorneys. The single arbitrator selected for expedited procedure shall be a retired judge from the highest court of general jurisdiction, state or federal, of the state where the hearing will be conducted or if such person is not available to serve, the single arbitrator may be a licensed attorney. Notwithstanding the foregoing, this arbitration provision does not apply to disputes under or related to swap agreements.

PRESERVATION AND LIMITATION OF REMEDIES. Notwithstanding the preceding binding arbitration provisions, Bank and Borrower agree to preserve, without diminution, certain remedies that any party hereto may employ or exercise freely, independently or in connection with an arbitration proceeding or after an arbitration action is brought. Bank and Borrower shall have the right to proceed in any court of proper jurisdiction or by self-help to exercise or prosecute the following remedies, as applicable: (i) all rights to foreclose against any real or personal property or other security by exercising a power of sale granted under the Loan Documents or under applicable law or by judicial foreclosure and sale, including a proceeding to confirm the sale; (ii) all rights of self-help including peaceful occupation of real property and collection of rents, set-off, and peaceful possession of personal property; (iii) obtaining provisional or ancillary remedies including injunctive relief, sequestration, garnishment, attachment, appointment of receiver and filing an involuntary bankruptcy proceeding; and (iv) when applicable, a judgment by confession of judgment. Preservation of these remedies does not limit the power of an arbitrator to grant similar remedies that may be requested by a party in a Dispute.

Borrower and Bank agree that they shall not have a remedy of punitive and exemplary damages against the other in any Dispute and hereby waive any right or claim to punitive or exemplary damages they have now or which may arise in the future in connection with any Dispute whether the Dispute is resolved by arbitration or judicially.

IN WITNESS WHEREOF, Borrower, on the day and year first above written, has caused this Note to be executed under seal.

TREX COMPANY, LLC

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

Anthony J. Cavanna, Chief Executive Officer

TAXPAYER IDENTIFICATION NUMBER(S): 54-1810859

[LOGO OF PIONEER CITIZENS APPEARS HERE] Exhibit 10.9

BUSINESS LOAN AGREEMENT

Principal	Loan Date	Maturity	Loan No	Call	Collateral	Account	Officer	Initials
$2,070,710.00	12-02-1998	09-05-1999	860004131	170	0055	176436	055	

References in the shaded area are for Lender's use only and do not limit the applicability of this document to any particular loan or item

BORROWER: TREX COMPANY, LLC A DELAWARE LIMITED LIABILITY COMPANY
20 S. CAMERON ST. STE. 300
WINCHESTER, VA 22601

LENDER: PIONEER CITIZENS BANK OF NEVADA
REAL ESTATE DEPARTMENT
ONE WEST LIBERTY
BOX 2351
RENO, NY 89505

THIS BUSINESS LOAN AGREEMENT between TREX COMPANY, LLC A DELAWARE LIMITED LIABILITY COMPANY ("Borrower") and PIONEER CITIZENS BANK OF NEVADA ("Lender") is made and executed on the following terms and conditions. Borrower has received prior commercial loans from Lender or has applied to Lender for a commercial loan or loans and other financial accommodations, including those which may be described on any exhibit or schedule attached to this Agreement. All such loans and financial accommodations, together with all future loans and financial accommodations from Lender to Borrower, are referred to in this Agreement individually as the "Loan" and collectively as the "Loans." Borrower understands and agrees that: (a) in granting, renewing, or extending any Loan, Lender is relying upon Borrower's representations, warranties, and agreements, as set forth in this Agreement; (b) the granting, renewing, or extending of any Loan by Lender at all times shall be subject to Lender's sole judgment and discretion; and (c) all such Loans shall be and shall remain subject to the following terms and conditions of this Agreement.

TERM. This Agreement shall be effective as of December 2, 1998, and shall continue thereafter until all indebtedness of Borrower to Lender has been performed in full and the parties terminate this Agreement in writing.

DEFINITIONS. The following words shall have the following meanings when used in this Agreement. Terms not otherwise defined in this Agreement shall have the meanings attributed to such terms in the Uniform Commercial Code. All references to dollar amounts shall mean amounts in lawful money of the United States of America.

AGREEMENT. The word "Agreement" means this Business Loan Agreement, as this Business Loan Agreement may be amended or modified from time to time, together with all exhibits and schedules attached to this Business Loan Agreement from time to time.

BORROWER. The word "Borrower" means TREX COMPANY, LLC A DELAWARE LIMITED LIABILITY COMPANY. The word "Borrower" also includes, as applicable, all subsidiaries and affiliates of Borrower as provided below in the paragraph titled "Subsidiaries and Affiliates."

CERCLA. The word "CERCLA" means the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended.

COLLATERAL. The word "Collateral" means and includes without limitation all property and assets granted as collateral security for a Loan, whether real or personal property, whether granted directly or indirectly, whether granted now or in the future, and whether granted in the form of a security interest, mortgage, deed of trust, assignment, pledge, chattel mortgage, chattel trust, factor's lien, equipment trust, conditional sale, trust receipt lien, charge, lien or title retention contract, lease or consignment intended as a security device, or any other security or lien interest whatsoever, whether created by law, contract, or otherwise.

ERISA. The word "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

EVENT OF DEFAULT. The words "Event of Default" mean and include without limitation any of the Events of Default set forth below in the section titled "EVENTS OF DEFAULT."

GRANTOR. The word "Grantor" means and includes without limitation each and all of the persons or entities granting a Security Interest in and Collateral for the Indebtedness, including without limitation all Borrowers granting such a Security Interest.

GUARANTOR. The word "Guarantor" means and includes without limitation each and all of the guarantors, sureties, and accommodation parties in connection with any Indebtedness

INDEBTEDNESS. The word "Indebtedness" means and includes without limitation all Loans, together with all other obligations, debts and liabilities of Borrower to Lender, or any one or more of them, as well as all claims by Lender against Borrower, or any one or more of them; whether now or hereafter existing, voluntary or involuntary, due or not due, absolute or contingent, liquidated or unliquidated; whether Borrower may be liable individually or jointly with others; whether Borrower may be obligated as a

guarantor, surety, or otherwise; whether recovery upon such Indebtedness may be or hereafter may become barred by any statute of limitations; and whether such indebtedness may be or hereafter may become otherwise unenforceable.

LENDER. The word "Lender" means PIONEER CITIZENS BANK OF NEVADA, its successors and assigns.

LOAN. The word "Loan" or "Loans" means and includes without limitation any and all commercial loans and financial accommodations from Lender to Borrower, whether now or hereafter existing, and however evidenced, including without limitation those loans and financial accommodations described herein or described on any exhibit or schedule attached to this Agreement from time to time.

NOTE. The word "Note" means and includes without limitation Borrower's promissory note or notes, if any, evidencing Borrower's Loan obligations in favor of Lender, as well as any substitute, replacement or refinancing note or notes therefor.

PERMITTED LIENS. The words "Permitted Liens" mean: (a) liens and security interests securing indebtedness owned by Borrower to Lender; (b) liens for taxes, assessments, or similar charges either not yet due or being contested in good faith; (c) liens of materialmen, mechanics, warehousemen, or carriers, or other like liens arising in the ordinary course of business and securing obligations which are not yet delinquent; (d) purchase money liens or purchase money security interests upon or in any properly acquired or held by Borrower in the ordinary course of business to secure indebtedness outstanding on the date of this Agreement or permitted to be incurred under the paragraph of this Agreement titled "Indebtedness and Liens"; (e) liens and security interests which, as of the date of this Agreement, have been disclosed to and approved by the Lender in writing; and (f) those liens and security interests which in the aggregate constitute an immaterial and insignificant monetary amount with respect to the net value of Borrower's assets.

RELATED DOCUMENTS. The words "Related Documents" mean and include without limitation all promissory notes, credit agreements, loan agreements, environmental agreements, guaranties, security agreements, mortgages, deeds of trust, and all other instruments, agreements and documents, whether now or hereafter existing, executed in connection with the indebtedness.

SECURITY AGREEMENT. The words "Security Agreement" mean and include without limitation any agreements, promises, covenants, arrangements, understandings or other agreements, whether created by law, contract, or otherwise, evidencing, governing, representing, or creating a Security Interest.

SECURITY INTEREST. The words "Security Interest" mean and include without limitation any type of collateral security, whether in the form of a lien, charge, mortgage, deed of trust, assignment, pledge, chattel mortgage, chattel trust, factor's lien, equipment trust, conditional sale, trust receipt, lien or title retention contract, lease or consignment intended as a security device, or any other security or lien interest whatsoever, whether created by law, contract, or otherwise.

SARA. The word "SARA" means the Superfund Amendments and Reauthorization Act of 1986 as now or hereafter amended.

CONDITIONS PRECEDENT TO EACH ADVANCE. Lender's obligation to make the initial Loan Advance and each subsequent Loan Advance under this Agreement shall be subject to the fulfillment to Lender's satisfaction of all of the conditions set forth in this Agreement and in the Related Documents.

LOAN DOCUMENTS. Borrower shall provide to Lender in form satisfactory to Lender the following documents for the Loan: (a) the Note, (b) Security Agreements granting to Lender security interests in the Collateral, (c) Financing Statements perfecting Lender's Security Interests; (d) evidence of Insurance as required below; and (e) any other documents required under this Agreement or by Lender or its counsel.

BORROWER'S AUTHORIZATION. Borrower shall have provided in form and substance satisfactory to Lender properly certified resolutions; duly authorizing the execution and delivery of this Agreement, the Note and the Related Documents, and such other authorizations and other documents and instruments as Lender or its counsel, in their sole discretion, may require.

PAYMENT OF FEES AND EXPENSES. Borrower shall have paid to Lender all fees, charges, and other expenses which are then due and payable and specified in this Agreement or any Related Document.

REPRESENTATIONS AND WARRANTIES. The representations and warranties set forth in this Agreement, in the Related Documents, and in any document or certificate delivered to Lender under this Agreement are true and correct.

NO EVENT OF DEFAULT. There shall not exist at the time of any advance a condition which would constitute an Event of Default under this Agreement.

REPRESENTATIONS AND WARRANTIES. Borrower represents and warrants to Lender, as of the date of this Agreement, as of the date of each disbursement of Loan proceeds, as of the date of any renewal, extension or modification of any Loan, and at all times any indebtedness exists:

ORGANIZATION. Borrower is a limited liability company which is duly organized, validly existing, and in good standing under the laws of the State of Delaware and is validly existing and in good standing in all states in which Borrower is doing business. Borrower has the full power and authority to own its properties and to transact the businesses in which it is presently engaged or presently proposes to engage. Borrower also is duly qualified as a foreign limited liability company and is in good standing in all states in which the failure to so qualify would have a material adverse effect on its businesses or financial condition.

AUTHORIZATION. The execution, delivery, and performance of this Agreement and all Related Documents by Borrower, to the extent to be executed, delivered or performed by Borrower, have been duly authorized by all necessary action by Borrower; do not require the consent or approval of any other person, regulatory authority or governmental body; and do not conflict with, result in a violation of, or constitute a default under (a) any provision of its articles of organization, operating agreement, or any other agreement or other instrument binding upon Borrower or (b) any law, governmental regulation, court decree, or order applicable to Borrower.

FINANCIAL INFORMATION. Each financial statement of Borrower supplied to Lender truly and completely disclosed Borrower's financial condition as of the date of the statement, and there has been no material adverse change in Borrower's financial condition subsequent to the date of the most recent financial statement supplied to Lender. Borrower has no material contingent obligations except as disclosed in such financial statements.

LEGAL EFFECT. This Agreement constitutes, and any instrument or agreement required hereunder to be given by Borrower when delivered will constitute, legal, valid and binding obligations of Borrower enforceable against Borrower in accordance with their respective terms.

