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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark One)

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

For the fiscal year ended December 31, 2005

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

For the transition period from to

Commission file number: 001-14649

Trex Company, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**54-1910453**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
160 Exeter Drive, Winchester, Virginia	**22603-8605**
(Address of principal executive offices)	**(Zip Code)**

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

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

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

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

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☑

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☑

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

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

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

Large accelerated filer ☐ Accelerated filer ☑ Non-accelerated filer ☐

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

The aggregate market value of the registrant's voting stock held by non-affiliates of the registrant at June 30, 2005, based on the closing price of such stock on the New York Stock Exchange on such date, was approximately $305,000,000.

The number of shares of the registrant's common stock outstanding on February 28, 2006 was 14,909,229.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the following documents are incorporated by reference in this Form 10-K as indicated herein:

Document	**Part of 10-K into which incorporated**
Proxy Statement relating to Registrant's 2006 Annual Meeting of Stockholders	Part III

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NOTE ON FORWARD-LOOKING STATEMENTS

This report, including the information it incorporates by reference, contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. We intend our forward-looking statements to be covered by the safe harbor provisions for forward-looking statements in these sections. All statements regarding our expected financial position and operating results, our business strategy, our financing plans, forecasted demographic and economic trends relating to our industry and similar matters are forward-looking statements. These statements can sometimes be identified by our use of forward-looking words such as “may,” “will,” “anticipate,” “estimate,” “expect” or “intend.” We cannot promise you that our expectations in such forward-looking statements will turn out to be correct. Our actual results could be materially different from our expectations because of various factors, including the factors discussed under “Risk Factors” in this report.

PART I

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

Item 1. Business

General

Trex Company, Inc., which we sometimes refer to as the "company" in this report, is the country's largest manufacturer of non-wood alternative decking and railing products based on net sales. We market our products under the brand name Trex®. Trex is a wood/plastic composite that offers an attractive appearance and the workability of wood without many of wood's on-going maintenance requirements and functional disadvantages. Trex is manufactured using a proprietary process supported by patented technology that combines waste wood fibers and reclaimed polyethylene. Our products are used primarily for residential and commercial decking and railing. We promote Trex among consumers, home builders and contractors as a premium decking and railing product to replace wood.

We seek to achieve sales growth in the decking and railing market by converting demand for wood decking and railing products into demand for Trex. Industry studies estimate that the wood segment of the decking and railing market represented approximately 88% of the market, as measured by board feet of lumber, and 77% of the market, as measured by wholesale market value, at December 31, 2004. We intend to continue to develop and promote the Trex brand name as a premium decking product and to focus on the professionally-installed and "do-it-yourself" market segments.

At December 31, 2005, we sold our products through 92 wholesale distribution locations, which in turn sold Trex to approximately 3,260 retail outlets across the United States and Canada. In June 2004, we began selling our products through Home Depot stores. Approximately 320 Home Depot locations currently stock certain Trex products, and all of our products are available through special order in all Home Depot locations.

Decking and Railing Market Overview

The decking and railing market is part of the substantial home improvement and repair market. Expenditures for residential and rental improvements and repairs totaled approximately $233 billion in 2003, according to Harvard University's Joint Center for Housing Studies, and are growing at a compound annual growth rate of 5%.

The primary market for Trex is residential decking and railing and, to a lesser extent, commercial decking and railing. An industry study estimates that annual factory sales in 2004 of residential decking and railing totaled approximately $4.3 billion, or approximately 3.8 billion board feet of lumber. The estimate includes sales of deck surface and railing products and excludes sales of products used for a deck's substructure, such as joists, stringers, beams and columns. For the four-year period ended December 31, 2004, an industry study estimates that factory sales of residential decking and railing, as measured by board feet of lumber, increased at a compound annual growth rate of approximately 5%. For the same period, this study estimates that factory sales of non-wood alternative decking and railing products to the residential market increased at an annual rate of over 30%.

The growth in demand for residential decking reflects the increasing popularity of decks as a means of extending living areas and providing outdoor recreation and entertainment spaces. Residential decking purchases include the installation of new and replacement decks for existing homes, construction of decks for new homes and repair of existing decks. An industry study estimates that more than 4.3 million decks were built in 2004 and forecasts that deck construction will grow at an annual rate of approximately 3% through 2009. We expect that deck repair, modernization and replacement will increase as existing decks age.

An industry study indicates that approximately 87% of decks are built for existing homes as new additions or to replace older decks, while the remaining decks are installed on new homes. 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 a deck is a relatively low-cost means of adding living space, and industry studies indicate that decking improvements generally return a significant percentage of their cost at the time of resale. We believe that, because residential deck construction is not primarily tied to new home activity, the residential decking and railing market historically has not experienced the high level of cyclicality common to businesses in the new home construction and building materials industries.

Approximately 80% of the lumber used in wooden decks and railing is pressure-treated lumber, generally pine and fir, which is treated with 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 and railing products segment utilizes polyethylene, fiberglass and polyvinyl chloride, or PVC, as raw materials. Wood/plastic composites are produced from a combination of waste wood fiber and polyethylene, polypropylene or PVC. 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 wood/plastic composites and 100% plastic lumber for decking. The primary chemical compound used to treat wood historically was Chromated Copper Arsenate, or CCA, which is a pesticide registered with the Environmental Protection Agency. Manufacturers agreed to eliminate the use of CCA in residential treated lumber by December 2003. Since that time, manufacturers have begun to use primarily Alkaline Copper Quaternary and Copper Boron Azole chemical compounds as a treatment for wood. We believe that the continued publicity relating to CCA and the limited history upon which manufacturers can base claims for the efficacy and safety of the new compounds will contribute to increases in sales of wood/plastic composites and 100% plastic lumber for decking by raising consumer awareness of the use of active chemicals in pressure-treated lumber.

Distributors of wood decking and railing materials typically sell to lumber yards and home centers, which in turn supply the materials to homebuilders, contractors and homeowners. Manufacturers of non-wood decking alternatives also generally use these distribution channels because many of these alternative products can be stacked, stored and installed like wood products.

Wood decking and railing products generally do not have consumer brands. The primary softwoods used for decking, which consist of treated southern yellow pine, treated fir, redwood and cedar, are sold as commodities graded according to classifications established by the U.S. Department of Commerce. Pricing is based on species, grade, size and level of chemical treatment, if any. There generally is no pricing differentiation based on brand, although some wood preservers have attempted to brand their treated wood products.

Growth Strategies

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

- Continue investment in the development of the Trex brand and maintain our brand leadership and market recognition in terms of quality, functionality and visual appeal.
- Promote comprehensive geographic coverage for Trex by increasing the number of our dealers and making Trex available for our customers wherever they choose to buy their decking products.
- Continue investment in process and product developments to innovate with new products, improve product quality, reduce manufacturing costs, and increase operating efficiencies.
- Increase our production capacity by enhancing the productivity of our existing production lines, adding additional capacity in our existing facilities in Winchester, Virginia, Fernley, Nevada, and Olive Branch, Mississippi, and at additional locations as needed.

- Continue to obtain adequate supplies of raw materials at acceptable prices by developing new sources, entering into long-term arrangements with suppliers, and managing the collections of these materials from geographically dispersed locations.

Products

We manufacture Trex Wood-Polymer® lumber in a proprietary process that combines waste wood fibers and reclaimed polyethylene. Trex is produced in a wide selection of popular lumber sizes and lengths. Our decking and railing products are available with several finishes and numerous colors.

We have three decking product lines: (1) Trex Origins™, which features a smooth surface; (2) Trex Accents™®, which features a smooth surface on one side and an embossed wood grain on the other; and (3) Trex Brasilia™®, which replicates the look of tropical hardwoods with subtle color variations. For each of these decking lines, we have made improvements to our manufacturing process to improve board quality and enhance the visual appeal of these products.

We have two railing product lines: Trex Designer Series Railing™, and Trex Artisan Series Railing™. Our Designer series railing system consists of a decorative top and bottom rail, refined balusters, our Trex RailPost™, and post caps and skirts. In addition to its styling benefits for consumers, this railing is fast and easy to construct for contractors that use our TrexExpress™ assembly tool and system. The Designer railing is available in our smooth Trex Origins™ finish and color palette, as well as in the new Trex Brasilia finish and colors. In 2005, we launched our newest railing line, the Trex Artisan Series Railing™. The styling and warm, white finish of this railing line makes it appropriate for use on a Trex or non-Trex deck, which we believe will expand the sales prospects of our railing business. This railing line is manufactured with Fibrex® material, which is a patented technology that we license from Andersen Corporation. We believe that this technology may enable us to develop other new product lines. These new products, which permit us to provide comprehensive product offerings in both the decking and railing categories, afford expanded options to our consumers, who can now cover all exposed surfaces of their deck with Trex products.

Trex offers a number of significant advantages over wood decking and railing products. Trex eliminates many of wood's major functional disadvantages, which include warping, splitting and other damage from moisture. Trex requires no staining, is resistant to moisture damage, provides a splinter-free surface and needs no chemical treatment against rot or insect infestation. These features of Trex eliminate most of 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 less vulnerable to damage from ultraviolet rays. The special characteristics of Trex, including resistance to splitting, the ability to bend, and ease and consistency of machining and finishing, facilitate deck installation, reduce contractor call-backs and afford customers a wide range of design options. Trex does not have the tensile strength of wood and, as a result, is not used as a primary structural member in posts, beams or columns used in a deck's substructure.

Trex has received product building code listings from the major U.S. and Canadian building code listing agencies for both our decking and railing systems. Our listings facilitate the acquisition of building permits by deck builders and promote consumer and industry acceptance of Trex as an alternative to wood in decking.

Sales and Marketing

We have a dedicated sales team of 59 professionals that works with all levels of our distribution system in the "pull through" sales of our products. We expect to expand our sales force as needed to further these efforts.

We have invested approximately $57 million during the last three years to develop Trex as a recognized brand name in the residential and commercial decking and railing market. Our sales growth in the decking and railing market will largely depend on our success in converting demand for wood products into demand for Trex and on our long-term success in preserving our market share advantage over our many alternative decking and railing product competitors.

We have implemented a two-pronged marketing program directed at both consumers and trade professionals. We seek to develop brand awareness and preference among consumers, contractors and project designers to generate demand for Trex among dealers and distributors. Our branding strategy promotes product differentiation of Trex in a market, which is not generally characterized by brand identification. This strategy enables us to command premium prices compared to wood, gain market share from wood and alternative decking and railing producers, and maintain more price stability for Trex.

Our marketing program includes consumer and trade advertising, public relations, trade promotion, association with highly publicized showcase projects, and sales to influential home design groups. We actively invest in market research to monitor consumer brand awareness, preference and usage in the decking and railing market.

Distribution

In 2005, we generated substantially all of our net sales through our wholesale distribution network by selling Trex products to 22 wholesale companies operating from 92 distribution locations. Our distributors in turn marketed Trex to approximately 3,260 retail outlets across the United States and Canada. Although our dealers sell to both homeowners and contractors, they primarily direct their sales at professional contractors, remodelers and homebuilders. In June 2004, we also began selling our products through Home Depot stores. Approximately 320 Home Depot locations currently stock certain Trex products, and all of our products are available through special order in all Home Depot locations.

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

Under our agreement with each wholesale distributor, we appoint the distributor on a non-exclusive basis to distribute Trex within a specified area. The distributor generally purchases Trex at our prices in effect at the time we ship the product to the distributor. The distributor is required to maintain specified minimum inventories of Trex. 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 30 days before the expiration of any renewal term. Either party may terminate the agreement at any time upon 30 days' notice, while we may also terminate the agreement immediately upon the occurrence of specified events.

We require our wholesale distributors to devote significant resources to support Trex, and to demonstrate their ability to promote growth in the market share of Trex products. All wholesale distributors are required to appoint a Trex specialist, regularly conduct dealer-training sessions, fund demonstration projects and participate in local advertising campaigns and home shows.

Of our gross sales, approximately 77% in 2003, 75% in 2004 and 75% in 2005 were made to the following five wholesale distributors: Boise Cascade Corporation, Capital Lumber Company, Oregon Pacific Corporation, Parksite Plunkett-Webster and Snavely Forest Products. In 2003, our gross sales to four of the five foregoing distributors exceeded 10% of our gross sales. In 2004 and 2005, our gross sales to three of the five foregoing distributors exceeded 10% of our gross sales. Each of the foregoing distributors has multiple locations for the sale of Trex. Each distributor agreement permits the parties either to add additional locations or remove certain locations without terminating the agreement.

We will add new distributors and increase the number of distributor locations as needed to support our growth in sales and retail dealers.

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. Although there is demand for Trex from both the "do-it-yourself" homeowner and contractor, our sales efforts historically have emphasized

the contractor-installed market. Contractor-installed decks generally are larger installations with professional craftsmanship. Our retail dealers generally provide sales personnel trained in Trex, contractor training, inventory commitment and point-of-sale display support.

Retail Building Material Specialty Dealers. Composite decking is increasingly being sold through dealers that specialize in specific product lines instead of general lumber sales. These dealers include roofing and siding supply companies. We are focusing more attention on these distribution channels as we seek to make Trex available at any retail location where contractor, builder or homeowner customers choose to buy their decking.

Home Depot. In April 2004, we entered into an agreement with Home Depot to sell our decking products through certain Home Depot stores. By the end of 2005, certain Trex products were stocked in approximately 320 Home Depot locations, and all of our products were available through special order at all Home Depot locations. Although Home Depot serves the contractor market, the largest part of its sales are to "do-it-yourself" homeowner customers that shop for their materials at Home Depot locations rather than at retail lumber dealers. We believe that brand exposure through Home Depot distribution promotes consumer acceptance and generates sales to contractors that purchase from independent dealers.

National Accounts. In late 2004, we implemented a national account strategy to focus on corporate-level selling to retail chains, builders, trade associations and large municipalities. We believe that a focus on corporate-level selling to large organizations can effectively augment our field selling effort and generate additional sales for our existing distributor and dealer networks.

Contractor/Dealer Locator Service and Web Site. We maintain a toll-free telephone service (1-800-BUY-TREX) for use by consumers and building professionals to locate the closest contractors and dealers offering Trex and to obtain product information. We use these calls to generate sales leads for contractors, dealers, distributors and Trex sales representatives. We also analyze caller information to assess the effectiveness of our promotional and advertising activities. Our Internet corporate web site (*www.trex.com*) provides an additional source of information to consumers, dealers and distributors.

Contractor Training. Since 1995, we have regularly provided training about Trex to contractors. These contractors, who are referred to as TrexPros®, receive consumer lead referrals directly from our toll-free telephone service and are listed on our web site. Currently, we have approximately 3,400 TrexPro contractors.

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

Manufacturing Process

Trex is manufactured at three sites. Our Winchester, Virginia site has floor space of approximately 265,000 square feet and had approximately $240 million of installed revenue-generating capacity at December 31, 2005. Our Fernley, Nevada site has floor space of approximately 250,000 square feet and had approximately $130 million of installed revenue-generating capacity at December 31, 2005. Our Olive Branch, Mississippi site has approximately 200,000 square feet and had approximately $55 million of installed revenue-generating capacity at December 31, 2005.

Our total annual production capacity at December 31, 2005 was approximately $425.0 million sales value of finished product. At December 31, 2005, our construction in process totaled approximately $24.6 million. The construction in process consisted primarily of funds expended to complete production lines in various stages of construction at our Winchester, Fernley and Olive Branch sites, and to construct plastic reprocessing equipment. We currently expect that the production lines in process will be completed and put into service by the end of 2006. When the current construction in process is completed, we estimate that our three sites will be capable of producing a total of approximately $480.0 million sales value of finished product annually.

Trex products are primarily manufactured from waste wood fiber and reclaimed polyethylene, which we sometimes refer to as "PE material" in this report. The composition of Trex Wood-Polymer™ lumber is

approximately 50% waste wood fiber and 50% PE material. We use waste wood fiber purchased from woodworking factories, mills, pallet and flooring recyclers. We recover PE material from a variety of sources, including distribution and shopping centers and retail chains.

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. Trex has many proprietary and skill-based advantages in this process.

Production of a non-wood decking alternative like Trex requires significant capital investment, special process know-how and time to develop. We and our predecessor operations have invested more than $200 million and 14 years in expansion of our manufacturing capacity, manufacturing process improvements, new product development and product enhancements. As a result of these investments, production line rates have increased more than 400% since 1992. We also have broadened the range of raw materials that we can use to produce a consistent and high-quality finished product. We have obtained and continue to seek patents with respect to our manufacturing process. We have centralized our research and development operations in the Trex Technical Center, a 30,000-square foot building adjacent to our Winchester, Virginia manufacturing facilities. In connection with our building code listings, we maintain a quality control testing program that is monitored by an independent inspection agency.

Suppliers

The production of Trex requires the supply of waste wood fiber and PE material. We purchased $12.0 million of waste wood fiber and $85.0 million of PE material in 2005, and $8.7 million of waste wood fiber and $44.3 million of PE material in 2004.

We fulfill our requirements for raw materials under both purchase orders and supply contracts. In 2005, we purchased approximately 68% of our PE material requirements and approximately 30% of our waste wood fiber requirements under purchase orders. Purchase orders specify the prices we pay based on then-current market prices and do not involve long-term supply commitments. We are also party to supply contracts that obligate us to purchase waste wood fiber and PE material for terms that range from one to eight years. The prices under these contracts are generally reset annually.

Our supply contracts have not had any material adverse effect on our business. In our past three years, the amounts we have been obligated to purchase under our PE material supply contracts and the minimum amounts we have been required to purchase under our wood supply contracts generally have been less than the amounts of these materials we have needed for production. In 2005, our total commitments for wood supplies for our Winchester site exceeded our requirements, which we addressed by selling the excess material to third parties. To meet all of our production requirements, we have obtained additional PE material and waste wood fiber materials by using purchase orders and by purchasing waste wood fiber in excess of the minimum commitments under our supply contracts.

Waste Wood Fiber. Woodworking plants or mills are our preferred suppliers of waste wood fiber, because the waste wood fiber produced by these operations contains little contamination and is low in moisture. These facilities generate waste wood fiber as a byproduct of their manufacturing operations.

If the waste wood fiber meets our specifications, our waste wood fiber supply contracts generally require us to purchase at least a specified minimum and at most a specified maximum amount of waste wood fiber each year. Depending on our needs, the amount of waste wood fiber that we actually purchase within the specified range under any supply contract may vary significantly from year to year.

One supplier accounted for 49% of our 2005 waste wood fiber purchases. Based on our discussions with waste wood fiber suppliers and our analysis of industry data, we believe that, if our contracts with this or with other current suppliers were terminated, we would be able to obtain adequate supplies of waste wood fiber at an acceptable cost from our other current suppliers or from new suppliers.

PE Material. The PE material we consumed in 2005 was primarily composed of recovered plastic bags and plastic film. Approximately two billion pounds of polyethylene resin are used in the manufacture of plastic bags and stretch film in the United States each year. We will continue to seek to meet our future needs for plastic from expansion of our existing supply sources and the development of new sources, including post-industrial waste and plastic coatings. We believe our use of multiple sources provides us with a cost advantage and facilitates an environmentally responsible approach to our procurement of PE material.

We own 35% of a joint venture, called Denplax S.A., which operates a plant in El Ejido, Spain. Our joint venture partners are a local Spanish company responsible for public environmental programs in southern Spain and an Italian equipment manufacturer. The plant is designed to recycle waste polyethylene generated primarily from agricultural and post-consumer sources. The plant delivered approximately 9% of the total PE material we purchased during 2005. Under a separate supply agreement, we have agreed to purchase up to 27,200 metric tons of the plant's production in each year if the production meets material specifications.

To facilitate our PE material processing operations, we have constructed our own plastic reprocessing plant on our manufacturing site in Winchester, Virginia. We completed this plant and put it into service in 2003.

Our PE material supply contracts generally provide that we are obligated to purchase all of the PE material a supplier provides if the PE material meets our specifications. Our PE material supply contracts have not required us, and we do not believe that they will require us, to purchase any amount of PE material in excess of our total estimated need.

No supplier provided 10% or more of the PE material we purchased in 2005.

Competition

In decking, Trex competes with wood and other manufacturers of composite, non-wood and plastic decking products. Many of the conventional lumber suppliers with which we compete have established ties to the building and construction industry and have well-accepted products. In railing, Trex competes with wood and other manufacturers of composite, non-wood and plastic products, as well as with railings using metal, glass, vinyl and other materials.

The primary competition for Trex consists of wood products, which industry sources estimate accounted for approximately 88% of 2004 decking and railing sales, as measured by board feet of lumber. These sources estimate that approximately 80% of the lumber used in wooden decks is pressure-treated lumber. Southern yellow pine and fir have a porosity that readily allows the chemicals used in the pressure treating process to be absorbed. The same porosity makes southern yellow pine susceptible to taking on moisture, which causes the lumber to warp, crack, splinter and expel fasteners. The primary chemical compound used to treat wood against moisture and insect resistance historically was Chromated Copper Arsenate, or CCA. Since CCA contains arsenic, a carcinogen, lumber manufacturers agreed to eliminate the use of CCA in residential treated lumber by December 2003. Since that time, manufacturers have begun to use primarily Alkaline Copper Quaternary, or ACQ, and Copper Boron Azole, or CBA. Producing pressure-treated wood with these new classes of chemicals generally increases the cost of manufacturing by 15% to 20%, and these products have a limited history upon which manufacturers can base claims of efficacy and safety. In addition, industry studies indicate that ACQ, which contains three times the quantity of copper in CCA, is more corrosive than CCA to screws and other fasteners typically used in building decks and similar projects. Therefore, the use of ACQ requires special components, which increases the cost of installation.

In addition to pine and fir, other segments of wood material for decking include redwood, cedar and tropical hardwoods, such as ipe, teak and mahogany. These products are often significantly more expensive than pressure-treated lumber, but do not eliminate many of the disadvantages of other wood products.

Industry studies indicate that Trex has the leading market share of the wood/plastic composite segment of the decking and railing market. We estimate that wood/plastic composites and plastic accounted for

approximately 16% of 2004 decking and railing sales, as measured by wholesale market value. The principal Trex competitors in the wood/plastic composite decking and railing market include Advanced Environmental Recycling Technologies, Inc., Epoch Composite Products, Fiber Composites, LLC, Louisiana Pacific, Inc., and Timbertech Limited.

Trex also competes with decks made from 100% plastic lumber that utilizes polyethylene, fiberglass and PVC as raw materials. Although there are several companies in the United States that manufacture 100% plastic lumber, industry studies estimate that this segment accounted for only approximately 1% of 2004 decking sales, as measured by wholesale market value. We believe a number of factors have limited the success of 100% plastic lumber manufacturers, including poor product aesthetics and physical properties not considered suitable for decking, such as higher thermal expansion and contraction and poor slip resistance.

Our ability to compete depends, in part, on a number of factors outside our control, including the ability of our competitors to develop new non-wood decking and railing alternatives that are competitive with Trex.

We believe that the principal competitive factors in the decking and railing market include product quality, price, maintenance cost, and consumer awareness and distribution. We believe we compete favorably with respect to these factors. We believe that Trex offers cost advantages over the life of a deck when compared to other types of decking materials. Although a contractor-installed Trex deck built in 2005 using a pressure-treated wood substructure generally costs more than a deck made entirely from pressure-treated wood, Trex eliminates most of the on-going maintenance required for a pressure-treated deck and is, therefore, less costly over the life of the deck. We believe that our manufacturing process and utilization of relatively low-cost raw material sources provide Trex with a competitive cost advantage relative to other wood/plastic composite and 100% plastic decking products. The scale of our operations also confers cost efficiencies in manufacturing, sales and marketing.

Government Regulation

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

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

Intellectual Property

Our success depends, in part, upon our intellectual property rights relating to our products, production processes and other operations. We rely upon a combination of trade secret, nondisclosure and other contractual arrangements, and patent, copyright and trademark laws, to protect our proprietary rights. We have made substantial investments in manufacturing process improvements that have enabled us to increase manufacturing line production rates, facilitated our development of new products, and produced improvements in the dimensional consistency, surface texture and color uniformity of Trex.

Intellectual property rights may be challenged by third parties and may not exclude competitors from using the same or similar technologies, brands or works. We seek to secure effective rights for our intellectual property, but cannot guarantee that third parties will not successfully challenge, or avoid infringing, our intellectual property rights.

We have obtained two patents for complementary methods of preparing the raw materials for the manufacturing phase of production, one patent on an apparatus for implementing one of the methods, and one patent on a tool for use with the decking board. We intend to maintain our existing patents in effect until they expire, beginning in 2015, as well as to seek additional patents as we consider appropriate. We are currently pursuing the following patent applications: one patent application that covers our principal product; one patent application directed to an accessory for use with our principal product, a method of installing decking boards, and a tool that may be used in that method; two patent applications directed to an improved product with additional features and methods of producing the improved product; three patent applications directed to an improved product with a further additional feature and a method and an apparatus for producing the improved product; and a patent application directed to accessories that may be used with the principal product and methods of using those accessories.

The U.S. Patent and Trademark Office has granted us federal registrations for our trademarks for Trex, Trex (stylized logo), Trex Wood-Polymer, The Deck of a Lifetime, Easy Care Decking, TrexExpress Installation System (stylized logo), Trex Accents, Brasilia, Create Your Space and TrexPro. Federal registration of trademarks is effective for as long as we continue to use the trademarks and renew their registrations. We consider our trademarks to be of material importance to our business plans. We do not generally register any of our copyrights with the U.S. Copyright Office, but rely on the protection afforded to such copyrights by the U.S. Copyright Act. That law provides protection to authors of original works, whether published or unpublished, and whether registered or unregistered. We enter into confidentiality agreements with our employees and limit access to and distribution of our proprietary information.

See “Legal Proceedings” in Item 3 of this report for information about a pending lawsuit involving intellectual property to which we are a party.

Employees

At December 31, 2005, we had 759 full-time employees, of whom 597 were employed in our manufacturing operations. Our employees are not covered by collective bargaining agreements. We believe that our relationships with our employees are good.

Executive Officers and Directors

The table below sets forth information concerning our executive officers and directors as of February 15, 2006:

Name	Age	Positions with Company
Anthony J. Cavanna	66	Chairman and Chief Executive Officer
Andrew U. Ferrari	59	President and Chief Operating Officer; Director
Harold F. Monahan	60	Executive Vice President and General Manager
Paul D. Fletcher	46	Senior Vice President and Chief Financial Officer
William F. Andrews	74	Director
Paul A. Brunner	70	Director
William H. Martin, III	75	Director
Robert G. Matheny	60	Director
Frank H. Merlotti, Jr.	55	Director
Patricia B. Robinson	53	Director

Anthony J. Cavanna has served as a director of the company since September 1998 and as the Chairman and Chief Executive Officer of the company since August 2005. From December 2003 through August 2005, Mr. Cavanna was retired. Before his retirement, Mr. Cavanna served as Executive Vice President and Chief Financial Officer of the company from September 1998 through December 2003, and of TREX Company, LLC, which was the company’s wholly owned subsidiary until December 31, 2002, from August 1996 through December 2002. From 1962 to August 1996, Mr. Cavanna held a variety of positions with Mobil Chemical,

including Group Vice President, Vice President-Planning and Finance, Vice President of Mobil Chemical and General Manager of its Films Division Worldwide, President and General Manager of Mobil Plastics Europe and Vice President–Planning and Supply of the Films Division. Mr. Cavanna currently serves as a director of Ultralife Batteries Co., Inc. and is a member of its Audit and Finance Committee. 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 a director of the company since September 1998 and as President and Chief Operating Office of the company since August 2005. From March 2003 through August 2005, Mr. Ferrari was a marketing and business development consultant. Mr. Ferrari served as Executive Vice President of Marketing and Business Development of the company from October 2001 through March 2003, and of TREX Company, LLC from October 2001 through December 2002. He served as Executive Vice President of Sales and Marketing of the company from September 1998 to October 2001 and of TREX Company, LLC from August 1996 to October 2001. From 1989 to 1996, Mr. Ferrari held various positions with Mobil Chemical, including Director of Sales and Marketing of the Composite Products Division, New Business Manager, and Marketing Director of the Consumer Products Division. Mr. Ferrari received a B.A. degree in economics from Whitman College and an M.B.A. degree from Columbia University.

Harold F. Monahan has served as Executive Vice President and General Manager of the company since May 2003. He served as Senior Vice President and General Manager of the company from March 2002 through May 2003, and of TREX Company, LLC from March 2002 through December 2002. From October 2000 to March 2002, Mr. Monahan served as Senior Vice President for Manufacturing and Distribution of the company and TREX Company, LLC. From 1999 to 2000, he served as Operations Manager for North American Operations of ExxonMobil Corporation, an energy company. Prior to the merger of Exxon Corporation and Mobil Oil Company in 1999, Mr. Monahan served as Logistics, Business Development and Product Exchange Manager for North American Operations of Mobil from 1997 to 1999, where he was responsible for the distribution of Mobil's petroleum products throughout North America, including surface, subsurface and water borne transportation. From 1971 to 1997, Mr. Monahan served in a variety of other positions with Mobil, including Manager of U.S. Domestic Plant Operations, Asset Manager of Domestic U.S. Operations, and Surface Transportations Manager for Domestic U.S. Operations. Mr. Monahan served as an officer in the U.S. Marine Corp, and received a B.S. degree in economics from St. Norbert College and pursued graduate studies at various institutions.

