
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2010

OR

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

For the transition period from _____ to _____

Commission File Number: 001-14649

Trex Company, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

160 Exeter Drive
Winchester, Virginia
(Address of principal executive offices)

54-1910453
(I.R.S. Employer
Identification No.)

22603-8605
(Zip Code)

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.:

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act): Yes No

The number of shares of the registrant's common stock, par value \$.01 per share, outstanding at August 3, 2010 was 15,453,117 shares.

TREX COMPANY, INC.

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PART I
FINANCIAL INFORMATION

Item 1. Financial Statements

TREX COMPANY, INC.

Condensed Consolidated Balance Sheets
(In thousands)

	<u>December 31,</u> <u>2009</u>	<u>June 30,</u> <u>2010</u> (Unaudited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 19,514	\$ 22,258
Accounts receivable, net	31,429	53,826
Inventories	45,485	50,907
Prepaid expenses and other assets	2,368	1,843
Income taxes receivable	7,775	184
Total current assets	106,571	129,018
Property, plant, and equipment, net	137,027	130,825
Goodwill	6,837	6,837
Other assets	6,024	2,521
Total assets	<u>\$ 256,459</u>	<u>\$ 269,201</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 16,514	\$ 17,070
Accrued expenses	19,126	22,471
Accrued warranty	9,256	6,729
Deferred income taxes	485	485
Current portion of long-term debt	545	567
Total current liabilities	45,926	47,322
Deferred income taxes	1,925	1,925
Accrued taxes	3,735	3,388
Non-current accrued warranty	2,268	8,680
Debt-related derivative	392	378
Long-term debt	76,634	80,240
Total liabilities	<u>130,880</u>	<u>141,933</u>
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; 15,397,093 and 15,453,202 shares issued and outstanding at December 31, 2009 and June 30, 2010, respectively	154	155
Additional paid in capital	96,197	96,885
Accumulated other comprehensive loss	(265)	(251)
Retained earnings	29,493	30,479
Total stockholders' equity	<u>125,579</u>	<u>127,268</u>
Total liabilities and stockholders' equity	<u>\$ 256,459</u>	<u>\$ 269,201</u>

See Accompanying Notes to Condensed Consolidated
Financial Statements (Unaudited).

TREX COMPANY, INC.**Condensed Consolidated Statements of Operations**

(Unaudited)

(In thousands, except share and per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2010	2009	2010
Net sales	\$ 91,455	\$ 115,499	\$ 159,105	\$ 181,839
Cost of sales	62,893	84,775	113,790	135,036
Gross profit	28,562	30,724	45,315	46,803
Selling, general and administrative expenses	17,423	21,228	33,973	38,280
Income from operations	11,139	9,496	11,342	8,523
Interest expense, net	3,643	3,868	7,082	7,670
Income before income taxes	7,496	5,628	4,260	853
Provision (benefit) for income taxes	118	—	(2)	(134)
Net income	\$ 7,378	\$ 5,628	\$ 4,262	\$ 987
Basic earnings per common share	\$ 0.49	\$ 0.37	\$ 0.28	\$ 0.07
Basic weighted average common shares outstanding	15,051,200	15,188,963	15,031,398	15,165,942
Diluted earnings per common share	\$ 0.49	\$ 0.35	\$ 0.28	\$ 0.06
Diluted weighted average common shares outstanding	15,107,510	15,880,484	15,094,572	15,636,305

TREX COMPANY, INC.

Condensed Consolidated Statements of Cash Flows

(unaudited)
(In thousands)

	<u>Six Months Ended June 30,</u>	
	<u>2009</u>	<u>2010</u>
Operating Activities		
Net income	\$ 4,262	\$ 987
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	12,226	11,097
Debt discount amortization	3,266	3,895
Equity method losses	124	1,224
Derivatives	(178)	—
Stock-based compensation	1,671	1,710
Loss on disposal of property, plant and equipment	31	—
Changes in operating assets and liabilities:		
Accounts receivable	(24,247)	(22,412)
Inventories	29,319	(5,422)
Prepaid expenses and other assets	1,640	2,177
Accounts payable	6,017	556
Accrued expenses	(8,173)	6,777
Income taxes receivable	2,353	7,699
Net cash provided by operating activities	<u>28,311</u>	<u>8,288</u>
Investing Activities		
Expenditures for property, plant and equipment	(4,135)	(4,303)
Proceeds from sales of property, plant and equipment	19	—
Notes receivable, net	49	48
Net cash used in investing activities	<u>(4,067)</u>	<u>(4,255)</u>
Financing Activities		
Principal payments under mortgages and notes	(621)	(267)
Borrowings under line of credit	—	44,000
Principal payments under line of credit	—	(44,000)
Repurchases of common stock	(571)	(1,154)
Proceeds from employee stock purchase and option plans	126	132
Net cash used in financing activities	<u>(1,066)</u>	<u>(1,289)</u>
Net increase in cash and cash equivalents	23,178	2,744
Cash and cash equivalents at beginning of period	23,189	19,514
Cash and cash equivalents at end of period	<u>\$ 46,367</u>	<u>\$ 22,258</u>
Supplemental Disclosure:		
Cash paid for interest, net of capitalized interest	\$ 3,591	\$ 3,432
Cash received for income taxes, net	\$ (2,323)	\$ (7,515)

See Accompanying Notes to Condensed Consolidated
Financial Statements (Unaudited).

TREX COMPANY, INC.

**Notes to Condensed Consolidated Financial Statements
For the Six Months Ended June 30, 2009 and 2010
(unaudited)**

1. BUSINESS AND ORGANIZATION

Trex Company, Inc. (the "Company") is the country's largest manufacturer of wood-alternative decking, railing, fencing and trim products, which are marketed under the brand name Trex®. We are incorporated in Delaware. Our principal executive offices are located at 160 Exeter Drive, Winchester, Virginia 22603, and our telephone number at that address is (540) 542-6300. The Company operates in one business segment.

2. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, the accompanying condensed consolidated financial statements do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal and recurring adjustments) considered necessary for a fair presentation have been included in the accompanying condensed consolidated financial statements. The consolidated results of operations for the six months ended June 30, 2010 are not necessarily indicative of the results that may be expected for the full fiscal year. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements as of December 31, 2008 and 2009 and for each of the three years in the period ended December 31, 2009 included in the annual report of Trex Company, Inc. on Form 10-K, as filed with the Securities and Exchange Commission.

The Company consolidates its wholly-owned subsidiary, Trex Wood-Polymer Espana, S.L., which owns a 35% equity interest in Denplax, S.A., a Spanish joint venture formed to recycle polyethylene at a facility in El Ejido, Spain. The Company's investment in Denplax is accounted for using the equity method. In addition, the Company has an outstanding note due from Denplax. At December 31, 2009, the amount of the Company's investment in Denplax and note due from Denplax was \$1.2 million and \$1.6 million, respectively. At June 30, 2010, the amount of the Company's investment in Denplax and note due from Denplax was \$1.0 million and \$1.4 million, respectively. During the three months ended June 30, 2010, the Company determined that it would end its purchasing relationship with Denplax and begin to domestically source its requirements with higher quality material at a lower cost. Consequently, at June 30, 2010, based on these developments and an analysis of the financial performance and position of Denplax, the Company determined that the amount of the investment in Denplax and note due from Denplax were not recoverable and recorded a \$2.4 million charge to earnings to reduce the carrying amount of the equity investment and note related to Denplax.