PROPERTIES. Except as contemplated by this Agreement or as previously disclosed in Borrower's financial statements or in writing to Lender and as accepted by Lender, and except for property tax liens for taxes not presently due and payable, Borrower owns and has good title to all of Borrower's properties free and clear of all Security Interests, and has not executed any security documents or financing statements relating to such properties. All of Borrower's properties are titled in Borrower's legal name, and Borrower has not used, or filed a financing statement under, any other name for at least the last five (5) years.

HAZARDOUS SUBSTANCES. The terms "hazardous substance," "disposal,""release," and "threatened release," as used in this Agreement, shall have the same meanings as set forth in the "CERCLA" "SARA," the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, et seq., or other applicable state or Federal laws, rules, or regulations adopted pursuant to any of the foregoing. Except as disclosed to and acknowledged by Lender in writing, Borrower represents and warrants that: (a) During the period of Borrower's ownership of the properties, there has been no use, generation, manufacture, storage, treatment, disposal, release or threatened release of any hazardous waste or substance by any person on, under, about or from any of the properties. (b) Borrower has no knowledge of, or reason to believe that there has been (i) any use, generation, manufacture, storage, treatment, disposal, release, or threatened release of any hazardous waste or substance on, under, about or from the properties by any prior owners or occupants of any of the properties, or (ii) any actual or threatened litigation or claims of any kind by any person relating to such matters. (c) Neither Borrower nor any tenant, contractor, agent or other authorized user of any of the properties shall use, generate, manufacture, store, treat, dispose of, or release any hazardous waste or substance on, under, about or from any of the properties; and any such activity shall be conducted in compliance with all applicable federal, state, and local laws, regulations, and ordinances, including without limitation those laws, regulations and ordinances described above. Borrower authorizes Lender and its agents to enter upon the properties to make such inspections and tests as Lender may deem appropriate to determine compliance of the properties with this section of the Agreement. Any inspections or tests made by Lender shall be at Borrower's expense and for Lender's purposes only and shall not be construed to create any responsibility or liability on the part of Lender to Borrower or to any other person. The representations and warranties contained herein are based on Borrower's due diligence in investigating the properties for hazardous waste and hazardous substances. Borrower hereby (a) releases and waives any future claims against Lender for indemnity or contribution in the event Borrower

becomes liable for cleanup or other costs under any such laws, and (b) agrees to indemnify and hold harmless Lender against any and all claims, losses, liabilities, damages, penalties, and expenses which Lender may directly or indirectly sustain or suffer resulting from a breach of this section of the Agreement or as a consequence of any use, generation, manufacture, storage, disposal, release or threatened release of a hazardous waste or substance on the properties. The provisions of this section of the Agreement, including the obligation to indemnify, shall survive the payment of the indebtedness and the termination or expiration of this Agreement and shall not be affected by Lender's acquisition of any interest in any of the properties, whether by foreclosure or otherwise.

LITIGATION AND CLAIMS. No litigation, claim, investigation, administrative proceeding or similar action (including those for unpaid taxes) against Borrower is pending or threatened, and no other event has occurred which may materially adversely affect Borrower's financial condition or properties, other than litigation, claims, or other events, if any, that have been disclosed to and acknowledged by Lender in writing.

TAXES. To the best of Borrower's knowledge, all tax returns and reports of Borrower that are or were required to be filed, have been filed, and all taxes, assessments and other governmental charges have been paid in full, except those presently being or to be contested by Borrower in good faith in the ordinary course of business and for which adequate reserves have been provided.

LIEN PRIORITY. Unless otherwise previously disclosed to Lender in writing, Borrower has not entered into or granted any Security Agreements, or permitted the filing or attachment of any Security Interests on or affecting any of the Collateral directly or indirectly securing repayment of Borrower's Loan and Note, that would be prior or that may in any way be superior to Lender's Security interests and rights in and to such Collateral.

BINDING EFFECT. This Agreement, the Note, all Security Agreements directly or indirectly securing repayment of Borrower's Loan and Note and all of the Related Documents are binding upon Borrower as well as upon Borrower's successors, representatives and assigns, and are legally enforceable in accordance with their respective terms.

COMMERCIAL PURPOSES. Borrower intends to use the Loan proceeds solely for business or commercial related purposes.

EMPLOYEE BENEFIT PLANS. Each employee benefit plan as to which Borrower may have any liability complies in all material respects with all applicable requirements of law and regulations, and (i) no Reportable Event nor Prohibited Transaction (as defined in ERISA) has occurred with respect to any such plan, (ii) Borrower has not withdrawn from any such plan or initiated steps to do so, (iii) no steps have been taken to terminate any such plan, and (iv) there are no unfunded liabilities other than those previously disclosed to Lender in writing.

INVESTMENT COMPANY ACT. Borrower is not an "investment company" or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended.

PUBLIC UTILITY HOLDING COMPANY ACT. Borrower is not a "holding company", or a "subsidiary company" of a "holding company", or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company", within the meaning of the Public Utility Holding Company Act of 1935, as amended.

REGULATIONS G, T AND U. Borrower is not 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 Regulations G, T and U of the Board of Governors of the Federal Reserve System).

LOCATION OF BORROWER'S OFFICES AND RECORDS. Borrower's place of business, or Borrower's Chief executive office, if Borrower has more than one place of business, is located at 20 S. CAMERON ST. STE. 300, WINCHESTER, VA 22601. Unless Borrower has designated otherwise in writing this location is also the office or offices where Borrower keeps its records concerning the Collateral.

INFORMATION. All information heretofore or contemporaneously herewith furnished by Borrower to Lender for the purposes of or in connection with this Agreement or any transaction contemplated hereby is, and all information hereafter furnished by or on behalf of Borrower to Lender will be, true and accurate in every material respect on the date as of which such information is dated or certified; and none of such information is or will be incomplete by omitting to state any material fact necessary to make such information not misleading.

CLAIMS AND DEFENSES. There are no defenses or counterclaims, offsets or other adverse claims, demands or actions of any kind, personal or otherwise, that Borrower, Grantor, or any Guarantor could assert with respect to the Note, Loan, Indebtedness, this Agreement, or the Related Documents.

SURVIVAL OF REPRESENTATIONS AND WARRANTIES. Borrower understands and agrees that Lender, without independent investigation, is relying upon the above representations and warranties in making the above referenced Loan to Borrower. Borrower further agrees that the foregoing representations and warranties shall be continuing in nature and shall remain in full force and effect until such time as Borrower's Indebtedness shall be paid in full, or until this Agreement shall be terminated in the manner provided above, whichever is the last to occur.

BUSINESS LOAN AGREEMENT
(Continued)

AFFIRMATIVE COVENANTS. Borrower covenants and agrees with Lender that, while this Agreement is in effect, Borrower will:

LITIGATION. Promptly Inform Lender in writing of (a) all material adverse changes in Borrower's financial condition, and (b) all existing and all threatened litigation, claims, investigations, administrative proceedings or similar actions affecting Borrower or any Guarantor which could materially affect the financial condition of Borrower or the financial condition of any Guarantor.

FINANCIAL RECORDS. Maintain its books and records in accordance with generally accepted accounting principles, applied on a consistent basis and permit Lender to examine and audit Borrower's books and records at all reasonable times.

ADDITIONAL INFORMATION. Furnish such additional information and statements, lists of assets and liabilities, agings of receivables and payables inventory schedules, budgets, forecasts, tax returns, and other reports with respect to Borrower's financial condition and business operations as Lender may request from time to time.

INSURANCE. Maintain fire and other risk insurance, public liability insurance, and such other insurance as Lender may require with respect to Borrower's properties and operations, in form, amounts, coverages and with insurance companies reasonably acceptable to Lender. Borrower upon request of Lender, will deliver to Lender from time to time the policies or certificates of insurance in form satisfactory to Lender, including stipulations that coverages will not be cancelled or diminished without at least ten (10) days' prior written notice to Lender. Each insurance policy also shall include an endorsement providing that coverage in favor of Lender will not be impaired in any way by any act, omission or default of Borrower or any other person. In connection with all policies covering assets in which Lender holds or is offered a security interest for the Loans, Borrower will provide Lender with such loss payable or other endorsements as Lender may require.

INSURANCE REPORTS. Furnish to Lender, upon request of Lender, reports on each existing insurance policy showing such information as Lender may reasonably request, including without limitation the following: (a) the name of the insurer; (b) the risks insured; (c) the amount of the policy; (d) the properties insured; (e) the then current property values on the basis of which insurance has been obtained, and the manner of determining those values; and (f) the expiration date of the policy. In addition, upon request of Lender (however not more often than annually), Borrower will have an independent appraiser satisfactory to Lender determine, as applicable, the actual cash value or replacement cost of any Collateral. The cost of such appraisal shall be paid by Borrower.

OTHER AGREEMENTS. Comply with all terms and conditions of all other agreements, whether now or hereafter existing, between Borrower and any other party and notify Lender immediately in writing of any default in connection with any other such agreements.

LOAN PROCEEDS. Use all Loan proceeds solely for Borrower's business operations, unless specifically consented to the contrary by Lender in writing.

TAXES, CHARGES AND LIENS. Pay and discharge when due all of its indebtedness and obligations, including without limitation all-assessments, taxes, governmental charges, levies and liens, of every kind and nature, imposed upon Borrower or its properties, income, or profits, prior to the date on which penalties would attach, and all lawful claims that, if unpaid, might become a lien or charge upon any of Borrower's properties, income, or profits. Provided however, Borrower will not be required to pay and discharge any such assessment, tax, charge, levy, lien or claim so long as (a) the legality of the same shall be contested in good faith by appropriate proceedings, and (b) Borrower shall have established on its books adequate reserves with respect to such contested assessment, tax, charge, levy, lien, or claim in accordance with generally accepted accounting practices. Borrower, upon demand of Lender, will furnish to Lender evidence of payment of the assessments, taxes, charges, levies, liens and claims and will authorize the appropriate governmental official to deliver to Lender at any time a written statement of any assessments, taxes, charges, levies, liens and claims against Borrower's properties, income, or profits.

PERFORMANCE. Perform and comply with all terms, conditions, and provisions set forth in this Agreement and in the Related Documents in a timely manner, and promptly notify Lender if Borrower learns of the occurrence of any event which constitutes an Event of Default under this Agreement or under any of the Related Documents.

OPERATIONS. Maintain executive and management personnel with substantially the same qualifications and experience as the present executive and management personnel; provide written notice to Lender of any change in executive and management personnel; conduct its business affairs in a reasonable and prudent manner and in compliance with all applicable federal, state and municipal laws, ordinances, rules and regulations respecting its properties, charters, businesses and operations, including without limitation, compliance with the Americans With Disabilities Act and with all minimum funding standards and other requirements of ERISA and

other laws applicable to Borrower's employee benefit plans.

ENVIRONMENTAL STUDIES. Promptly conduct and complete, at Borrower's expense, all such investigations, studies, samplings and testings as may be requested by Lender or any governmental authority relative to any substance defined as toxic or a hazardous substance under any applicable federal, state, or local law, rule, regulation, order or directive, or any waste or by-product thereof, at or affecting any property or any facility owned, leased or used by Borrower.

INSPECTION. Permit employees or agents of Lender at any reasonable time to inspect any and all Collateral for the Loan or Loans and Borrower's other properties and to examine or audit Borrower's books, accounts, and records and to make copies and memoranda of Borrower's books, accounts, and records. If Borrower now or at any time hereafter maintains any records (including without limitation computer generated records and computer software programs for the generation of such records) in the possession of a third party, Borrower, upon request of Lender, shall notify such party to permit Lender free access to such records at all reasonable times and to provide Lender with copies of any records it may request, all at Borrower's expense.

COMPLIANCE CERTIFICATE. Unless waived in writing by Lender, provide Lender at least annually and at the time of each disbursement of Loan proceeds with a certificate executed by Borrower's chief financial officer, or other officer or person acceptable to Lender, certifying that the representations and warranties set forth in this Agreement are true and correct as of the date of the certificate and further certifying that, as of the date of the certificate, no Event of Default exists under this Agreement.