Paul D. Fletcher has served as the Senior Vice President and Chief Financial Officer of the company since July 2003. He was Vice President of Finance of the company from October 2001 through July 2003, and of TREX Company, LLC from October 2001 through December 2002. From 2000 to 2001, Mr. Fletcher served as Vice President and Chief Financial Officer for AMX Corporation, an advanced control system technology company. From 1996 to 2000, he served as Vice President and Treasurer for Excel Communications Inc., a telecommunications company. From 1987 to 1996, he served as Senior Vice President and Treasurer for Lomas Financial Corporation, a financial services company. Mr. Fletcher received his B.A. degree in economics and management from Albion College and an M.B.A. degree in finance and management policy from Northwestern University Kellogg School of Management.

William F. Andrews has served as a director of the company since April 1999. Mr. Andrews has served as Chairman of Corrections Corporation of America since August 2000, as Chairman of Allied Aerospace Company since 2000, as Chairman of Katy Industries, Inc., a manufacturer of maintenance and electrical products, since October 2001, and as Chairman of the Singer Sewing Company, a manufacturer of sewing machines, since 2004. Mr. Andrews has been a Principal of Kohlberg & Company, a venture capital firm, since 1994. From 1995 to 2001, Mr. Andrews served as Chairman of Scovill Fasteners Inc. Prior to 1995, he served in various positions, including Chairman of Northwestern Steel and Wire Company; Chairman of Schrader-Bridgeport International, Inc.; Chairman, President and Chief Executive Officer of Scovill Manufacturing Co., where he worked for over 28 years; Chairman and Chief Executive Officer of Amdura Corporation; Chairman of Utica Corporation; and Chairman, President and Chief Executive Officer of Singer Sewing Company. Mr. Andrews also serves as a

director of Black Box Corporation and O'Charley's Restaurants. Mr. Andrews received a B.S. degree in business administration from the University of Maryland and an M.B.A. degree in marketing from Seton Hall University.

Paul A. Brunner has served as a director of the company since February 2003. Mr. Brunner is President and Chief Executive Officer of Spring Capital Inc., a merchant bank, which he founded in 1985. From 1982 to 1985, Mr. Brunner served as President and Chief Executive Officer of U.S. Operations of Asea-Brown Boveri, a multi-national Swiss manufacturer of high technology products. In 1967, he joined Crouse Hinds Company, a manufacturer of electronics and electronic equipment, and through 1982 held various positions with that company, including President and Chief Operating Officer, Executive Vice President of Operations, Vice President of Finance and Treasurer, and Director of Mergers and Acquisitions. From 1959 to 1967, he worked for Coopers & Lybrand, an international accounting firm, as an audit supervisor. Mr. Brunner also serves as a director of Johnson Controls, Inc. Mr. Brunner is a Certified Public Accountant. He received a B.S. degree in accounting from the University of Buenos Aires and an M.B.A. degree in management from Syracuse University.

William H. Martin, III has served as a director of the company since April 1999. Mr. Martin served as Chairman of Martin Industries, Inc., a manufacturer and producer of gas space heaters, gas logs and pre-engineered fireplaces, from 1994 through 2003 and as a director of Martin Industries from 1974 to 1994. From 1987 to 1993, Mr. Martin served as Executive Assistant to the Rector of Trinity Church in New York City. From 1971 to 1987, he served as President and Chief Executive Officer of Martin Industries. Since 1993, Mr. Martin has been managing private investments and serving as a director of Aluma-Form, Inc., a manufacturer of components for electric utilities, and on the boards of several not-for-profit organizations. Mr. Martin is a graduate of Vanderbilt University.

Robert G. Matheny has served as a director of the company since September 1998. Mr. Matheny served as Chairman and Chief Executive Officer of the company from May 2003 until his retirement in August 2005. He served as President of the company from September 1998 to May 2003, and of TREX Company, LLC from August 1996 through December 2002. From 1970 to August 1996, Mr. Matheny held various positions with Mobil Chemical, including General Manager of the Composite Products Division, General Manager of the Chemical Specialties Group, and Vice President of Mobil Chemical Products International. Mr. Matheny received a B.S. degree in industrial engineering and operations research from Virginia Polytechnic Institute.

Frank H. Merlotti, Jr. has served as a director of the company since February 2006. Mr. Merlotti has served as President of Steelcase North America, the North American business unit of Steelcase, Inc., a manufacturer of office furniture and furniture systems, since September 2002. Mr. Merlotti served as President and Chief Executive Officer of G&T Industries, a manufacturer and distributor of fabricated foam and soft-surface materials for the marine, office furniture and commercial building industries, from August 1999 to September 2002. From 1991 through 1999, Mr. Merlotti served as President and Chief Executive Officer of Metropolitan Furniture Company, a Steelcase Design Partnership company. From 1985 through 1999, Mr. Merlotti served as General Manager of the Business Furniture Division of G&T Industries.

Patricia B. Robinson has served as a director of the company since November 2000. Ms. Robinson has been an independent consultant since 1999. From 1977 to 1998, Ms. Robinson served in a variety of positions with Mead Corporation, a forest products company, including President of Mead School and Office Products, Vice President of Corporate Strategy and Planning, President of Gilbert Paper, Plant Manager of a specialty machinery facility and Product Manager for new packaging product introductions. Ms. Robinson received a B.A. degree in economics from Duke University and an M.B.A. degree from the Darden School at the University of Virginia.

Web Sites and Additional Information

The SEC maintains an Internet web site at *www.sec.gov* that contains reports, proxy and information statements, and other information regarding our company. In addition, we maintain an Internet corporate web site at *www.trex.com*. We make available through our web site our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports, as soon as reasonably practicable after we electronically file or furnish such material with or to the SEC. We do not charge any fees to view, print or access these reports on our web site. The contents of our web site are not a part of this report.

We have adopted a code of conduct and ethics, which is applicable to all of our directors, officers and employees, including our chief executive officer and chief financial officer. The code is available on our corporate web site and in print to any stockholder who requests a copy. We also make available on our web site, and in print to any stockholder who requests them, copies of our corporate governance principles and the charters of each standing committee of our board of directors. Requests for copies of these documents should be directed to Corporate Secretary, Trex Company, Inc., 160 Exeter Drive, Winchester, Virginia 22603-8605. To the extent required by SEC rules, we intend to disclose any amendments to our code of conduct and ethics, and any waiver of a provision of the code with respect to our directors, principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, on our web site referred to above within five business days following any such amendment or waiver, or within any other period that may be required under SEC rules from time to time.

Item 1A. Risk Factors

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

To grow, we will have to develop or increase market acceptance of Trex, including new products and applications.

Our ability to grow will depend largely on our success in converting the current demand for wood decking products into a demand for Trex. Industry studies estimate that wood decking products accounted for approximately 88% of the 2004 decking and railing market, as measured by board feet of lumber. To increase our market share, we must overcome:

- the low consumer awareness of non-wood decking and railing alternatives in general and Trex brand products in particular;
- the resistance of many consumers and contractors to change from well-established wood products;
- the greater initial expense of installing a Trex deck;
- the established relationships existing between suppliers of wood decking products and contractors and homebuilders; and
- the increased competition from wood/plastic composite manufacturers.

Substantially all of our sales result from one material.

In 2006, we will derive substantially all of our revenues from sales of Trex Wood-Polymer lumber. Although we have developed new Trex products and new applications for Trex since 1996, and we intend to continue this development, our product line is currently based almost exclusively on the composite formula and manufacturing process for Trex Wood-Polymer lumber. If we should experience any problems, real or perceived, with product quality or acceptance of Trex Wood-Polymer lumber, our lack of product diversification could have a significant adverse impact on our net sales levels.

We currently depend on three manufacturing sites to meet the demand for Trex.

We currently produce Trex at three manufacturing sites, which are located in Winchester, Virginia, Fernley, Nevada, and Olive Branch, Mississippi. Any interruption in the operations or decrease in the production capacity at any of these sites, whether because of equipment failure, fire, natural disaster, labor difficulties or otherwise, would limit our ability to meet existing and future customer demand for Trex.

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

The production of Trex requires substantial amounts of waste wood fiber and PE material. Our business could suffer from 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 production capacity. In 2005, one supplier accounted for 49% of our waste wood fiber purchases. Our ability to obtain

adequate supplies of PE material depends on our success in developing new sources, entering into long-term arrangements with suppliers and managing the collection of supplies from geographically dispersed distribution centers. We obtain our raw materials under supply contracts at prices established annually based on then-current market prices or under purchase orders based on market rates in effect when the orders become effective. These supply arrangements subject us to risks associated with fluctuations in raw materials prices. In recent periods, our operating results have been adversely affected by significant increases in the prices we pay for PE material.

We have limited ability to control inventory build-ups in our distribution channel that can negatively affect our sales in subsequent periods.

The dynamic nature of our industry can result in substantial fluctuations in inventory levels of Trex products carried in our two-step distribution channel. We have limited ability to control or precisely project inventory build-ups, which can adversely affect our net sales levels in subsequent periods. We make the substantial majority of our sales to wholesale distributors, who in turn sell our products to local lumberyards. Because of the seasonal nature of the demand for decking, our distribution channel partners must forecast demand for our products, place orders for the products, and maintain Trex product inventories in advance of the prime deck-building season, which generally occurs in our second and third fiscal quarters. Inventory levels respond to a number of changing conditions in our industry, including product price increases resulting from escalating raw materials costs, increases in the number of competitive producers and in the production capacity of those competitors, the rapid pace of product introduction and innovation, and changes in the levels of home-building and remodeling expenditures.

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

The demand for decking products is correlated to changes in the level of activity in home improvements and, to a lesser extent, new home construction. These activity levels, in turn, are affected by such factors as consumer spending habits, employment, interest rates and inflation. An economic downturn could reduce consumer income available for spending on discretionary items such as decking, which could adversely affect the demand for our products.

Our performance will suffer if we do not compete effectively in the highly competitive decking and railing market.

We must compete with an increasing number of companies in the wood/plastic composites segment of the decking and railing market and with wood producers that currently have more production capacity than is required to meet the demand for decking products. Our failure to compete successfully in the decking and railing market could have a material adverse effect on our ability to replace wood or increase the market share of wood/plastic composites compared to wood. Many of the conventional lumber suppliers with which we compete have established ties to the building and construction industry and have well-accepted products. Many of our competitors in the decking and railing market that sell wood products have significantly greater financial, technical and marketing resources than we do. Our ability to compete depends, in part, upon a number of factors outside our control, including the ability of our competitors to develop new non-wood decking alternatives that are competitive with Trex products.

We face risks in increasing our production levels to meet customer demand for Trex.

To support sales growth and improve customer service, we will face risks:

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

These risks could result in substantial unanticipated delays or expense, which could adversely affect our operating performance.

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

Our recent growth has placed significant demands on our management, systems and other resources. Our net sales increased to $294.1 million in 2005 from $116.9 million in 2001. The number of dealer outlets selling Trex has increased to approximately 3,260 at December 31, 2005 from approximately 2,600 at December 31, 2000, and we expect further increases in the future. To support our geographic expansion, we began production in 2005 at a third manufacturing site in Olive Branch, Mississippi. As part of our growth, we will have to attract, train, incentivize and retain skilled employees. If we fail to do so, or otherwise are unable to manage our growth effectively, our inability to do so could have a material adverse effect on the quality of our products and on our ability to expand our net sales.

Past seasonal fluctuations in our net sales and quarterly operating results may not be a reliable indicator of future seasonal fluctuations.

Our historical seasonality may not be a reliable indicator of our future seasonality. Quarterly variations in our net sales and income from operations are principally attributable to seasonal trends in the demand for Trex. We generally experience lower net sales levels during the fourth quarter, in which holidays and adverse weather conditions in some regions usually reduce the level of home improvement and new construction activity. Income from operations and net income tend to be lower in quarters with lower net sales, which are not fully offset by a corresponding reduction in expenses.

We have significant capital invested in construction in process, some of which we may not be able to deploy productively.

At December 31, 2005, our construction in process totaled approximately $24.6 million, with an estimated cost to complete of approximately $20 to $25 million. The construction in process consisted primarily of funds expended to complete production lines in various stages of construction at our Winchester, Fernley and Olive Branch sites, and to construct plastic reprocessing equipment. Some of these assets may become impaired due to obsolescence or other factors before we can put them into service. Our operating results would be adversely affected if we fail to deploy productively our construction in process, and our net income would be reduced if our assets become impaired and we are required to write down the value of those assets in our financial statements.

We are not sure of the terms on which we will be able to obtain financing for the significant capital expenditures we plan after 2006 to increase our manufacturing capacity.

We estimate that our capital requirements in 2006 will total approximately $20 to $30 million. We expect to use our capital expenditures in 2006 principally to make process and productivity improvements and to add manufacturing capacity at our existing sites. Our failure to generate or obtain sufficient funds to meet our capital requirements could have a material adverse effect on our ability to match the production of Trex with the demand for our products. It may be necessary to obtain financing for our capital requirements through bank borrowings or the issuance of debt or equity securities. We may not be able to obtain all of the required financing on terms we will find acceptable.

We will have to generate substantial operating cash flow to meet our obligations and maintain compliance under our revolving credit facility, real estate loans, senior notes and bond loan documents.

At December 31, 2005, our total indebtedness was $74.4 million and included our real estate loans, senior notes, variable rate promissory note and interest rate swaps. Our ability to make scheduled principal and interest payments on our real estate loans, senior notes and bond loan agreement, borrow under our revolving credit

facility and continue to comply with our loan covenants will depend primarily on our ability to generate substantial cash flow from operations. Our failure to comply with our loan covenants might cause our lenders to accelerate our repayment obligations under our credit facility, senior notes or bond reimbursement agreement, which may be declared payable immediately based on a default. Our ability to borrow under our revolving credit facility is tied to a borrowing base that consists of specified receivables and inventory. To remain in compliance with our credit facility, senior notes and bond reimbursement agreement, we must maintain specified financial ratios based on our levels of debt, capital, net worth, fixed charges, and earnings (excluding extraordinary gains and extraordinary non-cash losses) before interest, taxes, depreciation and amortization, all of which are subject to the risks of our business.

Our dependence on a small number of significant distributors makes us vulnerable to business interruptions involving these distributors.

Our total gross sales to our five largest wholesale distributors accounted for approximately 75% of our gross sales in 2005. Our contracts with these distributors are terminable by the distributors upon 30 days' notice at any time during the contract term. A contract termination or significant decrease or interruption in business from any of our five largest distributors or any other significant distributor could cause a short-term disruption of our operations and adversely affect our operating results.

Environmental regulation exposes us to potential liability for response costs and damages to natural resources.

We are subject to federal, state and local environmental laws and regulations. The environmental laws and regulations applicable to our operations establish air quality standards for emissions from our manufacturing operations, govern the disposal of solid waste, and regulate wastewater and storm water discharge. As is the case with manufacturers in general, we may be held liable for response costs and damages to natural resources if a release or threat of release of hazardous materials occurs on or from our properties or any associated offsite disposal location, or if contamination from prior activities is discovered at any properties we own or operate.

We may not have adequate protection for the intellectual property rights on which our business depends.

Our success depends, in part, on our ability to protect our important intellectual property rights. The steps we have taken may not be adequate to deter misappropriation or unauthorized use of our proprietary information or to enable us to detect unauthorized use and take appropriate steps to enforce our intellectual property rights. We have obtained and continue to seek patents with respect to our manufacturing process. We or our predecessor company have been required in lawsuits to establish that our production processes and products do not infringe the patents of others. We also rely on a combination of trade secret, nondisclosure and other contractual arrangements, and copyright and trademark laws to protect our proprietary rights. We enter into confidentiality agreements with our employees and limit access to and distribution of our proprietary information.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We lease our corporate headquarters in Winchester, Virginia, which consists of approximately 36,000 square feet of office space, under a lease that expires in July 2011. In July 2005, in anticipation of relocating our corporate headquarters to Dulles, Virginia, we entered into a new lease agreement, which expires in 2019. The Dulles lease agreement provides for our initial occupancy of approximately 50,000 square feet of office space, which will increase during the lease term to approximately 75,000 square feet**.** We have reconsidered our decision to relocate our corporate headquarters and have decided not to move the headquarters. We are currently

seeking to sublet the Dulles, Virginia office space. We believe that we will be able to sublet the Dulles, Virginia office space on favorable terms and, accordingly, have not recorded a loss related to the lease as of December 31, 2005. The inability to sublet the office space or changes to the assumptions used in our estimate of expected cash flows may result in a loss in the future.

We own approximately 74 contiguous acres of land in Winchester, Virginia and the buildings on this land. The site includes our original manufacturing facility, which contains approximately 115,000 square feet of space, our research and development technical facility, which contains approximately 30,000 square feet of space, a mixed-use building, which contains approximately 173,000 square feet of space, and an additional manufacturing facility, which contains approximately 150,000 square feet of space. We own the land and the manufacturing facility on the Fernley, Nevada site, which contains approximately 250,000 square feet of manufacturing space. Our Fernley site is located on approximately 37 acres, which includes outside open storage. We own approximately 102 acres of land in Olive Branch, Mississippi and the buildings on this land. The site contains four buildings with approximately 200,000 square feet for manufacturing and raw material handling operations.

We lease a total of approximately 815,000 square feet of storage warehouse space under leases with expiration dates ranging from 2006 to 2015. For information about these leases, see note 8 to our consolidated financial statements appearing elsewhere in this report.

The equipment and machinery we use in our operations consist principally of plastic and wood conveying and processing equipment. We own all of our manufacturing equipment. At December 31, 2005, we operated approximately 38 wood trailers and approximately 75 forklift trucks under operating leases. We also owned an additional 40 wood trailers and approximately 14 forklift trucks.

We regularly evaluate the capacity of our various facilities and equipment and make capital investments to expand capacity where necessary. In 2005, we spent a total of $49.9 million on capital expenditures, primarily for process improvements and capacity expansion at our Winchester and Fernley manufacturing locations, and buildings, machinery and equipment at our Olive Branch site. We estimate that our capital expenditures in 2006 will total approximately $20 to $30 million. We expect to use these expenditures principally to make process and productivity improvements and to add manufacturing capacity at our existing sites.

Item 3. Legal Proceedings

Commencing on July 8, 2005, two lawsuits, both of which seek certification as a class action, were filed in the United States District Court for the Western District of Virginia naming as defendants the company, Robert G. Matheny, a director and the former Chairman and Chief Executive Officer of the company, and Paul D. Fletcher, Senior Vice President and Chief Financial Officer of the company. Plaintiffs and defendants have agreed that the two lawsuits should be consolidated, and on December 27, 2005, the plaintiffs filed a consolidated class action complaint. The complaints principally allege that the company, Mr. Matheny and Mr. Fletcher violated Sections 10(b) and 20(a) of and Rule 10b-5 under the Securities Exchange Act of 1934 by, among other things, making false and misleading public statements concerning the company's operating and financial results and expectations. The complaints also allege that certain directors of the company sold shares of the company's common stock at artificially inflated prices. The plaintiffs seek unspecified compensatory damages. The company believes that the lawsuits are without merit and intends to vigorously defend against them and any other similar lawsuits that may be served on the company or any individual director or officer. Two separate derivative lawsuits have been filed in the United States District Court for the Western District of Virginia naming as defendants Mr. Matheny, Mr. Fletcher, and each of the directors of the company. As of the date of this report, none of the defendants has been served with the derivative lawsuits. The filed complaints are based upon the same factual allegations as the complaints in the class action lawsuits, and allege that the directors and Mr. Fletcher breached their fiduciary duties by permitting the company to issue false and misleading public statements concerning the company's operating and financial results, and also allege that directors of the company sold shares of the company's common stock at artificially inflated prices.

On December 5, 2001, Ron Nystrom commenced an action against the company in the United States District Court for the Eastern District of Virginia, Norfolk Division, alleging that the company's decking products infringed his patent. The company denied any liability and filed a counterclaim against the plaintiff for declaratory judgment and antitrust violations based upon patent misuse. The company sought a ruling that the plaintiff's patent is invalid, that the company does not infringe the patent, and that the company is entitled to monetary damages against the plaintiff. On October 17, 2002, the district court issued a final judgment finding that the company does not infringe any of the plaintiff's patent claims and holding that certain of the plaintiff's patent claims are invalid. The plaintiff appealed this decision to the United States Court of Appeals for the Federal Circuit. On June 28, 2004, the court of appeals reversed the district court's grant of summary judgment to the company, and remanded the case to the district court for further proceedings. The company sought a rehearing of the decision by the court of appeals, which, on September 14, 2005, withdrew its prior decision and affirmed the district court's grant of summary judgment to the company with respect to non-infringement. On January 25, 2006, the district court issued a judgment dismissing plaintiff's case against the company. The plaintiff filed a petition for writ of certiorari in the United States Supreme Court on January 30, 2006 and a notice of appeal of the district court's judgment to the United States Court of Appeals for the Federal Circuit on February 22, 2006.

In connection with the foregoing patent litigation, on April 12, 2002, the company filed suit in the United States District Court, Eastern District of Virginia, Alexandria Division, against ExxonMobil Corporation. The suit seeks to enforce a provision in the company's 1996 purchase agreement with Mobil Oil Corporation, the predecessor of ExxonMobil Corporation, pursuant to which the company acquired substantially all of the assets and assumed some of the liabilities of the Composite Products Division of Mobil Oil Corporation. In that agreement, Mobil agreed to indemnify the company for any losses, including reasonable legal fees, incurred by the company as a result of a patent infringement claim by Mr. Nystrom. ExxonMobil has denied liability to indemnify the company for such losses. On December 10, 2002, the district court entered summary judgment in favor of the company and ordered ExxonMobil to indemnify the company for all losses, including reasonable legal fees, arising out of the patent infringement claim by Mr. Nystrom. A final judgment and determination of the total amount of damages due to the company to date has not yet been entered by the district court. Accordingly, ExxonMobil's time to appeal has not yet begun. On May 21, 2003, the district court entered an order staying final determination of total damages due to the company pending resolution of the Nystrom appeal. On February 2, 2004, the district court issued another order continuing the stay pending the resolution of the Nystrom appeal.

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

There were no matters submitted to our security holders in the fourth quarter of 2005.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock has been listed on the New York Stock Exchange, or NYSE, under the symbol "TWP" since April 8, 1999. The table below shows the reported high and low sale prices of our common stock for each quarter during 2004 and 2005 as reported by the New York Stock Exchange:

2005	High	Low
First Quarter	$ 52.31	$ 44.20
Second Quarter	44.62	24.75
Third Quarter	29.70	23.10
Fourth Quarter	29.48	20.02

2004	High	Low
First Quarter	$ 40.50	$ 31.75
Second Quarter	41.01	32.84
Third Quarter	48.80	36.22
Fourth Quarter	54.25	38.35

As of February 28, 2006, there were approximately 235 holders of record of our common stock.

In 2005, we submitted to the NYSE in a timely manner the annual certification that our Chief Executive Officer was not aware of any violation by us of the NYSE corporate governance listing standards.

We have never paid cash dividends on our common stock. We intend to retain future earnings, if any, to finance the development and expansion of our business and, therefore, do not anticipate paying any cash dividends on the common stock in the foreseeable future. Under the terms of our senior credit facility, we may not pay cash dividends in any fiscal year in an amount that exceeds 50% of our consolidated net income, as calculated in accordance with our credit agreement, reported for the preceding fiscal year.

The following table provides information about our purchases of our common stock during the quarter ended December 31, 2005:

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit) ($)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Program
October 1, 2005 – October 31, 2005 (1)	1,961	21.48	Not applicable	Not applicable
November 1, 2005 – November 31, 2005	—	—	Not applicable	Not applicable
December 1, 2005 – December 31, 2005	—	—	Not applicable	Not applicable
	1,961	21.48		

(1) Represents shares withheld by, or delivered to, us pursuant to provisions in agreements with recipients of restricted stock granted under our stock incentive plan allowing us to withhold, or the recipient to deliver to us, the number of shares having the fair value equal to tax withholding due.

Item 6. Selected Financial Data

The following table presents selected financial data as of December 31, 2001, 2002, 2003, 2004 and 2005 and for each of the five years ended December 31, 2005.

- The selected financial data as of December 31, 2004 and 2005 and for each of the years in the three-year period ended December 31, 2005 are derived from our audited consolidated financial statements appearing elsewhere in this report.
- The selected financial data as of December 31, 2001, 2002 and 2003 and for the years ended December 31, 2001 and 2002 are derived from our financial statements which have been audited.

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

	Year Ended December 31,				
	2001	2002	2003	2004	2005
	(In thousands, except share and per share data)				
Statement of Operations Data:					
Net sales	$ 116,860	$ 167,079	$ 191,008	$ 253,628	$ 294,133
Cost of sales	67,973	90,479	107,246	151,286	213,904
Gross profit	48,887	76,600	83,762	102,342	80,229
Selling, general and administrative expenses	31,801	42,150	46,837	56,382	76,989
Income from operations	17,086	34,450	36,925	45,960	3,240
Interest expense, net	3,850	7,782	3,560	3,064	2,612
Income before income taxes	13,236	26,668	33,365	42,896	628
Provision (benefit) for income taxes	4,186	9,891	12,376	15,741	(1,871)
Net income	$ 9,050	$ 16,777	$ 20,989	$ 27,155	$ 2,499
Basic earnings per share	$ 0.64	$ 1.18	$ 1.45	$ 1.86	$ 0.17
Basic weighted average shares outstanding	14,145,660	14,166,307	14,522,092	14,636,959	14,769,799
Diluted earnings per share	$ 0.64	$ 1.16	$ 1.43	$ 1.83	$ 0.17
Diluted weighted average shares outstanding	14,182,457	14,481,234	14,727,837	14,834,718	14,879,661
Cash Flow Data:					
Cash provided by operating activities	$ 7,004	$ 52,964	$ 5,628	$ 45,288	$ 11,863
Cash used in investing activities	(31,972)	(6,192)	(17,749)	(56,373)	(29,425)
Cash provided by (used in) financing activities	24,968	(31,879)	5,379	26,859	(4,432)
Other Data (unaudited):					
EBITDA (1)	$ 25,709	$ 44,039	$ 49,464	$ 59,673	$ 19,379
Balance Sheet Data:					
Cash and cash equivalents and restricted cash	$ —	$ 14,893	$ 8,151	$ 44,884	$ 1,931
Working capital	3,216	24,134	49,615	78,411	39,759
Total assets	184,637	183,556	210,455	287,051	286,269
Total debt	86,094	55,196	54,376	78,497	73,606
Total stockholders' equity	81,985	98,775	127,206	159,514	164,533

(1) EBITDA represents net income before interest, income taxes, depreciation and amortization. EBITDA is not a measurement of financial performance under accounting principles generally accepted in the United States, or GAAP. The company has included data with respect to EBITDA because management evaluates and projects the performance of the company's business using several measures, including EBITDA. Management considers EBITDA to be an important supplemental indicator of the company's operating performance, particularly as compared to the operating performance of the company's competitors, because this measure eliminates many differences among companies in capitalization and tax structures, capital investment cycles and ages of related assets, as well as some recurring non-cash and non-operating charges to net income or loss. For these reasons, management believes that EBITDA provides important supplemental information to investors regarding the operating performance of the company and facilitates comparisons by investors between the operating performance of the company and the operating performance of its competitors. Management believes that consideration of EBITDA should be supplemental, because EBITDA has limitations as an analytical financial measure. These limitations include the following:

- EBITDA does not reflect the company's cash expenditures, or future requirements for capital expenditures, or contractual commitments;
- EBITDA does not reflect the interest expense, or the cash requirements necessary to service interest or principal payments, on the company's indebtedness;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA does not reflect any cash requirements for such replacements;
- EBITDA does not reflect the effect of earnings or charges resulting from matters the company considers not to be indicative of its ongoing operations; and
- not all of the companies in the company's industry may calculate EBITDA in the same manner in which the company calculates EBITDA, which limits its usefulness as a comparative measure.

The company compensates for these limitations by relying primarily on its GAAP results to evaluate its operating performance and by considering independently the economic effects of the foregoing items that are not reflected in EBITDA. As a result of these limitations, EBITDA should not be considered as an alternative to net income, as calculated in accordance with GAAP, as a measure of operating performance, nor should it be considered as an alternative to cash flows as a measure of liquidity. The following table sets forth, for the years indicated, a reconciliation of EBITDA and net income:

	Year Ended December 31,				
	2001	2002	2003	2004	2005
	(In thousands)				
Net income	$ 9,050	$16,777	$20,989	$27,155	$ 2,499
Plus interest expense, net	3,850	7,782	3,560	3,064	2,612
Plus income taxes provision (benefit)	4,186	9,891	12,376	15,741	(1,871)
Plus depreciation and amortization	8,623	9,589	12,539	13,713	16,139
EBITDA	$25,709	$44,039	$49,464	$59,673	$19,379

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

This Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. We intend our forward-looking statements to be covered by the safe harbor provisions for forward-looking statements in these sections. All statements regarding our expected financial position and operating results, our business strategy, our financing plans, forecasted demographic and economic trends relating to our industry and similar matters are forward-looking statements. These statements can sometimes be identified by our use of forward-looking words such as "may," "will," "anticipate," "estimate," "expect" or "intend." We cannot promise you that our expectations in such forward-looking statements will turn out to be correct. Our actual results could be materially different from our expectations because of various factors, including the factors discussed under "Risk Factors" in this report.

Overview

General. Management considers growth in net sales, gross margin, selling, general and administrative expenses, and net income as key indicators of our operating performance. Growth in net sales reflects consumer acceptance of composite decking, the demand for Trex over competing products, the success of our branding strategy, the effectiveness of our distributors, and the strength of our dealer network and contractor franchise. Management emphasizes gross margin as a key measure of performance because it reflects the company's ability to price its products accurately and to manage effectively its manufacturing unit costs. Managing selling, general and administrative expenses is important to support profitable growth. The company's investment in research and development activities, which is included in selling, general and administrative expenses, enables it to enhance manufacturing operations, develop new products and evaluate new technologies. Management considers net income to be a measure of the company's overall financial performance.