The Company's critical accounting policies are included in the Company's Annual Report of Form 10-K for the year ended December 31, 2009.

3. NEW ACCOUNTING STANDARDS

Accounting Pronouncements Recently Adopted

In June 2009, the FASB issued a pronouncement, now codified within ASC 810-10, (formerly SFAS No. 167, *Amendments to FASB Interpretation No. 46(R), Consolidation of Variable Interest Entities*). This updated guidance requires an analysis to determine whether a variable interest gives the entity a controlling financial interest in a variable interest entity. The determination of whether a reporting entity is required to consolidate another entity is based on, among other things, the other entity's purpose and design and the reporting entity's ability to direct the activities of the other entity that most significantly impact the other entity's economic performance. ASC 810-10 will require a reporting entity to provide additional disclosures about its involvement with variable interest entities and any significant changes in risk exposure due to that involvement. A reporting entity will be required to disclose how its involvement with a variable interest entity affects the reporting entity's financial statements. The Company adopted ASC 810-10 effective January 1, 2010. The adoption of ASC 810-10 had no impact on the Company's results of operations or financial position.

In January 2010, the FASB issued Accounting Standard Update No. 2010-06, "Fair Value Measurements and Disclosures (Topic 820) Improving Disclosures about Fair Value Measurements" ("ASU No. 2010-06"). This update requires additional disclosures about (1) the different classes of assets and liabilities measured at fair value, (2) the valuation techniques and inputs used, (3) the activity in Level 3 fair value measurements, and (4) the transfers between Levels 1, 2, and 3. ASU No. 2010-06 is effective for interim and annual reporting periods beginning after December 15, 2009. The Company adopted ASU 2010-06 effective January 1, 2010. The adoption had no impact on the Company's results of operations or financial position.

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4. COMPREHENSIVE INCOME

The Company's comprehensive income was \$7.6 million and \$5.6 million for the three months ended June 30, 2009 and 2010, respectively and \$4.5 million and \$1.0 million for the six months ended June 30, 2009 and 2010, respectively. Comprehensive income consists of net income and net unrealized gains and losses on debt-related derivatives, net of tax.

5. INVENTORIES

Inventories, at LIFO (last-in, first-out) value, consist of the following (in thousands):

	December 31, 2009	June 30, 2010
Finished goods	\$ 25,846	\$30,573
Raw materials	19,639	20,334
Total inventories	<u>\$ 45,485</u>	<u>\$50,907</u>

Due to the liquidation of certain inventories, a portion of the Company's cost of sales is based on prior years' costs rather than current year costs. As a result, the Company recognized benefits of \$0.8 million and \$1.7 million during the three and six months ended June 30, 2010, respectively, compared to benefits of \$195 thousand and \$43 thousand during the three and six months ended June 30, 2009, respectively.

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

6. ACCRUED EXPENSES

Accrued expenses consist of the following (in thousands):

	December 31, 2009	June 30, 2010
Accrued compensation and benefits	\$ 5,917	\$ 4,862
Accrued interest	3,850	3,666
Accrued rent obligations	2,351	2,320
Accrued sales and marketing	2,536	4,221
Accrued taxes and penalties	278	312
Other	4,194	7,090
Total accrued expenses	<u>\$ 19,126</u>	<u>\$22,471</u>

7. DEBT

Long-term debt consists of the following (in thousands):

	December 31, 2009	June 30, 2010
Real estate loan	\$ 3,086	\$ 2,819
Convertible notes	97,500	97,500
	100,586	100,319
Less unamortized debt discount	(23,407)	(19,512)
	77,179	80,807
Less current portion	(545)	(567)
Total long-term debt	<u>\$ 76,634</u>	<u>\$ 80,240</u>

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The Company's outstanding debt consists of a real estate loan, convertible bond notes and a revolving credit facility. At June 30, 2010, the Company had no outstanding borrowings under its revolving credit facility and an available borrowing capacity of \$79.0 million.

As of June 30, 2010 the Company was in compliance with all of the material covenants contained in its debt agreements.

The following table provides additional information regarding the Company's convertible debt instruments that are subject to ASC 470 (in thousands, except conversion price):

	<u>December 31,</u> <u>2009</u>	<u>June 30,</u> <u>2010</u>
Principal amount of the liability component	\$ 97,500	\$ 97,500
Unamortized discount of liability component	(23,407)	(19,512)
Net carrying amount of liability component	74,093	77,988
Carrying amount of the equity component	23,860	23,860
Remaining amortization period of discount	30 months	24 months
Conversion price	\$ 21.78	\$ 21.78
Effective interest rate on liability component	18.41%	18.41%
If-converted value in excess of principal amount (a)	—	\$ 3,248
If-converted number of shares to be issued (a)	—	144.3

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>
Interest expense at coupon rate (6.0%)	\$ 1,462	\$ 1,462	\$ 2,925	\$ 2,925
Non-cash interest in accordance with ASC 470	1,633	1,947	3,266	3,895

(a) If-converted value amounts are for disclosure purposes only. The notes are convertible when the closing price of the Company's common stock for at least 20 trading days in the 30 consecutive trading days ending on the last trading day of the preceding fiscal quarter is greater than or equal to \$28.31 (130% of the conversion price) on each applicable trading day. The principal amount of the notes is settled in cash upon conversion. The value of the notes in excess of the principal amount is settled in common shares upon conversion. Based upon the Company's stock prices during the three months ended June 30, 2010, the notes are not currently convertible. The if-converted value in excess of the principal amount and the if converted number of shares to be issued illustrated above are based on the average stock price of \$22.51 during the three months ended June 30, 2010, which exceeded the conversion price of \$21.78.

8. FAIR VALUE MEASUREMENT

The Company adopted certain provisions of FASB ASC Topic 820 on January 1, 2008, which defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosures about fair value measurements. The Company's adoption was limited to financial assets and liabilities, which primarily relate to derivative contracts.

ASC 820 requires the categorization of financial assets and liabilities based upon the level of judgments associated with the inputs used to measure their fair value. Hierarchical levels, defined by ASC 820 and directly related to the amount of subjectivity associated with the inputs used to determine the fair value of financial assets and liabilities, are as follows:

- Level 1 – Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 – Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the assets or liability through correlation with market data at the measurement date and for the duration of the instrument's anticipated life
- Level 3 – Inputs reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model.

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The following table presents the financial assets and liabilities measured at fair value on a recurring basis, based on the fair value hierarchy as of June 30, 2010 (in thousands):

	Total Fair Value Measurement June 30, 2010	Quoted Prices in Active Markets for Identical Asset (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt-related derivative liability	\$ 378	\$ —	\$ 378	\$ —

The Company uses interest-rate swap contracts to manage its exposure to fluctuations in the interest rates under its variable-rate real estate loan.