ENVIRONMENTAL COMPLIANCE AND REPORTS. Borrower shall comply in all respects with all environmental protection federal, state and local laws, statutes, regulations and ordinances; not cause or permit to exist, as a result of an intentional or unintentional action or omission on its part or on the part of any third party, on property owned and/or occupied by Borrower, any environmental activity where damage may result to the environment, unless such environmental activity is pursuant to and in compliance with the conditions of a permit issued by the appropriate federal, state or local governmental authorities; shall furnish to Lender promptly and in any event within thirty (30) days after receipt thereof a copy of any notice, summons, lien, citation, directive, letter or other communication from any governmental agency or instrumentality concerning any intentional or unintentional action or omission on Borrower's part in connection with any environmental activity whether or not there is damage to the environment and/or other natural resources.

ADDITIONAL ASSURANCES. Make, execute and deliver to Lender such promissory notes, mortgages, deeds of trust, security agreements, financing statements, instruments, documents and other agreements as Lender or its attorneys may reasonably request to evidence and secure the Loans and to perfect all Security Interests.

NEGATIVE COVENANTS. Borrower covenants and agrees with Lender that while this Agreement is in effect, Borrower shall not, without the prior written consent of Lender:

INDEBTEDNESS AND LIENS. (a) Except for trade debt incurred in the normal course of business and indebtedness to Lender contemplated by this Agreement, create, incur or assume indebtedness for borrowed money, including capital leases, (b) except as allowed as a Permitted Lien, sell, transfer, mortgage, assign, pledge, lease, grant a security interest in, or encumber any of Borrower's assets, or (c) sell with recourse any of Borrower's accounts, except to Lender.

CONTINUITY OF OPERATIONS. (a) Engage in any business activities substantially different than those in which Borrower is presently engaged, (b) cease operations, liquidate, merge, transfer, acquire or consolidate with any other entity, change ownership, change its name, dissolve or transfer or sell Collateral out of the ordinary course of business, or (c) make any distribution with respect to any capital account, whether by reduction or capital or otherwise.

LOANS, ACQUISITIONS AND GUARANTIES. (a) Loan, invest in or advance money or assets, (b) purchase, create or acquire any interest in any other enterprise or entity, or (c) incur any obligation as surety or guarantor other than in the ordinary course of business.

CESSATION OF ADVANCES. If Lender has made any commitment to make any Loan to Borrower, whether under this Agreement or under any other agreement, Lender shall have no obligation to make Loan Advances or to disburse Loan proceeds if: (a) Borrower or any Guarantor is in default under the terms of this Agreement or any of the Related Documents or any other agreement that Borrower or any Guarantor has with Lender; (b) Borrower or any Guarantor becomes insolvent, files a petition in bankruptcy or similar proceedings, or is adjudged a bankrupt; (c) there occurs a material adverse change in Borrower's financial condition, in the financial condition of any Guarantor, or in the value of any Collateral securing any Loan; or (d) any Guarantor seeks, claims or otherwise attempts to limit, modify or revoke such Guarantor's guaranty of the Loan or any other loan with Lender.

AJC X ADDITIONAL PROVISION.
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TWENTY-FIVE PERCENT (25%) OF THE LOAN FEE IS TO BE APPLIED TOWARDS THE CONSTRUCTION LOAN IF PROVIDED BY PIONEER CITIZENS BANK OF NEVADA.

RIGHT OF SETOFF. Borrower grants to Lender a contractual security interest in, and hereby assigns, conveys, delivers, pledges, and transfers to

Lender all Borrower's right, title and interest in and to, Borrower's accounts with Lender (whether checking, savings, or some other account), including without limitation all accounts held jointly with someone else and all accounts Borrower may open in the future, excluding however all IRA and Keogh accounts, and all trust accounts for which the grant of a security interest would be prohibited by law. Borrower authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the Indebtedness against any and all such accounts.

EVENTS OF DEFAULT. Each of the following shall constitute an Event of Default under this Agreement:

DEFAULT ON INDEBTEDNESS. Failure of Borrower to make any payment when due on the Loans.

OTHER DEFAULTS. Failure of Borrower or any Grantor to comply with or to perform when due any other term, obligation, covenant or condition contained in this Agreement or in any of the Related Documents, or failure of Borrower to comply with or to perform any other term, obligation, covenant or condition contained in any other agreement between Lender and Borrower.

ENVIRONMENTAL DEFAULT. Failure of any party to comply with or perform when due any term, obligation, covenant or condition contained in an environmental agreement executed in connection with any Loan.

DEFAULT IN FAVOR OF THIRD PARTIES. Should Borrower or any Grantor default under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of Borrower's property or Borrower's or any Grantor's ability to repay the Loans or perform their respective obligations under this Agreement or any of the Related Documents.

FALSE STATEMENTS. Any warranty, representation or statement made or furnished to Lender by or on behalf of Borrower or any Grantor under this Agreement or the Related Documents is false or misleading in any material respect at the time made or furnished, or becomes false or misleading at any time thereafter.

DEFECTIVE COLLATERALIZATION. This Agreement or any of the Related Documents ceases to be in full force and effect (including failure of any Security Agreement to create a valid and perfected Security Interest) at any time and for any reason.

DEATH OR INSOLVENCY. The dissolution (regardless of whether election to continue is made), any member withdraws from Borrower, or any other termination of Borrower's existence as a going business or the death of any member, the Insolvency of Borrower, the appointment of a receiver for any part of Borrower's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower.

CREDITOR OR FORFEITURE PROCEEDINGS. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Borrower, any creditor of any Grantor against any collateral securing the Indebtedness, or by any governmental agency. This includes a garnishment, attachment, or levy on or of any of Borrower's deposit accounts with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Borrower or Grantor, as the case may be, as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding, and if Borrower or Grantor gives Lender written notice of the creditor or forfeiture proceeding and furnishes reserves or a surety bond for the creditor or forfeiture proceeding satisfactory to Lender.

EVENTS AFFECTING GUARANTOR. Any of the preceding events occurs with respect to any Guarantor of any of the Indebtedness or any Guarantor dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any Guaranty of the Indebtedness. Lender, at its option, may, but shall not be required to, permit the Guarantor's estate to assume unconditionally the obligations arising under the guaranty in a manner satisfactory to Lender, and, in doing so, cure the Event of Default.

ADVERSE CHANGE. A material adverse change occurs in Borrower's financial condition, or Lender believes the prospect of payment or performance of the Indebtedness is impaired.

RIGHT TO CURE. If any default, other than a Default on Indebtedness, is curable and if Borrower or Grantor, as the case may be, has not been given a notice of a similar default within the preceding twelve (12) months, it may be cured (and no Event of Default will have occurred) if Borrower or Grantor, as the case may be, after receiving written notice from Lender demanding cure of such default: (a) cures the default within thirty (30) days; or (b) if the cure requires more than thirty (30) days, immediately initiates steps which Lender deems in Lender's sole discretion to be sufficient to cure the default and thereafter continues and completes all reasonable and necessary steps sufficient to produce compliance as soon as reasonably practical.

EFFECT OF AN EVENT OF DEFAULT. If any Event of Default shall occur, except where otherwise provided in this Agreement or the Related Documents, all commitments and obligations of Lender under this Agreement or the Related Documents or any other agreement immediately will terminate and, at Lender's option, all

Indebtedness immediately will become due and payable, all without notice of any kind to Borrower, except that in the case of an Event of Default of the type described in the "Insolvency" subsection above, such acceleration shall be automatic and not optional. In addition, Lender shall have all the rights and remedies provided in the Related Documents or available at law, in equity, or otherwise. Except as may be prohibited by applicable law, all of Lender's rights and remedies shall be cumulative and may be exercised singularly or concurrently. Election by Lender to pursue any remedy shall not exclude pursuit of any other remedy, and an election to make expenditures or to take action to perform an obligation of Borrower or of any Grantor shall not affect Lender's right to declare a default and to exercise its rights and remedies.

MISCELLANEOUS PROVISIONS. The following miscellaneous provisions are a part of this Agreement:

AMENDMENTS. This Agreement, together with any Related Documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Agreement. No alteration of or amendment to this Agreement shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

APPLICABLE LAW. This Agreement has been delivered to Lender and accepted by Lender in the State of Nevada. If there is a lawsuit, Borrower agrees upon Lender's request to submit to the jurisdiction of the courts of WASHOE County, the State of Nevada (Initial Here AJC). This Agreement shall be
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governed by and construed in accordance with the laws of the State of Nevada.

CAPTION HEADINGS. Caption headings in this Agreement are for convenience purposes only and are not to be used to Interpret or define the provisions of this Agreement.

CONSENT TO LOAN PARTICIPATION. Borrower agrees and consents to Lender's sale or transfer, whether now or later, of one or more participation interests in the Loans to one or more purchasers, whether related or unrelated to Lender. Lender may provide, without any limitation whatsoever, to any one or more purchasers, or potential purchasers, any information or knowledge Lender may have about Borrower or about any other matter relating to the Loan, and Borrower hereby waives any rights to privacy it may have with respect to such matters. Borrower additionally waives any and all notices of sale of participation interests, as well as all notices of any repurchase of such participation interests. Borrower also agrees that the purchasers of any such participation interests will be considered as the absolute owners of such interests in the Loans and will have all the rights granted under the participation agreement or agreements governing the sale of such participation interests. Borrower further waives all rights of offset or counterclaim that it may have now or later against Lender or against any purchaser of such a participation interest and unconditionally agrees that either Lender or such purchaser may enforce Borrower's obligation under the Loans irrespective of the failure or insolvency of any holder of any interest in the Loans. Borrower further agrees that the purchaser of any such participation interests may enforce its interests irrespective of any personal claims or defenses that Borrower may have against Lender.

BORROWER INFORMATION. Borrower consents to the release of information on or about Borrower by Lender in accordance with any court order, law or regulation and in response to credit inquiries concerning Borrower.

NON-LIABILITY OF LENDER. The relationship between Borrower and Lender is a debtor and creditor relationship and not fiduciary in nature, nor is the relationship to be construed as creating any partnership or joint venture between Lender and Borrower. Borrower is exercising its own judgment with respect to Borrower's business. All information supplied to Lender is for Lender's protection only and no other party is entitled to rely on such information. There is no duty for Lender to review, inspect, supervise, or inform Borrower of any matter with respect to Borrower's business. Lender and Borrower intend that Lender may reasonably rely on all information supplied by Borrower to Lender, together with all representations and warranties given by Borrower to Lender, without investigation or confirmation by Lender and that any investigation or failure to investigate will not diminish Lender's right to so rely.

NOTICE OF LENDER'S BREACH. Borrower must notify Lender in writing of any breach of this Agreement or the Related Documents by Lender and any other claim, cause of action or offset against Lender within thirty (30) days after the occurrence of such breach or after the accrual of such claim, cause of action or offset. Borrower waives any claim, cause of action or offset for which notice is not given in accordance with this paragraph. Lender is entitled to rely on any failure to give such notice.

BORROWER INDEMNIFICATION. Borrower shall Indemnify and hold Lender harmless from and against all claims, costs, expenses, losses, damages, and liabilities of any kind, including but not limited to attorneys' fees and expenses, arising out of any matter relating directly or indirectly to the Indebtedness, whether resulting from internal disputes of the Borrower, disputes between Borrower and any Guarantor, or whether involving any third parties, or out of any other matter whatsoever related to this Agreement or the Related Documents, but excluding any claim or liability which arises as a direct result of Lender's gross negligence or willful misconduct. This Indemnity shall survive full repayment and satisfaction of the Indebtedness and termination of this Agreement.

COUNTERPARTS. This Agreement may be executed in multiple counterparts, each of which, when so executed, shall be deemed an original, but all such counterparts, taken together, shall constitute one and the same Agreement.