In the last two years, the company has expanded its product offerings by introducing the Trex Accents™ and Trex Brasilia™ decking product lines and the new Trex Designer Series Railing™ product. Sales of the Trex Accents product, which was launched in the fourth quarter of 2003, accounted for approximately 51% of total gross sales in 2005. Sales of the Trex Brasilia product, which was introduced in the fourth quarter of 2004, accounted for approximately 7% of total gross sales in 2005. Because these new products have a higher price per unit, the introduction of the products into the sales mix has a positive effect on total revenue.

The management of raw materials costs, the strengthening of manufacturing performance and the enhancement of product quality constitute some of the company's principal operating objectives. In 2005, manufacturing unit costs increased primarily because of higher costs for reclaimed polyethylene, or "PE material," and lower manufacturing plant utilization resulting in part from the temporary suspension of operations of some production lines. The company expects that new PE material sourcing and purchasing initiatives will be necessary for it to manage effectively its costs of PE material in future periods. The company curtailed operation of approximately 35% of its manufacturing capacity in the second half of 2005 in order to balance finished goods inventory levels with product demand. The resulting reduction in production output contributed to higher manufacturing costs by reducing the absorption of fixed manufacturing costs. The company continues to focus on product quality initiatives to enhance the appearance and overall quality of the entire product line. These initiatives emphasize color consistency and other product specifications. In addition, each manufacturing plant has added personnel to its inspection functions and finished goods packaging has been redesigned to minimize damage to the product in transit. These initiatives have contributed to higher manufacturing costs by reducing manufacturing line efficiencies, as well as increasing labor and raw material costs.

The company continues to support its branding efforts through advertising campaigns in print publications and on television. These expenditures supported a new, more extensive advertising campaign inaugurated by the company in the first quarter of 2005. Branding expenditures in 2005 increased $7.6 million over 2004.

Net Sales. Net sales consists 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. The company's branding and product

differentiation strategy enables it 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, the company historically has provided its 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.

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, 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.

Selling, General and Administrative Expenses. The largest components of selling, general and administrative expenses are branding and other sales and marketing costs, which have increased significantly as the company has sought to build brand awareness of Trex in the decking and railing 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, 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 the company's business.

We have not yet determined the impact the adoption of SFAS No. 123R will have on our results of operations. The adoption of SFAS No. 123R is expected to result in compensation expense that will reduce our net income. The amount of the reduction in net income will depend on a number of factors, including the number of options granted, the vesting periods of options granted, our stock price and volatility, and employee exercise behaviors. For information about SFAS No. 123R, see Note 2 to our consolidated financial statements appearing elsewhere in this report.

Critical Accounting Policies, Estimates and Risks and Uncertainties

Our significant accounting policies are described in note 2 to our consolidated financial statements appearing elsewhere in this report. Critical accounting policies include the areas where we have made what we consider to be particularly difficult, subjective or complex judgments in making estimates, and where these estimates can significantly affect our financial results under different assumptions and conditions. We prepare our financial statements in conformity with accounting principles generally accepted in the United States. As a result, we are required to make estimates, judgments and assumptions that we believe are reasonable based upon the information available. These estimates, judgments and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the periods presented. Actual results could be different from these estimates.

Inventories. The company accounts for its inventories at the lower of cost (last-in, first-out, or "LIFO") or market value. The company believes that its current inventory of finished goods will be saleable in the ordinary course of business and, accordingly, has not established significant reserves for estimated slow moving products or obsolescence. The company has written down certain finished goods inventory that does not meet the company's new quality standards to its estimated market value. The company has also written down the estimated portion of PE material and other raw materials that are not consumable to its estimated market value. At December 31, 2005, the excess of the replacement cost of inventory over the LIFO value of inventory was approximately $24.7 million. The company cannot estimate at this time the effect of future reductions, if any, in inventory levels on its future operating results. The company currently anticipates that inventory levels will increase in 2006.

Property, Plant and Equipment. At December 31, 2005, the company's construction in process totaled approximately $24.6 million. The construction in process consisted primarily of funds expended to complete production lines in various stages of construction at the Winchester, Fernley and Olive Branch manufacturing

sites and to construct plastic reprocessing equipment. The company currently expects that the production lines in process will be completed and put into service by mid-2007. Pursuant to Statement of Financial Accounting Standards, or SFAS, No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets,” whenever events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable, the company compares the carrying values of its long-lived assets, including construction in process, against the estimated undiscounted cash flows relating to those assets. Actual results could differ from those estimates. In such event, the carrying value and the estimated useful lives of the company’s long-lived assets could be reduced in the future.

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets. The depreciable lives of these assets range from five to 40 years. We make estimates of the useful lives, in part, based upon historical performance of similar assets. We periodically review the remaining estimated useful lives of our property, plant and equipment to determine if any revisions to our estimates are necessary. Changes to our estimate of the useful lives of our property, plant and equipment could have a material effect on our financial position or results of operations.

Contingencies and Other Liabilities. In July 2005, in anticipation of relocating its corporate headquarters to Dulles, Virginia, the company entered into a new lease agreement. The lease agreement provides for the initial occupancy of approximately 50,000 square feet of office space, which will increase during the lease term to approximately 75,000 square feet. The company has reconsidered its decision to relocate its corporate headquarters and has decided not to move the headquarters. Minimum payments under the lease over the years ending December 31, 2006, 2007, 2008, 2009, and 2010 are $0.7 million, $1.1 million, $1.5 million, $1.5 million and $1.6 million, respectively, and $19.8 million thereafter. The company believes that it will be able to sublet the Dulles, Virginia office space on favorable terms and, accordingly, has not recorded a loss related to the lease as of December 31, 2005. The inability to sublet the office space or changes to the company’s assumptions used in its estimate of expected cash flows may result in a loss in the future.

The company is subject, from time to time, to various lawsuits and other claims related to patent infringement, product liability and other matters. The company is required to assess the likelihood of any adverse judgments or outcomes to these matters as well as potential ranges of probable losses. The company makes a determination of the amount of reserves required, if any, for these contingencies after an analysis of each lawsuit and claim. The required reserves may change in the future as a result of new developments in any such matter or changes in approach, such as a change in settlement strategy in dealing with a particular matter. In the opinion of management, adequate provision has been made for any probable losses as of December 31, 2005.

Revenue Recognition. The company recognizes revenue when title is transferred to customers, which is generally upon shipment of the product to the customer from the company’s manufacturing facilities. Pursuant to Emerging Issues Task Force Issue 00-10, “Accounting for Shipping and Handling Fees and Costs,” the company records all shipping and handling fees in net sales and records all of the related costs in cost of sales. The company offers several programs to dealers and distributors, including cash rebates, sales incentives and cooperative advertising. The company accounts for these programs as either reductions to sales or as selling, general and administrative expenses in accordance with EITF Issue 01-09, “Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor’s Products).”

Valuation of Deferred Tax Assets. The company provides for valuation allowances against its deferred tax assets in accordance with the requirements of SFAS No. 109 ,“Accounting for Income Taxes”. In evaluating the recovery of deferred tax assets, the company makes certain assumptions as to the future reversal of existing taxable temporary differences, and estimated future taxable income. The valuation allowance can also be affected by changes to tax laws and changes to statutory tax rates. It is possible that the facts underlying these assumptions may not materialize in future periods, which may require the company to record additional deferred tax valuation allowances, or to reduce previously recorded valuation allowances. At December 31, 2005, the company had a valuation allowance of $1.4 million related primarily to uncertainty regarding the recoverability of certain state tax credit carryforwards and incentives.

Results of Operations

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

	Year Ended December 31,		
	2003	2004	2005
Net sales	100.0%	100.0%	100.0%
Cost of sales	56.1	59.7	72.7
Gross profit	43.9	40.3	27.3
Selling, general and administrative expenses	24.5	22.2	26.2
Income from operations	19.4	18.1	1.1
Interest expense, net	1.9	1.2	0.9
Income before taxes and extraordinary item	17.5	16.9	0.2
Provision (benefit) for income taxes	6.5	6.2	(0.6)
Net income	11.0%	10.7%	0.8%

2005 Compared to 2004

Net Sales. Net sales increased 16.0% to $294.1 million in 2005 from $253.6 million in 2004. The increase in net sales was primarily attributable to an increase in price per unit and, to a lesser extent, a growth in sales volume as a result of an increase in demand from dealers and distributors. The increase in price per unit resulted from a price increase, effective on April 1, 2005, of 8% on decking and railing products and from increased sales of higher unit priced products.

Gross Profit. Gross profit decreased 21.6% to 80.2 million in 2005 from $102.3 million in 2004. The decrease was primarily attributable to higher unit manufacturing costs, which resulted primarily from the increased cost of raw materials, particularly PE material. Gross profit margin was also adversely affected by a decrease in production rates due to product quality initiatives and lower capacity utilization and to the associated decrease in absorption of fixed manufacturing expenses. The decrease was offset in part by increased sales prices, increased sales of higher unit priced products, and higher net sales volume. Gross profit as a percentage of net sales decreased to 27.3% in 2005 from 40.3% in 2004.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased 36.6% to $77.0 million in 2005 from $56.4 million in 2004. The higher selling, general and administrative expenses resulted principally from increases of $7.7 million in sales and marketing costs, $6.6 million in corporate personnel expenses, $4.8 million in customer relations expenses, $2.7 million in professional expenses and $2.0 million in hiring and relocation expenses. The increased sales and marketing costs consisted primarily of branding costs, which include expenses of promotion, advertising, public relations, sales literature, trade shows and cooperative advertising. Selling, general and administrative expenses in 2005 also included the write-off of $1.0 million in equipment that the company disposed of during 2005 in connection with the retooling of certain production lines. The increase in the foregoing components of selling, general and administrative expenses was partially offset by a decrease of $2.9 million in profit sharing and management bonus expenses, as a result of decreased profitability in 2005. Selling, general and administrative expenses as a percentage of net sales increased to 26.2% in 2005 from 22.2% in 2004.

Interest Expense. Net interest expense decreased to $2.6 million in 2005 from $3.1 million in 2004. The decrease was primarily attributable to an increase in the amount of interest capitalized on construction in process and a reduction in interest expense on the company’s senior notes. The reduced senior note interest expense reflected a decrease in outstanding borrowings following the company’s payment in June 2005 of the first of five scheduled $8.0 million principal payments. The company capitalized $2.2 million of interest in 2005 and $1.3

million of interest in 2004. These effects were offset in part by additional interest expense related to the $25.0 million variable rate promissory note that the company issued in December 2004. Total interest under the promissory note totaled $0.9 million in 2005.

Provision for Income Taxes. The provision for income taxes decreased to $(1.9) million in 2005 (net benefit) from $15.7 million in 2004 (net expense). The provision reflected a benefit of approximately 297.6% in 2005 compared to tax expense of approximately 36.7% in 2004. The change in the 2005 effective rate was primarily due to the impact of state taxes. For 2005, the tax provision consisted of federal tax expense of approximately $0.5 million, which was offset by a state tax benefit of $2.4 million. The state tax benefit resulted from the expansion of the company's operations into Mississippi and the recognition of certain other state tax credits and incentives. At December 31, 2005 and 2004, the company had income tax refunds receivable of $8.3 million and $0.5 million, respectively. The increase in the income tax receivable resulted from the amendment of certain prior year tax returns and from the overpayment of taxes during early 2005 that resulted from lower than estimated taxable income.

2004 Compared to 2003

Net Sales. Net sales increased 32.8% to $253.6 million in 2004 from $191.0 million in 2003. The increase in net sales was primarily attributable to a growth in sales volume as a result of an increase in demand from dealers and distributors and, to a lesser extent, to an increase in price per unit. The increase in price per unit resulted from a price increase, effective on May 1, 2004, of 5% on decking products and 9% on railing products and, to a lesser extent, from increased sales of higher unit priced products.

Gross Profit. Gross profit increased 22.2% to $102.3 million in 2004 from $83.8 million in 2003. The increase was primarily attributable to the higher net sales volume, increased sale prices and increased sales of higher unit priced products. The effect of these factors was offset in part by higher unit manufacturing costs, which resulted from the increased cost of raw materials, primarily PE material. Gross profit margin was also adversely affected by a decrease in production rates due to product quality initiatives and the associated decrease in absorption of fixed manufacturing expenses. Gross profit as a percentage of net sales decreased to 40.3% in 2004 from 43.9% in 2003.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased 20.4% to $56.4 million in 2004 from $46.8 million in 2003. The higher selling, general and administrative expenses resulted in part from increases of $4.2 million in corporate personnel expenses, $2.3 million in sales and marketing costs, $1.8 million in legal and professional expenses and $1.3 million in research and development expenses. The increased sales and marketing costs consisted primarily of branding costs, which include expenses of promotion, advertising, public relations, sales literature, trade shows and cooperative advertising. The increased legal and professional expenses resulted primarily from the settlement of a class action litigation. Selling, general and administrative expenses as a percentage of net sales decreased to 22.2% in 2004 from 24.5% in 2003.

Interest Expense. Net interest expense decreased to $3.1 million in 2004 from $3.6 million in 2003. Increased interest income, resulting from higher cash balances, and an increase in the amount of interest capitalized on construction in process contributed to lower net interest expense in 2004. The company capitalized $1.3 million of interest in 2004 and $1.1 million of interest in 2003.

Provision for Income Taxes. The provision for income taxes increased to $15.7 million in 2004 from $12.4 million in 2003. The increase was primarily attributable to an increase in pretax income. The effective tax rate was approximately 36.7% in 2004 compared to approximately 37.1% in 2003. The decrease in the effective rate in 2004 related primarily to a decrease in non-deductible expenses.

Liquidity and Capital Resources

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

Sources and Uses of Cash. The company's cash provided by operating activities was $5.6 million in 2003, $45.3 million in 2004 and $11.9 million in 2005. In 2003, the effects on cash flows of a higher net sales volume were more than offset by increases in inventory levels and receivables. In 2004, the effects on cash flows of a higher net sales volume and increases in accounts payable and accrued expenses were offset in part by increases in receivables. In 2005, the effects on cash flows of a higher net sales volume and lower receivables were more than offset by lower profitability and increases in inventories and income tax receivables. Receivables decreased from $22.0 million at December 31, 2004 to $12.4 million at December 31, 2005, reflecting the absence in the fourth quarter of 2005 of the new product introductions and promotional programs which the company had implemented in the 2004 fourth quarter. The company's inventories increased to $56.7 million at December 31, 2005 compared to $44.4 million at December 31, 2004, primarily as a result of inventory produced at the Olive Branch plant and increased quantities of raw materials. Income tax receivables increased to $8.3 million at December 31, 2005 from $0.5 million at December 31, 2004 primarily due to the overpayment of taxes during the first half of 2005. The company expects to receive the income tax refunds in 2006.

The company's cash used in investing activities totaled $17.7 million in 2003, $56.4 million in 2004 and $29.4 million in 2005 and primarily related to expenditures for the purchase of property, plant and equipment to support extension of the company's manufacturing capacity, mainly at the Olive Branch plant.

The company's cash provided by (used in) financing activities was $5.4 million in 2003, $26.9 million in 2004 and $(4.4) million in 2005. In 2004, the company received $25.0 million in proceeds from borrowings, as described below, which were used to fund a portion of the construction and equipment costs associated with its third manufacturing site. In June 2005, the company paid the first of five scheduled $8.0 million principal payments on its senior notes. At December 31, 2005, there were $4.1 million of borrowings outstanding under the company's revolving credit facility.

Indebtedness. At December 31, 2005, the company's indebtedness totaled $74.4 million and the annualized overall weighted average interest rate of such indebtedness was approximately 6.2%.

On June 19, 2002, the company refinanced total indebtedness of $47.6 million outstanding under a senior bank credit facility and various real estate loans. The company refinanced this indebtedness with the proceeds from its sale of $40.0 million principal amount of senior notes due June 19, 2009 and borrowings under new real estate loans having a principal amount of $12.6 million. In connection with the refinancing, the company replaced its existing revolving credit facility with a $20.0 million revolving credit facility with a new lender. Borrowings under the revolving credit facility and the senior notes were secured by liens on substantially all of the company's assets. These liens were subsequently released in connection with the 2004 refinancing described below. The senior notes, which were privately placed with institutional investors, accrue interest at an annual rate of 8.32%. Five principal payments of $8.0 million annually to retire the notes began in June 2005.

On September 30, 2004, the company amended its $20.0 million revolving credit facility and certain real estate loans. The amendment extended the maturity date of the revolving credit facility from June 30, 2005 to September 30, 2007 and the maturity date of the real estate loans from June 30, 2005 to September 30, 2009. The revolving credit facility and real estate loans accrue interest at annual rates equal to the specified London Interbank Offered Rate, or LIBOR, plus specified margins. The specified margins are determined based on the company's ratio of total consolidated debt to consolidated earnings before interest, taxes, depreciation and amortization, as computed under the credit facility. The amendment reduced the margins for the credit facility from a range of 1.50% to 3.25% to a range of 1.25% to 1.75% and the real estate loans from a range of 1.75% to 3.50% to a range of 1.50% to 2.50%. Under the amendment, the lender and the holders of the senior notes described above released their liens on the company's assets under the revolving credit facility and the senior notes. The amendment also made less restrictive some of the negative and financial covenants in the revolving credit facility.

The company's ability to borrow under the revolving credit facility is tied to a borrowing base that consists of certain receivables and inventories. At December 31, 2005, the borrowing base was $43.0 million and $4.1 million of borrowings were outstanding under the facility.

On December 16, 2004, the company borrowed, under a variable rate promissory note, $25.0 million of the proceeds from the sale of variable rate demand environmental improvement revenue bonds issued by the Mississippi Business Finance Corporation, a Mississippi public corporation. The bonds restricted the company's use of the proceeds to financing all or a portion of the costs of the acquisition, construction and equipping of solid waste disposal facilities to be used in connection with the company's new manufacturing facility, which is located in Olive Branch, Mississippi. The bonds are special, limited obligations of the issuer and, unless sooner paid pursuant to redemption or other specified principal payment event, will mature on December 1, 2029. Under its loan agreement with the bond issuer, the company is obligated to make payments sufficient to pay the principal of, premium, if any, and interest on the bonds when due. The company's obligation to make these payments will be satisfied to the extent of payments made to the trustee of the bonds under a $25.3 million letter of credit opened for the company's account. The company is obligated under a reimbursement agreement to reimburse the letter of credit bank for drawings made under the letter of credit and to make other specified payments. Interest on the bonds will initially be paid each month at a variable rate established on a weekly basis. The variable rate on the bonds was 3.63% on December 31, 2005. The note interest rate is based on auction rates and is reset every seven days. The reimbursement agreement contains affirmative covenants and negative covenants which, among other things, restrict the company's ability to incur additional indebtedness and liens, engage in any consolidation, merger or sale of assets outside the ordinary course of business, and make specified investments, loans or advances. The company's obligations under the reimbursement agreement are secured by a first priority security interest in specified assets relating to the third manufacturing site and facility.

Effective for December 31, 2005, the company entered into amendments to its revolving credit facility agreement and bond reimbursement agreement. Among other things, the amendments:

- increased the principal amount of the revolving credit commitment under the credit facility for the period from January 1, 2006 to and including June 30, 2006 from $20.0 million to $30.0 million;
- adjusted the margins that are used to calculate interest on related real estate loans from a range of 1.50% to 2.50% to a range of 1.50% to 3.00% and adjusted the margins that are used to calculate interest for each revolving loan from a range of 1.25% to 1.75% to a range of 1.25% to 2.75%;
- provided that the company's fixed charge coverage ratios, as prescribed under each of the agreements, would not be measured for the fiscal quarters ended December 31, 2005 and ending March 31, 2006; and
- provided that the ratio of the company's total consolidated debt to consolidated EBITDA, as prescribed under the revolving credit facility, and the ratio of the company's funded net debt to consolidated EBITDA, as prescribed under the reimbursement agreement, would not be measured for the fiscal quarters ended December 31, 2005 and ending March 31, 2006.

Interest Payment Obligations. The company uses interest rate swap contracts to manage its exposure to fluctuations in the interest rates of its real estate loans. At December 31, 2005, the company had capped its interest rate exposure at an annual effective rate of approximately 9.0% on all of its $12.5 million principal amount of real estate loans.

The company financed its purchase of its Winchester, Virginia site in June 1998 with a ten-year term loan of $3.8 million. Pursuant to amended terms adopted on September 30, 2004, the loan will be payable in full on September 30, 2009. Under an interest rate swap agreement, the company pays interest on this loan at an annual effective rate of 9.12% at December 31, 2005.

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 amended terms adopted on September 30, 2004, the loan will be payable in full on September 30, 2009. Under an interest rate swap agreement, the company pays interest on this loan at an annual effective rate of 8.8% at December 31, 2005.

In connection with its acquisition of its Fernley, Nevada site, the company in September 1999 obtained a 15-year term loan in the original principal amount of $6.7 million. Under an interest rate swap agreement, interest on this loan is payable at an annual effective rate of 7.90% at December 31, 2005.

In connection with its acquisition of a site adjacent to its original Winchester, Virginia site, the company in August 2000 obtained a 15-year term loan in the original principal amount of $5.9 million. Pursuant to amended terms adopted on September 30, 2004, the loan will be payable in full on September 30, 2009. Under an interest rate swap agreement, the company pays interest on this loan at an annual effective rate of 10.10% at December 31, 2005.

In January 2005, under interest rate swap agreements, the company pays interest on $10.0 million principal amount of its variable rate promissory note at an annual effective rate of 3.12% for seven years and interest on an additional $10.0 million principal amount at an annual effective rate of 2.95% for five years.

Debt Covenants. To remain in compliance with its credit facility, senior note and bond loan document covenants, the company must maintain specified financial ratios based on its levels of debt, capital, net worth, fixed charges, and earnings (excluding extraordinary gains and extraordinary non-cash losses) before interest, taxes, depreciation and amortization. At December 31, 2005, after giving effect to covenant amendments described above, the company was in compliance with these covenants. The foregoing debt agreements contain cross-default provisions.

The company's ability to make scheduled principal and interest payments on its real estate loans, senior notes and variable rate promissory note, borrow under its revolving credit facility and maintain compliance with the related financial covenants will depend primarily on its ability to generate substantial cash flow from operations. The generation of operating cash flow is subject to the risks of the company's business, some of which are discussed in this report under "Risk Factors."

Contractual Obligations. The following tables show, as of December 31, 2005, the company's contractual obligations and commercial commitments, which consist primarily of long-term debt, operating leases and letters of credit (in thousands):

Contractual Obligations
Payments Due by Period

	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Long-term debt	$ 69,536	$ 9,031	$ 18,369	$ 14,640	$ 27,496
Operating leases	50,319	5,436	10,402	8,782	25,699
Total contractual cash obligations	$ 119,855	$ 14,467	$ 28,771	$ 23,422	$ 53,195

The amount shown for contractual obligations does not include amounts that the company is obligated to purchase under raw material supply contracts. The waste wood and PE material supply contracts generally provide that the company is obligated to purchase all of the waste wood or PE material a supplier provides, if the waste wood or PE material meets certain specifications. The amount of waste wood and PE material the company is required to purchase under these contracts varies with the production of its suppliers and, accordingly, is not fixed or determinable. For information about these contractual cash obligations, see notes 6, 8 and 11 to the company's consolidated financial statements appearing elsewhere in this report.

Other Commercial Commitments
Payments Due by Period

	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Letters of credit	$ 766	$ 766	$ —	$ —	—
Total commercial commitments	$ 766	$ 766	$ —	$ —	—

The company does not have off-balance sheet financing arrangements other than its operating leases and letters of credit.

Capital Requirements. The company made capital expenditures of $17.1 million in 2003, $34.1 million in 2004 and $49.9 million in 2005, primarily to expand its manufacturing capacity. The company currently estimates that its capital requirements in 2006 will total approximately $20 to $30 million. Capital expenditures in 2006 are expected to be used to make process and productivity improvements, and to increase capacity at the company's three existing manufacturing sites. The company expects that it will continue to make significant capital expenditures in 2007 and subsequent years to meet an anticipated increase in the demand for Trex.

As of December 31, 2005, the company had a total of approximately $1.9 million of cash and cash equivalents. The company believes that cash on hand, cash flow from operations and borrowings expected to be available under the company's existing revolving credit facility will provide sufficient cash to enable the company to fund its planned capital expenditures, make scheduled principal and interest payments, meet its other cash requirements and maintain compliance with the terms of its financing agreements for at least the next 12 months. Thereafter, significant capital expenditures will likely be required to expand the production capabilities of the company's manufacturing sites to provide increased capacity to meet the company's expected growth in demand for its products. The amount and timing of these investments will depend on the anticipated demand for Trex, the production obtained from its existing sites, the availability of funds and other factors. 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 funded its aggregate capital expenditures of $101.1 million for the three-year period ended December 31, 2005 from a combination of cash flow from operations and proceeds from financing activities, including borrowings under various loan and revolving credit facilities. The company currently expects that it will fund its future capital expenditures primarily with cash from operations and with borrowings under its revolving credit facility and other bank financing arrangements. As of the date of this report, the company had no commitment for any such other financing arrangements. The company also may determine that it is necessary or desirable to obtain financing for such requirements through the issuance of debt or equity securities. Any such debt financing would increase the company's level of indebtedness, while any such equity financing would dilute the ownership of the company's stockholders. There can be no assurance as to whether, or as to the terms on which, the company would be able to obtain such financing.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The company's major market risk exposure is to changing interest rates. The company's policy is to manage interest rates through the use of a combination of fixed-rate and floating-rate debt. The company uses interest rate swap contracts to manage its exposure to fluctuations in the interest rates on its floating-rate mortgage debt, all of which is based on LIBOR, and on its $25.0 million variable rate promissory note. The interest on the variable rate promissory note is based on auction rates and is reset every seven days. At December 31, 2005, the company had capped its interest rate exposure at an annual effective rate of approximately 9.0% on its $12.5 million of floating-rate mortgage debt. At December 31, 2005, the company had capped its interest rate exposure at an annual effective rate of approximately 3.12% for seven years on $10.0 million principal amount of its variable rate promissory note and at an annual effective rate of approximately 2.95% for five years on an additional $10.0 million principal amount of this note. For additional information about the company's management of its interest rate risk, see note 6 to the company's consolidated financial statements appearing elsewhere in this report.

Changes in interest rates affect the fair value of the company's fixed-rate debt. The fair value of the company's long-term fixed-rate debt at December 31, 2005 was approximately $33.2 million. Based on balances outstanding at December 31, 2005, a 1% change in interest rates would change the fair value of the company's long-term fixed-rate debt by $0.6 million at December 31, 2005.

The foregoing sensitivity analysis provides only a limited view as of a specific date regarding the sensitivity of some of the company's financial instruments to market risk. The actual impact of changes in market interest rates on the financial instruments may differ significantly from the impact shown in this sensitivity analysis.

The company has a purchase agreement for PE material under which it has market risk related to foreign currency fluctuations between the U.S. dollar and the euro. At current purchase levels, such exposure is not material. In addition, the company had a euro-denominated note receivable of 1.2 million euros at December 31, 2005.

Item 8. Financial Statements and Supplementary Data

The financial statements listed in Item 15 and appearing on pages F-2 through F-22 are incorporated by reference in this Item 8 and are filed as part of this report.

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

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer, who is our principal executive officer, and our Senior Vice President and Chief Financial Officer, who is our principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of December 31, 2005. Based upon this evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that, as a result of the material weakness in our internal control over financial reporting as of December 31, 2005 described below under “Management’s Report on Internal Control Over Financial Reporting,” our disclosure controls and procedures were not effective as of December 31, 2005. We have initiated the implementation of measures to remediate this material weakness as described below under “Remediation of Material Weakness in Internal Control Over Financial Reporting.”

Management’s Report on Internal Control Over Financial Reporting

We, as members of management of Trex Company, Inc. (the “Company”), are responsible for establishing and maintaining adequate internal control over financial reporting. The Company’s internal control over financial reporting is a process designed 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. Internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

We assessed the Company’s internal control over financial reporting as of December 31, 2005, based on criteria for effective internal control over financial reporting established in “Internal Control-Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management identified one material weakness (as defined by the Public Company Accounting Oversight Board) as of December 31, 2005. This material weakness was due to a lack of a sufficient complement

of personnel with experience in the Company's financial reporting processes and with adequate technical expertise in resolving non-routine or complex accounting matters. The material weakness resulted in errors in the preparation of financial statement disclosures and errors in inventory valuation, cost capitalization, accounts payable, accrued liabilities, and income taxes that resulted in a number of post-closing adjustments to the Company's 2005 consolidated financial statements. Although these adjustments were not material individually or in the aggregate, management concluded that their occurrence precluded management from concluding that the internal controls were operating effectively as of December 31, 2005.

Accordingly, management has determined that, because of this material weakness, the Company did not maintain effective internal control over financial reporting as of December 31, 2005 based on the specified criteria.

Ernst & Young LLP, an independent registered public accounting firm, which audited the Company's consolidated financial statements included in this report, has issued an attestation report on management's assessment of the effectiveness and on the Company's internal control over financial reporting, which is included in this report.

TREX COMPANY, INC.