9. FINANCIAL INSTRUMENTS

The Company considers the recorded value of its financial assets and liabilities, consisting primarily of cash and cash equivalents, accounts receivable, accounts payable, accrued expenses and other current liabilities, and real estate loans to approximate the fair value of the respective assets and liabilities at December 31, 2009 and June 30, 2010. At June 30, 2010, the fair value of the Company's 6.00% Convertible Senior Subordinated Notes due 2012 was estimated at \$109.3 million based on quoted market prices.

The Company uses interest rate swaps to manage its exposure to fluctuations in the interest rates on its variable-rate debt. At June 30, 2010, the Company had one fixed-for-floating interest rate swap that matures on October 1, 2014, which effectively converts the Company's variable-rate real estate loan to fixed-rate obligation. The Company accounts for interest rate swaps as derivative instruments in accordance with FASB ASC Topic 815, "Derivatives and Hedging" (formerly SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended). ASC 815 requires derivative instruments to be measured at fair value in the condensed consolidated balance sheets. At June 30, 2010 the fair value of the Company's interest rate swap was \$0.4 million and was classified as a long-term liability in the accompanying condensed consolidated balance sheets. The interest rate swap instrument qualifies for, and was designated as, a cash flow hedge of a forecasted transaction in accordance with ASC 815 and the change in fair value of this instrument was recorded, net of tax, in "Accumulated other comprehensive loss" in the accompanying consolidated balance sheets. At June 30, 2010, \$0.3 million of unrealized losses, net of tax, were recorded in "Accumulated other comprehensive loss" in the accompanying consolidated balance sheets. The Company expects approximately \$0.2 million to be reclassified into "Interest expense, net" over the next twelve months.

The following table illustrates the changes in "Accumulated other comprehensive loss" related to the cash flow hedge during the six months ended June 30, 2010 (in thousands):

	Fair Value of Cash Flow Hedges	Tax Effect	Fair Value of Cash Flow Hedges, Net of Tax
Balance, December 31, 2009	\$ 392	\$ (127)	\$ 265
Gain (loss) reclassified to "interest expense, net"	(96)	—	(96)
Unrealized (gains) losses during period	82	—	82
Balance, June 30, 2010	\$ 378	\$ (127)	\$ 251

10. EARNINGS PER SHARE

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2010	2009	2010
Numerator:				
Net income available to common shareholders	\$ 7,378	\$ 5,628	\$ 4,262	\$ 987
Denominator:				
Basic weighted average shares outstanding	15,051,200	15,188,963	15,031,398	15,165,942
Effect of dilutive securities:				
SARs and options	2,739	428,922	4,917	377,546
Convertible notes	—	144,328	—	—
Restricted stock	53,571	118,271	58,257	92,817
Diluted weighted average shares outstanding	15,107,510	15,880,484	15,094,572	15,636,305
Basic earnings per share	\$ 0.49	\$ 0.37	\$ 0.28	\$ 0.07
Diluted earnings per share	\$ 0.49	\$ 0.35	\$ 0.28	\$ 0.06

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The Company's \$97.5 million of convertible notes due 2012 are not currently convertible. As a result of the quarterly average stock price exceeding the conversion price of \$21.78, the Company included 144,328 additional shares related to the convertible notes in the diluted weighted average common shares outstanding for the three months ended June 30, 2010.

11. STOCK-BASED COMPENSATION

Effective January 1, 2006, the Company adopted the fair value recognition provisions of FASB ASC Topic 718, *Share-Based Payment*, (ASC 718). Under the transition method, compensation cost includes (a) compensation cost for all share-based payments granted prior to, but not yet vested as of, January 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of ASC 718; and (b) compensation cost for all share-based payments granted subsequent to January 1, 2006, based on the grant date fair value estimated in accordance with the provisions of ASC 718.

The Company has one stock-based compensation plan, the 2005 Stock Incentive Plan (the "2005 Plan"), which was amended by its shareholders on May 7, 2008. The 2005 Plan is administered by the Compensation Committee of the Company's Board of Directors. Stock-based compensation is granted to officers, directors and certain key employees in accordance with the provisions of the 2005 Plan. The 2005 Plan provides for grants of stock options, stock appreciation rights ("SARs"), restricted stock and performance share awards. As of June 30, 2010, the total aggregate number of shares of the Company's common stock that may be issued under the 2005 Plan is 3,150,000.

The fair value of each SAR is estimated on the date of grant using a Black-Scholes option-pricing formula. For SARs issued in the six months ended June 30, 2009 and 2010, respectively, the assumptions shown in the following table were used:

	Six Months Ended June 30,	
	2009	2010
Weighted-average fair value of grants	\$ 6.66	\$ 10.08
Dividend yield	0%	0%
Average risk-free interest rate	1.6%	2.7%
Expected term (years)	5	5
Expected volatility	57%	67%

The following table summarizes the Company's stock-based compensation grants for the six months ended June 30, 2010:

	Stock Awards Granted	Weighted-Average Grant Price Per Share
Stock appreciation rights	120,788	\$ 17.52
Restricted stock	91,717	\$ 17.41

The following table summarizes the Company's stock-based compensation expense for the three and six months ended June 30, 2009 and 2010 (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2010	2009	2010
Stock appreciation rights	\$ 0.4	\$ 0.5	\$ 0.9	\$ 0.9
Restricted stock	0.4	0.4	0.8	0.8
Total stock-based compensation	<u>\$ 0.8</u>	<u>\$ 0.9</u>	<u>\$ 1.7</u>	<u>\$ 1.7</u>

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Total unrecognized compensation cost related to unvested awards as of June 30, 2010 totaled \$4.9 million. The cost of these unvested awards is being recognized over the requisite vesting period of 36 months from date of grant.

12. INCOME TAXES

In accordance with ASC 740, *Income Taxes*, the Company has recorded a valuation allowance against its net deferred tax asset. The effect of maintaining the valuation allowance is to substantially reduce the Company's effective tax rate as the tax expense or benefit recorded at the statutory tax rate is offset by a corresponding expense or benefit resulting from the change in the valuation allowance. Accordingly, the Company's effective tax rate for the six months ended June 30, 2009 and 2010 was -0.1% and -15.7%, respectively, which resulted in a benefit of \$2 thousand and \$134 thousand, respectively. The higher 2010 effective tax rate was primarily the result of benefits recognized in the six months ended June 30, 2010 due to lower than expected tax settlements with various taxing jurisdictions.

The Company operates in multiple tax jurisdictions and, in the normal course of business, its tax returns are subject to examination by various taxing authorities. Such examinations may result in future assessments by these taxing authorities and the Company has accrued a liability when it believes that it is not more likely than not that it will realize the benefits of tax positions that it has taken or for the amount of any tax benefit that exceeds the cumulative probability threshold in accordance with ASC 740. The Company believes that adequate provisions have been made for all tax returns subject to examination. As of June 30, 2010, tax years 2003 through 2009 remain subject to examination by federal and certain state tax jurisdictions. The Internal Revenue Service is currently examining our federal income tax returns for the tax years 2003 through 2008.

The Company has taken tax positions in certain taxing jurisdictions for which it is reasonably possible that the total amounts of unrecognized tax benefits may decrease within the next 12 months. The Company does not expect any significant change to the total amount of unrecognized tax benefits within the next 12 months.