COSTS AND EXPENSES. Borrower agrees to pay upon demand all of Lender's expenses, including without limitation attorneys' fees, incurred connection with the preparation, execution, enforcement, modification and collection of this Agreement or in connection with the Loans made pursuant to this Agreement. Lender may pay someone else to help collect the Loans and to enforce this Agreement, and Borrower will pay it's amount. This includes, subject to any limits under applicable law, Lender's attorneys' fees and Lender's legal expenses, whether or not there is a lawsuit, including attorneys' fees for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services. Borrower also will pay any court costs, in addition to all other sums provided by law.

NOTICES. All notices required to be given under this Agreement shall be given in writing, may be sent by telefacsimile (unless otherwise required by law), and shall be effective when actually delivered or when deposited with a nationally recognized overnight courier or deposited in the United States mail, first class, postage prepaid, addressed to the party to whom the notice is to be given at the address shown above. Any party may change its address for notices under this Agreement by giving formal written notice to the other parties, specifying that the purpose of the notice to change the party's address. To the extent permitted by applicable law, if there is more than one Borrower, notice to any Borrower will constitute notice to all Borrowers. For notice purposes, Borrower will keep Lender informed at all times of Borrower's current address(es).

SEVERABILITY. If a court of competent jurisdiction finds any provision of this Agreement to be invalid or unenforceable as to any person circumstance, such finding shall not render that provision invalid or unenforceable as to any other persons or circumstances. If feasible, any such offending provision shall be deemed to be modified to be within the limits of enforceability or validity; however, if the offending provision cannot be so modified, it shall be stricken and all other provisions of this Agreement in all other respects shall remain valid and enforceable.

SUBSIDIARIES AND AFFILIATES OF BORROWER. To the extent the context of any provisions of this Agreement makes it appropriate, including without limitation any representation, warranty or covenant, the word "Borrower" as used herein shall include all subsidiaries and affiliates of Borrowers Notwithstanding the foregoing however, under no circumstances shall this Agreement be construed to require Lender to make any Loan or other financial accommodation to any subsidiary or affiliate of Borrower.

SUCCESSORS AND ASSIGNS. All covenants and agreements contained by or on behalf of Borrower shall bind its successors and assigns and shall inure to the benefit of Lender, its successors and assigns. Borrower shall not, however, have the right to assign its rights under this Agreement or any interest therein, without the prior written consent of Lender.

SURVIVAL. All warranties, representations, covenants made by Borrower in this Agreement or in any certificate or other instrument delivered by Borrower to Lender under this Agreement shall be considered to have been relied upon by Lender and will survive the making of the Loan and delivery to Lender of the Related Documents, regardless of any investigation made by Lender or on Lender's behalf.

TIME IS OF THE ESSENCE. Time is of the essence in the performance of this Agreement.

WAIVER. Lender shall not be deemed to have waived any rights under this Agreement unless such waiver is given in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver by Lender of a provision of this Agreement shall not prejudice or constitute a waiver of Lender's right otherwise to demand strict compliance with that provision or any other provision of this Agreement. No prior waiver by Lender, nor any course of dealing between Lender and Borrower, or between Lender and any Grantor, shall constitute a waiver of any of Lender's rights or of any obligations of Borrower or of any Grantor as to any future transactions. Whenever the consent of Lender is required under this Agreement, the granting of such consent by Lender in any instance shall not constitute continuing consent in subsequent instances where such consent is required, and in all cases such consent may be granted or withheld in the sole discretion of Lender.

BORROWER ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS BUSINESS LOAN AGREEMENT, AND BORROWER AGREES TO ITS TERMS. THIS AGREEMENT IS DATED AS OF DECEMBER 2, 1998.

BORROWER:

TREX COMPANY, LLC A DELAWARE LIMITED LIABILITY COMPANY

By: /s/ Anthony J. Cavanna

ANTHONY J. CAVANNA, C.E.O./C.F.O., Member

LENDER:

PIONEER CITIZENS BANK OF NEVADA

By: /s/ Richard Deglman

Authorized Officer

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THE ATTACHED ADDENDUM TO BUSINESS LOAN AGREEMENT, CONSISTING OF 2 PAGES IS INCORPORATED BY REFERENCE HEREIN

Exhibit 10.10

CONSTRUCTION LOAN AGREEMENT

Principal	Loan Date	Maturity	Loan No	Call	Collateral	Account	Officer	Initials
$4,570,000.00	02-05-1999	11-05-1999	860004167	110	0055	176436	055	

References in the shaded area are for Lender's use only and do not limit the applicability of this document to any particular loan or item

BORROWER:	TREX COMPANY, LLC 20 S. CAMERON ST. STE. 300 WINCHESTER, VA 22601	LENDER:	PIONEER CITIZENS BANK OF NEVADA REAL ESTATE DEPARTMENT ONE WEST LIBERTY BOX 2351 RENO, NY 89505

THIS CONSTRUCTION LOAN AGREEMENT between TREX COMPANY, LLC ("Borrower") and PIONEER CITIZENS BANK OF NEVADA ("Lender") is made and executed on the following terms and conditions. Borrower has applied to Lender for loans in the total principal amount of U.S. $4,570,000.00 in order to construct the Improvements on the Real Property described below. Lender is willing to lend the loan amount to Borrower solely under the terms and conditions specified in this Agreement and in the Related Documents, to each of which Borrower agrees. Borrower understands and agrees that: (a) in granting, renewing, or extending any Loan, Lender is relying upon Borrower's representations, warranties, and agreements, as set forth in this Agreement, and (b) all such Loans shall be and remain subject to the terms and conditions of this Agreement.

TERM. This Agreement shall be effective as of February 5, 1999, and shall continue thereafter until all indebtedness has been paid in full and all other obligations of Borrower hereunder have been performed in full and the parties terminate this Agreement in writing.

DEFINITIONS. The following words shall have the following meanings when used in this Agreement. Terms not otherwise defined in this Agreement shall have the meanings attributed to such terms in the Uniform Commercial Code. All references to dollar amounts shall mean amounts in lawful money of the United States of America.

AGREEMENT. The word "Agreement" means this Construction Loan Agreement, as this Construction Loan Agreement may be amended or modified from time to time, together with all exhibits and schedules attached to this Construction Loan Agreement from time to time.

ARCHITECTURE CONTRACT. The words "Architecture Contract" mean the architect's contract relating to the Project, if any.

BORROWER. The word "Borrower" means each and every person or entity signing the Note, including without limitation TREX COMPANY, LLC.

COLLATERAL. The word "Collateral" means and includes without limitation all property and assets granted as collateral security for a Loan, whether real or personal property, whether granted directly or indirectly, whether granted now or in the future, and whether granted in the form of a security interest, mortgage, deed of trust, assignment, pledge, chattel mortgage, chattel trust, factor's lien, equipment trust, conditional sale, trust receipt lien, charge, lien or title retention contract, lease or consignment intended as a security device, or any other security or lien interest whatsoever, whether created by law, contract, or otherwise.

COMMENCEMENT DATE. The words "Commencement Date" mean February 5, 1999.

COMPLETION DATE. The words "Completion Date" mean November 5, 1999.

COMPLETION GUARANTY. The words "Completion Guaranty" mean the Guaranty of Completion and Performance of the construction of the Project executed and delivered by Q & D CONSTRUCTION BY: to and for the benefit of Lender.

CONSTRUCTION CONTRACT. The words "Construction Contract" mean and include the contract between Borrower and Q & D CONSTRUCTION, the general contractor for the Project, (General Contractor), and any subcontracts with subcontractors, materialmen, laborers, or any other person or entity for performance of work on the Project or the delivery of materials to the Project.

CONTRACTOR. The word "Contractor" means Q & D CONSTRUCTION, the General Contractor for the Project.

EVENT OF DEFAULT. The words "Event of Default" mean and include without limitation any of the Events of Default set forth below in the section titled "EVENTS OF DEFAULT."

GRANTOR. The word "Grantor" means and includes without limitation each and all of the persons or entities granting a Security Interest in and Collateral for the Indebtedness, including without limitation all Borrowers granting such a Security Interest.

GUARANTOR. The word "Guarantor" means and includes without limitation all guarantors, sureties, and accommodation parties, including without limitation all guarantors under the Completion Guaranty.

IMPROVEMENTS. The word "Improvements" means and includes without limitation

all existing and future buildings, structures, facilities, fixtures, additions, and similar construction on the Property.

INDEBTEDNESS. The word "Indebtedness" means and includes without limitation all Loans, together with all other obligations, debts and liabilities of Borrower to Lender, or any one or more of them, as well as all claims by Lender against Borrower, or any one or more of them; whether now or hereafter existing, voluntary or involuntary, due or not due, absolute or contingent, liquidated or unliquidated; whether Borrower may be liable individually or jointly with others; whether Borrower may be obligated as a guarantor, surety, or otherwise; whether recovery upon such Indebtedness may be or hereafter may become barred by any statute of limitations; and whether such indebtedness may be or hereafter may become otherwise unenforceable.

LENDER. The word "Lender" means PIONEER CITIZENS BANK OF NEVADA, its successors and assigns.

LOAN. The word "Loan" means the loan made to Borrower under this Agreement and the related Documents as described below.

LOAN FUND. The words "Loan Fund" mean the undisbursed proceeds of the Loan under this Agreement together with any equity funds or other deposits required from Borrower under this Agreement.

NOTE. The word "Note" means the promissory note or credit agreement dated February 5, 1999, in the original principal amount of $4,570,000.00 from Borrower to Lender, together with all renewals of, extensions of, modifications of, refinancings of, consolidations of, and substitutions for the promissory note or agreement.

PLANS AND SPECIFICATIONS. The words "Plans and Specifications" mean the plans and specifications for the Project which have been submitted to and initiated by Lender, together with such changes and additions as may be approved by Lender in writing.

PROJECT. The word "Project" means the construction and completion of all improvements contemplated by this Agreement, including without limitation the erection of the building or structure, installation of equipment and fixtures, landscaping, and all other work necessary to make the Property usable and complete for the intended purposes. The Project includes the following work:

CONSTRUCTION OF MANUFACTURING/STORAGE FACILITY IN FERNLEY, NEVADA

PROJECT DOCUMENTS. The words "Project Documents" mean the Plans and Specifications, all studies, data and drawings relating to the Project, whether prepared by or for Borrower, the Construction Contract, the Architecture Contract, and all other contracts and agreements relating to the Project or the construction of the improvements.

PROPERTY. The word "Property" means the Real Property together with all improvements, all equipment, fixtures, and other articles of personal property now or subsequently attached or affixed to the real property, together with all accessions, parts, and additions to, all replacements of, and all substitutions for any of such property, and all proceeds (including insurance proceeds and refunds of premiums) from any sale or other disposition of such property.

REAL PROPERTY. The words "Real Property" mean the real property located in LYON County, State of Nevada, and legally described as:

SEE ATTACHED EXHIBIT "A"

The Real Property or its address is commonly known as 1800 E. NEWLANDS DRIVE, FERNLEY, NV 89408. The property tax identification number for the Real Property is 021-241-08.

RELATED DOCUMENTS. The words "Related Documents" mean and include without limitation all promissory notes, credit agreements, loan agreements, environmental agreements, guaranties, security agreements, mortgages, deeds of trust, and all other instruments, agreements and documents, whether now or hereafter existing, executed in connection with the indebtedness.

SECURITY AGREEMENT. The words "Security Agreement" mean and include without limitation any agreements, promises, covenants, arrangements, understandings or other agreements, whether created by law, contract, or otherwise, evidencing, governing, representing, or creating a Security Interest.

SECURITY INTEREST. The words "Security Interest" mean and include without limitation any type of collateral security, whether in the form of a lien, charge, mortgage, deed of trust, assignment, pledge, chattel mortgage, chattel trust, factor's lien, equipment trust, conditional sale, trust receipt, lien or title retention contract, lease or consignment intended as a security device, or any other security or lien interest whatsoever, whether created by law, contract, or otherwise.

Value. The word "Value" means such amount or worth as defined and determined by Lender in its sole discretion unless agreed to the contrary by Lender in writing.