March 14, 2006 By: /s/ ANTHONY J. CAVANNA

Anthony J. Cavanna
Chairman and Chief Executive Officer
(Principal Executive Officer)

March 14, 2006 By: /s/ PAUL D. FLETCHER

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

Remediation of Material Weakness in Internal Control Over Financial Reporting

In 2005, we experienced a number of challenging business issues, including those related to the opening of a new manufacturing facility, new product introductions, turnover in accounting, finance and information technology personnel, and a contemplated relocation of our corporate headquarters. During the fourth quarter of 2005, we added members to our accounting, finance and information technology staffs and implemented additional levels of review in our financial statement close processes to address these challenges.

We are currently actively searching for additional accounting and finance staff members and implementing new internal control procedures to improve the effectiveness of our financial statement close process. In addition, we will provide education regarding effective review procedures to the appropriate personnel. We will continue to closely monitor the effectiveness of these processes, procedures and controls, and will make any further changes as our management determines appropriate.

Changes in Internal Control Over Financial Reporting

Other than the matters described in this Item 9A under "Remediation of Material Weakness in Internal Control Over Financial Reporting," during the fourth quarter ended December 31, 2005, there have been no changes in our internal control over financial reporting that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

Subsequent to December 31, 2005, we continued with our implementation of the measures discussed above to remediate the material weakness in our internal control over financial reporting that existed as of December 31, 2005.

Report of Ernst & Young LLP,
Independent Registered Public Accounting Firm,
On Internal Control Over Financial Reporting

Board of Directors and Shareholders of Trex Company, Inc.

We have audited management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, that Trex Company, Inc. ("Trex") did not maintain effective internal control over financial reporting as of December 31, 2005, because of the effect of the material weakness described below, based on criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria"). Trex's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of Trex's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. The following material weakness has been identified and included in management's assessment. As of December 31, 2005, Trex lacked a sufficient complement of personnel with experience in its financial reporting processes and with adequate technical expertise in resolving non-routine or complex accounting matters. The situation resulted in errors in the preparation of financial statement disclosures, in addition to errors in Trex's inventory valuation, cost capitalization, accounts payable, accrued liabilities, and income taxes that resulted in a number of post-closing adjustments to the Company's 2005 consolidated financial statements. Until this deficiency is remediated, there is more than a remote likelihood that a material misstatement to the annual or interim consolidated financial statements could occur and not be prevented or detected by the Company's controls in a timely manner. This material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2005 consolidated financial statements, and this report does not affect our report dated March 14, 2006 on those financial statements.

In our opinion, management's assessment that Trex did not maintain effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on the COSO control criteria. Also, in our opinion, because of the effect of the material weakness described above on the achievement of the objectives of the control criteria, Trex did not maintain effective internal control over financial reporting as of December 31, 2005, based on the COSO control criteria.

/s/ ERNST & YOUNG LLP

McLean, Virginia
March 14, 2006

Item 9B. Other Information

None.

PART III

Item 10. Directors and Executive Officers of the Registrant

Information responsive to this Item 10 is incorporated herein by reference to the company's definitive proxy statement for its 2006 annual meeting of stockholders.

Item 11. Executive Compensation

Information responsive to this Item 11 is incorporated herein by reference to the company's definitive proxy statement for its 2006 annual meeting of stockholders.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information responsive to this Item 12 is incorporated herein by reference to the company's definitive proxy statement for its 2006 annual meeting of stockholders.

Item 13. Certain Relationships and Related Transactions

Information responsive to this Item 13 is incorporated herein by reference to the company's definitive proxy statement for its 2006 annual meeting of stockholders.

Item 14. Principal Accountant Fees and Services

Information responsive to this Item 14 is incorporated herein by reference to the company's definitive proxy statement for its 2006 annual meeting of stockholders.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a)(1) The following consolidated financial statements of the company appear on pages F-2 through F-22 of this report and are incorporated by reference in Part II, Item 8:

(a)(2) All schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions, or are inapplicable or not material and therefore have been omitted.

(a)(3) The following exhibits are either filed with this Form 10-K or are incorporated herein by reference. The company's Securities Exchange Act file number is 001-14649.

Exhibit Number	Exhibit Description
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 3.1 to the Company's Quarterly Report Form 10-Q for the quarterly period ended September 30, 2004 and incorporated herein by reference.
4.1	Specimen certificate representing the Company's common stock. Filed as Exhibit 4.1 to the Company's Registration Statement on Form S-1 (No. 333-63287) and incorporated herein by reference.
10.1	Description of Non-Employee Director Compensation. Filed herewith.
10.2	Description of Management Compensatory Plans and Arrangements. Filed herewith.
10.3	Trex Company, Inc. 2005 Stock Incentive Plan. Filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2005 and incorporated herein by reference.
10.4	Trex Company, Inc. Amended and Restated 1999 Incentive Plan for Outside Directors, as amended. Filed herewith.
10.5	Form of Trex Company, Inc. 2005 Stock Incentive Plan Non-Incentive Stock Option Agreement. Filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2005 and incorporated herein by reference.
10.6	Form of Trex Company, Inc. 2005 Stock Incentive Plan Stock Appreciation Rights Agreement. Filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2005 and incorporated herein by reference.
10.7	Form of Trex Company, Inc. 2005 Stock Incentive Plan Performance Award Agreement. Filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2005 and incorporated herein by reference.

Exhibit Number	Exhibit Description
10.8	Form of Trex Company, Inc. 2005 Stock Incentive Plan Restricted Stock Agreement. Filed herewith.
10.9	Form of Trex Company, Inc. Amended and Restated 1999 Incentive Plan for Outside Directors Non-Incentive Stock Option Agreement. Filed as Exhibit 10.4 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002 and incorporated herein by reference.
10.10	Form of Trex Company, Inc. Amended and Restated 1999 Incentive Plan for Outside Directors Stock Appreciation Rights Agreement. Filed herewith.
10.11	Form of Lock-Up Agreement, dated as of December 20, 2005. Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 21, 2005 and incorporated herein by reference.
10.12	Separation Agreement and Mutual General Release, dated as of October 19, 2005, by and between Trex Company, Inc. and Robert G. Matheny. Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 21, 2005 and incorporated herein by reference.
10.13	Release and Severance Agreement, dated as of March 6, 2006, by and between Trex Company, Inc. and Philip J. Pifer. Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on March 8, 2006 and incorporated herein by reference.
10.14	Form of Distributor Agreement of TREX Company, LLC. Filed as Exhibit 10.5 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001 and incorporated herein by reference.
10.15	Deed of Lease, dated June 15, 2000, between TREX Company, LLC and Space, LLC. Filed as Exhibit 10.16 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000 and incorporated herein by reference.
10.16	Note Purchase Agreement, dated as of June 19, 2002, by and among Trex Company, Inc., TREX Company, LLC and the Purchasers listed therein. Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 25, 2002 and incorporated herein by reference.
10.17	Credit Agreement, dated as of June 19, 2002, among TREX Company, LLC, Trex Company, Inc. and Branch Banking and Trust Company of Virginia. Filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed on June 25, 2002 (as amended by the Company's Current Report on Form 8-K/A filed on June 28, 2002) and incorporated herein by reference.
10.18	Security Agreement, dated as of June 19, 2002, by and among TREX Company, LLC, Trex Company, Inc. and Branch Banking and Trust Company of Virginia, as collateral agent. Filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed on June 25, 2002 and incorporated herein by reference.
10.19	Intercreditor and Collateral Agency Agreement, dated as of June 19, 2002, by and among the Note holders named in Schedule I therein, Branch Banking and Trust Company of Virginia, and Branch Banking and Trust Company of Virginia, as collateral agent. Filed as Exhibit 10.4 to the Company's Current Report on Form 8-K filed on June 25, 2002 and incorporated herein by reference.
10.20	Credit Line Deed of Trust, dated June 19, 2002, by and among TREX Company, LLC, as grantor, BB&T-VA Collateral Service Corporation, as trustee, and Branch Banking and Trust Company of Virginia and Branch Banking and Trust Company, as note holder. Filed as Exhibit 10.5 to the Company's Current Report on Form 8-K filed on June 25, 2002 and incorporated herein by reference.
10.21	First Amendment to Credit Agreement, dated as of August 29, 2003, by and between the Company and Branch Banking and Trust Company of Virginia. Filed herewith.
10.22	Second Amendment to Credit Agreement, dated as of September 30, 2004, among the Company and Branch Banking and Trust Company of Virginia. Filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2004 and incorporated herein by reference.
10.23	Third Amendment to Credit Agreement, dated as of March 31, 2005, by and between the Company and Branch Banking and Trust Company of Virginia. Filed as Exhibit 10.6 to the Company's Quarterly Report of Form 10-Q for the quarterly period ended June 30, 2005 and incorporated herein by reference.

Exhibit Number	Exhibit Description
10.24	Fourth Amendment to Credit Agreement, dated as of July 25, 2005, by and between the Company and Branch Banking and Trust Company of Virginia. Filed as Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2005 and incorporated herein by reference.
10.25	Fifth Amendment to Credit Agreement, dated as of December 31, 2005, among the Company and Branch Banking and Trust Company of Virginia. Filed herewith.
10.26	Loan Agreement, dated as of December 1, 2004, between the Company and Mississippi Business Finance Corporation. Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 20, 2004 and incorporated herein by reference.
10.27	Promissory Note, dated as of December 16, 2004, in the principal amount of $25,000,000 from the Company payable to the order of Mississippi Business Finance Corporation. Filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed on December 20, 2004 and incorporated herein by reference.
10.28	Reimbursement and Credit Agreement, dated as of December 1, 2004, between the Company and JPMorgan Chase Bank, N.A., as Bank and Administrative Agent. Filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed on December 20, 2004 and incorporated herein by reference.
10.29	First Amendment to Reimbursement and Credit Agreement, dated as of July 25, 2005, by and between the Company and JPMorgan Chase Bank, N.A., as Issuing Bank and Administrative Agent. Filed as Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2005 and incorporated herein by reference.
10.30	Second Amendment to Reimbursement and Credit Agreement, dated as of December 31, 2005, by and between the Company and JPMorgan Chase Bank, N.A., as Issuing Bank and Administrative Agent. Filed herewith.
10.31	Reimbursement Note, dated as of December 1, 2004, in the principal amount of $25,308,220 from the Company payable to JPMorgan Chase Bank, N.A. Filed as Exhibit 10.4 to the Company's Current Report on Form 8-K filed on December 20, 2004 and incorporated herein by reference.
10.32	Land Deed of Trust, dated as of December 1, 2004, made by the Company to the trustee named therein for the benefit of JPMorgan Chase Bank, N.A. Filed as Exhibit 10.5 to the Company's Current Report on Form 8-K filed on December 20, 2004 and incorporated herein by reference.
10.33	Trust Indenture, dated as of December 1, 2004, between Mississippi Business Finance Corporation and J.P. Morgan Trust Company, National Association, as Trustee, including Form of Variable Rate Series 2004 Bond and Form of Fixed Rate Series 2004 Bond. Filed as Exhibit 10.6 to the Company's Current Report on Form 8-K filed on December 20, 2004 and incorporated herein by reference.
10.34	Deed of Lease, dated as of July 27, 2005, between Trex Company, Inc. and 1 Dulles Town Center, L.L.C. Filed herewith.*
21	Subsidiaries of the Company. Filed herewith.
23	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm. Filed herewith.
31.1	Certification of Chief Executive Officer of the Company 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 the Company 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.

* Portions of this exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

TREX COMPANY, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Ernst & Young LLP, Independent Registered Public Accounting Firm

Board of Directors and Shareholders of Trex Company, Inc.

We have audited the accompanying consolidated balance sheets of Trex Company, Inc. as of December 31, 2004 and 2005, and the related consolidated statements of operations, changes in stockholders' equity and comprehensive income, and cash flows for each of the three years in the period ended December 31, 2005. 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 the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Trex Company, Inc. at December 31, 2004 and 2005, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2005, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Trex Company, Inc.'s internal control over financial reporting as of December 31, 2005, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 14, 2006 expressed an unqualified opinion on management's assessment and an adverse opinion on the effectiveness of the Company's internal control over financial reporting because of the existence of a material weakness.

/s/ ERNST & YOUNG LLP

McLean, Virginia
March 14, 2006

TREX COMPANY, INC.

CONSOLIDATED BALANCE SHEETS

	December 31,	
	2004	2005
	(In thousands)	
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 23,925	$ 1,931
Restricted cash	20,959	—
Accounts receivable (net of allowance for doubtful accounts of $0.3 million and $0.6 million in 2004 and 2005, respectively)	21,964	12,364
Inventories	44,357	56,726
Prepaid expenses and other assets	4,162	3,750
Income taxes receivable	497	8,297
Deferred income taxes	2,975	1,711
Total current assets	118,839	84,779
Property, plant and equipment, net	158,389	191,210
Goodwill	6,837	6,837
Debt-related derivatives	—	292
Other assets	2,986	3,151
Total Assets	$287,051	$286,269
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 16,392	$ 14,405
Accrued expenses	15,104	17,514
Line of credit	—	4,070
Current portion of long-term debt	8,932	9,031
Total current liabilities	40,428	45,020
Deferred income taxes	15,808	15,158
Debt-related derivatives	1,736	1,053
Long-term debt	69,565	60,505
Total Liabilities	127,537	121,736
Commitments and contingencies		
Stockholders' Equity:		
Preferred stock, $0.01 par value, 3,000,000 shares authorized; none issued and outstanding	—	—
Common stock, $0.01 par value, 40,000,000 shares authorized; 14,843,820 and 14,889,674 shares issued and outstanding at December 31, 2004 and 2005, respectively	148	149
Additional paid-in capital	60,182	61,901
Deferred compensation	(1,259)	(1,076)
Accumulated other comprehensive loss	(1,098)	(481)
Retained earnings	101,541	104,040
Total Stockholders' Equity	159,514	164,533
Total Liabilities and Stockholders' Equity	$287,051	$286,269

See accompanying notes to financial statements.

TREX COMPANY, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,		
	2003	2004	2005
	(In thousands, except share and per share data)		
Net sales	$ 191,008	$ 253,628	$ 294,133
Cost of sales	107,246	151,286	213,904
Gross profit	83,762	102,342	80,229
Selling, general, and administrative expenses	46,837	56,382	76,989
Income from operations	36,925	45,960	3,240
Interest income	327	581	524
Interest expense	(3,887)	(3,645)	(3,136)
Income before provision for income taxes	33,365	42,896	628
Provision (benefit) for income taxes	12,376	15,741	(1,871)
Net income	$ 20,989	$ 27,155	$ 2,499
Basic earnings per common share	$ 1.45	$ 1.86	$ 0.17
Basic weighted average common shares outstanding	14,522,092	14,636,959	14,769,799
Diluted earnings per common share	$ 1.43	$ 1.83	$ 0.17
Diluted weighted average common shares outstanding	14,727,838	14,834,718	14,879,661

See accompanying notes to financial statements.

TREX COMPANY, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME

	Common Stock		Additional Paid-in Capital	Deferred Compensation	Accumulated Other Comprehensive Loss	Retained Earnings	Total
	Shares	Amount					
				(Dollars in thousands)			
Balance, December 31, 2002	14,297,711	$ 143	$ 49,354	$ (2,400)	$ (1,719)	$ 53,397	$ 98,775
Comprehensive income:							
Net income	—	—	—	—	—	20,989	20,989
Unrealized losses on interest rate swaps, net of tax	—	—	—	—	(193)	—	(193)
Derivative loss reclassified to earnings, net of tax	—	—	—	—	525	—	525
Total comprehensive income							21,321
Employee stock purchase and option plans	50,741	—	933	—	—	—	933
Tax benefit of stock options	—	—	338	—	—	—	338
Exercise of warrant	353,779	4	5,264	—	—	—	5,268
Amortization of deferred compensation	—	—	—	571	—	—	571
Balance, December 31, 2003	14,702,231	147	55,889	(1,829)	(1,387)	74,386	127,206
Comprehensive income:							
Net income	—	—	—	—	—	27,155	27,155
Unrealized losses on interest rate swaps, net of tax	—	—	—	—	(199)	—	(199)
Derivative loss reclassified to earnings, net of tax	—	—	—	—	488	—	488
Total comprehensive income	—	—	—	—	—	—	27,444
Employee stock purchase and option plans	141,589	1	3,290	—	—	—	3,291
Tax benefit of stock options	—	—	1,003	—	—	—	1,003
Amortization of deferred compensation	—	—	—	570	—	—	570
Balance, December 31, 2004	14,843,820	148	60,182	(1,259)	(1,098)	101,541	159,514
Comprehensive income:							
Net income	—	—	—	—	—	2,499	2,499
Unrealized losses on interest rate swaps, net of tax	—	—	—	—	(49)	—	(49)
Derivative loss reclassified to earnings, net of tax	—	—	—	—	666	—	666
Total comprehensive income	—	—	—	—	—	—	3,116
Employee stock purchase and option plans	47,120	1	1,201	—	—	—	1,202
Tax benefit of stock options and restricted stock	—	—	419	—	—	—	419
Restricted stock awards (grants, net of forfeitures)	17,312	—	842	(842)	—	—	—
Repurchases of common stock	(18,578)	—	(743)	—	—	—	(743)
Amortization of deferred compensation	—	—	—	1,025	—	—	1,025
Balance, December 31, 2005	14,889,674	$ 149	$ 61,901	$ (1,076)	$ (481)	$ 104,040	$ 164,533

See accompanying notes to financial statements.

TREX COMPANY, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2003	2004	2005
		(In thousands)	
Operating Activities			
Net income	$ 20,989	$ 27,155	$ 2,499
Adjustments to reconcile net income to net cash provided by operating activities:			
Deferred income taxes and other	3,120	1,651	256
Tax benefit of stock options and restricted stock	338	1,003	419
Equity method losses	125	42	7
Amortization of deferred compensation and financing costs	902	945	1,310
Depreciation and amortization	12,539	13,713	16,139
Loss on disposal of property, plant and equipment	26	80	967
Changes in operating assets and liabilities:			
Accounts receivable	(4,989)	(16,135)	9,600
Inventories	(23,521)	1,593	(12,369)
Prepaid expenses and other assets	(172)	(2,263)	412
Accounts payable	(597)	10,658	(1,987)
Accrued expenses	(3,218)	7,347	2,410
Income taxes receivable	86	(501)	(7,800)
Net cash provided by operating activities	5,628	45,288	11,863
Investing Activities			
Investment in Denplax	(691)	(44)	(35)
Loans to Denplax	—	(1,250)	(422)
Restricted cash	—	(20,959)	20,959
Expenditures for property, plant and equipment	(17,058)	(34,120)	(49,927)
Net cash used in investing activities	(17,749)	(56,373)	(29,425)
Financing Activities			
Financing costs	—	(553)	—
Borrowings under mortgages and notes	—	25,000	—
Principal payments under mortgages and notes	(822)	(879)	(8,961)
Borrowings under line of credit	420	1,546	24,286
Principal payments under line of credit	(420)	(1,546)	(20,216)
Repurchase of common stock	—	—	(743)
Proceeds from employee stock purchase and option plans	933	3,291	1,202
Proceeds from exercise of warrant	5,268	—	—
Net cash provided by (used in) financing activities	5,379	26,859	(4,432)
Net increase (decrease) in cash and cash equivalents	(6,742)	15,774	(21,994)
Cash and cash equivalents at beginning of year	14,893	8,151	23,925
Cash and cash equivalents at end of year	$ 8,151	$ 23,925	$ 1,931
Supplemental disclosures of cash flow information:			
Cash paid for interest	$ 4,572	$ 4,523	$ 4,873
Cash paid for income taxes	$ 9,322	$ 13,085	$ 7,852

See accompanying notes to financial statements.

TREX COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BUSINESS AND ORGANIZATION

Trex Company, Inc. (together with its subsidiaries, the "Company"), a Delaware corporation, was incorporated on September 4, 1998. The Company manufactures and distributes wood/plastic composite products primarily for residential and commercial decking and railing applications. Trex Wood-Polymer® lumber ("Trex") is manufactured in a proprietary process that combines waste wood fibers and reclaimed polyethylene ("PE material"). The Company operates in one business segment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States and include the accounts of the Company and its wholly-owned subsidiaries, Winchester Capital, Inc., Winchester SP, Inc. and Trex Wood-Polymer Espana, S.L. ("TWPE"). Intercompany accounts and transactions have been eliminated in consolidation.

TWPE was formed to hold the Company's 35% equity interest in Denplax, S.A. ("Denplax"), a joint venture with a Spanish company responsible for public environmental programs in southern Spain and with an Italian equipment manufacturer. The joint venture was formed to recycle polyethylene at a facility in El Ejido, Spain. The Company's investment in Denplax is accounted for using the equity method.

Use of Estimates

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

Cash and Cash Equivalents

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

Concentrations and Credit Risk

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents, trade accounts receivable and interest rate swap contracts. The Company from time to time may have bank deposits in excess of insurance limits of the Federal Deposit Insurance Corporation. As of December 31, 2005, substantially all deposits are maintained in one financial institution. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to its cash and cash equivalents.

The Company routinely assesses the financial strength of its customers and, as a consequence, believes that its trade receivable credit risk exposure is limited. Trade receivables are carried at the original invoice amount less an estimate made for doubtful accounts based on a review of all outstanding amounts. A valuation allowance is provided for known and anticipated credit losses, as determined by management in the course of regularly evaluating individual customer receivables. This evaluation takes into consideration a customer's financial condition and credit history, as well as current economic conditions. The Company's losses as a result of uncollectible accounts have not been significant.

Approximately 77%, 75% and 75% of the Company's gross sales for the years ended December 31, 2003, 2004 and 2005, respectively, were to its five largest customers. In the year ended December 31, 2003, the Company's sales to four of these five distributors exceeded 10% of the Company's gross sales, while in the years ended December 31, 2004 and 2005, the Company's sales to three of these five distributors exceeded 10% of the Company's gross sales. As of December 31, 2004, three customers represented 29%, 24% and 18%, respectively, of the Company's accounts receivable balance. As of December 31, 2005, three customers represented 30%, 21% and 12%, respectively, of the Company's accounts receivable balance.

Approximately 34%, 38% and 36% of the Company's raw materials purchases for the years ended December 31, 2003, 2004 and 2005, respectively, were purchased from its four largest suppliers.

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

Inventories

Inventories are stated at the lower of cost (last-in, first-out, or "LIFO") 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 expensed as incurred. Depreciation is provided using the straight-line method over the following estimated useful lives:

Buildings	40 years
Machinery and equipment	5-11 years
Furniture and equipment	10 years
Forklifts and tractors	5 years
Computer equipment and software	3-5 years

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

Goodwill

Goodwill represents the excess of cost over net assets acquired resulting from the Company's purchase of the Mobil Composite Products Division in 1996. Each year, in accordance with Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets," the Company conducts an impairment test. For the years ended December 31, 2004 and 2005, the Company completed its annual impairment test of goodwill and noted no impairment. The Company performs the annual impairment testing of its goodwill as of October 31 in each year, which could have an adverse effect on the Company's future results of operations if an impairment occurs.

Long-Lived Assets

In accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," the Company reviews its long-lived assets, including property, plant and equipment, whenever events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable. To determine the recoverability of its long-lived assets, the Company evaluates the probability that future estimated undiscounted net cash flows will be less than the carrying amount of the long-lived assets. If such cash flows are more likely than not to be less than the carrying amount of the long-lived assets, such assets are written down to their fair value. The Company's estimates of anticipated cash flows and the remaining estimated useful lives of long-lived assets could be reduced in the future. As a result, the carrying amount of long-lived assets could be reduced in the future.

Revenue Recognition

The Company recognizes revenue when title is transferred to customers, which is generally upon shipment of the product to the customer from the Company's manufacturing facilities. Pursuant to Emerging Issues Task Force ("EITF") Issue 00-10, "Accounting for Shipping and Handling Fees and Costs," the Company records all shipping and handling fees in sales and records all of the related costs in cost of sales. The Company offers several programs to dealers and distributors, including cash rebates, sales incentives and cooperative advertising. The Company accounts for these programs in accordance with EITF Issue 01-09, "Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)."

Stock-Based Compensation

In October 1995, the Financial Accounting Standards Board ("FASB") issued SFAS No. 123, "Accounting for Stock-Based Compensation." SFAS No. 123 allows companies to account for stock-based compensation under the provisions of SFAS No. 123 or under the provisions of Accounting Principles Board Opinion ("APB") No. 25, but requires pro forma disclosures in the footnotes to the financial statements as if the measurement provisions of SFAS No. 123 have been adopted. In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure," which prescribes certain disclosures and provides guidance on how to transition from the intrinsic value method of accounting for stock-based employee compensation under APB No. 25 to the fair value method of accounting of SFAS No. 123, if a company so elects. The Company accounts for its stock-based compensation in accordance with APB No. 25 and its related interpretations. No stock-based compensation cost related to stock option grants has been reflected in net income, as all options granted had an exercise price equal to the fair value of the underlying common stock on the date of grant. The Company has recognized stock-based compensation for awards of restricted common stock. Such compensation is based upon the fair value of the common stock on the date of grant.

The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123.

	Year Ended December 31,		
	2003	2004	2005
Net income, as reported	$20,989	$27,155	$ 2,499
Deduct: Additional stock-based compensation expense determined under fair value based method, net of related tax effects	$ (1,556)	$ (1,235)	$(4,273)
Pro forma net income	$19,433	$25,920	$(1,774)
Earnings per share:			
Basic-as reported	$ 1.45	$ 1.86	$ 0.17
Basic-pro forma	$ 1.34	$ 1.77	$ (0.12)
Diluted-as reported	$ 1.43	$ 1.83	$ 0.17
Diluted-pro forma	$ 1.32	$ 1.75	$ (0.12)

In accordance with SFAS No. 123, the fair value was estimated at the grant date using a Black-Scholes option pricing model with the following weighted-average assumptions for the years ended December 31, 2003, 2004 and 2005: risk-free interest rates ranging from 3% to 5%; no dividends; expected life of the options of approximately five years; and volatility ranging from 35% to 81%.

In December 2005, the Compensation Committee of the Board of Directors approved the immediate and full acceleration of the vesting of each outstanding otherwise unvested stock option that had an exercise price greater than $25.92. The acceleration was effective as of December 19, 2005. The acceleration applied to 247,898 stock option awards from 2002 through 2005. Because the accelerated options each had an exercise price in excess of the current market value of the common stock based on the closing price of $25.92 per share reported on the New York Stock Exchange on December 19, 2005, the Company did not record any incremental compensation

expense under the intrinsic value method. The acceleration will minimize certain future compensation expense that the Company would otherwise have recognized in its consolidated statement of operations with respect to those options pursuant to SFAS No. 123R, as discussed below in this Note 2. Future expense related to options granted as of December 31, 2005 under SFAS No. 123R of approximately $2.6 million was eliminated as a result of the accelerated vesting.

Income Taxes

The Company accounts for income taxes and the related accounts under SFAS No. 109, “Accounting for Income Taxes.” Deferred tax liabilities and assets are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted rates expected to be in effect during the year in which the differences reverses. Management periodically assesses the likelihood that the Company will be able to recover its deferred tax assets and reflects any changes in estimates in the valuation allowance. In assessing the need for a valuation allowance, management considers the future reversal of existing taxable temporary differences, and estimated future taxable income.

Research and Development Costs

Research and development costs are expensed as incurred. For the years ended December 31, 2003, 2004 and 2005, research and development costs were $1.7 million, $2.7 million and $3.6 million, respectively, and have been included in selling, general and administrative expenses in the accompanying financial statements.

Advertising Costs

The Company expenses its branding and advertising communication costs as incurred. Significant advertising production costs are deferred and recognized as expense over the period that the related advertisement is used, beginning with the first publication or airing of the advertisement and ending with the earlier of the last publication or airing of the advertisement within a fiscal year or the end of the fiscal year. As of December 31, 2005, $0.1 million was included in prepaid expenses and other assets for advertising production costs for advertisements that will be used in the year ending December 31, 2006. As of December 31, 2004, $1.8 million was included in prepaid expenses for production costs.

For the years ended December 31, 2003, 2004 and 2005, branding expenses, including advertising expenses as described above, were $15.0 million, $17.3 million and $24.9 million, respectively.

Fair Value of 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, real estate loans, and promissory note to approximate the fair value of the respective assets and liabilities at December 31, 2004 and 2005. The fair value of the Company’s senior notes at December 31, 2005 was estimated at $33.2 million.

Derivative Instruments

Effective January 1, 2001, the Company adopted SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities,” as amended by SFAS No. 138, “Accounting for Certain Derivative Instruments and Certain Hedging Activities.” SFAS No. 133, as amended, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and hedging activities and requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value.

In order to manage market risk exposure related to changing interest rates, the Company has entered into interest rate swap agreements that effectively convert its floating-rate debt to a fixed-rate obligation. These interest rate swap agreements are accounted for as cash flow hedges as permitted by SFAS No. 133, as amended.

The effective portion of the gain or loss on the derivative instrument is reported as a component of accumulated other comprehensive income (loss) and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. The remaining gain or loss on the derivative instrument in excess of the cumulative change in the present value of future cash flows of the hedged item, if any, is recognized in current earnings during the period of change. Such amounts recognized in current earnings have not been material. The Company estimates that of the amount included in accumulated other comprehensive loss at December 31, 2005, which is approximately $0.3 million, net of taxes, will be reclassified to earnings over the next twelve months.