13. SEASONALITY

The Company's operating results have historically varied from quarter to quarter, in part due to seasonal trends in the demand for Trex®. The Company has historically experienced lower net sales during the fourth quarter because holidays and adverse weather conditions in certain regions reduce the level of home improvement and construction activity.

14. COMMITMENTS AND CONTINGENCIES

Contract Termination Costs

As of June 30, 2010, the minimum payments remaining under the Company's lease relating to its reconsidered corporate relocation over the years ending December 31, 2010, 2011, 2012, 2013 and 2014 are \$0.8 million, \$1.6 million, \$2.0 million, \$2.5 million and \$2.5 million, respectively, and \$11.8 million thereafter. The minimum receipts remaining under the Company's existing subleases over the years ending December 31, 2010, 2011, 2012, 2013 and 2014 are \$0.8 million, \$1.6 million, \$1.6 million, \$1.3 million and \$1.0 million, respectively. The Company accounts for the costs associated with the lease as contract termination costs in accordance with FASB ASC 420, "Exit or Disposal Cost Obligations."

The following table provides information about the Company's liability related to the lease (in thousands):

	<u>2009</u>	<u>2010</u>
Balance as of January 1	\$524	\$485
Less: net rental receipts (payments)	(34)	107
Accretion of discount	20	20
Balance as of June 30	<u>\$510</u>	<u>\$612</u>

Product Warranty

The Company warrants that its products will be free from material defects in workmanship and material and will not check, split, splinter, rot or suffer structural damage from termites or fungal decay. With respect to the Company's new Transcend product, the Company further warrants that the product will not fade in color more than a certain amount and will be resistant to permanent staining from food substances or mold (provided the stain is cleaned within seven days of appearance). Each of these warranties generally extends for a period of 25 years for residential use and 10 years for commercial use. If there is a breach of such warranties, the Company has an obligation either to replace the defective product or refund the purchase price. The Company establishes warranty reserves to provide for estimated future expenses as a result of product defects that result in claims. Reserve estimates are based on management's judgment, considering such factors as cost per claim, historical experience, anticipated rates of claims, and other available information. Management reviews and adjusts these estimates, if necessary, on a quarterly basis based on the differences between actual experience and historical estimates.

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In 2007, the Company recorded a significant increase to its warranty reserve due to a high number of claims resulting from a small percentage of material produced at its Nevada facility that exhibited surface defects. The Company continues to settle these claims against the warranty reserve and regularly monitors the adequacy of the remaining reserve.

During the three months ended June 30, 2010, the Company experienced an increased trend in the number of warranty claims received. The Company also experienced changes in the nature of warranty claims, including the expected cost to resolve such claims. As a result of these developments, the Company recorded an increase to the warranty reserve of \$9.0 million during the three months ended June 30, 2010. Management believes that the increased number of claims is a result of the Company's involvement in, and related public announcements about, a recently settled class action suit related to surface flaking of a limited amount of product produced and sold at the Nevada facility prior to the middle of 2006.

It is possible that the ultimate settlement of the claims may differ from the amount recorded and may result in future charges against income. The Company estimates that a 10% change in the expected number of remaining claims or the expected cost to settle claims may result in approximately a \$1 million change in the warranty reserve.

The following is a reconciliation of the Company's warranty reserve (in thousands):

	<u>2009</u>	<u>2010</u>
Beginning balance, January 1	\$21,856	\$ 11,524
Provision for estimated warranties	250	9,000
Settlements made during the period	(4,611)	(5,115)
Ending balance, June 30	<u>\$17,495</u>	<u>\$15,409</u>

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Legal Matters

As reported in the Company's Annual Report on Form 10-K for the year ended December 31, 2009, on January 19, 2009, a class action case was commenced against the Company in the Superior Court of California, Santa Cruz County, by the lead law firm of Lief, Cabraser, Heimann & Bernstein, LLP and certain other law firms (the "Lief Cabraser Group") on behalf of Eric Ross and Bradley S. Hureth and similarly situated plaintiffs. These plaintiffs generally allege certain defects in the Company's products, and that the Company has failed to provide adequate remedies for defective products. On February 13, 2009, the Company removed this case to the United States District Court, Northern District of California.

On January 21, 2009, a class action case was commenced against the Company in the United States District Court, Western District of Washington by the law firm of Hagens Berman Sobol Shapiro LLP (the "Hagens Berman Firm") on behalf of Mark Okano and similarly situated plaintiffs. This case was transferred by the Washington Court to the California Court as a related case to the Lief Cabraser Group's case.

On July 30, 2009, the U.S. District Court for the Northern District of California preliminarily approved a settlement of the claims of the lawsuit commenced by the Lief Cabraser Group involving surface flaking of the Company's product, and on March 15, 2010, it granted final approval of the settlement. On April 14, 2010, the Hagens Berman Firm filed a notice to appeal the District Court's ruling to the United States Court of Appeals for the Ninth Circuit. On July 9, 2010, the Hagens Berman Firm dismissed their appeal, effectively making the settlement final.

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

This management's discussion and analysis contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements regarding our expected financial position and operating results, our business strategy, our financing plans, forecasted demographic and economic trends relating to our industry and similar matters are forward-looking statements. These statements can sometimes be identified by our use of forward-looking words such as "may," "will," "anticipate," "estimate," "expect," "intend" or similar expressions. We cannot promise you that our expectations in such forward-looking statements will turn out to be correct. Our actual results could be materially different from our expectations because of various factors, including the factors discussed under "Item 1A. Risk Factors" in our Annual Report on Form 10-K for fiscal year 2009 filed with the Securities and Exchange Commission. These statements are also subject to risks and uncertainties that could cause the Company's actual operating results to differ materially. Such risks and uncertainties include the extent of market acceptance of the Company's products; the costs associated with the development and launch of new products and the market acceptance of such new products; the sensitivity of the Company's business to general economic conditions; the Company's ability to obtain raw materials at acceptable prices; the Company's ability to maintain product quality and product performance at an acceptable cost; the level of expenses associated with product replacement and consumer relations expenses related to product quality; and the highly competitive markets in which the Company operates.

Overview

General. Trex Company, Inc., ("We" or the "Company"), is the largest U.S. manufacturer of wood-alternative decking, railing, fencing and trim products, which are marketed under the brand name Trex®. We offer a comprehensive set of aesthetically durable, low maintenance product offerings and believe that the range and variety of our product offerings allow consumers to design personal outdoor living space using Trex brand products.

The Company has seven decking products: Trex Contours®, Trex Origins®, Trex Accents®, Trex Accents Fire Defense®, Trex Brasilia®, Trex Escapes® and Trex Transcend®; two railing products: Trex Designer Series Railing® and Trex Transcend® Railing; two fencing products: Trex Seclusions® and Trex Surroundings®, and a cellular PVC outdoor trim product; TrexTrim™. In addition, the Company offers Trex Hideaway®, which is a hidden fastening system for specially grooved boards.