LOAN. The Loan shall be in an amount not to exceed the principal sum of U.S. $4,570,000.00 and shall bear interest on so much of the principal sum as shall be advanced pursuant to the terms of this Agreement and the Related Documents. The Loan shall bear interest on each Advance from the date of the Advance in accordance with the terms of the Note. Borrower shall use the Loan Funds solely for the payment of (a) the costs of constructing the improvements and equipping the Project in accordance with the Construction Contract; (b) other costs and expenses incurred or to be incurred in connection with the construction of the improvements as Lender in its sole discretion shall approve; and (c) if permitted by Lender, interest due under the Note, including all expenses and all loan and commitment fees described in this Agreement. The Loan amount shall be subject at all times to all maximum limits and conditions set forth in this Agreement or in any of the Related Documents, including without limitation, any limits relating to loan to value ratios and acquisition and Project costs.

FEES AND EXPENSES. Whether or not the Project shall be consummated, Borrower shall assume and pay upon demand all out-of-pocket expenses incurred by Lender in connection with the preparation of loan documents and the making of the Loan, including without limitation the following: (a) all closing costs, fees, and disbursements; (b) all expenses of Lender's legal counsel; and (c) all title examination fees, title insurance premiums, appraisal fees, survey costs, required fees, and filing and recording fees.

NO CONSTRUCTION PRIOR TO RECORDING OF SECURITY DOCUMENT. Borrower will not permit any work or materials to be furnished in connection with the Project until (a) Borrower has signed the Related Documents; (b) Lender's mortgage or deed of trust and other Security interests in the Property have been duly recorded and perfected; and (c) Lender has been provided evidence, satisfactory to Lender, that Borrower has obtained all insurance required under this Agreement or any Related Agreement and that Lender's liens on the Property and improvements are valid perfected first liens, subject only to such exceptions, if any, acceptable to Lender.

REPRESENTATIONS AND WARRANTIES. Borrower represents and warrants to Lender, as of the date of this Agreement, as of the date of each disbursement of Loan proceeds, as of the date of any renewal, extension or modification of any Loan, and at all times any indebtedness exists:

Organization. Borrower is a limited liability company which is duly organized, validly existing, and in good standing under the laws of the State of Nevada and is validly existing and in good standing in all states in which Borrower is dong business. Borrower has the full power and authority to own its properties and to transact the business in which it is presently engaged or presently proposes to engage. Borrower also is duly qualified as a foreign limited liability company and is in good standing in all states in which the failure to so qualify would have a material adverse effect on its business or financial condition.

Authorization. The execution delivery, and performance of this Agreement by Borrower, to the extent to be executed, delivered or performed by Borrower, have been duly authorized by all necessary action by Borrower; do not require the consent or approval of any other person, regulatory authority or governmental body; and do not conflict with, result in a violation of, or constitute a default under (a) any provision of its articles of organization, operating agreement, or any other agreement or other instrument binding upon Borrower or (b) any law, governmental regulation, court decree, or order applicable to Borrower.

Financial Information. Each financial statement of Borrower supplied to Lender truly and completely disclosed Borrower's financial condition as of the date of the statement, and there has been no material adverse change in Borrower's financial condition subsequent to the date of the most recent financial statement supplied to Lender. Borrower has no material contingent obligations except as disclosed in such financial statements.

Litigation and Claims. No litigation, claim, investigation, administrative proceeding or similar action (including those for unpaid taxes) against Borrower is pending or threatened, and no other event has occurred which may materially adversely affect Borrower's financial condition or properties, other than litigation, claims, or other events, if any, that have been disclosed to and acknowledge by Lender in writing.

Title to Property. Borrower has, or on the date of first disbursement of Loan proceeds will have, good and marketable title to the Property fee and clear of all defects, liens, and encumbrances, excepting only liens for taxes, assessments, or governmental charges or levels not yet delinquent or payable without penalty or interest, and such liens and encumbrances as may be approved in writing by the Lender.

Hazardous Substances. The terms "hazardous waste," "hazardous substance," "disposal," "release," and "threatened release," as used in this Agreement, shall have the same meanings as set forth in the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, 42 U.S.C. Section 9601 et seq, ("CERCLA"), the Superfund Amendments and Reauthorization Act of 1986, Pub. L. No. 99-499 ("SARA"), the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, et seq., the Resource

Conservation and Recovery Act, 42 U.S.C. Section 6901, et seq., or other applicable state or Federal laws, rules, or regulations adopted pursuant to any of the foregoing. Except as disclosed to and acknowledged by Lender in writing, Borrower represents and warrants that: (a) During the period of Borrower's ownership of the properties, there has been no use, generation, manufacture, storage, treatment, disposal, release or threatened release of any hazardous waste or substance by any person on, under, about or from any of the properties. (b) Borrower has no knowledge of, or reason to believe that there has been (i) any use, generation, manufacture, storage, treatment, disposal, release, or threatened release of any hazardous waste or substance on, under, about or from the properties by any prior owners or occupants of any of the properties, or (ii) any actual or threatened litigation or claims of any kind by any person relating to such matters. (C) Neither Borrower nor any tenant, contractor, agent or other authorized user of any of the properties; and any such activity shall be conducted in compliance with all applicable federal, state, and local laws, regulations, and ordinances, including without limitation those laws, regulations and ordinances described above. Borrower authorizes Lender and its agents to enter upon the properties to make such inspections and tests as Lender may deem appropriate to determine compliance of the properties with this section of the Agreement. Any inspections or tests made by Lender shall be at Borrower's expense and for Lender's purposes only and shall not be construed to create any responsibility or liability on the part of Lender to Borrower or to any other person. The representations and warranties contained herein are based on Borrower's due diligence in investigating the properties for hazardous waste and hazardous substances. Borrower hereby (a) releases and waives any future claims against Lender for indemnity or contribution in the event Borrower becomes liable for cleanup or other costs under any such laws, and (b) agrees to indemnify and hold harmless Lender against any and all claims, losses, liabilities, damages, penalties, and expenses which Lender may directly or indirectly sustain or suffer resulting from a breach of this section of the Agreement or as a consequence of any use, generation, manufacture, storage, disposal, release or threatened release of a hazardous waste or substance on the properties. The provisions of this section of the Agreement, including the obligation to indemnify, shall survive the payment of the indebtedness and the satisfaction of this Agreement and shall not be affect by Lender's acquisition of any interest in any of the properties, whether by foreclosure or otherwise.

Project Costs. The Project costs are true and accurate estimates of the costs necessary to complete the Improvements in a good and workmanlike manner according to the Plans and Specifications presented by Borrower to Lender, and Borrower shall take all steps necessary to prevent the actual cost of the improvements from exceeding the Project costs.

Utility Services. All utility services appropriate to the use of the Project after completion of construction are available at the boundaries of the Property.

Access. The Property is contiguous to publicly dedicated streets, roads, or highways providing access to the Property.

Assessment of Property. The Property is and will continue to be assessed and taxed as an independent parcel by all governmental authorities.

Compliance with Governing Authorities. Borrower has examined and is familiar with all the assessments, covenants, conditions, restrictions, reservations, building laws, regulations, zoning ordinances, and federal, state, and local requirements affecting the Project. The Project will at all times and in all respects conform to and comply with the requirements of such easements, covenants, conditions, restrictions, reservations, building laws, regulations, zoning ordinances, and federal, state and local requirements.

Legal Effect. This Agreement constitutes, and any instrument or agreement required hereunder to be given by Borrower when delivered will constitute, legal, valid and binding obligations of Borrower enforceable against Borrower in accordance with their respective terms.

Binding Effect. This Agreement, the Note and all Security Agreements directly or indirectly securing repayment of Borrower's Loan and Note are binding upon Borrower as well as upon Borrower's successors, representatives and assigns, and are legally enforceable in accordance with their respective terms.

Survival of Representation and Warranties. Borrower understands and agrees that Lender is relying upon the above representations and warranties in extending Loan Advances to Borrower. Borrower further agrees that the foregoing representations and warranties shall be continuing in nature and shall remain in full force and effect until such time as Borrower's Loan and Note shall be paid in full, or until this Agreement shall be terminated in the manner provided above, whichever is the last to occur.

CONDITIONS PRECEDENT TO EACH ADVANCE. Lender's obligation to make the initial Advance and each subsequent Advance under this Agreement shall be subject to the fulfillment to Lender's satisfaction of all of the conditions set forth in this Agreement.

Approval of Contractors, Subcontractors, and Materialmen. Lender shall have approved a list of all contractors employed in connection with the construction of the improvements, showing the name, address, and telephone number of each contractor, a general description of the nature of the work to be done, that labor and materials to be supplied, the names of materialmen, if known, and the appropriate dollar value of the labor, work, or materials with respect to each contractor or materialmen. Lender shall have the right to communicate with any person to verify the facts

disclosed by the list or by any application for any Advance, or for any other purpose.

PLANS, SPECIFICATIONS, AND PERMITS. Lender shall have received and accepted a complete set of Plans and Specifications setting forth improvements for the Project, and Borrower shall have furnished to Lender copies of all permits and requisite approvals of any governmental bond necessary for the construction and use of the Project.

ARCHITECTURE AND CONSTRUCTION CONTRACTS. Borrower shall have furnished in form and substance satisfactory to Lender an executed copy of the Architecture Contract and an executed copy of the Construction Contract.

SUPPORT DOCUMENTS. Borrower shall provide to Lender in form satisfactory to Lender the following support documents for the Loan: Competition Guaranty.

BUDGET AND SCHEDULE OF ESTIMATED ADVANCES. Lender shall have approved detailed budget and cash flow projections of total Project costs and a schedule of the estimated amount and time of disbursements of each Advance.

BORROWER'S AUTHORIZATION. Borrower shall have provided in form and substance satisfactory to Lender properly certified resolutions, duly authorizing the execution and delivery of the Loan documents, and the consummation of the Project, and such other authorizations and other documents as Lender in its sole discretion may require.

BOND. If requested by Lender, Borrower shall have furnished a performance and payment bond in an amount equal to 100% of the amount of the Construction Contract, as well as a materialmen's and mechanics' payment bond, with such riders and supplements as Lender may require, each in form and substance satisfactory to Lender, naming the General Contractor as principal and Lender as an additional obligee.

APPRAISAL. If required by Lender, an appraisal shall be prepared for the Property, at Borrower's expense, which in form and substance shall satisfactory to Lender, in its sole discretion, including applicable regulatory requirements.

PLANS AND SPECIFICATIONS. If requested by Lender, Borrower shall have assigned to Lender on Lender's forms the Plans and Specifications for the Project.

ENVIRONMENT REPORT. If requested by Lender, Borrower shall have furnished to Lender, at Borrower's expense, an environmental report and certificate on the Property in form and substance satisfactory to Lender, prepared by an engineer or other expert satisfactory to Lender stating that the Property complies with all applicable provisions and requirements of the "Hazardous Substances" paragraph set forth below.

SOIL REPORT. If requested by Lender, Borrower shall have furnished to Lender, at Borrower's expenses, a soil report for the Property in form and substance satisfactory to Lender, prepared by a registered engineer satisfactory to Lender stating that the Property is free from soil or other geological conditions that would preclude its use or development as contemplated without extra expense for precautionary, corrective or remedial measures.

SURVEY. If requested by Lender, Borrower shall have furnished to Lender a survey of recent date, prepared and certified by a qualified surveyor and providing that the improvements, if constructed in accordance with the Plans and Specifications, shall lie wholly within the boundaries of the Property without encroachment or violation of any zoning ordinances, building codes or regulations, or setback requirements, together with such other information as Lender in its sole discretion may require.

ZONING. Borrower shall have furnished evidence satisfactory to Lender that the Property is duly and validly zoned for the construction maintenance, and operation of the Project.