Reclassifications

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

Investment in Denplax

During 2000, the Company formed a joint venture, Denplax, with a Spanish environmental company and an Italian equipment manufacturer to operate a plant in Spain designed to recycle waste polyethylene. Denplax qualifies as a variable interest entity under FASB Interpretation No. 46, “Consolidation of Variable Interest Entities, an Interpretation of Accounting Research Bulletin No. 51” (the “Interpretation”). The Company adopted the Interpretation during the first quarter of 2004. The adoption of the Interpretation did not have a material impact on the Company’s financial position or results of operations. Denplax was financed with initial equity contributions from the Company and the other partners and debt financing. The Company does not control Denplax and records its proportional 35% share of Denplax’s operating results using the equity method. Under a separate supply agreement, the Company has agreed to purchase up to 27,200 metric tons of the Denplax plant’s production per year, if the production meets certain material specifications. In the years ended December 31, 2003, 2004 and 2005, the Company purchased 18,393 metric tons for approximately $3.8 million, 14,424 metric tons for approximately $3.2 million, and approximately 13,275 metric tons for approximately $2.8 million, respectively, excluding freight costs. In each such year, the Company’s purchases accounted for substantially all of the Denplax plant’s production. During the years ended December 31, 2004 and 2005, the Company made additional investments in Denplax of approximately $44,000 and $35,000, respectively. The carrying value of the Company’s investment in Denplax was approximately $0.8 million at December 31, 2004 and 2005. In addition, under a revolving line of credit financing arrangement that matures on December 31, 2006 and bears interest at an annual rate of 4%. The Company had loaned Denplax approximately $1.2 million and $1.7 million at December 31, 2004 and 2005, respectively. At December 31, 2005, the Company had also prepaid $0.3 million for purchases in route from Denplax.

New Accounting Standards

In November 2004, the FASB issued SFAS No. 151, “Inventory Costs, and Amendment of ARB No. 43, Chapter 4.” SFAS No. 151 amends Accounting Research Bulletin 43, Chapter 4, to clarify that abnormal amounts of idle facility expense, freight, handling costs and wasted materials (spoilage) should be recognized as current period charges. It also requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. SFAS No. 151 is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The Company is currently evaluating the effect that the adoption of SFAS No. 151 will have on its results of operations or financial position.

In December 2004, the FASB issued SFAS No. 123R, “Share-Based Payment,” which becomes effective for the Company for reporting periods beginning after December 31, 2005. SFAS No. 123R addresses the accounting for share-based payment transactions in which a company receives employee services in exchange for equity instruments of the company or liabilities that are based on the fair value of the company’s equity instruments or that may be settled by the issuance of such equity instruments. This statement requires that share-based

transactions be accounted for using a fair-value-based method to recognize compensation expense. SFAS No. 123R allows for the use of the Black-Scholes or lattice option-pricing model to value options. The Company has not yet determined the option-pricing model it will use to calculate the fair value of its options.

As allowed by SFAS No. 123R, the Company may elect to adopt the standard using either the modified prospective method, which applies the statement to new awards and modified awards after the effective date, and to any unvested awards as service is rendered on or after the effective date, or the modified retrospective method, which can apply the statement either to all prior years for which SFAS No. 123 was effective or only to prior interim periods in the year of adoption. The Company is currently evaluating which method of adoption it will use. Note 2 under "Stock-Based Compensation" above illustrates the effects on net income and earnings per share if the Company had adopted SFAS No. 123, using the Black-Scholes option-pricing model. The impact of the adoption of SFAS No. 123R cannot be predicted at this time, because such impact will depend on levels of share-based payments granted in the future. However, if the Company had adopted SFAS No. 123R in prior periods, the impact of that standard would have approximated the impact of SFAS No. 123 as described in the disclosure of pro forma income and earnings per share.

SFAS No. 123R requires that compensation cost be recognized for unvested awards over the period through the date that the employee is no longer required to provide future services to earn the award, rather than over the explicit service period. Accordingly, the Company will adjust its existing policy for recognizing compensation cost to coincide with the date that the employee is eligible to retire, rather than the actual retirement date, for all options granted subsequent to January 1, 2006. SFAS No. 123R also requires the benefits of tax deductions in excess of compensation amounts recognized for book purposes to be reported as a financing cash flow rather than as an operating cash flow as required under current rules. This requirement will reduce net operating cash flows and increase net financing cash flows in periods after adoption. The Company cannot estimate what those amounts will be in the future because they depend on, among other things, when employees exercise stock options.

3. INVENTORIES

Inventories (at LIFO value) consist of the following as of December 31 (in thousands):

	2004	2005
Finished goods	$ 32,564	$ 38,779
Raw materials	11,793	17,947
	$ 44,357	$ 56,726

At December 31, 2004 and 2005, the excess of the replacement cost of inventory over the LIFO value of inventory was approximately $10.7 million and $24.7 million, respectively.

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following as of December 31 (in thousands):

	2004	2005
Building and improvements	$ 36,466	$ 49,104
Machinery and equipment	121,901	164,523
Furniture and equipment	2,247	2,254
Forklifts and tractors	3,846	3,874
Computer equipment	5,913	7,859
Construction in process	36,920	24,600
Land	8,857	8,857
	216,150	261,071
Accumulated depreciation	(57,761)	(69,861)
	$158,389	$191,210

The Company had construction in process as of December 31, 2005 of approximately $24.6 million. The Company expects that the construction in process will be completed and put into service by mid-2007.

Depreciation expense for the years ended December 31, 2003, 2004 and 2005 totaled $12.5 million, $13.7 million and $16.1 million, respectively.

In connection with the retooling of certain production lines at the Company's Winchester and Fernley plants, the Company disposed of certain equipment, which resulted in a $1.0 million charge in 2005 included in selling, general, and administrative expenses.

5. ACCRUED EXPENSES

Accrued expenses consist of the following (in thousands):

	2004	2005
Accrued sales and marketing costs	$ 3,442	$ 4,181
Accrued compensation and benefits	5,404	4,552
Accrued manufacturing expenses	1,047	1,854
Accrued professional and legal costs	1,954	686
Accrued freight	975	661
Deferred rent	439	488
Accrued interest	191	349
Other	1,652	4,743
Total	$ 15,104	$ 17,514

6. DEBT

2002 Refinancing

On June 19, 2002, the Company refinanced total indebtedness of $47.6 million outstanding under a senior bank credit facility and various real estate loans. The Company refinanced this indebtedness with the proceeds from its sale of senior notes in the aggregate principal amount of $40.0 million and borrowings under new real estate loans having an aggregate principal amount of $12.6 million. In connection with the refinancing, the Company replaced its existing revolving credit facility with a $20.0 million revolving credit facility with a new lender. Borrowings under the revolving credit facility and the senior notes were secured by liens on substantially all of the Company's assets. These liens were subsequently released in connection with the September 30, 2004 refinancing described below.

The senior notes accrue interest at an annual rate of 8.32%. Five principal payments of $8.0 million annually to retire the notes began in June 2005.

Amounts drawn under the revolving credit facility are subject to a borrowing base consisting of accounts receivable and finished goods inventories. At December 31, 2005, $4.1 million was outstanding under the revolving credit facility and the borrowing base totaled approximately $43.0 million. As of December 31, 2005, the Company had issued letters of credit under the revolving credit facility that totaled $0.8 million and expire in the year ended December 31, 2006.

The Company capitalized $1.3 million of financing costs relating to the foregoing refinancing. The deferred financing costs are amortized over the terms of the various debt instruments.

Real Estate Loans

The Company's real estate loans accrue interest at annual rates equal to LIBOR plus specified margins. The real estate loans are secured by the Company's various real estate holdings and are held by financial institutions.

In May 2000, the Company financed its purchase of a manufacturing facility through borrowings under its revolving credit facility. In August 2000, the Company refinanced the borrowings with a 15-year term loan in the original principal amount of $5.9 million. Pursuant to terms of the September 30, 2004 refinancing described below, the loan provides for monthly payments of principal and interest and will be payable in full on September 30, 2009. Under an interest rate swap agreement, interest on this loan is payable at an annual effective rate of 10.10% at December 31, 2005.

In September 1999, the Company refinanced two loans incurred in connection with the site acquisition and construction of a manufacturing facility with a 15-year term loan in the original principal amount of approximately $6.7 million. The loan provides for monthly payments of principal and interest over the 15-year amortization schedule. Under an interest rate swap agreement, interest on this loan is payable at an annual effective rate of 7.90% at December 31, 2005.

In 1998, the Company borrowed $4.8 million under two loans to fund, in part, the acquisition of the site for a manufacturing facility and the site of its research and development facility. The loans provided for monthly payments of principal and interest over a 15-year amortization schedule, with all remaining principal due on the tenth anniversary of the loan dates. Pursuant to terms of the September 30, 2004 refinancing described below, the loans will be payable in full on September 30, 2009. Under interest rate swap agreements, interest on these loans is payable at annual effective rates of 9.12% and 8.80%, respectively, at December 31, 2005.

2004 Refinancing

On September 30, 2004, the Company amended its $20.0 million revolving credit facility and certain real estate loans. The amendment extended the maturity date of the revolving credit facility from June 30, 2005 to September 30, 2007 and the maturity date of the real estate loans from June 30, 2005 to September 30, 2009. The revolving credit facility and real estate loans accrue interest at annual rates equal to the specified London Interbank Offered Rate (“LIBOR”) plus specified margins. The specified margins are determined based on the Company’s ratio of total consolidated debt to consolidated earnings before interest, taxes, depreciation and amortization, as computed under the credit facility. The amendment reduced the margins for the credit facility from a range of 1.50% to 3.25% to a range of 1.25% to 1.75% and the real estate loans from a range of 1.75% to 3.50% to a range of 1.50% to 2.50%. Under the amendment, the lender and the holders of the senior notes described above released their liens on the Company’s assets under the revolving credit facility and the senior notes. The amendment also made less restrictive some of the negative and financial covenants in the revolving credit facility.

The Company capitalized $0.1 million of financing costs relating to the foregoing refinancing. The deferred financing costs are amortized over the term of the various debt instruments.

Promissory Note

On December 16, 2004, the Company borrowed, under a variable rate promissory note, $25.0 million of the proceeds from the sale of variable rate demand environmental improvement revenue bonds issued by the Mississippi Business Finance Corporation, a Mississippi public corporation. The bonds restrict the Company’s use of the proceeds to financing all or a portion of the costs of the acquisition, construction and equipping of solid waste disposal facilities to be used in connection with the Company’s new manufacturing facility, which is located in Olive Branch, Mississippi. As a result, the unused proceeds as of December 31, 2004 were included in restricted cash on the accompanying balance sheet. The bonds are special, limited obligations of the issuer and, unless sooner paid pursuant to redemption or other specified principal payment event, will mature on December 1, 2029. Under its loan agreement with the bond issuer, the Company is obligated to make payments sufficient to pay the principal of, premium, if any, and interest on the bonds when due. The Company’s obligation to make these payments will be satisfied to the extent of payments made to the trustee of the bonds under a $25.3 million letter of credit opened for the Company’s account. The Company is obligated under a reimbursement agreement to reimburse the letter of credit bank for drawings made under the letter of credit and to make other specified payments. Interest on the bonds will initially be paid each month at a variable rate established on a weekly basis. The variable rate on the bonds was 3.63% on December 31, 2005. The interest rate

is based on auction rates and is reset every seven days. The reimbursement agreement contains certain financial and non-financial covenants. The Company's obligations under the reimbursement agreement are secured by a first priority security interest in specified assets relating to the third manufacturing site and facility.

The Company capitalized $0.5 million of financing costs relating to the foregoing financing. The deferred financing costs are amortized over the term of the debt instrument.

2005 Amendments

On January 19, 2006, the Company entered into amendments to the Company's bond reimbursement agreement and credit facility agreement. Among other things, the amendments, which were effective as of December 31, 2005, increased the principal amount of the revolving credit commitment under the credit facility agreement for the period from January 1, 2006 through June 30, 2006 from $20.0 million to $30.0 million and increased by 1.0% the maximum interest rate margins potentially applicable to revolving loans and real estate loans under the agreement. The amendments also added a new financial covenant under both agreements for the year ended December 31, 2005 and provided that certain financial covenants would not be measured for the three-month periods ended December 31, 2005 and ending March 31, 2006.

To remain in compliance with its credit facility, senior notes and bond loan document covenants, the Company must maintain specified financial ratios based on its levels of debt, capital, net worth, fixed charges and earnings (excluding extraordinary gains and extraordinary non-cash losses) before interest, taxes, depreciation and amortization. At December 31, 2005, after giving effect to the foregoing amendments, the Company was in compliance with these covenants. The foregoing debt agreements contain cross-default provisions.

Long-term debt consists of the following as of December 31 (in thousands):

	2004	2005
Real estate loan, due September 30, 2009	$ 2,643	$ 2,416
Real estate loan, due September 30, 2009	742	681
Real estate loan, due September 30, 2009	4,893	4,593
Real estate loan, due September 30, 2014	5,219	4,846
Senior notes	40,000	32,000
Promissory note	25,000	25,000
	78,497	69,536
Less current portion	(8,932)	(9,031)
Long-term debt	$69,565	$60,505

Future maturities of long-term debt are as follows (in thousands):

Years ending December 31,	
2006	$ 9,031
2007	9,115
2008	9,254
2009	14,091
2010	549
Thereafter	27,496
	$69,536

During the years ended December 31, 2003, 2004 and 2005, the Company capitalized approximately $1.1 million, $1.3 million and $2.2 million of interest, respectively.

Interest Rate Swaps

The Company uses interest rate swap contracts to manage its exposure to fluctuations in the interest rates under its real estate loans and variable rate promissory note. At December 31, 2005, the Company had capped its interest rate exposure at an annual effective rate of approximately 9.0% on the principal amount of real estate loans, which totaled approximating $12.5 million. 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 $2.4 million, $0.7 million, $4.8 million and $4.6 million LIBOR-based floating-rate real estate loans exceed (fall below) 9.1%, 8.8%, 7.9% and 10.1%, respectively, based on the credit spread in effect at December 31, 2005. In January 2005, the Company entered into interest rate swap agreements that capped its interest rate exposure at an annual effective rate of 3.1% for seven years on $10.0 million principal amount of its $25.0 million variable rate promissory note and at an annual effective rate of 3.0% for five years on an additional $10.0 million principal amount of such note. Payments received (made) as a result of the agreements are recognized as a reduction of (increase to) interest expense on the variable rate debt. The Company has evaluated and documented these interest rate swap agreements as cash flow hedges of variable rate debt, in which any changes in fair values of the derivatives are recorded in other comprehensive income, net of taxes. Any hedge ineffectiveness is reported in current earnings. Such amounts have not been material. The Company did not incur a premium or other fee for its interest rate swap agreements.

Warrants

In connection with revisions to its senior bank credit facility in November 2001, the Company issued the lender a warrant to purchase shares of common stock at $14.89 per share. In March 2003, the lender exercised the warrant to purchase 353,779 shares of common stock issuable thereunder for a total purchase price of $5.3 million.

7. STOCKHOLDERS' EQUITY

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

	Year Ended December 31,		
	2003	2004	2005
Numerator:			
Net income	$ 20,989	$ 27,155	$ 2,499
Denominator:			
Basic weighted average shares outstanding	14,522,092	14,636,959	14,769,799
Effect of dilutive securities:			
Stock options	117,127	108,828	50,532
Warrants	18,904	—	—
Restricted stock	69,715	88,931	59,330
Diluted weighted average shares outstanding	14,727,838	14,834,718	14,879,661
Basic earnings per share	$ 1.45	$ 1.86	$ 0.17
Diluted earnings per share	$ 1.43	$ 1.83	$ 0.17

On March 12, 1999, the Company adopted the 1999 Stock Option and Incentive Plan (the "1999 Plan"). The 1999 Plan authorized, among other things, the granting of options, restricted stock and other equity-based awards to purchase up to 1,400,000 shares of common stock. The exercise price per share under each option granted under the 1999 Plan could not be less than 100% of the fair market value of the common stock on the option grant date. The Compensation Committee of the Board of Directors determined the vesting terms of the options.

On March 19, 2002, the Company issued 120,000 shares of restricted stock to certain employees under the 1999 Plan. The shares vest in equal installments on the third, fourth and fifth anniversaries of the date of grant. The Company recorded $2.9 million of deferred compensation relating to the issuance of the restricted stock. The deferred compensation is being amortized on a straight-line basis over the five-year vesting period.

On March 9, 2005, the Company issued 18,944 shares of restricted stock to certain employees under the 1999 Plan. The shares vest in equal installments of the first, second and third anniversaries of the date of grant. The Company recorded $0.9 million of deferred compensation relating to the issuance of the restricted stock. The deferred compensation is being amortized on a straight-line basis over the three-year vesting period.

In October 2005, the Company entered into a separation agreement with the Company's former Chairman and Chief Executive Officer. The separation agreement provides for cash payments to be paid through March 2006, all of which have been accrued in the accompanying balance sheet at December 31, 2005. The separation agreement also provided for the acceleration of vesting of 6,089 restricted shares of the Company's common stock, which resulted in the acceleration of the recognition of $0.3 million of stock-based compensation. As a result of the foregoing, the Company recorded a charge of $1.1 million in the three months ended December 31, 2005.

On March 9, 2005, the Company granted 53,987 performance share awards to certain employees under the Company's 1999 Plan. Payment of the performance share awards will be made in the form of unrestricted common stock on the third anniversary of the date of grant if certain performance targets are met. The Company will record compensation expense relating to the performance share awards when and if the achievement of performance targets becomes probable. For the year ended December 31, 2005, the Company recorded no compensation expense.

On April 21, 2005, the Company adopted the 2005 Stock Incentive Plan (the "2005 Plan"). The 2005 Plan amended and restated the 1999 Plan and authorizes, among other awards, the granting of options, restricted stock, restricted stock units, stock appreciation rights and unrestricted stock. The aggregate number of shares of stock available for issuance under the 2005 Plan is 2,150,000 shares. The exercise price per share under each option, and the grant price of each stock appreciation right, granted under the 2005 Plan may not be less than 100% of the fair market value of the common stock on the grant date. The Compensation Committee of the Board of Directors determines the vesting terms of the options and stock appreciation rights. At December 31, 2005, 1,017,635 shares of common stock were reserved for issuance under the 2005 Plan in connection with future awards.

Stock option activity under the 1999 Plan and the 2005 Plan is as follows:

	Options	Weighted Average Exercise Price Per Share
Outstanding at December 31, 2002	452,389	$ 22.30
Granted	159,269	$ 36.08
Exercised	(41,947)	$ 16.73
Canceled	(15,904)	$ 20.38
Outstanding at December 31, 2003	553,807	$ 26.74
Granted	193,789	$ 38.13
Exercised	(130,314)	$ 22.58
Canceled	(1,699)	$ 33.09
Outstanding at December 31, 2004	615,583	$ 31.19
Granted	225,280	$ 46.13
Exercised	(33,242)	$ 26.45
Canceled	(88,859)	$ 40.18
Outstanding at December 31, 2005	718,762	$ 34.98
Exercisable at December 31, 2005	681,620	$ 35.68

At December 31, 2005, the price range of options outstanding was as follows:

	Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Options Exercisable	Weighted Average Exercise Price
$ 0.00 – 19.99	33,093	$ 17.22	5.4	33,093	$ 17.22
20.00 – 29.99	225,377	$ 24.44	5.5	188,235	$ 24.90
30.00 – 39.99	257,167	$ 36.68	7.7	257,167	$ 36.68
40.00 and over	203,125	$ 47.43	9.1	203,125	$ 47.43
	718,762	$ 34.98	7.3	681,620	$ 35.68

The grant date weighted average fair value of options granted in the years ended December 31, 2003, 2004 and 2005 was $15.38, $15.37 and $16.96, respectively. Options granted prior to the year ended December 31, 2005 generally vest with respect to 25% of the shares subject to the option on each of the first, second, third and fourth anniversaries of the grant date. Certain options granted in the year ended December 31, 2005 vest with respect to one-third of the shares subject to the option on each of the first, second and third anniversaries of the grant date, and certain options granted in the year ended December 31, 2005 vested immediately. The options are generally forfeitable upon termination of an option holder's service as an employee or director.

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, 2005 were as follows (in thousands):

Year ending December 31,	
2006	$ 5,436
2007	5,396
2008	5,006
2009	4,337
2010	4,445
Thereafter	25,699
	$50,319

For the years ended December 31, 2003, 2004 and 2005, the Company recognized rental expenses of approximately $5.9 million, $5.8 million and $8.3 million, respectively.

In anticipation of relocating the Company's corporate headquarters, the Company entered into a new lease agreement in July 2005. The Company has reconsidered its decision and has decided not to move the headquarters. Rent obligations under the lease begin on January 1, 2006. Minimum payments under the lease over the years ending December 31, 2006, 2007, 2008, 2009 and 2010 are $0.7 million, $1.1 million, $1.5 million, $1.5 million and $1.6 million, respectively, and $19.8 million thereafter. The Company is currently attempting to sublet the office space. The Company believes it will be able to sublet the office space on favorable terms and, accordingly, has not recorded a loss related to the lease as of December 31, 2005. The inability to sublet the office space or changes to the Company's assumptions used in the estimate of the future sublease income may result in a loss in the future.

9. EMPLOYEE BENEFIT PLANS

The Company has a 401(k) Profit Sharing Plan and a Money Purchase Pension Plan for the benefit of all employees who meet certain eligibility requirements. These plans cover substantially all of the Company's full- time employees. The plan documents provide for the Company to make defined contributions as well as matching and other discretionary contributions, as determined by the Board of Directors. The Company's

contributions totaled $0.2 million, $0.3 million and $0.3 million for the years ended December 31, 2003, 2004 and 2005, respectively, for the 401(k) Profit Sharing Plan and $0.7 million, $0.8 million and $1.0 million for the years ended December 31, 2003, 2004 and 2005, respectively, for the Money Purchase Pension Plan.

The Company has an employee stock purchase plan that permits eligible employees to purchase shares of common stock of the Company at a purchase price which is the lesser of 85% of the market price on the first day of the calendar quarter or 85% of the market price on the last day of the calendar quarter. Eligible employees may elect to participate in the plan by authorizing payroll deductions from 1% to 15% of gross compensation for each payroll period. On the last day of each quarter, each participant's contribution account is used to purchase the maximum number of whole shares of common stock determined by dividing the contribution account's balance by the purchase price. The aggregate number of shares of common stock that may be purchased under the plan is 300,000. Through December 31, 2005, employees had purchased approximately 63,739 shares under the plan.

10. INCOME TAXES

The Company's provision (benefit) for income taxes consists of the following (in thousands):

	Year Ended December 31,		
	2003	2004	2005
Federal income taxes (benefit)			
Current	$ 8,754	$13,228	$ 773
Deferred	2,832	1,493	(263)
State income taxes (benefit)			
Current	502	862	(1,061)
Deferred	288	158	(1,320)
Total provision (benefit)	$12,376	$15,741	$(1,871)

The provision (benefit) for income taxes differs from the amount of income tax determined by applying the U.S. federal statutory rate of 35% to income before taxes as a result of the following (in thousands):

	Year Ended December 31,		
	2003	2004	2005
U.S. federal statutory taxes	$11,678	$15,014	$ 220
State and local taxes, net of U.S. federal benefit	581	650	(703)
State tax credits	—	—	(2,571)
Research and development credit	—	—	(204)
Permanent differences	69	77	108
Increase in valuation allowance	—	—	1,354
Other	48	—	(75)
	$12,376	$15,741	$(1,871)

Deferred tax assets and liabilities as of December 31, 2004 and 2005 consist of the following (in thousands):

	As of December 31,	
	2004	2005
Deferred tax assets:		
Accruals not currently deductible and other	$ 4,038	$ 4,111
State tax credit carryforwards	—	2,571
Valuation allowance	—	(1,354)
	$ 4,038	$ 5,328
Deferred tax liabilities:		
Depreciation and other	$(16,871)	$(18,775)
Net deferred tax liability	$(12,833)	$(13,447)

The net current deferred tax asset was $3.0 million and $1.7 million as of December 31, 2004 and 2005, respectively. The net long-term deferred tax liability was $15.8 million and $15.2 million as of December 31, 2004 and 2005, respectively.

The valuation allowance as of December 31, 2005 of $1.4 million is attributable to the uncertainty related to the realizability of certain state tax credit carryforwards. Such state tax credits totaled $2.6 million at December 31, 2005 and begin expiring in the year ending December 31, 2008.

The Company operates in multiple tax jurisdictions and its tax returns are subject to audit by various taxing authorities. The Company believes that adequate provisions have been made for all tax returns subject to audit.

11. COMMITMENTS AND CONTINGENCIES

Legal Matters

On July 28, 2000, a purported class action case was commenced against the Company in the Superior Court of New Jersey—Essex County, by Michael Kanefsky generally alleging that the Company has violated state and common law by negligently misrepresenting the characteristics of its products, by breaching contracts, by breaching implied or express warranties and/or by defrauding consumers in the sale and promotion of these products. The plaintiffs sought reformation of the Company's warranty, as well as compensatory damages in an unspecified amount. On May 28, 2004, the superior court certified the following three class action cases against the Company: (1) a nationwide class for reformation of warranty; (2) a New Jersey class for alleged violation of the New Jersey Consumer Fraud Act; and (3) a New Jersey class for alleged breach of express and implied warranties. On August 24, 2004, the court preliminarily approved a proposed settlement of the action. Notice of the proposed settlement was given by the Company to the class members. On December 17, 2004, the court granted final approval of the settlement. Although the Company denies the allegations in the complaint, and believes that the court erred in certifying the classes, pursuant to the terms of the settlement, the Company has agreed that upon proper proof of claim, it will replace, at the Company's sole expense (including labor), any class member's product that exhibits certain specified characteristics. The Company has also agreed to modify its warranty in certain respects, and to discontinue certain advertising claims. The settlement does not include the payment of any monetary damages by the Company (other than $10,000 to each of the four named plaintiffs), although the Company agreed to pay $1,750,000 in legal fees to plaintiffs' counsel. The Company does not believe that the implementation of the settlement will have a material adverse effect on the Company's results of operations or financial condition.

Commencing on July 8, 2005, two lawsuits, both of which seek certification as a class action, were filed in the United States District Court for the Western District of Virginia naming as defendants the Company, Robert G. Matheny, a director and the former Chairman and Chief Executive Officer of the Company, and Paul D. Fletcher, Senior Vice President and Chief Financial Officer of the Company. The plaintiffs and the defendants have agreed that the two lawsuits should be consolidated, and on December 27, 2005, the plaintiffs filed a consolidated class action complaint. The complaints principally allege that the Company, Mr. Matheny and Mr. Fletcher violated Sections 10(b) and 20(a) of and Rule 10b-5 under the Securities Exchange Act of 1934 by, among other things, making false and misleading public statements concerning the Company's operating and financial results and expectations. The complaints also allege that certain directors of the Company sold shares of the Company's common stock at artificially inflated prices. The plaintiffs seek unspecified compensatory damages. The Company believes that the lawsuits are without merit and intends to vigorously defend against them and any other similar lawsuits that may be served on the Company or any individual director or officer. Two separate derivative lawsuits have been filed in the United States District Court for the Western District of Virginia naming as defendants Mr. Matheny, Mr. Fletcher, and each of the directors of the Company. The filed complaints in the derivative lawsuits are based upon the same factual allegations as the complaints in the class action lawsuits, and allege that the directors and Mr. Fletcher breached their fiduciary duties by permitting the Company to issue false and misleading public statements concerning the Company's operating and financial results, and also allege that certain directors of the Company sold shares of the Company's common stock at artificially inflated prices.

On December 5, 2001, Ron Nystrom commenced an action against the Company in the United States District Court, Eastern District of Virginia, Norfolk Division, alleging that the Company's decking products infringed his patent. The Company denied any liability and filed a counterclaim against the plaintiff for declaratory judgment and antitrust violations based upon patent misuse. The Company sought a ruling that the plaintiff's patent is invalid, that the Company does not infringe the patent, and that the Company is entitled to monetary damages against the plaintiff. On October 17, 2002, the district court issued a final judgment finding that the Company does not infringe any of the plaintiff's patent claims and holding that certain of the plaintiff's patent claims are invalid. The plaintiff appealed this decision to the United States Court of Appeals for the Federal Circuit. On June 28, 2004, the court of appeals reversed the district court's grant of summary judgment to the Company, and remanded the case to the district court for further proceedings. The Company sought a rehearing of the decision by the court of appeals, which, on September 14, 2005, withdrew its prior decision and affirmed the district court's grant of summary judgment to the Company with respect to non-infringement. On January 25, 2006, the district court issued judgment dismissing the plaintiff's case against the Company. The plaintiff filed a petition for writ of certiorari in the United States Supreme Court on January 30, 2006 and a notice of appeal of the district court's judgment to the United States Court of Appeals for the Federal Circuit on February 22, 2006.

The Company currently has other lawsuits, as well as other claims, pending against it. Management believes that the ultimate resolution of these other lawsuits and claims will not have a material effect on the Company's consolidated financial condition, results of operations, liquidity or competitive position.

Purchase Commitments

The Company fulfills requirements for raw materials under both purchase orders and supply contracts. In the year ended December 31, 2005, the Company purchased approximately 30% of its waste wood fiber requirements and approximately 68% of its PE material requirements under purchase orders, which do not involve long-term supply commitments. The Company is also party to supply contracts that require it to purchase waste wood fiber and PE material for terms that range from one to eight years. The prices under these contracts are generally reset annually. The waste wood fiber and PE material supply contracts have not had a material adverse effect on the Company's business.

The waste wood and PE material supply contracts generally provide that the Company is obligated to purchase all of the waste wood or PE material a supplier provides, if the waste wood or PE material meets certain specifications. The amount of waste wood and PE material the Company is required to purchase under these contracts varies with the production of its suppliers and, accordingly, is not fixed or determinable.