Highlights related to the second quarter of 2010 include:

- We experienced an increase in net sales of 26% in the quarter, compared to the second quarter of 2009, primarily driven by strong demand for our recently launched Trex Transcend decking and railing products.
- We recognized \$11.4 million of certain charges in the second quarter, \$9.0 million related to an increase to the warranty reserve for decking product manufactured at the company's Nevada plant prior to mid-2006 and \$2.4 million related to our Spanish joint venture for recycling waste polyethylene.
- Gross margin in the second quarter of 2010, excluding the \$9.0 million warranty charge, was 34.4%, a 320 basis point improvement compared to the second quarter of 2009, driven by higher sales and production volumes coupled with extending the operations improvements that we made throughout 2009.
- Gross margins included the negative impact of Transcend startup costs, but to a lesser extent as compared to the first quarter of 2010.
- We continued executing our aggressive 2010 branding campaign with a focus on supporting our Transcend product launch and extending our reach in the marketplace, which resulted in increased branding expense in the quarter.

Net Sales. Net sales consist of sales and freight, net of returns and discounts. The level of net sales is principally affected by sales volume and the prices paid for Trex products. Our branding and product differentiation strategy enables us to command premium prices over wood and to maintain price stability for Trex. To ensure adequate availability of product to meet anticipated seasonal consumer demand, we have historically provided our distributors and dealers incentives to build inventory levels before the start of the prime deck-building season. These incentives include prompt payment discounts or extended payment terms. In addition, from time to time we may offer price discounts on specified products and other incentives based on increases in distributor purchases as part of specific promotional programs. There are no product return rights granted to our distributors except those granted pursuant to the warranty provisions of our agreements with distributors.

Gross Profit. Gross profit represents the difference between net sales and cost of sales. Cost of sales consists of raw materials costs, direct labor costs, manufacturing costs and freight. Raw materials costs generally include the costs to purchase and transport waste wood fiber, reclaimed polyethylene, or "PE material," and pigmentation for coloring Trex products. Direct labor costs include wages and benefits of personnel engaged in the manufacturing process. Manufacturing costs consist of costs of depreciation, utilities, maintenance supplies and repairs, indirect labor, including wages and benefits, and warehouse and equipment rental activities.

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Selling, General and Administrative Expenses. The largest components of selling, general and administrative expenses are branding and other sales and marketing costs, which we use to build brand awareness of Trex in the decking, railing, fencing and trim markets. Sales and marketing costs consist primarily of salaries, commissions and benefits paid to sales and marketing personnel, consumer relations, 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, office occupancy costs attributable to these functions, and professional fees. As a percentage of net sales, selling, general and administrative expenses have varied from quarter to quarter due, in part, to the seasonality of our business.

Results of Operations

The following table shows, for the three and six months ended June 30, 2009 and 2010, respectively, selected statement of operations data as a percentage of net sales:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2010	2009	2010
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	68.8	73.4	71.5	74.3
Gross profit	31.2	26.6	28.5	25.7
Selling, general and administrative expenses	19.1	18.4	21.4	21.1
Income from operations	12.2	8.2	7.1	4.6
Interest expense, net	4.0	3.3	4.5	4.2
Income before taxes and extraordinary item	8.2	4.9	2.7	0.4
Provision for income taxes	0.1	0.0	0.0	(0.1)
Net income	8.1%	4.9%	2.7%	0.5%

Three Months Ended June 30, 2010 Compared With Three Months Ended June 30, 2009

Net Sales. Net sales in the quarter ended June 30, 2010 (the “2010 quarter”) increased 26.3% to \$115.5 million from \$91.5 million in the quarter ended June 30, 2009 (the “2009 quarter”). The increase in net sales was driven primarily by a 22% increase in sales volume and, to a lesser extent, by a 4% increase in average price per unit in the 2010 quarter compared to the 2009 quarter. The increase in sales volume reflected a strong demand for the Company’s products, particularly its new Transcend decking and railing product offerings, which the Company launched in early 2010 and supported with a robust marketing campaign. The increase in average price per unit in the 2010 quarter resulted from a shift in sales mix toward higher priced products, specifically the Company’s new Transcend decking and railing product offerings and other railing products. The increase in railing sales reflects a concerted effort by the Company to improve its railing offerings and capture more of the railing market.

Gross Profit. Gross profit increased 7.6% to \$30.7 million in the 2010 quarter from \$28.6 million in the 2009 quarter. Gross profit as a percentage of net sales, gross margin, decreased to 26.6% in the 2010 quarter from 31.2% in the 2009 quarter. Gross profit in the 2010 quarter was adversely affected by a \$9.0 million increase to the warranty reserve. Excluding the increase in the warranty reserve, gross profit in the 2010 quarter was \$39.7 million, an \$11.2 million or 39.1% increase compared to the 2009 quarter and gross margin was 34.4%, a 320 basis point improvement compared to the 2009 quarter. Increased capacity utilization contributed 7.0% of the improvement in gross margin. The 2010 quarter reflects the start-up costs associated with the introduction of Transcend, which partially offset the positive impact of improved capacity utilization.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased 21.8% to \$21.2 million in the 2010 quarter from \$17.4 million in the 2009 quarter. The 2010 quarter included a non-cash charge of \$2.4 million related to the Company’s investment in Denplax, a partially-owned Spanish joint venture. Before the Denplax-related charge, selling, general and administrative expenses in the 2010 quarter were \$18.8 million, a \$1.4 million or 8.1% increase compared to the 2009 quarter. The increase in the 2010 quarter was primarily related to a \$1.3 million increase in branding expenses.

Interest Expense. Net interest expense increased \$0.3 million to \$3.9 million in the 2010 quarter from \$3.6 million in the 2009 quarter. Net interest expense included \$1.9 million and \$1.6 million of non-cash charges to the 2010 and 2009 quarters, respectively, related to debt discount amortization for the convertible bonds.

Provision for Income Taxes. The Company’s effective tax rate for the 2010 quarter and 2009 quarter was 0.0% and 1.6%, respectively, which resulted in an expense of \$0.1 million in the 2009 quarter. The effective tax rate was substantially lower than the statutory rate in both quarters due to the effect of the valuation allowance the Company maintains against its net deferred tax assets which substantially offsets statutory income tax.

Six Months Ended June 30, 2010 Compared With Six Months Ended June 30, 2009

Net Sales. Net sales in the six months ended June 30, 2010 (the “2010 six-month period”) increased 14.3% to \$181.8 million from \$159.1 million in the six months ended June 30, 2009 (the “2009 six-month period”). The increase in net sales was driven equally by a 7% increase in sales volume and a 7% increase in average price per unit in the 2010 six-month period compared to the 2009 six-month period. The increase in sales volume reflected a strong demand for the Company’s products, particularly its new Transcend decking and railing product offerings, which the Company launched in early 2010 and supported with a robust marketing campaign. The increase in average price per unit in the 2010 six-month period resulted primarily from a shift in sales mix toward higher priced products, specifically the Company’s new Transcend decking and railing product offering and, to a lesser extent, from lower payment discounts taken by distributors under the Company’s Early Buy incentive program. The increase in railing sales reflects a concerted effort by the Company to improve its railing offerings and capture more of the railing market.