TITLE INSURANCE. Borrower shall have provided to Lender an ALTA Lender's extended coverage policy of title insurance with such endorsements as Lender may require, issued by a title insurance company acceptable to Lender and in a form, amount, and content satisfactory to Lender insuring or agreeing to insure that Lender's Mortgage or Deed of Trust on the Property is or will be upon recordation a valid first lien on the Property free and clear of all defects, liens, encumbrances, and exceptions except those as specifically accepted by Lender in writing. If requested by Lender, Borrower shall provide to Lender, at Borrower's expense, a foundation endorsement to he title policy upon the completion of each foundation for the improvements, showing no encroachments, and upon completion an endorsement which insures the lien-free completion of the improvements.

INSURANCE. Unless waived by Lender in writing, Borrower shall have delivered to Lender the following insurance policies or evidence thereof: an all risks course of construction insurance policy (builder's risk), with extended coverage covering the improvements issued in an amount and by a company acceptable to Lender, containing a loss payable or other endorsement satisfactory to Lender insuring Lender as mortgagee together with such other endorsements as may be required by Lender including stipulations that coverage will not be cancelled or diminished without at least ten (10) days, prior written notice to lender; (b) owners and General Contractor general liability insurance, public liability and workmen's compensation insurance; (c) flood insurance if required by Lender or

applicable law; and (d) all other insurance required by this Agreement or by the Related Documents.

WORKERS' COMPENSATION COVERAGE. Provide to Lender proof of the General Contractor's compliance with all applicable workers' compensation laws and regulations with regard to all work performed on the Project.

PAYMENT OF FEES AND EXPENSES. Borrower shall have paid to Lender all expenses specified in this Agreement as are then due and payable.

SATISFACTORY CONSTRUCTION. All work usually done at the stage of construction for which disbursement is requested shall have been done in a good and workmanlike manner and all materials and fixtures usually furnished and installed at that stage of construction shall have been furnished and installed, all in compliance with the Plans and Specifications. Borrower shall also have furnished to Lender such proofs as Lender may require to establish the progress of the work, compliance with applicable laws, freedom of the Property from liens, and the basis for the requested disbursement.

CERTIFICATION. Borrower shall have furnished to Lender a certification by an engineer, architect, or other qualified inspector acceptable to Lender that the construction of the improvements has complied and will continue with all applicable statutes, ordinances, codes, regulations, and similar requirements.

LIEN WAIVERS. Borrower shall have obtained and attached to each application for an Advance, including the Advance to cover final payment to the General Contractor, executed acknowledgments of payments of all sums due and releases of mechanic's and materialmen's liens, satisfactory to Lender, from any party having lien rights, which acknowledgments of payment and releases of liens shall cover all work, labor, equipment, materials done, supplied, performed, or furnished prior to such application for an Advance.

LACK OF DEFAULT. There shall not exist at the time of any Advance a condition which would constitute an Event of Default under this Agreement.

DISBURSEMENT OF LOAN PROCEEDS. The following provisions relate to the disbursement of funds from the Loan Fund.

APPLICATION FOR ADVANCES. Each application shall be stated on a standard AIA payment request form or other form approved by Lender, executed by Borrower, and supported by such evidence as Lender shall reasonably require. Borrower shall apply only for disbursement with respect to work actually done by the General Contractor and for materials and equipment actually incorporated into the Project. Each application for an Advance shall be deemed a certification of Borrower that as of the date of such application, all representations and warranties contained in the Agreement are true and correct, and that Borrower is in compliance with all of the provisions of this Agreement.

PAYMENTS. At the sole option of Lender, Advances may be paid in the joint names of Borrower and the General Contractor, subcontractor(s), or supplier(s) in payment of sums due under the Construction Contract. At its sole option, Lender may directly pay the General Contractor and any subcontractors or other parties the sums due under the Construction Contract. Borrower appoints Lender as its attorney-in-fact to make such payments. This power shall be deemed to be coupled with an Interest, shall be irrevocable, and shall survive an Event of Default under this Agreement.

PROJECTED COST OVERRUNS. If Lender at any time determines in its sole discretion that the amount in the Loan Fund is insufficient, or will be insufficient, to complete fully and to pay for the Project, then within ten (10) days after receipt of a written request from Lender, Borrower shall deposit in the Loan Fund an amount equal to the deficiency as determined by Lender. The judgment and determination of Lender under this section shall be final and conclusive. Any such amounts deposited by Borrower shall be disbursed prior to any Loan proceeds.

FINAL PAYMENT TO GENERAL CONTRACTOR. Upon completion of the Project and fulfillment of the Construction Contract to the satisfaction of Lender and provided sufficient Loan Funds are available, Lender shall make an Advance to cover the final payment due to the General Contractor upon delivery to Lender of endorsements to the ALTA title insurance policy following the posting of the completion notice, as provided under applicable law. Construction shall not be deemed complete for purposes of final disbursement unless and until Lender shall have received all of the following:

(a) Evidence satisfactory to Lender that all work under the Construction Contract requiring inspection by any governmental authority with jurisdiction has been duly inspected and approved by such authority that a certificate of occupancy has been issued, and that all parties performing work have been paid, or will be paid, for such work;

(b) A certification by an engineer, architect, or other qualified inspector acceptable to Lender that the improvements have been completed substantially in accordance with the Plans and Specifications and the Construction Contract, that direct connection has been made to all utilities set forth in the Plans and Specifications, and that the Project is ready for occupancy; and

(c) Acceptance of the completed improvements by Lender and Borrower.

Construction Default. If Borrower fails in any respect to comply with the provisions of this Agreement or if construction ceases before completion regardless of the reason, Lender, at its option, may refuse to make further Advances, may accelerate the indebtedness under the terms of the Note, and without thereby impairing any of its rights, powers, or privileges, may enter into possession of the construction site and perform or cause to be performed any and all work and labor necessary to complete the improvements, substantially in accordance with the Plans and Specifications.

Damage or Destruction. If any of the Property or Improvements is damaged or destroyed by casualty of any nature, within sixty (60) days thereafter Borrower shall restore the Property and improvements to the condition in which they were before such damage or destruction with funds other than those in the Loan Fund. Lender shall not be obligated to make disbursements under this Agreement until such restoration has been accomplished.

Right to Advance Funds. When any event occurs that Lender determines may endanger completion of the Project or the fulfillment of any condition or covenant in this Agreement, Lender may require Borrower to furnish, within ten (10) days after delivery of a written request, adequate security to eliminate, reduce, or indemnity Lender against, such danger. In addition, upon such occurrence, Lender in its sole discretion may advance funds or agree to undertake to advance funds to any party to eliminate, reduce, or indemnify Lender against such danger or to complete the Project. All sums paid by Lender pursuant to such agreements or undertakings shall be for Borrower's account and shall be without prejudice to Borrower's rights, if any, to receive such funds from the party to whom paid. All sums expended by Lender in the exercise of its option to complete the Project or protect Lender's interests shall be payable to Lender on demand together with interest from the date of the Advance at the rate applicable to the Loan. In addition, any Advance of funds under this Agreement, including without limitation direct disbursements to the General Contractor or other parties in payment of sums due under the Construction Contract, shall be deemed to have been expended by or on behalf of Borrower and to have been secured by Lender's Mortgage or Deed of Trust, if any, on the Property.

LIMITATION OF RESPONSIBILITY. The making of any Advance by Lender shall not constitute or be interpreted as either (a) an approval or acceptance by Lender of the work done through the date of the Advance, or (b) a representation or indemnity by Lender to any party against any deficiency or defect in the work or against any breach of any contract. Inspections and approvals of the Plans and Specifications, the Improvements, the workmanship and materials used in the Improvements, and the exercise of any other right of inspection, approval, or inquiry granted to Lender in this Agreement are acknowledged to be solely for the protection of Lender's interests, and under no circumstances shall they be construed to impose any responsibility or liability of any nature whatsoever on Lender to any party. Neither Borrower nor any contractor, subcontractor, materialmen, laborer, or any other person shall rely, or have any right to rely, upon Lender's determination of the appropriateness of any Advance. No disbursement or approval by Lender shall constitute a representation by Lender as to the nature of the Project, its construction, or its intended use for Borrower or for any other person, nor shall it constitute an indemnity by Lender to Borrower or to any other person against any deficiency or defects in the Project or against any breach of any contract.

AFFIRMATIVE COVENANTS. Borrower covenants and agrees with Lender that, while this Agreement is in effect, Borrower will:

Litigation. Promptly inform Lender in writing of (a) all material adverse changes in Borrower's financial condition, and (b) all existing and all threatened litigation, claims, investigations, administrative proceedings or similar actions affecting Borrower or any Guarantor which could materially affect the financial condition of Borrower or the financial condition of any Guarantor.

Financial Records. Maintain its books and records in accordance with generally accepted accounting principles, applied on a consistent basis, and permit Lender to examine and audit Borrower's books and records at all reasonable times.

Additional Information. Furnish such additional information and statements, lists of assets and liabilities, agings of receivables and payables, inventory schedules, budgets, forecasts, tax returns, and other reports with respect to Borrower's financial condition and business operations as Lender may request from time to time.

Compliance with Governmental Requirements. Comply with all laws, ordinances, and regulations, now or hereafter in effect, of all governmental authorities applicable to the use or occupancy of the Property, including without limitation, the Americans With Disabilities Act. Borrower may contest in good faith any such law, ordinance, or regulation and withhold compliance during any proceeding, including appropriate appeals, so long as Borrower has notified Lender in writing prior to doing so and so long as, in Lender's sole opinion, Lender's interests in the Property are not jeopardized. Lender may require Borrower to post adequate security or a surety bond, reasonably satisfactory to Lender, to protect Lender's interest.

Construction of the Project. Commence construction of the Project no later than February 5, 1999, and cause the Improvements to be constructed and equipped in a diligent and orderly manner and in strict accordance with the Plans and Specifications approved by Lender, the Construction Contract, and all applicable laws, ordinances, codes, regulations, and rights of adjoining or concurrent property owners. Borrower agrees to complete the Project for purposes of final payment to the General Contractor on or before November 5, 1999, regardless of the reason for any delay.

Loan Proceeds. Use the Loan Funds solely for payment of bills and expenses directly related to the Project.

Defects. Upon demand of Lender, promptly correct any defect in the Improvements or any departure from the Plans and Specifications not approved by Lender before further work shall be done upon the portion of the Improvements affected.

Project Claims and Litigation. Promptly inform Lender of (a) all material adverse changes in the financial condition of the General Contractor; (b) any litigation and claims, actual or threatened, affecting the Project or the General Contractor, which could materially affect the successful completion of the Project or the ability of the General Contractor to complete the Project as agreed; and (c) any condition or event which constitutes a breach or default under any of the Related Documents or any contract related to the Project.

Payment of Claims and Removal of Liens. (a) Cause all claims for labor done and materials and services furnished in connection with the Improvements to be fully paid and discharged in a timely manner, (b) diligently file or procure the filing of a valid notice of completion of the Improvements, or such comparable document as may be permitted under applicable lien laws, (c) diligently file or procure the filing of a notice of cessation, or such comparable document as may be permitted under applicable lien laws, upon the happening of cessation of labor on the Improvements for a continuous period of thirty (30) days or more, and (d) take all reasonable steps necessary to remove all claims of liens against the Property, the Improvements or any part of the Property or Improvements, or any rights or interests appurtenant to the Property or Improvements. Upon Lender's request, Borrower shall make such demands or claims upon or against laborers, materialmen, subcontractors, or other persons who have furnished or claim to have furnished labor, services, or materials in connection with the Improvements, which demands or claims shall under the laws of the State of Nevada require diligent assertions of lien claims upon penalty of loss or waiver thereof, Borrower shall, within ten (10) days after the filing of any claim of lien that is disputed or contested by Borrower, provide Lender with surety bond issued by a surety acceptable to Lender sufficient to release the claim of lien or deposit with Lender an amount satisfactory to Lender for the possibility that the contest will be unsuccessful. If Borrower fails to remove any lien on the Property or Improvements or provide a bond or deposit pursuant to this provision, Lender may pay such lien, or may contest the validity of the lien, and Borrower shall pay all costs and expenses of such contest, including Lender's reasonable attorneys' fees.