During the years ended December 31, 2003 and 2004 and 2005, the amounts that the Company has been obligated to purchase under waste wood and PE material supply contracts generally have been less than the amounts of these materials needed for production. During the year ended December 31, 2005, the Company's total commitments for waste wood for one of its facilities exceeded the Company's requirements, which it addressed by selling the excess material to third parties. To meet all of its production requirements, the Company obtained additional PE material and waste wood fiber materials under purchase orders.

12. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2003 and 2004, the Company retained Ferrari Consulting, LLC pursuant to a consulting agreement originally signed on March 17, 2003, and extended on July 16, 2003, October 16, 2003 and February 16, 2004. Pursuant to this agreement, Andrew U. Ferrari performed consulting services relating to the development of new business opportunities for the Company. The agreement terminated on June 16, 2004. Approximately $58,000 and $6,900 was paid under the agreement in the years ended December 31, 2003 and 2004, respectively. During the period in which the agreement was in effect, Mr. Ferrari served as a director of the Company and, during part of this period, as the Company's Executive Vice President of Marketing and Business Development. Effective on August 11, 2005, Mr. Ferrari was appointed the Company's President and Chief Operating Officer.

13. INTERIM FINANCIAL DATA (Unaudited)

	Three Months Ended							
	March 31, 2004	June 30 2004	September 30 2004	December 31 2004	March 31, 2005	June 30 2005	September 30 2005	December 31 2005
	(In thousands, except per share data)							
Net sales	76,257	83,407	64,350	29,614	89,904	82,865	77,371	43,993
Gross profit (loss)	29,983	36,982	24,683	10,694	33,336	22,873	24,336	(316)
Net income (loss)	9,337	11,068	7,101	(351)	8,404	(1,014)	5,165	(10,056)
Basic net income (loss) per share	$ .64	$ .76	$ .48	$ (0.02)	$ .57	$ (0.07)	$ .35	$ (0.68)
Diluted net income (loss) per share	$ .63	$ .75	$ .48	$ (0.02)	$ .56	$ (0.07)	$ .35	$ (0.68)

The Company's net sales, gross profit and income from operations have historically varied from quarter to quarter. Such variations are principally attributable to seasonal trends in the demand for Trex. The Company has historically experienced lower net sales during the fourth quarter because holidays and adverse weather conditions in certain regions reduce the level of home improvement and new construction activity.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Trex Company, Inc.

By: /s/ PAUL D. FLETCHER
Paul D. Fletcher
Senior Vice President and Chief Financial Officer
(Duly Authorized Officer)

Date: March 16, 2006

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed as of March 16, 2006 by the following persons on behalf of the registrant and in the capacities indicated.

Signature	Title
/s/ ANTHONY J. CAVANNA **Anthony J. Cavanna**	Chairman and Chief Executive Officer (Principal Executive Officer); Director
/s/ ANDREW U. FERRARI **Andrew U. Ferrari**	President and Chief Operating Officer; Director
/s/ PAUL D. FLETCHER **Paul D. Fletcher**	Senior Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
/s/ WILLIAM F. ANDREWS **William F. Andrews**	Director
/s/ PAUL A. BRUNNER **Paul A. Brunner**	Director
/s/ ROBERT G. MATHENY **Robert G. Matheny**	Director
/s/ FRANK MERLOTTI , JR. **Frank Merlotti, Jr.**	Director
/s/ WILLIAM H. MARTIN, III **William H. Martin**	Director
/s/ PATRICIA B. ROBINSON **Patricia B. Robinson**	Director

EXHIBIT INDEX

Exhibit Number	Exhibit Description
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 3.1 to the Company's Quarterly Report Form 10-Q for the quarterly period ended September 30, 2004 and incorporated herein by reference.
4.1	Specimen certificate representing the Company's common stock. Filed as Exhibit 4.1 to the Company's Registration Statement on Form S-1 (No. 333-63287) and incorporated herein by reference.
10.1	Description of Non-Employee Director Compensation. Filed herewith.
10.2	Description of Management Compensatory Plans and Arrangements. Filed herewith.
10.3	Trex Company, Inc. 2005 Stock Incentive Plan. Filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2005 and incorporated herein by reference.
10.4	Trex Company, Inc. Amended and Restated 1999 Incentive Plan for Outside Directors, as amended. Filed herewith.
10.5	Form of Trex Company, Inc. 2005 Stock Incentive Plan Non-Incentive Stock Option Agreement. Filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2005 and incorporated herein by reference.
10.6	Form of Trex Company, Inc. 2005 Stock Incentive Plan Stock Appreciation Rights Agreement. Filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2005 and incorporated herein by reference.
10.7	Form of Trex Company, Inc. 2005 Stock Incentive Plan Performance Award Agreement. Filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2005 and incorporated herein by reference.
10.8	Form of Trex Company, Inc. 2005 Stock Incentive Plan Restricted Stock Agreement. Filed herewith.
10.9	Form of Trex Company, Inc. Amended and Restated 1999 Incentive Plan for Outside Directors Non-Incentive Stock Option Agreement. Filed as Exhibit 10.4 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002 and incorporated herein by reference.
10.10	Form of Trex Company, Inc. Amended and Restated 1999 Incentive Plan for Outside Directors Stock Appreciation Rights Agreement. Filed herewith.
10.11	Form of Lock-Up Agreement, dated as of December 20, 2005. Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 21, 2005 and incorporated herein by reference.
10.12	Separation Agreement and Mutual General Release, dated as of October 19, 2005, by and between Trex Company, Inc. and Robert G. Matheny. Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 21, 2005 and incorporated herein by reference.
10.13	Release and Severance Agreement, dated as of March 6, 2006, by and between Trex Company, Inc. and Philip J. Pifer. Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on March 8, 2006 and incorporated herein by reference.

Exhibit Number	Exhibit Description
10.14	Form of Distributor Agreement of TREX Company, LLC. Filed as Exhibit 10.5 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001 and incorporated herein by reference.
10.15	Deed of Lease, dated June 15, 2000, between TREX Company, LLC and Space, LLC. Filed as Exhibit 10.16 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000 and incorporated herein by reference.
10.16	Note Purchase Agreement, dated as of June 19, 2002, by and among Trex Company, Inc., TREX Company, LLC and the Purchasers listed therein. Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 25, 2002 and incorporated herein by reference.
10.17	Credit Agreement, dated as of June 19, 2002, among TREX Company, LLC, Trex Company, Inc. and Branch Banking and Trust Company of Virginia. Filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed on June 25, 2002 (as amended by the Company's Current Report on Form 8-K/A filed on June 28, 2002) and incorporated herein by reference.
10.18	Security Agreement, dated as of June 19, 2002, by and among TREX Company, LLC, Trex Company, Inc. and Branch Banking and Trust Company of Virginia, as collateral agent. Filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed on June 25, 2002 and incorporated herein by reference.
10.19	Intercreditor and Collateral Agency Agreement, dated as of June 19, 2002, by and among the Note holders named in Schedule I therein, Branch Banking and Trust Company of Virginia, and Branch Banking and Trust Company of Virginia, as collateral agent. Filed as Exhibit 10.4 to the Company's Current Report on Form 8-K filed on June 25, 2002 and incorporated herein by reference.
10.20	Credit Line Deed of Trust, dated June 19, 2002, by and among TREX Company, LLC, as grantor, BB&T-VA Collateral Service Corporation, as trustee, and Branch Banking and Trust Company of Virginia and Branch Banking and Trust Company, as note holder. Filed as Exhibit 10.5 to the Company's Current Report on Form 8-K filed on June 25, 2002 and incorporated herein by reference.
10.21	First Amendment to Credit Agreement, dated as of August 29, 2003, by and between the Company and Branch Banking and Trust Company of Virginia. Filed herewith.
10.22	Second Amendment to Credit Agreement, dated as of September 30, 2004, among the Company and Branch Banking and Trust Company of Virginia. Filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2004 and incorporated herein by reference.
10.23	Third Amendment to Credit Agreement, dated as of March 31, 2005, by and between the Company and Branch Banking and Trust Company of Virginia. Filed as Exhibit 10.6 to the Company's Quarterly Report of Form 10-Q for the quarterly period ended June 30, 2005 and incorporated herein by reference.
10.24	Fourth Amendment to Credit Agreement, dated as of July 25, 2005, by and between the Company and Branch Banking and Trust Company of Virginia. Filed as Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2005 and incorporated herein by reference.
10.25	Fifth Amendment to Credit Agreement, dated as of December 31, 2005, among the Company and Branch Banking and Trust Company of Virginia. Filed herewith.
10.26	Loan Agreement, dated as of December 1, 2004, between the Company and Mississippi Business Finance Corporation. Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 20, 2004 and incorporated herein by reference.

Exhibit Number	Exhibit Description
10.27	Promissory Note, dated as of December 16, 2004, in the principal amount of $25,000,000 from the Company payable to the order of Mississippi Business Finance Corporation. Filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed on December 20, 2004 and incorporated herein by reference.
10.28	Reimbursement and Credit Agreement, dated as of December 1, 2004, between the Company and JPMorgan Chase Bank, N.A., as Bank and Administrative Agent. Filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed on December 20, 2004 and incorporated herein by reference.
10.29	First Amendment to Reimbursement and Credit Agreement, dated as of July 25, 2005, by and between the Company and JPMorgan Chase Bank, N.A., as Issuing Bank and Administrative Agent. Filed as Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2005 and incorporated herein by reference.
10.30	Second Amendment to Reimbursement and Credit Agreement, dated as of December 31, 2005, by and between the Company and JPMorgan Chase Bank, N.A., as Issuing Bank and Administrative Agent. Filed herewith.
10.31	Reimbursement Note, dated as of December 1, 2004, in the principal amount of $25,308,220 from the Company payable to JPMorgan Chase Bank, N.A. Filed as Exhibit 10.4 to the Company's Current Report on Form 8-K filed on December 20, 2004 and incorporated herein by reference.
10.32	Land Deed of Trust, dated as of December 1, 2004, made by the Company to the trustee named therein for the benefit of JPMorgan Chase Bank, N.A. Filed as Exhibit 10.5 to the Company's Current Report on Form 8-K filed on December 20, 2004 and incorporated herein by reference.
10.33	Trust Indenture, dated as of December 1, 2004, between Mississippi Business Finance Corporation and J.P. Morgan Trust Company, National Association, as Trustee, including Form of Variable Rate Series 2004 Bond and Form of Fixed Rate Series 2004 Bond. Filed as Exhibit 10.6 to the Company's Current Report on Form 8-K filed on December 20, 2004 and incorporated herein by reference.
10.34	Deed of Lease, dated as of July 27, 2005, between Trex Company, Inc. and 1 Dulles Town Center, L.L.C. Filed herewith.*
21	Subsidiaries of the Company. Filed herewith.
23	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm. Filed herewith.
31.1	Certification of Chief Executive Officer of the Company 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 the Company 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.

* Portions of this exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

Exhibit 10.1

Trex Company, Inc.

Description of Non-Employee Director Compensation

Non-employee directors of Trex Company receive cash and stock-based compensation under the Trex Company, Inc. Amended and Restated 1999 Incentive Plan for Outside Directors, which is referred to herein as the "Outside Director Plan." Until February 2006, the Outside Director Plan was administered by a committee consisting of Trex Company's Chief Executive Officer and Trex Company's Chief Financial Officer. Beginning in February 2006, the Outside Director Plan is administered by the nominating/corporate governance committee. All stock-based grants awarded as compensation to non-employee directors are issued under the Trex Company, Inc. 2005 Stock Incentive Plan, which (together with Trex Company's predecessor stock incentive plan amended and restated by the current plan) is referred to herein as the "Stock Incentive Plan."

Upon their initial appointment to the board of directors, non-employee directors receive stock-based awards for or based on 2,000 shares of common stock. For service on the board of directors, each non-employee director receives an annual fee of $20,000 and an annual stock-based grant for or based on 2,000 shares of common stock. In addition, each member of the audit committee (other than the chairman) is entitled to receive an annual committee fee of $5,500, each member of the compensation and the nominating/corporate governance committees (other than their respective chairmen) is entitled to receive an annual committee fee of $3,500, the chairman of the audit committee is entitled to receive an annual committee fee of $10,000, and the chairmen of the compensation and the nominating/corporate governance committees are entitled to receive an annual committee fee of $7,500. The $20,000 annual director fee and the annual committee fees are paid in the form of cash or stock-based grants (based on the Black-Scholes valuation model), or a combination of these forms of consideration, based on the percentages of the forms of consideration elected by the serving director, in four equal quarterly installments in arrears on the first business day following each quarter of the fiscal year in which the eligible director completes board or committee service. The annual stock-based grants are made on the date of the first regularly scheduled board of directors meeting after June 30 of each year.

Before February 2006, the annual stock-based grants were made in the form of stock options. In February 2006, the board of directors amended the Outside Director Plan to provide that the board may make stock-based grants in the form of stock-settled stock appreciation rights or stock options. As of February 2006, unless and until the board of directors determines otherwise, stock-based grants under the Outside Director Plan will be made in the form of stock-settled stock appreciation rights.

The exercise price per share of each stock option is the fair market value of the common stock on the option grant date. Upon exercise of a vested stock appreciation right, the non-employee director will be entitled to receive a number of shares of common stock with a value based on the excess of the fair market value of the common stock on the vesting date over the fair market value of the common stock on the grant date. Each stock option or stock appreciation right granted vests on the first anniversary of the grant date. No option or stock appreciation right is exercisable more than ten years after the grant date. Upon the termination of a non-employee director's service for any reason (other than for cause), any options or stock appreciation rights granted to the director will vest, and the director will have the right, at any time within five years after the date of termination of service and before termination of the options or stock appreciation rights, to exercise any options or stock appreciation rights held by the director on the service termination date.

Exhibit 10.2

Trex Company, Inc.

Description of Management Compensatory Plans and Arrangements

Components of Executive Compensation

In accordance with the rules of the New York Stock Exchange, all components of compensation for the chief executive officer and other executive officers of Trex Company, Inc. (the "Company") are determined by the compensation committee of the board of directors, all of whom meet the independence requirements prescribed by such rules.

The Company's executive compensation program includes a base salary, annual cash bonuses and long-term incentive compensation in the form of stock options, stock appreciation right awards, performance shares and other equity-based awards issued under the Trex Company, Inc. 2005 Stock Incentive Plan (the "Stock Incentive Plan").

Base Salary. Base salaries of executive officers are initially determined by evaluating the responsibilities of the position, the experience and knowledge of the executive, and the competitive marketplace for executive talent, including a comparison to base salaries for comparable positions at public companies in the Company's peer group. Base salaries for executive officers are reviewed annually by the compensation committee based upon, among other things, individual performance and responsibilities.

Annual Cash Bonuses. The Company pays annual cash bonuses to its Chief Executive Officer, other executive officers, and other key employees generally based upon the achievement of an earnings per share objective, which is annually approved by the compensation committee, although other factors may be considered. For each fiscal year, each participant in the plan is assigned a "target bonus," which is expressed as a percentage of the participant's annual base salary. The target bonus for the Chief Executive Officer is 80% of annual salary, and the target bonus for the other executive officers can range from 55% to 75% of annual salary. The actual amount of cash bonuses paid to executive officers is determined by multiplying their target bonus by a performance percentage, which is calculated based on the extent to which the performance objective is achieved. The performance percentage can range from 0% to 150%. The compensation committee has the discretion to award a bonus, which exceeds the otherwise applicable maximum bonus determined as provided above, except that the value of the bonus may not exceed $2,000,000 for any fiscal year for any employee. Bonus payments are conditional upon the participant's continued employment by the Company through the date of grant, and are pro rated for employees who have served for less than a full year.

Long-Term Incentive Compensation. The Company maintains a long-term executive incentive compensation plan for the benefit of its Chief Executive Officer, other executive officers, and other key employees. Awards under the plan are in the form of equity-based awards under the Stock Incentive Plan and are made by the compensation committee. In determining the amount of stock options, stock appreciation rights, performance share awards and other equity-based awards under the Stock Incentive Plan, the compensation committee considers each executive's current performance and anticipated future contributions to the Company's performance, as well as the amount and terms of other equity-based awards previously granted to the executive by the Company.

Other Compensatory Plans

The Company's executive officers also are eligible to participate in the Company's defined contribution money purchase pension plan and 401(k) plan and the Company's employee profit sharing plan, each of which is available to all regular Company employees.

Exhibit 10.4

TREX COMPANY, INC.

AMENDED AND RESTATED
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. 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, as provided in Sections 4.1.1 and 4.3 hereof.

1.5 "Committee" means the Nominating and 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.

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 "Option/SAR Portion of the Annual Director Fee" means the portion of the Annual Director Fee to be received in Options or SARs, 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 "SAR Agreement" means the written agreement between the Company and the Participant that evidences and sets out the terms and conditions of the SARs.

1.20 "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.

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

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

4.1.2 Option/SAR Portion of the Annual Director Fee. Each Eligible Director shall receive either two thousand (2,000) Options or two thousand (2,000) SARs (the "Option/SAR Portion of the Annual Director Fee"). The form of the grant (either Options or SARs, or some combination) shall be determined by the Board prior to the Grant Date. The Option/SAR Portion of the Annual Director Fee shall be paid in arrears as provided in Section 5 below.

4.2 Annual Committee Fee

Each Eligible Director shall be entitled to an Annual Committee Fee, which may be adjusted by the Board from time to time, as follows (a) ten thousand dollars ($10,000) for the Audit Committee Chairman, (b) five thousand five hundred dollars ($5,500) for each Audit Committee member (other than the Chairman), (c) seven thousand five hundred dollars ($7,500) for the Nominating/Corporate Governance Committee Chairman and the Compensation Committee Chairman, and (d) three thousand five hundred dollars ($3,500) for each Nominating/Corporate Governance Committee member and Compensation Committee member (other than the Chairmen). The Annual Committee Fee shall be paid to an Eligible Director in four equal quarterly installments in arrears on the first business day following each quarter of the Plan Year in which the Eligible Director served on the applicable committee(s).

4.3 Election

Pursuant to Section 10 hereof, an Eligible Director may elect to receive all or a portion of the Cash Portion of the Annual Director Fee and the Annual Committee Fee in the form of Options or SARs of equal value. In such event, 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.

4.4 Proration

The Cash Portion of the Annual Director Fee, the Option/SAR 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 two thousand (2,000) Options or two thousand (2,000) SARs, with the form of such grant being determined by the Board.

5. GRANT DATE

The date of grant for the Option/SAR 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, 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

On the first anniversary of the Grant Date, the Option or SAR, as the case may be, shall be exercisable in respect of 100 percent (100%) of the number of shares covered by the grant. Any limitation on the exercise of an Option 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, after becoming exercisable and 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.

9. SERVICE TERMINATION

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, any Option or SAR granted to a Participant pursuant to the Plan shall become vested, and the Participant shall have the right, at any time within five years after the date of such Participant's Service Termination and prior to termination of the Option 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.

10. ELECTION TO RECEIVE ADDITIONAL OPTIONS OR SARS

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 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, 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 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 and 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, (ii) by telephone or other means by which all members can hear one another or (iii) in writing without a meeting shall constitute the action of the Committee and shall have the same effect for all purposes as if assented to by all members of the Committee at the time in office.

11.4 Delegation

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

11.5 Services

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

11.6 Indemnification

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

12. AMENDMENT AND TERMINATION

The Company, by action of the Board of Directors or the 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 and February 8, 2006.

TREX COMPANY, INC.
2005 STOCK INCENTIVE PLAN

RESTRICTED STOCK AGREEMENT

Trex Company, Inc., a Delaware corporation (the "Company"), hereby grants shares of its common stock, $.01 par value (the "Stock"), to the Grantee named below, subject to the vesting conditions set forth in the attachment. Additional terms and conditions of the grant are set forth in this cover sheet, in the attachment and in the Company's 2005 Stock Incentive Plan (the "Plan").

Grant Date: _____

Name of Grantee: _____

Number of Shares of Stock Covered by Grant: _____

Purchase Price per Share of Stock: $.01

By signing this cover sheet, you agree to all of the terms and conditions described in the attached Agreement and in the Plan. You acknowledge that you have carefully reviewed the Plan, and agree that the Plan will control in the event any provision of this Agreement should appear to be inconsistent.

Grantee: _____
(Signature)

Company: _____

Anthony J. Cavanna
Chairman and Chief Executive Officer

Attachments:

Restricted Stock Agreement

2005 Stock Incentive Plan and Prospectus

Please sign, return one copy of this Agreement to Corporate Human Resources, and retain the second copy for your records. *This is not a stock certificate or a negotiable instrument.*

TREX COMPANY, INC.
2005 STOCK INCENTIVE PLAN

RESTRICTED STOCK AGREEMENT

Restricted Stock/ Nontransferability

This grant is an award of Stock in the number of shares set forth on the cover sheet, at the purchase price set forth on the cover sheet, and subject to the vesting conditions described below (the "Restricted Stock"). To the extent not yet vested, your Restricted Stock may not be transferred, assigned, pledged or hypothecated, whether by operation of law or otherwise, nor may the Restricted Stock be made subject to execution, attachment or similar process.

Issuance and Vesting

The Company will issue your Restricted Stock in your name as of the Grant Date.

Your right to the Stock under this Restricted Stock grant will vest as to _____ of the total number of shares covered by this grant, as shown on the cover sheet, on _____; provided, that, you continue to provide services to the Company or a Subsidiary as an employee or a Service Provider ("Services") on each such vesting date. The resulting aggregate number of vested shares of Stock will be rounded to the nearest whole number, and you may not vest in more than the number of shares covered by this grant.

No additional shares of Stock will vest after you have ceased to provide Services for any reason.

Upon the vesting of the shares of Restricted Stock hereunder, the Company will issue you a share certificate for such shares, free of the legend set forth on page 5 hereof. The Purchase Price for the Restricted Stock shall be deemed to be paid at that time by your services to the Company.

Service Termination

Upon the termination of your Services, other than by reason of your death, permanent and total disability (within the meaning of Section 22(e)(3) of the Code) or retirement, any shares of Stock that have not vested hereunder shall immediately be deemed forfeited.

In the event of the termination of your Services because of your death, permanent and total disability (within the meaning of Section 22(e)(3) of the Code) or retirement, any shares of Stock that have not vested hereunder shall immediately become fully vested.

Escrow	The certificates for the Restricted Stock shall be deposited in escrow with the Secretary of the Company to be held in accordance with the provisions of this paragraph. In the alternative, the Company may use the book-entry method of share recordation to indicate your share ownership and the restrictions imposed by this Agreement. If share certificates are issued, each deposited certificate shall be accompanied by a duly executed Assignment Separate from Certificate in the form attached hereto as Exhibit A. The deposited certificates shall remain in escrow until such time or times as the certificates are to be released or otherwise surrendered for cancellation as discussed below. Upon delivery of the certificates to the Company, you shall be issued an instrument of deposit acknowledging the number of shares of Stock delivered in escrow to the Secretary of the Company. All regular cash dividends on the Stock (or other securities at the time held in escrow) shall be paid directly to you and shall not be held in escrow. However, in the event of any stock dividend, stock split, recapitalization or other change affecting the Stock as a class effected without receipt of consideration, or in the event of a stock split, a stock dividend or a similar change in the Stock, any new, substituted or additional securities or other property which is by reason of such transaction distributed with respect to the Stock shall be immediately delivered to the Secretary of the Company to be held in escrow hereunder, but only to the extent the Stock is at the time subject to the escrow requirements hereof. As your interest in the shares vests as described above, the certificates for such vested shares shall be released from escrow and delivered to you, at your request.
Withholding Taxes	You agree, as a condition of this grant, that you will make acceptable arrangements to pay any withholding or other taxes that may be due as a result of the vesting of Stock acquired under this grant. In the event that the Company determines that any federal, state, local or foreign tax or withholding payment is required relating to the vesting of shares arising from this grant, the Company shall have the right to require such payments from you, withhold shares that would otherwise have been issued to you under this Agreement or withhold such amounts from other payments due to you from the Company or any Affiliate.
Section 83(b) Election	Under Section 83 of the Internal Revenue Code of 1986, as amended (the “Code”), the difference between the purchase price paid for the shares of Stock and their fair market value on the date any forfeiture restrictions applicable to such shares lapse will be reportable as ordinary income at that time. For this

purpose, “forfeiture restrictions” include the Company’s Repurchase Right as to unvested Stock described above. You may elect to be taxed at the time the shares are acquired rather than when such shares cease to be subject to such forfeiture restrictions by filing an election under Section 83(b) of the Code with the Internal Revenue Service within thirty (30) days after the Grant Date. You will have to make a tax payment to the extent the purchase price is less than the fair market value of the shares on the Grant Date. No tax payment will have to be made to the extent the purchase price is at least equal to the fair market value of the shares on the Grant Date. The form for making this election is attached as Exhibit B hereto. Failure to make this filing within the thirty (30) day period will result in the recognition of ordinary income by you (in the event the fair market value of the shares increases after the date of purchase) as the forfeiture restrictions lapse.

YOU ACKNOWLEDGE THAT IT IS YOUR SOLE RESPONSIBILITY, AND NOT THE COMPANY’S, TO FILE A TIMELY ELECTION UNDER SECTION 83(b), EVEN IF YOU REQUEST THE COMPANY OR ITS REPRESENTATIVES TO MAKE THIS FILING ON YOUR BEHALF. YOU ARE RELYING SOLELY ON YOUR OWN ADVISORS WITH RESPECT TO THE DECISION AS TO WHETHER OR NOT TO FILE ANY 83(b) ELECTION.

Retention Rights

This Agreement does not give you the right to be retained by the Company in any capacity. The Company reserves the right to terminate your service with the Company at any time and for any reason.

Shareholder Rights

You shall have the right to vote the Restricted Stock and, subject to the provisions of this Agreement, to receive any dividends declared or paid on such stock. Any distributions you receive as a result of any stock split, stock dividend, combination of shares or other similar transaction shall be deemed to be a part of the Restricted Stock and subject to the same conditions and restrictions applicable thereto. The Company may in its sole discretion require any dividends paid on the Restricted Stock to be reinvested in shares of Stock, which the Company may in its sole discretion deem to be a part of the shares of Restricted Stock and subject to the same conditions and restrictions applicable thereto. Except as described in the Plan, no adjustments are made for dividends or other rights if the applicable record date occurs before your stock certificate is issued.

Adjustments

In the event of a stock split, a stock dividend or a similar change in the Stock, the number of shares covered by this grant may be

adjusted (and rounded down to the nearest whole number) pursuant to the Plan. Your Restricted Stock shall be subject to the terms of the agreement of merger, liquidation or reorganization in the event the Company is subject to such corporate activity.

Legends

All certificates representing the Stock issued in connection with this grant shall, where applicable, and if issued prior to vesting, have endorsed thereon the following legend:

> "THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AND OPTIONS TO PURCHASE SUCH SHARES SET FORTH IN AN AGREEMENT BETWEEN THE COMPANY AND THE REGISTERED HOLDER, OR THE HOLDER'S PREDECESSOR IN INTEREST. A COPY OF SUCH AGREEMENT IS ON FILE AT THE PRINCIPAL OFFICE OF THE COMPANY AND WILL BE FURNISHED UPON WRITTEN REQUEST TO THE SECRETARY OF THE COMPANY BY THE HOLDER OF RECORD OF THE SHARES REPRESENTED BY THIS CERTIFICATE."

Applicable Law

This Agreement will be interpreted and enforced under the laws of the State of Delaware, other than any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Agreement to the substantive law of another jurisdiction.

The Plan

The text of the Plan is incorporated in this Agreement by reference. ***Certain capitalized terms used in this Agreement are defined in the Plan, and have the meaning set forth in the Plan.***

This Agreement and the Plan constitute the entire understanding between you and the Company regarding this grant of Restricted Stock. Any prior agreements, commitments or negotiations concerning this grant are superseded.

Consent to Electronic Delivery

The Company may choose to deliver certain statutory materials relating to the Plan in electronic form. By accepting this grant you agree that the Company may deliver the Plan prospectus and the Company's annual report to you in an electronic format. If at any time you would prefer to receive paper copies of these documents, as you are entitled to receive, the Company would be pleased to provide copies. Please contact the Director of Human Resources to request paper copies of these documents.

By signing the cover sheet of this Agreement, you agree to all of the terms and conditions described above and in the Plan.

EXHIBIT A

ASSIGNMENT SEPARATE FROM CERTIFICATE

FOR VALUE RECEIVED, _____ hereby sells, assigns and transfers unto Trex Company, Inc., a Delaware corporation (the "Company"), _____ (_____) shares of common stock of the Company represented by Certificate No. ___ herewith and does hereby irrevocable constitute and appoint _____ Attorney to transfer the said stock on the books of the Company with full power of substitution in the premises.

Dated: _____, 200__

_____
Print Name

_____
Signature

Spouse Consent (if applicable)

_____ (Purchaser's spouse) indicates by the execution of this Assignment his or her consent to be bound by the terms herein as to his or her interests, whether as community property or otherwise, if any, in the shares of common stock of the Company.

_____
Signature

INSTRUCTIONS: PLEASE DO NOT FILL IN ANY BLANKS OTHER THAN THE SIGNATURE LINE. THE PURPOSE OF THIS ASSIGNMENT IS TO ENABLE THE COMPANY TO EXERCISE ITS "REPURCHASE OPTION" SET FORTH IN THE AGREEMENT WITHOUT REQUIRING ADDITIONAL SIGNATURES ON THE PART OF PURCHASER.