Gross Profit. Gross profit increased 3.3% to \$46.8 million in the 2010 six-month period from \$45.3 million in the 2009 six-month period. Gross profit as a percentage of net sales, gross margin, decreased to 25.7% in the 2010 six-month period from 28.5% in the 2009 six-month period. Gross profit in the 2010 six-month period was adversely affected by a \$9.0 million increase to the warranty reserve. Excluding the increase to the warranty reserve, gross profit in the 2010 six-month period was \$55.8 million, a \$10.5 million or 23.1% increase compared to the 2009 six-month period and gross margin was 30.7%, a 220 basis point improvement as compared to 2009. Increased capacity utilization contributed 5.1% of the improvement in gross margin. The 2010 six-month period reflects the start-up costs associated with the introduction of Transcend, which partially offset the positive impact of improved capacity utilization.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased 12.7% to \$38.3 million in the 2010 six-month period from \$34.0 million in the 2009 six-month period. The 2010 six-month period included a non-cash charge of \$2.4 million related to the Company’s investment in Denplax, a partially-owned Spanish joint venture. Before the Denplax-related charge, selling, general and administrative expenses in the 2010 six-month period were \$35.9 million, a \$1.9 million or 5.6% increase compared to the 2009 six-month period. The increase in the 2010 six-month period was primarily related to a \$2.7 million increase in branding expenses driven by increased advertising and merchandising costs associated with new products and a \$1.5 million increase to personnel related costs which were offset in part, by reduced carrying costs related to the Olive Branch facility.

Interest Expense. Net interest expense increased to \$7.7 million in the 2010 six-month period from \$7.1 million in the 2009 six-month period. Net interest expense included \$3.9 million and \$3.3 million of non-cash charges to the 2010 and 2009 six-month periods, respectively, related to debt discount amortization for the convertible bonds.

Provision for Income Taxes. The Company’s effective tax rate for the 2010 and 2009 six-month periods was -15.7% and -0.1%, respectively, which resulted in a benefit of \$134 thousand and \$2 thousand, respectively. The higher 2010 effective tax rate was primarily the result of benefits recognized in the 2010 six-month period due to lower than expected tax settlements with various taxing jurisdictions. The effective tax rate was substantially lower than the statutory rate in both six-month periods due to the effect of the valuation allowance the Company maintains against its net deferred tax assets which substantially offsets statutory income tax.

Liquidity and Capital Resources

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

At June 30, 2010, the Company had \$22.3 million of cash and cash equivalents.

The Company believes that cash on hand, cash from operations and borrowings expected to be available under the Company’s existing revolving credit facility will provide sufficient funds to enable the Company to fund its planned capital expenditures, make scheduled principal and interest payments, fund the warranty reserve and meet its other cash requirements. The Company currently expects that it will fund its future capital expenditures from operations and financing activities. 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.

Sources and Uses of Cash. The Company’s cash provided by operating activities for the 2010 six-month period was \$8.3 million compared to \$28.3 million for the 2009 six-month period. The \$20.0 million reduction in cash provided by operating activities was primarily driven by increases in finished goods inventory and accounts receivable relative to the 2009 six-month period. The unfavorable effects on cash flow related to inventory is due to the fact that during the 2009 six-month period the Company generated cash flow through a reduction of excess inventory balances that existed at December 31, 2008. During the 2010 six-month period, the Company consumed cash as it slightly increased inventories in response to increased demand for its products. The increase in accounts receivable was primarily attributable to increased sales in the latter part of the 2010 six-month period as compared to the 2009 six-month period and, to a lesser extent, extended payment terms offered as a part of our early buy program. The Company expects to collect the accounts receivable balances during the first two to six weeks of the third quarter.

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The Company's cash used in investing activities totaled \$4.3 million in the 2010 six-month period, compared to cash used in investing activities of \$4.1 million in the 2009 six-month period. In the 2010 six-month period, the Company applied its expenditures primarily to normal capital expenditures, consisting of manufacturing equipment for process and productivity improvements, including retrofitting lines to produce new products.

The Company's cash used in financing activities was \$1.3 million in the 2010 six-month period compared to cash used by financing activities of \$1.1 million in the 2009 six-month period. The Company's borrowings from its revolving credit facility were \$44.0 million in the 2010 six-month period compared to no borrowings in the 2009 six-month period. The Company utilized the credit facility during the 2010 six-month period to manage working capital needs that arose from the increases in inventory and accounts receivable within the 2010 six-month period. The Company repaid all borrowings under the revolving credit facility in the 2010 six-month period.

Indebtedness. At June 30, 2010, the Company's indebtedness, including the fair value of the interest rate swaps and excluding the unamortized debt discount, totaled \$100.7 million and the annualized overall weighted average interest rate of such indebtedness, including the effect of the Company's interest rate swap, was approximately 6.08%.

The Company's ability to borrow under its revolving credit facility is tied to a borrowing base that consists of certain receivables and inventories. At June 30, 2010, the Company had no outstanding borrowings under its revolving credit facility and an available borrowing capacity of \$79.0 million.

Debt Covenants. To remain in compliance with covenants contained within its debt agreements, the Company must maintain specified financial ratios based on its levels of debt, capital, net worth, fixed charges, and earnings before interest, taxes, depreciation and amortization. At June 30, 2010, the Company was in compliance with these covenants.

Capital Requirements. The Company made capital expenditures in the 2010 six-month period totaling \$4.3 million, primarily for manufacturing equipment. The Company currently estimates that its capital requirements in 2010 will be approximately \$10 million.

Seasonality

The Company's operating results have historically varied from quarter to quarter, in part due to seasonal trends in the demand for Trex®. The Company has historically experienced lower net sales during the fourth quarter because holidays and adverse weather conditions in certain regions reduce the level of home improvement and construction activity.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

For information regarding our exposure to certain market risks, see "Quantitative and Qualitative Disclosures about Market Risk," in Part II, Item 7A of the Company's 10-K for the year ended December 31, 2009. There were no material changes to the Company's market risk exposure during the three months ended June 30, 2010.

Item 4. Controls and Procedures

The Company's management, with the participation of its Chief Executive Officer, who is the Company's principal executive officer, and its Vice President and Chief Financial Officer, who is the Company's principal financial officer, has evaluated the effectiveness of the Company's disclosure controls and procedures as of June 30, 2010. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective. In addition, there have been no changes in the Company's internal control over financial reporting during the quarter ended June 30, 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II
OTHER INFORMATION

Item 1. Legal Proceedings

As reported in the Company's Annual Report on Form 10-K for the year ended December 31, 2009, on January 19, 2009, a class action case was commenced against the Company in the Superior Court of California, Santa Cruz County, by the lead law firm of Lief, Cabraser, Heimann & Bernstein, LLP and certain other law firms (the "Lief Cabraser Group") on behalf of Eric Ross and Bradley S. Hureth and similarly situated plaintiffs. These plaintiffs generally allege certain defects in the Company's products, and that the Company has failed to provide adequate remedies for defective products. On February 13, 2009, the Company removed this case to the United States District Court, Northern District of California.