Taxes and Claims. Pay and discharge when due all of Borrower's Indebtedness, obligations, and claims that, if unpaid, might become a lien or charge upon the Property or Improvements; provided, however, that Borrower shall not be required to pay and discharge any such indebtedness, obligation, or claim so long as (a) its legality shall be contested in good faith by appropriate proceedings, (b) the Indebtedness, obligation, or claim does not become a lien or charge upon the Property or Improvements, and (c) Borrower shall have established on its books adequate reserves with respect to the amount contested in accordance with generally accepted accounting practices. If the indebtedness, obligation, or claim does become a lien or charge upon the Property or Improvements, Borrower shall remove the lien or charge as provided in the preceding paragraph.

Performance. Perform and comply with all terms, conditions, and provisions, set forth in this Agreement and in all other instruments and agreements between Borrower and Lender, and in all other loan agreements now or hereafter existing between Borrower and any other party. Borrower shall notify Lender immediately in writing of any default in connection with any agreement.

Additional Assurances. Make, execute, and deliver to Lender such Security Agreements, instruments, documents, and other agreements reasonably necessary to document and secure the Loan and to perfect Lender's Security interests in the Property and Improvements.

NEGATIVE COVENANTS. Borrower covenants and agrees with Lender that while this Agreement is in effect, Borrower shall not, without the prior written consent of Lender:

Indebtedness and Liens. (a) Except for trade debt incurred in the normal course of business and indebtedness to Lender contemplated by this Agreement, create, incur or assume indebtedness for borrowed money, including capital leases, (b) sell, transfer, mortgage, assign, pledge, lease, grant a security interest in, or encumber any of Borrower's assets, or (c) sell with recourse any of Borrower's accounts, except to Lender.

Continuity of Operations. (a) Engage in any business activities substantially different than those in which Borrower is presently engaged, (b) cease operations, liquidate, merge, transfer, acquire or consolidate with any other entity, change ownership, change its name, dissolve or transfer or sell Collateral out of the ordinary course of business, or (c) make any distribution with respect to any capital account, whether by reduction of capital or otherwise.

LOANS, ACQUISITIONS AND GUARANTIES. (a) Loan, invest in or advance money or assets, (b) purchase, create or acquire any interest in any other enterprise or entity, or (c) incur any obligation as surely or guarantor other than in the ordinary course of business.

MODIFICATION OF CONTRACT. Make or permit to be made any modification of the Construction Contract.

LIENS. Create or allow to be created any lien or charge upon the Property or the improvements.

GENERAL PROJECT PROVISIONS. The following provisions relate to the construction and completion of the Project.

CHANGE ORDERS. All requests for changes in the Plans and Specifications, other than minor changes involving no extra cost, must be in writing signed by Borrower and the architect, and delivered to Lender for it's approval. Borrower will not permit the performance of any work pursuant to any change order or modification of the Construction Contract or any subcontract without the written approval of Lender. Borrower will obtain any required permits or authorizations from governmental authorities having jurisdiction before approving or requesting a new change order.

PURCHASE OF MATERIALS; CONDITIONAL SALES CONTRACTS. No materials, equipment, fixtures, or articles of personal property placed in or incorporated into the Project shall be purchased or installed under any Security Agreement or other agreement whereby the seller reserves or purports to reserve title or the right of removal or repossession, or the right to consider such items as personal property after their incorporation into the Project, unless otherwise authorized by Lender in writing.

LENDER'S RIGHT OF ENTRY AND INSPECTION. Lender and its agents shall have at all times the right of entry and free access to the Property and the right to inspect all work done, labor performed, and materials furnished with respect to the Project. Lender shall have unrestricted access to and the right to copy all records, accounting books, contracts, subcontracts, bills, statements, vouchers, and supporting documents of Borrower relating in any way during the Project.

LENDER'S RIGHT TO STOP WORK. If Lender in good faith determines that any work or materials do not conform to the approved Plans and Specifications or sound building practices, or otherwise depart from any of the requirements of this Agreement, Lender may require the work to be stopped and withhold disbursements until the matter is corrected. In such event, Borrower will promptly correct the work to Lender's satisfaction. No such action by Lender will affect Borrower's obligation to complete the Improvements on or before the Completion Date. Lender is under no duty to supervise or inspect the construction or examine any books and records. Any inspection or examination by Lender is for the sole purpose of protecting Lender's security and preserving Lender's rights under this Agreement. No default of Borrower will be waived by any inspection by Lender. In no event will any inspection by Lender be a representation that there has been or will be compliance with the Plans and Specifications or that the construction is free from defective materials or workmanship.

INDEMNITY. Borrower shall indemnify and hold Lender harmless from any and all claims asserted against Lender or the Property by any person, entity, or governmental body, or arising out of or in connection with the Property, Improvements, or Project. Lender shall be entitled to appear in any action or proceeding to defend itself against such claims, and all costs incurred by Lender in connection with such defense, including attorney's fees, shall be paid by Borrower to Lender. Lender shall, in its sole discretion be entitled to settle or compromise any asserted claims against it, and such settlement shall be binding upon Borrower for purposes of this indemnification. All amounts paid by Lender under this paragraph shall be secured by Lender's Mortgage or Deed of Trust, if any, on the Property, shall be deemed an additional principal Advance under the Loan, payable upon demand, and shall bear interest at the rate applicable to the Loan.

PUBLICITY. Lender may display a sign at the construction site informing the public that Lender is the construction lender of the Project. Lender may obtain other publicity in connection with the Project through press releases and participation in ground-breaking and opening ceremonies and similar events.

ACTIONS. Lender shall also have the right to commence, appear in, or defend any action or proceeding purporting to affect the rights, duties, or liabilities of the parties to this Agreement, or the disbursement of funds from the Loan Fund. In connection with the right, Lender may incur and pay reasonable costs and expenses, including, but not limited to, attorney's fees, for both trial and appellate proceedings. Borrower covenants to pay to Lender on demand all such expenses, together with interest from the date Lender incurs the expense at the rate specified in the Note, and Lender is authorized to disburse funds from the Loan Fund for such purposes.

CONSTRUCTION LOAN COMMITMENT. Lender has issued a construction loan commitment letter for the Loan to Borrower.

RELATIONSHIP TO THIS AGREEMENT. The terms and provisions of this Agreement, the Note and the Related Documents supersede any inconsistent

terms and conditions of Lender's construction loan commitment letter to Borrower, provided that all obligations of Borrower under the commitment to pay any fees to Lender or any costs and expenses relating to the Loan or the commitment shall survive the execution and delivery of this Agreement, the Note and the Related Documents. Any failure of Borrower to perform any such obligation shall constitute a default under this Agreement.

RIGHT OF SETOFF. Borrower grants to Lender a contractual security interest in, and hereby assigns, conveys, delivers, pledges, and transfers to Lender all Borrower's right, title and interest in and to, Borrower's accounts with Lender (whether checking, savings, or some other account), including without limitation all accounts held jointly with someone else and all accounts Borrower may open in the future, excluding however all IRA and Keogh accounts, and all trust accounts for which the grant of a security interest would be prohibited by law. Borrower authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the indebtedness against any and all such accounts.

EVENTS OF DEFAULT. Each of the following shall constitute an Event of Default under this agreement:

DEFAULT ON INDEBTEDNESS. Failure of Borrower to make any payment when due on the Loans.

OTHER DEFAULTS. Failure of Borrower or any Grantor to comply with or to perform when due any other term, obligation, covenant or condition contained in this Agreement or in any of the Related Documents, or failure of Borrower to comply with or to perform any other term, obligation, covenant or condition continued in any other agreement between Lender and Borrower.

ENVIRONMENTAL DEFAULT. Failure of any party to comply with or perform when due any term, obligation, covenant or condition contained in any environmental agreement executed in connection with any Loan.

FALSE STATEMENTS. Any warranty, representation or statement made or furnished to Lender by or on behalf of Borrower or any Grantor under this Agreement or the Related Documents is false or misleading in any material respect at the time made or furnished, or becomes false or misleading at any time thereafter.

DEFECTIVE COLLATERALIZATION. This agreement or any of the Related Documents ceases to be in full force and effect (including failure of any collateral document to create a valid and perfected security interest or lien) at any time and for any reason.

DEATH OR INSOLVENCY. The dissolution (regardless of whether election to continue is made), any member withdraws from Borrower, or any other termination of Borrower's existence as a going business or the death of any member, the Insolvency of Borrower, the appointment of a receiver for any part of Borrower's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower.

CREDITOR OR FORFEITURE PROCEEDINGS. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor or Borrower, any creditor of any Grantor against any collateral securing the indebtedness, or by any governmental agency. This includes a garnishment, attachment, or levy on or of any of Borrower's deposit accounts with Lender. However, this event of Default shall not apply if there is a good faith dispute by Borrower or Grantor, as the case may be, as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding, and if Borrower or Grantor gives Lender written notice of the creditor or forfeiture proceeding and furnishes reserves or a surety bond for the creditor or forfeiture proceeding satisfactory to Lender.

EVENTS AFFECTING GUARANTOR. Any of the preceding events occurs with respect to any Guarantor of any of the indebtedness or any Guarantor dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any Guaranty of the indebtedness. Lender, at its option, may, but shall not be required to, permit the Guarantor's estate to assume unconditionally the obligations arising under the guaranty in a manner satisfactory to Lender, and, in doing so, cure the Event of Default.

ADVERSE CHANGE. A material adverse change occurs in Borrower's financial condition, or Lender believes the prospect of payment or performance of the Indebtedness is impaired.

RIGHT TO CURE. If any default, other than a Default on Indebtedness, is curable and if Borrower or Grantor, as the case may be, has not been given a notice of a similar default within the preceding twelve (12) months, it may be cured (and no Event of Default will have occurred) if Borrower or Grantor, as the case may be, after receiving written notice from Lender demanding cure of such default: (a) cures the default within thirty (30) days; or (b) if the cure requires more than thirty (30) days, immediately initiates steps which Lender deems in Lender's sole discretion to be sufficient to cure the default and thereafter continues and completes all reasonable and necessary steps sufficient to produce compliance as soon as reasonably practical.

BREACH OF CONSTRUCTION CONTRACT. The improvements are not constructed in accordance with the Plans and Specifications or in accordance with the terms of the Construction Contract.

CESSATION OF CONSTRUCTION. Prior to the completion of construction of the improvements and equipping of the Project, the construction of the

improvements or the equipping of the Project is abandoned or work thereon ceases for a period of more than ten (10) days for any reason, or the improvements are not completed for purposes of final payment to the General Contractor prior to November 5, 1999 regardless of the reason for

the delay.

Transfer of Property. Sale, transfer, hypothecation, assignment, or conveyance of the Property or the improvements or any portion thereof or interest therein by Borrower or any Grantor without Lender's prior written consent.

Condemnation. All or any material portion of the Property is condemned, seized, or appropriated without compensation, and Borrower does not within thirty (30) days after such condemnation, seizure, or appropriation, initiate and diligently prosecute appropriate action to contest in good faith the validity of such condemnation, seizure, or appropriation.

EFFECT OF AN EVENT OF DEFAULT; REMEDIES. Upon the occurrence of any Event of Default and at any time thereafter, Lender may, at its option, but without any obligation to do so, and in addition to any other right Lender may have ,do any one or more of the following without notice to Borrower:(a) Cancel this Agreement; (b) Institute appropriate proceedings to enforce the performance of this Agreement; (c) Withhold further disbursement of Loan Funds; (d) Expend funds necessary to remedy the default; (e) Take possession of the Property and continue construction of the Project; (f) Accelerate maturity of the Note and/or indebtedness and demand payment of all sums due under the Note and/or indebtedness; (g) Bring an action on the Note and/or indebtedness; (h) Foreclose Lender's Mortgage or Deed of Trust, if any, on the Property in any manner available under law; and (i) Exercise any other right or remedy which it has under the Note of Related Documents, or which is otherwise available at law or in equity or by statute.