EXHIBIT B

ELECTION UNDER SECTION 83(b) OF THE INTERNAL REVENUE CODE

The undersigned hereby makes an election pursuant to Section 83(b) of the Internal Revenue Code with respect to the property described below and supplies the following information in accordance with the regulations promulgated thereunder:

1. The name, address and social security number of the undersigned:

   Name: _____

   Address: _____

   _____

   Social Security No. : _____

2. Description of property with respect to which the election is being made:

   _____ shares of common stock, par value $.01 per share, of Trex Company, Inc., a Delaware corporation (the "Company").

3. The date on which the property was transferred is _____ __, 2006.

4. The taxable year to which this election relates is calendar year 2006.

5. Nature of restrictions to which the property is subject:

   The shares of stock are subject to the provisions of a Restricted Stock Agreement between the undersigned and the Company. The shares of stock are subject to forfeiture under the terms of the Agreement.

6. The fair market value of the property at the time of transfer (determined without regard to any lapse restriction) was $_____ per share, for a total of $_____.

7. The amount paid by taxpayer for the property was $_____.

8. A copy of this statement has been furnished to the Company.

Dated: _____, 2006

_____

Taxpayer's Signature

_____

Taxpayer's Printed Name

PROCEDURES FOR MAKING ELECTION
UNDER INTERNAL REVENUE CODE SECTION 83(b)

The following procedures **must** be followed with respect to the attached form for making an election under Internal Revenue Code section 83(b) in order for the election to be effective:[1]

1. You must file one copy of the completed election form with the IRS Service Center where you file your federal income tax returns within thirty (30) days after the Grant Date of your Restricted Stock.

2. At the same time you file the election form with the IRS, you must also give a copy of the election form to the Secretary of the Company.

3. You must file another copy of the election form with your federal income tax return (generally, Form 1040) for the taxable year in which the stock is transferred to you.

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[1] Whether or not to make the election is your decision and may create tax consequences for you. You are advised to consult your tax advisor if you are unsure whether or not to make the election.

Exhibit 10.10

TREX COMPANY, INC.
AMENDED AND RESTATED 1999 INCENTIVE PLAN FOR OUTSIDE DIRECTORS
STOCK APPRECIATION RIGHTS AGREEMENT

Trex Company, Inc., a Delaware corporation (the "Company"), hereby grants stock appreciation rights (SARs) relating to its common stock, $.01 par value, (the "Stock") to the Grantee named below. The terms and conditions of the SARs are set forth in this cover sheet, in the attachment, and in the Company's 2005 Stock Incentive Plan (the "Plan").

Grant Date: _____, 200__

Name of Grantee: _____

Number of Shares of Stock Subject to the SARs: _____

SAR Grant Price per Share: $_____.___

Last Date to Exercise: _____[1]

By signing this cover sheet, you agree to all of the terms and conditions described in the attached Agreement and in the Plan, a copy of which is available on request. You acknowledge that you have carefully reviewed the Plan, and agree that the Plan will control in the event any provision of this Agreement should appear to be inconsistent.

Grantee: _____
(Signature)

Company: _____
(Signature)

Title: _____

Attachment

This is not a stock certificate or a negotiable instrument.

[1] Certain events can cause an earlier termination of the SAR. See "Effects of Changes in Capitalization" in the Plan. This date shall be extended for one (1) year in the event your services as a director terminates due to your death during the tenth year of the term.

Vesting

The SARs are only exercisable before the Last Date to Exercise (noted on the cover sheet) and then only with respect to the vested portion of the SARs. Subject to the preceding sentence, you may exercise the SARs, in whole or in part, by following the procedures set forth in the Plan and below in this Agreement. For the purpose of this Agreement, "Service" means service as a director for the Company.

Subject to the terms of the Plan, the SARs becomes vested as to 100% of the shares of Stock subject to the SARs on the first anniversary of the date of grant of the SARs, if you have been providing services to the Company or a Subsidiary continuously from the SARs Grant Date to the first anniversary of the date of grant. Notwithstanding the foregoing, if you terminate service as a director with the Company and such termination is not for Cause, the SARs shall become 100% vested upon your termination.

Termination of Service

Upon the termination of your service as a director of the Company for any reason, other than Cause, any SAR granted to you pursuant to the Plan shall become vested, and you or your estate, as the case may be, shall have the right, at any time within five years after the date of such termination of service and prior to the Last Day to Exercise, as set forth above, to exercise any SAR held by you at the date of such termination of service. After the termination of the SAR, you or your estate, as the case may be, shall have no further right to exercise the SAR.

Termination for Cause

Notwithstanding any provision herein to the contrary, your SAR will terminate immediately upon termination of your service for "Cause." "Cause" means, as determined by the Board, (i) gross negligence or willful misconduct in connection with the performance of duties; (ii) conviction of a felony or of a crime involving moral turpitude; or (iii) material breach of any term of any consulting or other services, confidentiality, intellectual property or non-competition agreements.

Notice of Exercise

When you wish to exercise this award of SARs, you must notify the Company by filing the proper "Notice of Exercise" form at the address given on the form. All exercises must take place before, and your SARs will expire on, the Last Date to Exercise (shown on the cover sheet), or such earlier date following the termination of your service as a director as otherwise provided herein. Your notice

must specify how many SARs you wish to exercise. Your notice must also specify how the shares of Stock received on the exercise of your SARs should be registered (in your name only or in your and your spouse's names as joint tenants with right of survivorship). The notice will be effective when it is received by the Company.

If someone else wants to exercise the SARs after your death, that person must prove to the Company's satisfaction that he or she is entitled to do so.

Payment for SARs

Upon your exercise of the SARs, the Company will pay you in shares of Stock an amount equal to the positive difference (if any) between the Fair Market Value of a share of Stock on the exercise date and the SAR Grant Price, multiplied by the number of SARs being exercised. Any fractional shares of Stock will be paid to you in cash.

Withholding Taxes

You will not be allowed to exercise the SARs unless you make acceptable arrangements to pay any withholding or other taxes that may be due as a result of the exercise of the SARs. In the event that the Company determines that any federal, state, local or foreign tax or withholding payment is required relating to the exercise or sale of shares arising from this grant, the Company shall have the right to require such payments from you, withhold such amount from the proceeds of the exercise of your SARs, or withhold such amounts from other payments due to you from the Company or any Affiliate.

Transfer of SARs

Other than as provided in Section 10.2 of the Plan, during your lifetime, only you (or, in the event of your legal incapacity or incompetency, your guardian or legal representative) may exercise the SARs, and you cannot transfer or assign the SARs. For instance, you may not sell the SARs or use them as security for a loan. If you attempt to do any of these things, the SARs will immediately become invalid. You may, however, dispose of the SARS in your will or the SARs may be transferred upon your death by the laws of descent and distribution.

Regardless of any marital property settlement agreement, the Company is not obligated to honor a notice of exercise from your spouse, nor is the Company obligated to recognize your spouse's interest in your SARs in any other way.

Shareholder Rights

You, or your estate or heirs, have no rights as a shareholder of the Company until a certificate for shares of Stock received pursuant to the exercise of your SARs has been issued (or an appropriate book

entry has been made). No adjustments are made for dividends or other rights if the applicable record date occurs before your stock certificate is issued (or an appropriate book entry has been made), except as described in the Plan.

Adjustments

In the event of a stock split, a stock dividend or a similar change in the Stock, the number of shares covered by the SARs and the SAR Grant Price per share shall be adjusted (and rounded down to the nearest whole number) if required pursuant to the Plan. Your SARs shall be subject to the terms of the agreement of merger, liquidation or reorganization in the event the Company is subject to such corporate activity.

Applicable Law

This Agreement will be interpreted and enforced under the laws of the State of Delaware, other than any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Agreement to the substantive law of another jurisdiction.

The Plan

The text of the Plan is incorporated in this Agreement by reference. Certain capitalized terms used in this Agreement are defined in the Plan, and have the meaning set forth in the Plan.

This Agreement and the Plan constitute the entire understanding between you and the Company regarding the SARs. Any prior agreements, commitments or negotiations concerning the SARs are superseded.

Data Privacy

In order to administer the Plan, the Company may process personal data about you. Such data includes but is not limited to the information provided in this Agreement and any changes thereto, other appropriate personal and financial data about you such as home address and business addresses and other contact information, payroll information and any other information that might be deemed appropriate by the Company to facilitate the administration of the Plan.

By accepting the SARs, you give explicit consent to the Company to process any such personal data. You also give explicit consent to the Company to transfer any such personal data outside the country in which you work or are employed, including, with respect to non-U.S. resident Grantees, to the United States, to transferees who shall include the Company and other persons who are designated by the Company to administer the Plan.

Consent to Electronic Delivery

The Company may choose to deliver certain statutory materials relating to the Plan in electronic form. By accepting the SARs you agree that the Company may deliver the Plan prospectus and the

Company's annual report to you in an electronic format. If at any time you would prefer to receive paper copies of these documents, as you are entitled to, the Company would be pleased to provide copies. Please contact _____ at _____ to request paper copies of these documents.

By signing the cover sheet of this Agreement, you agree to all of the terms and conditions described above and in the Plan.

Exhibit 10.21

FIRST AMENDMENT TO CREDIT AGREEMENT

THIS FIRST AMENDMENT TO CREDIT AGREEMENT (this "First Amendment") is dated as of this 29th day of August, 2003, by and between **TREX COMPANY, INC.**, a Delaware corporation (sometimes hereinafter referred to herein as "Trex Inc.") and **BRANCH BANKING AND TRUST COMPANY OF VIRGINIA**, a Virginia state banking corporation (hereinafter referred to herein as the "Bank").

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

The Borrower has requested that the Bank modify the capital expenditures covenant contained in the Credit Agreement and modify the inventory sublimit contained in the Credit Agreement, and the Bank is willing to do so upon the terms and conditions contained herein.

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

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

2. Section 6.09 of the Credit Agreement is hereby deleted in its entirety and the following section is inserted in its place:

Section 6.09 Limitations on Capital Expenditures. Without the prior written consent of the Bank, the Borrower and its Subsidiaries shall not make capital expenditures of more than the following aggregate amounts in each of its fiscal years, provided that the Borrower may expend an amount equal to the unspent portion of monies from the immediately preceding fiscal year in the immediately succeeding fiscal year: $8,000,000 for fiscal year 2002; $23,000,000 for fiscal year 2003; $20,000,000 for fiscal year 2004; and $12,000,000 for each fiscal year thereafter.

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

"Borrower" means Trex Company, Inc., a Delaware corporation and its successors.

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

“Inventory Sublimit” means (a) $10,000,000 during the period from May 1, 2002 to and including September 30, 2002, (b) $12,000,000 during the period from May 1, 2003 to and including September 30, 2003, (c) $14,000,000 during the period from May 1, 2004 to and including September 30, 2004, (d) $16,000,000 during the period May 1, 2005 to and including September 30, 2005, and (e) during any period of time not covered by clauses (a) to and including (d) above, the Revolving Commitment.

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

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

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

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

(d) The execution, delivery and performance by the Borrower of this First Amendment is within its corporate powers, has been duly authorized by all necessary corporate action, requires no action by or in respect of, or filing with, any governmental body, agency or official and does not contravene or constitute (with or without the giving of notice or lapse of time or both) a default under any provision of applicable law or of the organizational documents of the Borrower or any Subsidiary or of any agreement, judgment, injunction, order, decree or other instrument binding upon or affecting the Borrower or any Subsidiary or result in the creation or imposition of any Lien on any asset of the Borrower or any of its Subsidiaries.

(e) This First Amendment constitutes a valid and binding agreement of the Borrower, enforceable against the Borrower in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency or similar laws affecting creditors’ rights generally and by equitable principles of general applicability (regardless of whether such enforceability is considered in a proceeding in equity or at law).

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

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

(a) The Borrower shall have executed and delivered to the Bank this First Amendment.

(b) The Borrower shall have executed and delivered, or caused to be executed and delivered, to the Bank such other and further documents, certificates, opinions and other papers as the Bank shall reasonably request.

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

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

9. This First Amendment shall be construed in accordance with and governed by the laws of the Commonwealth of Virginia.

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

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

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

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

14. This First Amendment represents the final agreement between the Borrower and the Bank with respect to the subject matter hereof, and may not be contradicted, modified or supplemented in any way by evidence of any prior or contemporaneous written or oral agreements of the Borrower and the Bank.

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

TREX COMPANY, INC.

By: /s/ Paul D. Fletcher (SEAL)
Name: Paul D. Fletcher
Title: Senior V.P. and C.F.O.

BRANCH BANKING AND TRUST COMPANY OF VIRGINIA

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

Exhibit 10.25

FIFTH AMENDMENT TO CREDIT AGREEMENT

THIS FIFTH AMENDMENT TO CREDIT AGREEMENT (this "Amendment") is dated as of and effective as of this 31st day of December, 2005, by and between **TREX COMPANY, INC.**, a Delaware corporation (sometimes hereinafter referred to herein as "Trex Inc."), and **BRANCH BANKING AND TRUST COMPANY OF VIRGINIA**, a Virginia state banking corporation (hereinafter referred to herein as the "Bank").

Trex Inc., TREX Company, LLC, a Delaware limited liability company ("TREX LLC"), and the Bank are the original parties to that certain Credit Agreement dated as of June 19, 2002, as amended by a First Amendment to Credit Agreement dated as of August 29, 2003, as further amended by a Second Amendment to Credit Agreement dated as of September 30, 2004, as further amended by a Third Amendment to Credit Agreement dated as of March 31, 2005, as further amended by a Fourth Amendment to Credit Agreement dated as of July 25, 2005 (as so amended and as it may hereafter be amended, restated, supplemented, replaced or otherwise modified from time to time, the "Credit Agreement"). Subject to the terms and conditions contained in the Credit Agreement, the Bank agreed to extend to Trex Inc. and TREX LLC (i) a revolving credit facility, with a letter of credit subfacility, in the aggregate amount of $20,000,000 for working capital financing of Trex Inc.'s and TREX LLC's accounts receivable and inventory, to purchase new equipment and/or for other general corporate purposes of Trex Inc. and TREX LLC, (ii) a term loan facility in the amount of $9,570,079.88 to refinance the Winchester Property (as defined in the Credit Agreement), and (iii) a term loan facility in the amount of $3,029,920.12 to finance existing improvements to the Winchester Property. Effective December 31, 2002, TREX LLC merged with and into Trex Inc., with Trex Inc. being the surviving entity. As a result of such merger, Trex Inc. is the sole borrower under the Credit Agreement and shall hereinafter sometimes be referred to in this Amendment as the "Borrower."

The Borrower has requested that the Bank increase the aggregate amount of the revolving credit facility for a specified period of time, and the Bank is willing to do so upon the terms and conditions contained herein.

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

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

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

Section 6.11. Total Consolidated Debt to Consolidated EBITDA Ratio. The Borrower will not, as of the end of any fiscal quarter, permit the ratio of the Total Consolidated Debt to Consolidated EBITDA (the "Total Consolidated Debt to Consolidated EBITDA Ratio") for the four-quarter period ended as of the end of such fiscal quarter to exceed 2.50 to 1; provided that the Total Consolidated Debt to Consolidated EBITDA Ratio shall not be measured for the fiscal quarters ending December 31, 2005 and March 31, 2006.

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

Section 6.12 Fixed Charge Coverage Ratio. The Borrower will not (a) as of the end of any fiscal quarter of the Borrower during fiscal year 2005, permit the Fixed Charge Coverage Ratio for the four-quarter period ending as of the end of such fiscal quarter to be less than 1.3 to 1 and (b) as of the end of any fiscal quarter of the Borrower after fiscal year 2005, permit the Fixed Charge Coverage Ratio for the four-quarter period ending as of the end of such fiscal quarter to be less than 1.5 to 1; provided that the Fixed Charge Coverage Ratio shall not be measured for the fiscal quarters ending December 31, 2005 and March 31, 2006.

4. Article VI of the Credit Agreement is hereby amended by inserting the following new Section immediately following Section 6.26 of the Credit Agreement:

Section 6.27 Maximum Consolidated Net Loss. The Borrower's Consolidated Net Income for the four-quarter period ended December 31, 2005 shall not be less than negative $5,000,000.00.

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

"Applicable Real Estate Term Loan Margin" means (i) 3.0% for the period from December 31, 2005 through and including the first day of the month following receipt by the Bank of the consolidated financial statements described in Section 6.01(a) for the period ending December 31, 2005 and (ii) thereafter shall be determined by reference to the Total Consolidated Debt to Consolidated EBITDA Ratio in accordance with the following table:

Total Consolidated Debt to Consolidated EBITDA Ratio	**Applicable Real Estate Term Loan Margin**
Equal to or higher than 3.5 to 1	3.00%
Equal to or higher than 3.0 to 1 but lower than 3.5 to 1	2.75%
Equal to or higher than 2.5 to 1 but lower than 3.0 to 1	2.50%
Equal to or higher than 2.0 to 1 but lower than 2.5 to 1	2.25%
Equal to or higher than 1.5 to 1 but lower than 2.0 to 1	2.00%
Equal to or higher than 1.0 to 1 but lower than 1.5 to 1	1.75%
Lower than 1.0 to 1	1.50%

Except during the initial period described in clause (i) above, the Applicable Real Estate Term Loan Margin will be automatically adjusted as of the first day of the month following receipt by the Bank of consolidated financial statements of the Borrower and its Consolidated Subsidiaries pursuant to Section 6.01(a) or Section 6.01(b) demonstrating to the Bank's reasonable satisfaction that there has been a change in the Total Consolidated Debt to Consolidated EBITDA Ratio which would cause a change in the Applicable Real Estate Term Loan Margin in accordance with the preceding table. Any such change shall apply to Real Estate Term Loans 1, 2 & 3 outstanding on such effective date. At all times after and during the continuance of a Default with respect to the Borrower's obligations under Section 6.01(a) or Section 6.01(b) until the delivery of the applicable financial statements required pursuant thereto, the Applicable Real Estate Term Loan Margin shall be 3.00%.

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

"Applicable Revolving Loan Margin" means (i) 2.75% for the period from December 31, 2005 through and including the first day of the month following receipt by the Bank of the consolidated financial statements described in Section 6.01(a) for the period ending December 31, 2005 and (ii) thereafter shall be determined by reference to the Total Consolidated Debt to Consolidated EBITDA Ratio in accordance with the following table:

Total Consolidated Debt to Consolidated EBITDA Ratio	**Applicable Revolving Loan Margin**
Equal to or higher than 3.5 to 1	2.75%
Equal to or higher than 3.0 to 1 but lower than 3.5 to 1	2.50%
Equal to or higher than 2.5 to 1 but lower than 3.0 to 1	2.25%
Equal to or higher than 2.0 to 1 but lower than 2.5 to 1	2.00%
Equal to or higher than 1.5 to 1 but lower than 2.0 to 1	1.75%
Equal to or higher than 1.0 to 1 but lower than 1.5 to 1	1.50%
Lower than 1.0 to 1	1.25%

Except during the initial period described in clause (i) above, the Applicable Revolving Loan Margin will be automatically adjusted as of the first day of the month following receipt by the Bank of consolidated financial statements of the Borrower and its Consolidated Subsidiaries pursuant to Section 6.01(a) or Section 6.01(b) demonstrating to the Bank's reasonable satisfaction that there has been a change in the Total Consolidated Debt to Consolidated EBITDA Ratio which would cause a change in the Applicable Revolving Loan Margin in accordance with the preceding table. Any such change shall apply to the Revolving Loans outstanding on such effective date or made on or after such effective date. At all times after and during the continuance of a Default with respect to the Borrower's obligations under Section 6.01(a) or Section 6.01(b) until the delivery of the applicable financial statements required pursuant thereto, the Applicable Revolving Loan Margin shall be 2.75%.

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

"Revolving Commitment" means (i) for the period June 19, 2002 to and including December 31, 2005, $20,000,000.00 or such lesser amount to which it is reduced pursuant to Section 2.07, (ii) for the period January 1, 2006 to and including June 30, 2006, $30,000,000.00 or such lesser amount to which it is reduced pursuant to Section 2.07 and (iii) for the period July 1, 2006 and at all times thereafter during the Revolving Credit Period, $20,000,000.00 or such lesser amount to which it is reduced pursuant to Section 2.07.

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

"Revolving Credit Period" means the period from and including the Effective Date to but not including the Revolving Credit Termination Date.

9. Exhibit I-2 to the Credit Agreement is hereby deleted in its entirety and a new Exhibit, which is attached to this Amendment and labeled Exhibit I-3, is substituted in its place.

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

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

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

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

(d) The execution, delivery and performance by the Borrower of this Amendment and the new promissory note (attached hereto as Exhibit I-3) are within its corporate powers, have been duly authorized by all necessary corporate action, require no action by or in respect of, or filing with, any governmental body, agency or official and do not contravene or constitute (with or without the giving of notice or lapse of time or both) a default under any provision of applicable law or of the organizational documents of the Borrower or any Subsidiary or of any agreement, judgment, injunction, order, decree or other instrument binding upon or affecting the Borrower or any Subsidiary or result in the creation or imposition of any Lien on any asset of the Borrower or any of its Subsidiaries.

(e) This Amendment and the promissory note described in paragraph 10(d) of this Amendment constitute the valid and binding agreements of the Borrower, enforceable against the Borrower in accordance with their respective terms, except as such enforceability may be limited by bankruptcy, insolvency or similar laws affecting creditors' rights generally and by equitable principles of general applicability (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(f) Except as set forth on Schedule 5.05 to the Credit Agreement, there is no material action, suit, proceeding or investigation pending against, or to the knowledge of the Borrower threatened against, contemplated or affecting, the Borrower or any of its Subsidiaries before any court, arbitrator or governmental body, agency or official which has, or could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, or which in any manner draws into question the validity or enforceability of this Amendment, the promissory note described in paragraph 10(d) of this Amendment or any of the Loan Documents, and there is no basis known to the Borrower or any of its Subsidiaries for any such action, suit, proceeding or investigation.

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

(a) The Borrower shall have executed and delivered to the Bank this Amendment and the promissory note described in paragraph 10(d) of this Amendment in the form of Exhibit I-3 attached hereto with the blanks therein appropriately completed.

(b) The Borrower shall have executed and delivered, or caused to be executed and delivered, to the Bank such other and further documents, certificates, opinions and other papers as the Bank shall reasonably request; and the Borrower shall have paid all fees due to the Bank.

(c) The Borrower, JPMorgan Chase Bank, N.A., as issuing bank (the "Issuing Bank") and JPMorgan Chase Bank, N.A., as administrative agent (the "Administrative Agent") shall have executed and delivered an amendment to the Reimbursement and Credit Agreement dated as of December 1, 2004 by and between the Borrower, the Issuing Bank and the Administrative Agent, as amended (as so amended, the "Chase Credit Agreement") in form and substance acceptable to the Bank.

(d) The Bank shall have received a favorable opinion of counsel to the Borrower addressed to the Bank, dated as of the date hereof and satisfactory in form and substance to the Bank, as to the due authorization, execution, delivery and enforceability of this Amendment, the promissory note described in paragraph 10(d) of this Amendment, and such other matters as the Bank shall request.

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

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

14 This Amendment and the promissory note described in paragraph 10(d) of this Amendment shall be construed in accordance with and governed by the laws of the Commonwealth of Virginia.

15. Any Dispute arising out of or related to this Amendment, the promissory note described in paragraph 10(d) of this Amendment or any of the Loan Documents shall be

resolved by binding arbitration as provided in Section 9.07 of the Credit Agreement. **TO THE FULLEST EXTENT PERMITTED BY LAW, THE PARTIES HERETO HEREBY IRREVOCABLY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL WITH RESPECT TO ANY DISPUTE**.

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

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

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

19. This Amendment and the promissory note described in paragraph 10(d) of this Amendment represent the final agreement between the Borrower and the Bank with respect to the subject matter hereof, and may not be contradicted, modified or supplemented in any way by evidence of any prior or contemporaneous written or oral agreements of the Borrower and the Bank.

[Remainder of Page Intentionally Left Blank]

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

TREX COMPANY, INC.

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

BRANCH BANKING AND TRUST COMPANY OF VIRGINIA

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

Exhibit 10.30

EXECUTION COPY

SECOND AMENDMENT TO REIMBURSEMENT AND CREDIT AGREEMENT

dated as of and effective December 31, 2005

By and Between

Trex Company, Inc.

and

JPMorgan Chase Bank, N.A., as Issuing Bank and Administrative Agent

in connection with the Letter of Credit
securing

$25,000,000

Mississippi Business Finance Corporation
Variable Rate Demand Environmental Improvement Revenue Bonds
(Trex Company, Inc. Project), Series 2004

SECOND AMENDMENT TO REIMBURSEMENT AND CREDIT AGREEMENT

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This Table of Contents is not a part of this Second Amendment to Reimbursement and Credit Agreement and is only for convenience of reference.

SECOND AMENDMENT TO REIMBURSEMENT AND CREDIT AGREEMENT

THIS SECOND AMENDMENT TO REIMBURSEMENT AND CREDIT AGREEMENT (this "Second Amendment"), dated as of and effective December 31, 2005, between TREX COMPANY, INC., a Delaware corporation (the ***"Borrower"***) and JPMorgan Chase Bank, N.A., as Issuing Bank (in such capacity the ***"Bank"***) and Administrative Agent (in such capacity the ***"Administrative Agent"***).

BASIS FOR THIS SECOND AMENDMENT

1. This Second Amendment is authorized by Section 11.03 of the Reimbursement and Credit Agreement dated as of December 1, 2004, among the Borrower, the Bank and the Administrative Agent (the "Original Agreement"). The terms, conditions and provisions of the Original Agreement, as amended by the First Amendment to Reimbursement and Credit Agreement dated July 25, 2005, among the Borrower, the Bank and the Administrative Agent (the "First Amendment" and together with the Original Agreement, the "Amended Agreement") are incorporated into this Second Amendment by reference to the same extent and with the same force and effect as if fully stated in this Second Amendment.

2. The Borrower, the Bank and the Administrative Agent have agreed to an amendment to (a) Section 2.02 of the Original Agreement in order to revise the fees payable by the Borrower in connection with the Letter of Credit, (b) Section 6.11 of the Original Agreement in order to provide that the Fixed Charge Coverage Ratio will not be measured on December 31, 2005 and March 31, 2006, (c) Section 6.10 of the Original Agreement in order to add a maximum net loss provision for the Fiscal Year ending December 31, 2005, (d) Section 6.12 of the Original Agreement in order to provide that the ratio of Funded Net Debt to Consolidated EBITDA will not be measured on December 31, 2005 and March 31, 2006 and (e) Section 7.01 in order to permit an increase in the amount of Debt outstanding under the BBT Agreement.

3. In consideration of the premises and of the mutual covenants herein contained, and for good and valuable consideration, the Bank, the Administrative Agent and the Borrower do mutually covenant and agree, as follows:

Section 1. Definitions; Rules of Interpretation.

1.1 Definitions. For purposes of this Second Amendment, all capitalized words and phrases not defined in this Second Amendment shall have the meanings given to them in Section 1.01 of the Original Agreement.

1.2 Rules of Interpretation. For all purposes of the Agreement the following shall govern, except as otherwise expressly provided for or unless the context otherwise requires:

(i) The "Agreement" shall mean the Amended Agreement as modified, altered, amended or supplemented by this Second Amendment and as it may from time to time be further modified, altered, amended or supplemented.

(ii) All references in this Second Amendment to designated "Sections" and other subdivisions are to the designated Sections and other subdivisions of the Original Agreement unless otherwise indicated.

(iii) Terms defined in this Second Amendment shall have the meanings prescribed for them where defined herein.

(iv) All accounting terms not otherwise defined in this Second Amendment shall have the meanings assigned to them in accordance with the Original Agreement.

(v) Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders.

(vi) Terms in the singular include the plural and vice versa.

(vii) The headings and the table of contents set forth in this Second Amendment are solely for convenience of reference and shall not constitute a part of this Second Amendment nor shall they affect its meaning, construction or effect.

Section 2. Amendment of Original Agreement.

2.1 Amendment of Section 2.02(a) of Original Agreement. Section 2.02(a) of the Original Agreement is hereby amended to read in its entirety as follows:

> "(a) The Borrower hereby agrees to pay to the Bank, in advance, on each Fee Payment Date until the expiration or termination of the Letter of Credit, a nonrefundable facility fee calculated based on the Stated Amount as of the Fee Payment Date and based on a 360 day year but charged on the actual number of days elapsed. The amount payable on the (i) Issuance Date shall be based upon the ratio of Funded Net Debt to Consolidated EBITDA as of September 30, 2004 and based upon the number of days from the Issuance Date through and including March 31, 2005 and (ii) the amount payable on each Fee Payment Date thereafter shall be based upon the ratio of Funded Net Debt to Consolidated EBITDA as disclosed in the Certificate of Compliance most recently delivered for purposes of demonstrating the Borrower's compliance with Section 6.12(b) hereof and based upon the number of days in the calendar quarter commencing on such Fee Payment Date, and, in each case, shall be calculated using the following: (w) less than or equal to 1.00X, the annual facility fee shall be 65 basis points; (x) more than 1.00X but less than or equal to 1.50X, the annual facility fee shall be 75 basis points; (y) more than 1.50X but less than 2.00X, the annual facility fee shall be 85 basis points; and (z) 2.00X or greater, the annual facility fee shall be 100 basis points; provided further, the notwithstanding the foregoing, the annual facility fee due on April 1, 2006 shall be 125 basis points and the annual facility fee due on July 1, 2006 shall be 150 basis points."

2.2 Addition of New Section 6.10 to Original Agreement. A new Section 6.10 is hereby added to the Original Agreement to read in its entirety as follows:

"6.10 ***Maximum Net Loss.*** The Borrower will not have a net loss greater than $5,000,000 for the Fiscal Year ending December 31, 2005."