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On July 30, 2009, the U.S. District Court for the Northern District of California preliminarily approved a settlement of the claims of the lawsuit commenced by the Lief Cabraser Group involving surface flaking of the Company's product, and on March 15, 2010, it granted final approval of the settlement. On April 14, 2010, the Hagens Berman Firm filed a notice to appeal the District Court's ruling to the United States Court of Appeals for the Ninth Circuit. On July 9, 2010, the Hagens Berman Firm dismissed their appeal, effectively making the settlement final.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(c) The following table provides information about our purchases of our common stock during the quarter ended June 30, 2010 in accordance with Item 703 of Regulation S-K:

<u>Period</u>	<u>(a)</u> <u>Total Number of</u> <u>Shares</u> <u>(or Units)</u> <u>Purchased (1)</u>	<u>(b)</u> <u>Average Price</u> <u>Paid</u> <u>per Share (or Unit)</u> <u>(\$)</u>	<u>(c)</u> <u>Total Number of</u> <u>Shares (or Units)</u> <u>Purchased as Part of</u> <u>Publicly Announced</u> <u>Plans or Programs</u>	<u>(d)</u> <u>Maximum Number</u> <u>(or Approximate</u> <u>Dollar Value) of</u> <u>Shares (or Units) that</u> <u>May Yet Be</u> <u>Purchased Under the</u> <u>Plans or Program</u>
April 1, 2010 – April 30, 2010	—	\$ 0.00	Not applicable	Not applicable
May 1, 2010 – May 31, 2010	18,545	21.77	Not applicable	Not applicable
June 1, 2010 – June 30, 2010	—	0.00	Not applicable	Not applicable
Quarter ended June 30, 2010	<u>18,545</u>	<u>\$ 21.77</u>		

(1) Represents shares withheld by, or delivered to, the Company pursuant to provisions in agreements with recipients of restricted stock granted under the Company's 2005 Stock Incentive Plan allowing the Company to withhold, or the recipient to deliver to the Company, the number of shares having the fair value equal to tax withholding due.

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Item 6. Exhibits

The Company files herewith the following exhibits:

- 3.1 Restated Certificate of Incorporation of Trex Company, Inc. (the “Company”). Filed as Exhibit 3.1 to the Company’s Registration Statement on Form S-1 (No. 333-63287) and incorporated herein by reference.
- 3.2 Amended and Restated By-Laws of the Company. Filed as Exhibit 3.2 to the Company’s Current Report on Form 8-K filed May 7, 2008 and incorporated herein by reference.
- 10.1 Amended and Restated 1999 Incentive Plan for Outside Directors. Filed herewith.
- 31.1 Certification of Chief Executive Officer of Trex Company, Inc. pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934. Filed herewith.
- 31.2 Certification of Senior Vice President and Chief Financial Officer of Trex Company, Inc. pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934. Filed herewith.
- 32 Certifications pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. § 1350. Filed herewith.

SIGNATURE

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

TREX COMPANY, INC.

Date: August 5, 2010

By: /s/ James E. Cline

James E. Cline

Vice President and Chief Financial Officer

(Duly Authorized Officer and Principal Financial Officer)

EXHIBIT INDEX

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10.1	Amended and Restated 1999 Incentive Plan for Outside Directors. Filed herewith.
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32	Certifications pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. § 1350. Filed herewith.

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

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1. DEFINITIONS

To the extent any capitalized words used in this Plan are not defined, they shall have the definitions stated for them in the Trex Company, Inc. 2005 Stock Incentive Plan.

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

price of Common Stock in such market. If the Common Stock is not listed or admitted to trading on any stock exchange or traded in the over-the-counter market, Fair Market Value shall be as determined in good faith by the Board.

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

1.12 "Option" means a non-qualified Option granted pursuant to the Trex Company, Inc. 2005 Stock Incentive Plan as may be amended from time to time.

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

1.14 "Equity Portion of the Annual Director Fee" means the portion of the Annual Director Fee to be received in Options or SARs and Restricted Stock, as provided in Section 4.1.2 hereof.

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

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

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

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

1.19 "Restricted Stock" means shares of Common Stock, issued pursuant to the Trex Company, Inc. 2005 Stock Incentive Plan as may be amended from time to time.

1.20 "Restricted Stock Agreement" means the written agreement between the Company and the Participant that evidences and sets out the terms and conditions of the Restricted Stock.

1.21 "SAR Agreement" means the written agreement between the Company and the Participant that evidences and sets out the terms and conditions of the SARs.

1.22 "Stock Appreciation Right" or "SAR" means a right granted pursuant to, and in accordance with the terms of, the Trex Company, Inc. 2005 Stock Incentive Plan to receive, upon exercise thereof, the excess of (x) the Fair Market Value of one share of Common Stock on the date of exercise over (y) the grant price of the SAR, determined pursuant to Section 6 hereof.

1.23 "SAR Price" means the grant price of the SAR.

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

2. PURPOSE

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

3. SHARES SUBJECT TO THE PLAN

The shares of Common Stock issuable under the Plan shall be issued pursuant to the Trex Company, Inc. 2005 Stock Incentive Plan.

4. ANNUAL DIRECTOR AND COMMITTEE FEES

4.1 Annual Director Fee

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

4.1.1 Cash Portion of the Annual Director Fee. Each Eligible Director shall receive the amount of twenty seven thousand five hundred dollars (\$27,500), plus one thousand dollars (\$1,000) for each Board meeting that the Eligible Director attends personally, and five hundred dollars (\$500) for each Board meeting that the Eligible Director participates in telephonically (collectively, the “Cash Portion of the Annual Director Fee”). The Cash Portion of the Annual Director Fee (after reduction pursuant to Section 4.3 hereof, if any) shall be paid to an Eligible Director in four equal quarterly installments in arrears on the first business day following the end of each quarter of the Plan Year in which the Eligible Director provided services to the Company. Notwithstanding the foregoing, (a) any Eligible Director who serves as Chairman of the Board shall receive the amount of fifty four thousand dollars (\$54,000) in lieu of the \$27,500 payment referred to above, and (b) any Eligible Director that serves as Lead Independent Director shall receive the amount of twelve thousand five hundred dollars (\$12,500) in addition to the \$27,500 payment referred to above, with all other provisions of this subsection being applicable to such Eligible Director(s).

4.1.2 Equity Portion of the Annual Director Fee. Each Eligible Director shall receive (a) either Options or SARs valued at fifteen thousand dollars (\$15,000), and (b) Restricted Stock valued at fifteen thousand dollars (\$15,000), (collectively, the “Equity Portion of the Annual Director Fee”). The number of Options or SARs granted shall be determined by dividing \$15,000 by the value of each Option or SAR on the grant date as determined pursuant to the methodology then in use by the Company’s Finance Department to value Options and SARs granted pursuant to the Trex Company, Inc. 2005 Stock Incentive Plan. The form of the grant (either Options or SARs, or some combination) shall be determined by the Board prior to the

Grant Date. The number of shares of Restricted Stock shall be determined by dividing \$15,000 by the Fair Market Value of a share of Common Stock on the grant date. The Equity Portion of the Annual Director Fee shall be paid in arrears as provided in Section 5 below. Notwithstanding the foregoing, any Eligible Director who serves as Chairman of the Board shall receive the amount of \$25,361, payable in cash, in lieu of the equity grants referred to above, with such amount payable in arrears at the same time as equity payments described in this subsection are due to other Eligible Directors as provided in Section 5 below.