COMPLETION OF IMPROVEMENT BY LENDER. If Lender takes possession of the property, it may take any and all actions necessary in its judgment to complete construction of the Improvements, including but not limited to making changes in the Plans and Specifications, work, or materials and entering into, modifying or terminating any contractual arrangements, subject to Lender's right at any time to discontinue any work without liability. If Lender elects to complete the Improvements, it will not assume any liability to Borrower or to any other person for completing the improvements or for the manner or quality of construction of the improvements, and Borrower expressly waives any such liability. Borrower irrevocably appoints Lender as its attorney-in-fact, with full power of substitution, to complete its improvements, at Lender's option, either in Borrower's name or in its own name. In any event, all sums expended by Lender in completing its construction of the improvements will be considered to have been disbursed to Borrower and will be secured by the collateral for the Loan. Any such sums that cause the principal amount of the Loan to exceed the face amount of the Note will be considered to be an additional Loan to Borrower, bearing interest at the Note rate and being secured by the collateral. For these purposes, Borrower assigns to Lender all of its right, title and interest in and to the Project Documents; however Lender will not have any obligation under the Project Documents unless Lender expressly hereafter agrees to assume such obligations in writing. Lender will have the to exercise any rights of Borrower under the Project Documents upon the occurrence of an Event of Default. All rights, powers, and remedies of Lender under this Agreement are cumulative and alternative, and are in addition to all rights which Lender may have under applicable law.

MISCELLANEOUS PROVISIONS. The following miscellaneous provisions are a part of this Agreement:

Agency. Nothing in this Agreement shall be construed to constitute the creation of a partnership or joint venture between Lender and Borrower or any contractor. Lender is not an agent or representative of Borrower. This Agreement does not create a contractual relationship with and shall not be construed to benefit or bind Lender in any way with or create any contractual duties by Lender to any contractor, subcontractor, materialman, laborer, or any other person.

Amendments. This Agreement, together with any Related Documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Agreement. No alteration of or amendment to this Agreement shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

Applicable Law. This agreement has been delivered to Lender and accepted by Lender in the State of Nevada. If there is a lawsuit, Borrower agrees upon Lender's request to submitt to the jurisdiction of the courts of WASHOE County, the State of Nevada (initial Here /s/ AJC). This Agreement
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shall be governed by and construed accordance with the laws of the State of Nevada.

Authority to File Notices. Borrower appoints and designates Lender as its attorney-in-fact to file for record any notice that Lender deems necessary to protect its interest under this Agreement. This power shall be deemed coupled with an interest and shall be irrevocable while any sum or performance remains due and owing under any of the Related Documents.

Caption Headings. Caption heading is this Agreement are for convenience purposes only and are not to be used to interpret or define the provisions of this Agreement.

Consent to Loan Participation. Borrower agrees and consents to Lender's sale or transfer, whether now or later, of one or more participation interests in the Loans to one or more purchasers, whether related or

unrelated to Lender. Lender may provide, without any limitation whatsoever, to any one or more purchasers, or potential purchasers, any information or knowledge Lender may have about Borrower or about any other matter relating to the Loan, and Borrower hereby waives any rights to privacy it may have with respect to such matters. Borrower additionally waives any and all notices of sale of participation interests, as well as all notices of any repurchase of such participation interests. Borrower also agrees that the purchasers of any such participation interests will be considered as the absolute owners of such interests in the Loans and will have all the rights granted under the participation agreement or agreements governing the sale of such participation interest. Borrower further waives all rights of offset or countercism that it may have now or later against Lender or against any purchaser of such a participation interest and unconditionally agrees that either Lender or such purchaser may enforce Borrower's obligation under the Loans irrespective of the failure or insolvency of any holder of any interest in the Loans. Borrower further agrees that the purchaser of any such participation interests may enforce its interests irrespective of any personal claims or defenses that Borrower may have against Lender.

Costs and Expenses. Borrower agrees to pay upon demand all of Lender's expenses, including without limitation attorneys' fees, incurred in connection with the preparation, execution, enforcement, modification and collection of this Agreement or in connection with the Loans made pursuant to this Agreement. Lender may pay someone else to help collect the Loans and to enforce this Agreement, and Borrower will pay that amount. This includes, subject to any limits under applicable law, Lender's attorneys' fees and Lender's legal expenses, whether or not there is a lawsuit, including attorneys' fees for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services. Borrower also will pay any court costs, in addition to all other sums provided by law.

Entire Agreement. This Agreement and the Related Documents constitute all of the agreements between the parties relating to the Project and supersede all other prior or concurrent oral or written agreements or understandings relating to the Project.

Notices. All notices required to be given under this Agreement shall be given in writing, may be sent by telefacsimile (unless otherwise required by law), and shall be effective when actually delivered or when deposited with a nationally recognized overnight courier or deposited in the United States mail, first class, postage prepaid, addressed to the party to whom the notice is to be given at the address shown above. Any party may change its address for notices under this Agreement by giving formal written notice to the other parties, specifying that the purpose of the notice is to change the party's address. To the extent permitted by applicable law, if there is more than one Borrower, notice to any Borrower will constitute notice to all Borrowers. For notice purposes, Borrower will keep Lender informed at all times of Borrower's current address(es).

Successors and Assigns. All covenants and agreements contained by or on behalf of Borrower shall bind its successors and assigns and shall inure to the benefit of Lender, its successors and assigns. Borrower shall not, however, have the right to assign its rights under its Agreement or any interest therein, without the prior written consent of Lender.

Severability. If a court of competent jurisdiction finds any provision of this Agreement to be invalid or unenforceable as to any person or circumstance, such finding shall not render that provision invalid or unenforceable as to any other persons or circumstances. If feasible, any such offending provision shall be deemed to be modified to be within the limits of enforceability or validity; however, if the offending provision cannot be so modified, it shall be stricken and all other provisions of this Agreement in all other respects shall remain valid and enforceable.

Survival. All warranties, representations, and covenants made by Borrower in this Agreement or in any certificate or other instrument delivered by Borrower to Lender under this Agreement shall be considered to have been relied upon by Lender and will survive the making of the Loan and delivery to Lender of the Related Documents, regardless of any investigation made by Lender or on Lender's behalf.

Time is of the Essence. Time is of the essence in the performance of this Agreement.

Waiver. Lender shall not be deemed to have waived any rights under this Agreement unless such waiver is given in willing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver by Lender of a provision of this Agreement shall not prejudice or constitute a waiver of Lender's right otherwise to demand strict compliance with that provision or any other provision of this Agreement. No prior waiver by Lender, nor any course of dealing between Lender and Borrower, or between Lender and any Grantor, shall constitute a waiver of any of Lender's rights or of any obligations of Borrower or of any Grantor as to any future transactions. Whenever the consent of Lender is required under this Agreement, the granting of such consent by Lender in any instance shall not constitute continuing consent in subsequent instances where such consent is required, and in all cases such consent may be granted or withheld in the sole discretion of Lender.

ADDITIONAL PROVISION. X /s/ AJC BORROWER REPRESENTS AND WARRANTS THAT ITS

OPERATIONS, PRODUCTS AND SERVICES SHALL ALL FUNCTION WITHOUT INTERRUPTION, FAILURE OR MALFUNCTION, OF ANY NATURE OR OF ANY LENGTH OF TIME, RELATED TO FAILURES OR MALFUNCTIONS OF COMPUTER HARDWARE, SOFTWARE OR PROGRAMMING RELATED TO OR CAUSED BY CHANGES IN CALENDAR DATES OR RECOGNITION OF CALENDAR DATES, AND THAT ITS COMPUTER HARDWARE, SOFTWARE, AND PROGRAMMING SHALL OPERATE THROUGH THE YEAR 2000, AND BEYOND, WITHOUT INTERRUPTION OR FAILURE OR MALFUNCTION OF ANY

TYPE.

BORROWER FURTHER WARRANTS THAT IT HAS REQUIRED ALL OF ITS VENDORS AND SUPPLIERS (INCLUDING ACCOUNTANTS,

ATTORNEYS AND OTHER PROFESSIONAL SERVICE PROVIDERS) TO CAUSE THAT THE COMPUTER HARDWARE, SOFTWARE AND PROGRAMMING ON WHICH SUCH VENDOR OR SUPPLIER RELIES IN PROVIDING ITS PRODUCTS AND/OR SERVICES ALL OPERATE THROUGH THE YEAR 2000, AND BEYOND, WITHOUT INTERRUPTION OR FAILURE OR MALFUNCTION OF ANY TYPE.

BORROWER ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS CONSTRUCTION LOAN AGREEMENT, AND BORROWER AGREES TO ITS TERMS. THIS AGREEMENT IS DATED AS OF FEBRUARY 5, 1999.

BORROWER:

TREX COMPANY, LLC

By: /s/ A.J. Cavanna

ANTHONY J. CAVANNA, C.E.O./C.F.O.

LENDER:

PIONEER CITIZENS BANK OF NEVADA

By: /s/ Richard Deglman

Authorized Officer

x /s/ A.J.C. The attached addendum to Construction Loan Agreement, consisting
---------- of one page, is hereby incorporated herein.

ADDENDUM TO CONSTRUCTION LOAN AGREEMENT

In the event of any inconsistency between terms of the Addendum and the terms of the Construction Loan Agreement to which this Addendum is attached and hereby incorporated into, the terms of the Addendum shall control.

1. The subsection "Borrower" on page 1 is amended to insert the entity "Trex Company, Inc., a Delaware Corporation"

2. The subsection "Collateral" on page 1 is amended to insert "located in Fernley, Lyon County, Nevada" on the first line after the word "assets".

3. The subsection "Completion Guaranty" on page 1 is hereby deleted.

4. The subsection "Organization" on page 2 is amended to delete "Nevada" on line two and add "Delaware".

5. The subsection "Bond" on page 2 is amended to insert "in the event of default" on the first line after the word "Lender".

6. The subsection "Plans and Specifications" on page 2 is amended to insert "in the event of default" on the first line after the word "Lender".

7. The subsection entitled "Indebtedness and Liens" on page 4 is amended to insert "located in Fernley, Nevada" in paragraph (b), line three after the word "assets".

8. The subsection entitled "Loans, Acquisitions and Guaranties" on page 5 is amended to include the additional provision:

   (d) such actions are limited to the collateral defined herein.

9. The first line in the subsection entitled "Indemnity" on page 5 is amended to provide as follows: "Each party shall indemnify and hold the other party (the "Indemnified Party") harmless from any and all claims..." and to delete the verbiage "in its sole discretion" on line four and insert "in the event of default".

10. The fifth line in the subsection entitled "Completion of Improvements by Lender" on page 6 is amended to insert the verbiage "In the event of default" before the words "Borrower irrevocably appoints Lender...".

11. In all instances in which the Construction Loan Agreement requires Lender's consent or approval, the same shall not be unreasonably withheld or delayed. In all instances in which the Construction Loan Agreement requires the payment of any costs, fees, and/or expenses, including, without limitation, attorneys' fees and costs, the same shall be prefaced by "reasonable". The Construction Loan Agreement shall be construed to impart upon Borrower and Lender a duty to act reasonably at all times.

Exhibit 23.1

CONSENT OF INDEPENDENT AUDITORS

We consent to the reference to our firm under the caption "Experts" and to the use of our reports of the Trex Company, Inc. dated January 27, 1999, the Trex Company, LLC dated January 21, 1999 (except Notes 11 and 12, as to which the date is February 8, 1999) and the Mobil Composite Products Division of Mobil Oil Corporation dated June 24, 1998, in Amendment No. 2 to the Registration Statement (Form S-1 No. 333-63287) and related Prospectus of the Trex Company, Inc. for the registration of 3,855,950 shares of its common stock.

/s/ Ernst & Young LLP

Vienna, Virginia
February 8, 1999

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	3,000
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	7,941
	51,331
	46,818
	46,818
	22,956
	22,956
	12,878
	0
	(2,937)
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