4.2 Annual Committee Fee

Each Eligible Director shall be entitled to an Annual Committee Fee, which may be adjusted by the Board from time to time, as follows (a) twelve thousand five hundred dollars (\$12,500) for the Audit Committee Chairman, (b) six thousand five hundred dollars (\$6,500) for each Audit Committee member (other than the Chairman), (c) seven thousand five hundred dollars (\$7,500) for the Nominating/Corporate Governance Committee Chairman and the Compensation Committee Chairman, (d) four thousand dollars (\$4,000) for each Compensation Committee member (other than the Chairman), and (e) three thousand five hundred dollars (\$3,500) for each Nominating/Corporate Governance Committee member (other than the Chairman). In addition, each Eligible Director shall receive one thousand dollars (\$1,000) for each Committee meeting that the Eligible Director attends personally not held in conjunction with a Board of Directors meeting, and five hundred dollars (\$500) for each Committee meeting that the Eligible Director participates in telephonically not held in conjunction with a Board of Directors meeting. The Annual Committee Fee shall be paid to an Eligible Director in four equal quarterly installments in arrears on the first business day following each quarter of the Plan Year in which the Eligible Director served on the applicable committee(s).

4.3 Election

Pursuant to Section 10 hereof, an Eligible Director may elect to receive all or a portion of the Cash Portion of the Annual Director Fee and the Annual Committee Fee in the form of (a) Options or SARs equal to fifty percent (50%) of the value and (b) Restricted Stock equal to fifty percent (50%) of the value. The value of such Options or SARs shall be determined pursuant to the methodology then in use by the Company's Finance Department to value Options and SARs granted pursuant to the Trex Company, Inc. 2005 Stock Incentive Plan. The Board shall determine whether payment is made in the form of Options or SARs, or some combination, prior to the Grant Date. The value of a share of Restricted Stock shall be equal to the Fair Market Value of a share of Common Stock on the grant date.

4.4 Proration

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

4.5 Initial Grant upon Election to Board

Upon initial election to the Board (but not subsequent re-elections), each Eligible Director shall receive Options or SARs valued at twenty eight thousand eight hundred dollars (\$28,800), with the number of Options or SARs granted being determined by dividing such amount by the value of each Option or SAR on the grant date as determined pursuant to the methodology then in use by the Company's Finance Department to value Options and SARs granted pursuant to the Trex Company, Inc. 2005 Stock Incentive Plan. The form of the grant (either Options or SARs, or some combination) shall be determined by the Board prior to the Grant Date.

5. GRANT DATE

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

6. OPTION/SAR PRICE

The Option Price or SAR Price of Common Stock covered by each SAR or Option, as the case may be, granted under the Plan shall be the Fair Market Value of such Common Stock on the Grant Date.

7. TERM OF OPTIONS/SARS

Each Option or SAR, as the case may be, granted under the Plan shall terminate, and all rights to purchase shares of Common Stock thereunder shall cease, upon the expiration of ten years (eleven years if the service of the Participant as a director of the Company shall terminate due to death in the tenth year of the Option or SAR term) from the date such Option or SAR is granted.

8. VESTING OF OPTIONS/SARS AND RESTRICTED STOCK

8.1 Options/SARs

Each Option or SAR, as the case may be, granted hereunder shall be exercisable in respect of 100 percent (100%) of the number of shares covered by the grant on the date of the grant of such Option or SAR. Any limitation on the exercise of an Option or SAR contained in any Option or SAR 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 or SAR. The Option or SAR, as the case may be, shall be exercisable, in whole or in part, at any time and from time to time, prior to the termination of the Option or SAR; provided, that no single

exercise of the Option or SAR shall be for less than 100 shares, unless the number of shares purchased is the total number at the time available for purchase under the Option or SAR.

8.2 Restricted Stock

Except as otherwise provided in the Restricted Stock Agreement, each share of Restricted Stock will vest on the first anniversary of the grant, provided that such Restricted Stock has not been forfeited as provided in Section 9.2 below.

9. SERVICE TERMINATION

9.1 Options/SARs

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

9.2 Restricted Stock

Except as otherwise provided in the Restricted Stock Agreement, (a) in the event of a Service Termination of a Participant due to death, "permanent and total disability" (within the meaning of Section 22(e)(3) of the Code), or retirement effective at the end of an applicable three-year term, any unvested Restricted Stock held by such Participant shall immediately vest, and (b) in the event of a Service Termination for any other reason, any unvested Restricted Stock held by such Participant shall immediately be deemed forfeited.

10. ELECTION TO RECEIVE ADDITIONAL OPTIONS OR SARs AND RESTRICTED STOCK

10.1 Election Form

A Participant who wishes to receive all or any portion of the Cash Portion of the Annual Director Fee and the Annual Committee Fee in the form of Options or SARs and Restricted Stock 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 or SARs, at the election of the Board, and Restricted Stock, to the Participant in lieu of all or any portion of the Cash Portion of the Annual Director Fee and the Annual Committee Fee, in accordance with the Participant's instructions on the Election Form. Options or SARs and Restricted Stock issued pursuant to an election made under this Section 10 shall vest in accordance with the schedule set forth in Section 8 hereof.

10.2 Time for Filing Election Form

An Election Form shall be completed and filed by each newly elected Eligible Director within thirty (30) days after the Participant's election to the Board, and elections under the Plan made by a newly elected Eligible Director shall apply to the Participant's Annual Director Fee and Annual Committee Fee for the remainder of the Plan Year and subsequent Plan Years unless and until a new Election Form is submitted by an Eligible Director to the Corporate Secretary. Notwithstanding the foregoing, a new Election Form may be submitted by each Eligible Director no more than once each Plan Year, and any new election shall not be effective until the start of the next calendar year.

11. ADMINISTRATION

11.1 Committee

The general administration of the Plan and the responsibility for carrying out its provisions shall be placed in the Nominating/Corporate Governance Committee.

11.2 Rules for Administration

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

11.3 Committee Action

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

11.4 Delegation

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

11.5 Services

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

11.6 Indemnification

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

12. AMENDMENT AND TERMINATION

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

13. GENERAL PROVISIONS

13.1 Limitation of Rights

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

13.2 No Rights as Stockholders

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

13.3 Rights as a Non-Employee Director

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

13.4 Assignment, Pledge or Encumbrance

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

13.5 Binding Provisions

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

13.6 Notices

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

13.7 Governing Law

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

13.8 Withholding

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

13.9 Effective Date

This Plan shall be effective as of March 12, 1999. The Plan was amended and restated effective May 14, 2002, October 24, 2003, July 27, 2004, February 10, 2005, July 21, 2005, February 8, 2006, July 20, 2006 and November 12, 2007. The Plan was amended on May 5, 2010 and July 20, 2010.

CERTIFICATION

I, Ronald W. Kaplan, certify that:

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

Date: August 5, 2010

/s/ Ronald W. Kaplan

Ronald W. Kaplan

Chairman, President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION

I, James E. Cline, certify that:

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

Date: August 5, 2010

/s/ James E. Cline

James E. Cline

Vice President and Chief Financial Officer

(Principal Financial Officer)

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

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

- (a) the Quarterly Report on Form 10-Q of the Company for the quarterly period ended June 30, 2010 filed on the date hereof with the Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (b) information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 5, 2010

/s/ Ronald W. Kaplan

Ronald W. Kaplan

Chairman, President and Chief Executive Officer

Date: August 5, 2010

/s/ James E. Cline

James E. Cline

Vice President and Chief Financial Officer