2.3 Amendment of Section 6.11 of Original Agreement. Section 6.11 of the Original Agreement, as amended by the First Amendment, is hereby further amended to read in its entirety as follows:

"6.11 ***Fixed Charge Coverage Ratio.*** The Borrower will not (a) as of the end of any fiscal quarter during Fiscal Year 2005, permit the Fixed Charge Coverage Ratio for the four quarter period ended as of the end of such fiscal quarter to be less than 1.30 to 1.00 and (b) as of the end of any fiscal quarter after Fiscal Year 2005, permit the Fixed Charge Coverage Ratio for the four quarter period ended as of the end of such fiscal quarter to be less than 1.50 to 1.00; provided that the Fixed Charge Coverage Ratio shall not be measured for the fiscal quarters ending December 31, 2005 and March 31, 2006."

2.4 Amendment of Section 6.12(b) of Original Agreement. Section 6.12(b) of the Original Agreement is hereby amended to read in its entirety as follows:

"(b) The Borrower will not, as of the end of any fiscal quarter, permit the ratio of Funded Net Debt to Consolidated EBITDA for the four-quarter period ended as of the end of such fiscal quarter to exceed 2.50 to 1.00; provided that the ratio of Funded Net Debt to Consolidated EBITDA shall not be measured for the fiscal quarters ending December 31, 2005 and March 31, 2006."

2.5 Amendment of Section 7.01(c) of Original Agreement. Section 7.01 of the Original Agreement is hereby amended to read in its entirety as follows:

"(c) Debt outstanding under the BBT Agreement (including the Real Estate Term Loan Obligations (as defined in the BBT Agreement) and the Revolving Credit Loan Obligaations (as defined in the BBT Agreement) (which have been increased to an authorized amount not to exceed $30,000,000)) and under the Notes (as defined in the BBT Agreement) and the Subsidiary guarantees required pursuant thereto;"

Section 3. Representations of the Parties. Each of the parties hereto hereby represents and warrants to the other parties as follows:

3.1 Due Organization. Each party is an organization duly organized, validly existing under the law of the state of its formation and in good standing in all jurisdictions required for it to conduct its business as now conducted and has full power and authority to carry on its business as now conducted.

3.2 Due Authorization. Each party has full power and authority to execute, deliver and perform this Second Amendment and to carry out the transactions contemplated hereby. This Second Amendment has been duly and validly executed and delivered by each party and constitutes the valid and binding obligation of each party, enforceable in accordance with its terms, except to the extent that enforceability may be limited by laws affecting creditors' rights and debtors' obligations generally, and legal limitations relating to remedies of specific performance and injunctive and other forms of equitable relief.

3.3 No Conflict. The execution, delivery and performance of this Second Amendment (as well as any other instruments, agreements, certificates or other documents contemplated hereby, if any) do not (a) violate any laws, rules, regulations, court orders or orders of any governmental or regulatory body applicable to the parties or their respective property, (b) require any consent, approval or authorization of, or notice to, or declaration, filing or registration with any governmental body or other entity that has not been obtained or made or (c) violate or conflict with any provision of the organizational document, operating agreement or bylaws of such party.

3.4. Further Assurances. Each party hereto, at the reasonable request of any other party hereto, will execute and deliver such other documents and do and perform such other acts and things as may be necessary or desirable for effecting completely the consummation of the transactions contemplated hereby.

Section 4. Special Representations of the Borrower. The Borrower hereby represents and warrants to the other parties as follows

4.1. Prior Representations and Warranties. The representations and warranties of the Borrower in the Amended Agreement are true and correct in all material respects as of the date hereof.

4.2. No Default. There is no Default or Event of Default under the Amended Agreement.

4.3. Full Force and Effect. All provisions of Amended Agreement continue in full force and effect with respect to the Borrower.

Section 5. More Favorable Covenants. If, after the date hereof, any of the covenants, representations and warranties or events of default, or any other material term or provision, contained in the BBT Agreement is amended, restated, supplemented or otherwise modified to make such covenant, representation and warranty or event of default, or any other material term or provision more favorable, in the sole but reasonable opinion of the Administrative Agent, to the lender or lenders under the BBT Agreement than are the terms of this Second Amendment to the Bank and the Bank Participants, this Second Amendment shall be amended to contain each such more favorable covenant, representation and warranty, event of default, term or provision, and the Borrower hereby agrees to so amend this Second Amendment and to execute and deliver all such documents requested by the Administrative Agent to reflect such amendment. Prior to the execution and delivery of such documents by the Borrower, unless the Administrative Agent has waived in writing its rights under this Section 5, this Second Amendment shall be deemed to contain each such more favorable covenant, representation and warranty, event of default, term

or provision of the BBT Agreement for purposes of determining the rights and obligations hereunder.

Section 6. Miscellaneous.

6.1 Governing Law. The substantive laws of the State shall govern the construction and enforcement of this Second Amendment without giving effect to the application of choice of law principles.

6.2 Execution in Counterparts. This Second Amendment may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

6.3 Costs and Expenses. The Borrower agrees to pay on demand all reasonable out-of-pocket costs and expenses of the Administrative Agent and the Bank in connection with the preparation, execution and delivery of this Second Amendment and any other documents which may be delivered in connection herewith, including, without limitation, the reasonable fees and out-of-pocket expenses of counsel for the Bank and the Administrative Agent with respect thereto.

Section 7. Effective Date. This Second Amendment shall not become effective until the BBT Agreement is amended to contain provisions similar to those contained in Section 2.3 and 2.4 hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Second Amendment to be duly executed and delivered by their respective officers hereunto duly authorized as of the date first above written.

TREX COMPANY, INC.

By: /s/ Paul D. Fletcher
Paul D. Fletcher
Senior Vice President and Chief Financial Officer

JPMORGAN CHASE BANK, N.A., as Bank and Administrative Agent

By: /s/ Lee Brennan
Lee Brennan
Vice President

Exhibit 10.34

THE CORPORATE OFFICE PARK
AT DULLES TOWN CENTER

21000 Atlantic Boulevard
Dulles, Virginia

DEED OF LEASE

BY AND BETWEEN

1 DULLES TOWN CENTER, L.L.C.

AND

TREX COMPANY, INC.

PORTIONS OF THIS EXHIBIT MARKED BY ASTERISKS ENCLOSED IN BRACKETS ("[***]") OR OTHERWISE INDICATED HAVE BEEN OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT. A COMPLETE VERSION OF THIS EXHIBIT HAS BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.

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THE CORPORATE OFFICE PARK AT DULLES TOWN CENTER

DEED OF LEASE

This DEED OF LEASE (hereinafter, this "Lease") dated as of the 27th day of July, 2005, is by and between **1 DULLES TOWN CENTER, L.L.C.**, a Virginia limited liability company (hereinafter, "Landlord"), and **TREX COMPANY, INC.**, a Delaware corporation (hereinafter, "Tenant").

WITNESS, subject to the terms of this Lease, Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, the Leased Premises (as defined below), for the Term (as defined below).

1. Definitions, Terms, and Conditions.

(a) Special Definitions, Terms, and Conditions. Throughout this Lease, the following words and phrases shall have the meanings indicated and obligate the parties as stated:

(1) Advance Deposit. [***] Such Advance Deposit shall be paid by Tenant to Landlord upon Tenant's execution hereof and held by Landlord as temporary security for the performance of Tenant's obligations hereunder. Such Advance Deposit shall be applied to Basic Rent for the first two full months of the Term.

(2) Basic Rent. Commencing on the Rent Commencement Date and continuing throughout the Initial Term (as defined below in Section 1(a)(3)), Tenant shall pay Basic Rent in accordance with the following terms: The initial Annual Basic rent with respect to the Office Space shall be [***] (payable in equal monthly installments of [***]), determined on the basis of [***] per square foot of rentable area in the Office Space per annum. The initial Annual Basic rent with respect to the Storage Space shall be [***] (payable in equal monthly installments of [***]), determined on the basis of [***] per square foot of rentable area in the Storage Space per annum. The parties acknowledge that the foregoing per square foot rental rates for the Office Space and the Storage Space are comprised of two components: (i) the Base Year Operating Expenses (as expressed on a per square foot of rentable area in the Building basis), which component will be constant throughout the Term; and (ii) the "net rental component" (herein so called), which component will be escalated on an annual basis in accordance with the terms set forth below.

As soon as reasonably practicable following December 31, 2006 (the end of the Base Year), Landlord will compile and deliver to Tenant a detailed line item statement setting forth the Operating Expenses (as determined in accordance with the terms of Section 1(a)(9) below) for the Base Year. Landlord's statement shall be subject to review, inspection and audit by Tenant in accordance with the terms of Section 3(f) below, except that, notwithstanding the terms of Section 3(f), if Tenant desires to conduct an audit of Landlord's statement of Operating Expenses for the Base Year, Tenant shall notify Landlord of such intent within sixty (60) days following Landlord's delivery of the statement of Operating Expenses for the Base Year. Subject to any adjustment (pursuant to the terms of Section 3(f) below) that may result from such audit, the Base Year Operating Expenses (expressed on a per square foot basis using the total rentable square footage of the Building set forth in Section 1(a)(6) below) shall be: (1) deducted from [***] to determine the "net rental component" for the Office Space Annual Basic Rent; and (2) deducted from [***] to determine the "net rental component" for the Storage Space Annual Basic Rent.

Effective as of [***] and on each [***] thereafter during the Term, [***] the Annual Basic Rent (for both the Office Space and the Storage Space) shall be increased by an amount equal to [***] of [***] such Annual Basic Rent applicable to the immediately preceding twelve (12) month period. [***]

[***]

(3) Initial Term. The period commencing on the Lease Commencement Date and ending on the last day of the calendar month which completes one hundred sixty-two (162) full calendar months following Rent Commencement Date, unless sooner terminated in accordance with the provisions hereof, or extended pursuant to the terms of Paragraph 4(e) of the Addendum hereto. (Accordingly, if for any reason the Rent Commencement Date is other than the first day of a calendar month, the Initial Term shall include: (i) the period between the Lease Commencement Date and the last day of the calendar month in which the Lease Commencement Date occurs; (ii) the

period between the first day of the first full calendar month of the Term and the Rent Commencement Date; and (iii) the one hundred sixty-two (162) full calendar months beginning on the first day of the first full calendar month following the Rent Commencement Date.)

(4) Lease Commencement Date. The date of the full execution and delivery of this Lease by both parties hereto, on which date Landlord shall be deemed to have delivered and Tenant shall be deemed to have accepted possession of the entire Leased Premises.

(5) Leased Premises. The space located on the lower level of the Building consisting of approximately 5,291 square feet (the "Storage Space") and the space constituting the entire leasable portion of the sixth (6th) and seventh (7th) floors of the Building (collectively, the "Office Space") consisting of approximately 49,756 square feet (collectively, the "Office Space"), all measured in accordance with the GWCAR standard method of measurement (exclusive of any existing Building mechanical, electrical, telephone or similar rooms, janitor closets, elevator, pipe and other vertical shafts, ducts and stairwells), and as outlined on the floor plan attached hereto as Exhibit A; the agreed upon rentable square footage of the Leased Premises, including core space, is 55,047 square feet. If Tenant ultimately leases any Additional Space or Offer Space in accordance with the terms of Paragraphs 3 or 4 of the Addendum hereto, then upon Landlord's delivery of such Space to Tenant, the same shall be deemed to be part of the Leased Premises hereunder.

(6) Proportionate Share. The percentage that the rentable square footage of the Leased Premises bears to the total rentable square footage of all office space in the Building (currently, 183,703), except as provided in Section 1(b)(9) hereof.

(7) Operating Expense Increases. Tenant agrees to pay its Proportionate Share of Operating Expenses (as defined below) in excess of actual Operating Expenses for the calendar year 2006 (the "Base Year"), as more fully provided in Section 3.

(8) Rent Commencement Date. January 1, 2006. Notwithstanding the foregoing, if Tenant beneficially occupies any portion of the Leased Premises, or any portion thereof, for the conduct of Tenant's business operations (i.e., by moving personnel into the Leased Premises for such purposes) prior to January 1, 2006, then during the period between the initial date of such beneficial occupancy and December 31, 2005 (both dates inclusive), Tenant shall pay Landlord Interim Rent (herein so called) in the amount of [***] per square foot of leasable area per month (pro-rated for any partial month during such period).

(9) (Intentionally Omitted).

(10) Tenant's Notice Address. To the Leased Premises, Attn: General Counsel; except before the Lease Commencement Date to: 160 Exeter Drive, Winchester, Virginia 22603, Attn: General Counsel. Courtesy copies of such notices shall also be delivered to the following addresses (but the timing of Landlord's delivery of such courtesy copies and/or Landlord's failure to deliver the same shall in no way affect the validity or effectiveness of Landlord's notices to Tenant at the primary notice address specified above): (i) Cassidy & Pinkard, 1750 Tysons Boulevard, Suite 1100, McLean, Virginia 22102, Attention: Paul G. Darr; and to: (ii) Hogan & Hartson, L.L.P., 555 Thirteenth Street, N.W., Washington, DC 20004, Attention: Bruce E. Parmley, Esq.

(11) Leasing Broker(s). Diamond Property Company as to Landlord and Cassidy & Pinkard as to Tenant.

(b) General Definitions, Terms, and Conditions. As used in this Lease, the following words and phrases shall have the meanings indicated and obligate the parties as stated:

(1) Additional Rent. All amounts payable by Tenant to Landlord under this Lease other than the Basic Rent. All remedies applicable to non-payment of Basic Rent shall be applicable to the non-payment of Additional Rent. Herein, Basic Rent and Additional Rent may be referred to in combination as "Rent."

(2) Building. The office building located at 21000 Atlantic Boulevard, Dulles, Virginia 20166, including the underlying lot, the Common Areas (as defined below), except that Landlord reserves and Tenant shall have no right in and to (i) the ownership (and, except as otherwise expressly provided herein or subsequently agreed upon in writing between Landlord and Tenant, the use) of the exterior faces of all perimeter walls of the Building, (ii) the ownership and,

except as otherwise specifically provided herein or subsequently agreed upon in writing between Landlord and Tenant, use of the roof of the Building, or (iii) the ownership and, except as otherwise specifically provided herein, use of the air space above the Building.

(3) Common Areas. All areas and facilities of the Building for the common use and/or benefit of tenants of the Building as allocated by Landlord, including the exterior of the Building and areas and facilities shared with buildings adjacent to the Building, and, including, without limitation, the public lobbies, elevators, corridors, stairways, toilet rooms, parking areas, motor court plaza, loading and unloading areas, roadways and sidewalks. Except as provided herein, throughout the Term, Tenant, its agents, employees and business invitees shall have the non-exclusive right, in common with others, to use the Common Areas of the Building for their intended purpose, subject to the terms and conditions set forth in this Lease (including without limitation, the Rules and Regulations set forth on Exhibit D hereof). Landlord shall have the right at any time, without Tenant's consent, to change the arrangement or location of entrances, passageways, doors, doorways, corridors, stairs, toilet rooms or other Common Areas of the Building, or to change the name, number or designation by which the Building is known. Notwithstanding the foregoing, in exercising its rights to change the arrangement of the Common Areas, Landlord shall use commercially reasonable efforts to minimize any interference with Tenant's use of and access to the Leased Premises and shall not permanently interfere substantially with or prevent Tenant's use of or access to the Leased Premises or any material part thereof. In the event that Landlord changes the address or name of the Building, Landlord shall compensate Tenant for its actual reasonable costs of replacing reasonable quantities of business stationery and marketing materials then on hand. Landlord may also designate other land and improvements outside the boundaries of the Building to be a part of the Common Areas, provided that such other land and improvements have a reasonable and functional relationship to the Building. Landlord reserves unto itself the full and complete ownership of all tangible personal property installed by Landlord in the Building.

(4) Event of Default. Any of the events set forth in Section 11 hereof, the same sometimes herein being referred to as a "default" by Tenant.

(5) Intentionally Omitted.

(6) Landlord's Notice Address.

1 Dulles Town Center, L.L.C.
c/o Lerner Corporation
11501 Huff Court
North Bethesda, Maryland 20895-1094
Attention: Legal Department

All rental payments shall be forwarded to:

1 Dulles Town Center, L.L.C.
c/o Lerner Corporation
11501 Huff Court
North Bethesda, Maryland 20895-1094
Attention: Accounts Receivable
21000 Atlantic Boulevard

(7) Lease Year. The period commencing on the Lease Commencement Date and ending on the last day of the calendar year in which said Lease Commencement Date occurs shall constitute the first "Lease Year" as such term is used herein. Each successive full calendar year during the Term thereafter shall constitute a "Lease Year" and any portion of the Term remaining after the last full calendar year shall constitute the last "Lease Year" for the purposes of this Lease.

(8) Mortgage. Any mortgage, ground lease or deed of trust which affects any interest in the Building or Landlord, and the word "mortgagee" shall mean the holder of any such mortgage, ground lessor under such ground lease or the beneficiary of any such deed of trust.

(9) Operating Expenses. Except to the extent expressly provided below, all costs, expenses and fees paid, incurred or accrued each Lease Year by Landlord in connection with: the ownership, management, operation, servicing and maintenance of the Building including, but not limited to, any costs incurred in keeping the Building in compliance with code; repairs, maintenance, additions, replacements and improvements to the Building, including any and all parking areas, loading and unloading areas, trash areas, roadways, sidewalks, stairways, landscaped

areas, motor court plaza, striping, bumpers, irrigation systems, lighting facilities, building exteriors and roofs, fences and gates; building, janitorial and cleaning supplies; uniforms and dry cleaning services; window cleaning services, plumbing, mechanical, electrical systems, life safety systems and equipment, telecommunication equipment, elevators, escalators, tenant directories, fire detection systems, including sprinkler system maintenance and repair; the cost of trash disposal, janitorial services and security services and systems; service contracts for the maintenance and operation of elevators, boilers, HVAC, mechanical equipment and exercise equipment; with respect to those employees who provide any of the services or perform any tasks related to the operation, and management of the Building, such employees' wages, salaries and fringe benefits; cost to operate and maintain any news ticker that may be provided in the main lobby; payroll taxes; business and franchise taxes; Real Estate Taxes (as defined in subsection 12 below); any expenses reasonably incurred by Landlord in attempting to protest, reduce or minimize Real Estate Taxes; electricity, gas, oil and other fuels, solid waste and utility charges; sewer and water charges; premiums for fire and casualty, liability, workmen's compensation and other insurance, including any deductibles; telephone and facsimile services and other communications costs; common transportation services; any costs in connection with equipping, maintaining and operating the health club in the Building; any property owners association dues including the dues of the Dulles Town Center Commercial Owners Association and any other association affecting the Building (such associations being referred to herein collectively as the "Association"); any parking management fee; the cost of all business licenses, including Business Professional and Occupational License Tax and Business Improvements Districts Tax, any gross receipt taxes based on rental income or other payments received by Landlord, commercial rental taxes or any similar taxes or fees; the cost of installing network cabling and maintaining, repairing, securing and replacing network cabling; administrative costs and reasonably and equitably allocated overhead expenses; miscellaneous management-related expenses; and management fees. For purposes of determining Tenant's Proportionate Share of Operating Expenses which are not fixed and which vary depending upon Building occupancy levels (e.g., janitorial services, electricity, and management fees based upon rental), the Proportionate Share of such expenses shall be adjusted utilizing as the numerator the rentable square footage of the Leased Premises and as the denominator the rentable square footage of office tenants in occupancy of the Building each Lease Year. If the cost incurred in making a repair or improvement or replacing any equipment is not fully deductible as an expense in the year incurred in accordance with generally accepted accounting principles, the cost shall be amortized over the useful life of the repair, improvement or equipment, as reasonably determined by Landlord, together with an interest factor on the unamortized cost of such item equal to the lesser of (i) ten percent (10%) per annum, or (ii) the maximum rate of interest permitted by applicable law. If the Building is less than ninety-five percent (95%) occupied at any time, Operating Expenses for the Base Year and all subsequent Lease Years shall be grossed up to reflect the amount that Landlord reasonably determines such Operating Expenses would have been if the Building were ninety-five percent (95%) leased.

Notwithstanding the foregoing or any other provision of this Lease to the contrary, the parties agree that Operating Expenses shall not include the following: (i) ground rent; (ii) salaries, benefits, wages or fees for employees above the grade of senior property manager or for officers or partners of Landlord; (iii) costs and expenses which would otherwise be included in Operating Expenses to the extent such costs and expenses exceed the competitive rates for similar services of comparable quality, rendered by persons or entities of similar skill, competence and experience (i.e., that portion of the costs and expenses for such services that exceed the competitive rate shall not be included in Operating Expenses), provided however that a management fee of four percent (4%) of gross revenues shall be deemed not to exceed the competitive rate and shall be included in the Base Year Operating Expenses and each comparative year; (iv) to the extent that employees are not employed exclusively at the Building, the costs and expenses with respect to such employees should be prorated; (v) any expense: (1) for which Landlord is actually specifically reimbursed by another tenant (other than by virtue of general contributions towards Operating Expenses by tenants pursuant to leases) or other third party; or (2) for which Landlord (A) is entitled to be specifically reimbursed by another tenant or other third party, and (B) unsuccessfully seeks collection of such reimbursement from another tenant or other third party (such as insurance or warranty proceeds unsuccessfully sought by Landlord) [it being understood and agreed that, Landlord shall utilize good faith efforts to collect any material amount from such third party sources to the extent that Landlord has a legitimate claim to collect the same, but the fact that an expense (other than a major expense) may merely be eligible for reimbursement from a third party source (such as insurance proceeds) shall not operate to exclude such expense from Operating Expenses if Landlord, in good faith and in the exercise of its reasonable business judgment, elects not to seek reimbursement from such third party source (such election thereby resulting in the failure of such expense to satisfy the condition for exclusion in (2)(B) above)]; (vi) all items, utilities and services for which Tenant specifically reimburses Landlord

or for which Tenant pays third parties; (vii) all costs or expenses (including fines, penalties, interest and legal fees) incurred due to the violation by Landlord, its employees, agents or contractors, of the terms and conditions of any lease or other occupancy agreement pertaining to the Building; (viii) payment of principal, finance charges or interest on debt or amortization on any mortgage or other debt or any penalties assessed as a result of Landlord's late payments of such amounts; (ix) any costs of Landlord's general overhead, including general and administrative expenses, which costs would not be chargeable to Operating Expenses of the Building, in accordance with generally accepted accounting principles, consistently applied; (x) any otherwise includible costs of correcting defects in the Building and/or any associated garage facilities and/or equipment or replacing defective equipment to the extent such costs are covered by warranties of manufacturers, suppliers or contractors; (xi) all fines, penalties or interest for failure to make any tax payment in a timely fashion; (xii) all costs and expenses associated with the operation of the business of the entity which constitutes Landlord as the same are distinguished from the costs of operation of the Building, including accounting and legal matters, costs of defending any lawsuits with any Landlord's Mortgagee, costs of selling, syndicating, financing, mortgaging or hypothecating any of the Landlord's interest in the Building, costs related to the defense of Landlord's title to the real estate containing the Building or costs of any disputes between Landlord and its employees (if any) not engaged in Building operation; (xiii) non-cash items such as depreciation and amortization except as otherwise specifically provided in this Lease; (xiv) leasing commissions, marketing costs, attorney's fees, costs, disbursements, and other expenses incurred in connection with solicitation, negotiation or termination with tenants, other occupants or prospective tenants or other occupants of the Building; (xv) capital improvements other than those made with the intention of complying with laws (to the extent that the same are not excluded pursuant to clause (xxii) below) or insurance, reducing operating expenses, or replacing an existing item; (xvi) all "tenant allowances", "tenant concessions" and other costs or expenses incurred in completing, fixturing, furnishing, renovating or otherwise improving, decorating or redecorating space for tenants of the Building; (xvii) any costs in connection with services, items or other benefits of a type or quantity which are not standard for the Building and which are not offered to Tenant, but which are provided to another tenant or occupant of the Building; (xviii) all expenses directly resulting from disputes between Landlord and another tenant of the Building; (xix) hazardous materials cleanup costs to the extent not caused by Tenant; (xx) Federal, state, county or municipal taxes, death taxes, excess profit taxes, franchise or any taxes imposed or measured on or by the income or revenue of Landlord from the operation of the Building, all to the extent not properly includable as Real Estate taxes; (xxi) contributions to Operating Expense reserves; (xxii) costs arising directly from the willful misconduct of Landlord; and (xxiii) costs incurred to correct violations of laws, codes, statutes, orders or regulations, to the extent that: (1) the condition being corrected existed as of the Lease Commencement Date, and (2) constituted an outstanding violation of such law, code, statute, order or regulation as of the Lease Commencement Date (it being the intent of the parties that Operating Expenses shall properly include the cost of complying with any law, code, statute, order or regulation to the extent that such law, code, statute, order or regulation is enacted, modified or enforced differently following the Lease Commencement Date).

(10) Person. A natural person, partnership, corporation or any other form of business or legal association or entity.

(11) Prime Rate. The prime rate of interest reported from time to time in The Wall Street Journal.

(12) Real Estate Taxes. All taxes, assessments, water and sewer rents, if any, and other charges, if any, general, special or otherwise, including all assessments for schools, public improvements or betterments and general or local improvements, levied or assessed upon or with respect to the ownership of and/or all other taxable interests in the Building imposed by any public or quasi-public authority having jurisdiction, including without limitation, the Route 28 Tax District and Community Development Authority Taxing District. Except for taxes, fees, charges and impositions described in the next succeeding sentence, Real Estate Taxes shall not include any income, inheritance, estate, succession, transfer, gift or profit tax. If at any time during the Term the methods of taxation shall be altered so that in addition to or in lieu of or as a substitute for the whole or any part of any Real Estate Taxes levied, assessed or imposed there shall be levied, assessed or imposed (i) a tax, license fee, excise or other charge on the rents received by Landlord, or (ii) any other type of tax or other imposition in lieu of, or as a substitute for, or in addition to, the whole or any portion of any Real Estate Taxes, then the same shall be included as Real Estate Taxes. A tax bill or true copy thereof, together with any explanatory or detailed statement of the area or property covered thereby, submitted by Landlord to Tenant shall be prima facie evidence of the amount of taxes assessed or levied, as well as of the items taxed. In the event the Building or any building or

land adjacent to the Building in which Landlord has an interest is not separately assessed and taxed, Landlord shall have the right to allocate a proportionate share to the Building and Landlord's reasonable determination thereof shall be binding on the parties hereto. If any real property tax or assessment levied against the land, buildings or improvements covered hereby or the rents reserved therefrom, shall be evidenced by improvement or other bonds, or in other form, which may be paid in annual installments, only the amount paid or accrued in any Lease Year shall be included as Real Estates Taxes for such Lease Year.

(13) Requirements. All laws, statutes, ordinances, codes, orders, rules, regulations, requirements and safety recommendations of all federal, state and municipal governments, and the appropriate agencies, offices, departments, boards and commissions thereof, Landlord's insurer(s), the board of fire underwriters and/or the fire insurance rating organization or similar organization performing the same or similar functions, whether now or hereafter in force, applicable to the Building or any part thereof and/or the Leased Premises, and all covenants, restrictions or agreements now or hereafter recorded among the land records of the jurisdiction in which the Building is located affecting the Building, as such covenants may be amended from time to time, and notices from Landlord's mortgagee, as to the manner of use or occupancy or the maintenance, repair or condition of the Leased Premises and/or the Building, and the requirements of the carriers of all fire and other insurance policies maintained by Landlord on or with regard to the Building.

(14) Tenant Improvements. All tenant improvements to be constructed in accordance with Exhibit B attached hereto.

(15) Term. The Initial Term and the extended term(s), if any, as to which Tenant shall have effectively exercised any right to extend, but in any event the Term shall end on any date when this Lease is sooner terminated in accordance with the provisions hereof.

2. Term.

(a) Upon the execution and delivery of this Lease by both parties hereto, Landlord shall be deemed to have delivered and Tenant shall be deemed to have accepted possession of the Leased Premises. The Term of this Lease (sometimes referred to herein as the "Lease Term") shall commence upon such date ("Lease Commencement Date"). Promptly after Lease Commencement Date and Rent Commencement Date are ascertained, if requested by Landlord, Tenant shall, within thirty (30) days after Landlord's request, complete and execute the letter attached hereto as Exhibit C and deliver it to Landlord. Tenant's failure to execute the letter attached hereto as Exhibit C (or object to the same in writing noting any matters therein that Tenant contends are inaccurate) within said thirty (30) day period shall constitute Tenant's acknowledgement of the truth of the facts contained in the letter delivered by Landlord to Tenant. Prior to entering any portion of the Leased Premises, Tenant shall obtain all insurance it is required to obtain by the Lease and shall provide certificates of said insurance to Landlord. Tenant shall coordinate such entry with Landlord's building manager, and such entry shall be made in compliance with all terms and conditions of this Lease and the Rules and Regulations set forth in Exhibit D attached hereto. Tenant shall not be entitled to make any alterations or improvements to the Leased Premises until the Plans (as defined in Exhibit B) have been finally approved by Landlord in accordance with Exhibit B. Except for purposes of constructing the Tenant's Improvements in accordance with Exhibit B, Tenant shall not be permitted to occupy the Leased Premises for purposes of conducting its business therein or for any other purpose, unless and until Tenant delivers to Landlord a certificate of occupancy and any other approvals required for Tenant's occupancy of the Leased Premises from any governmental authorities having jurisdiction over the Leased Premises, all of which shall be obtained by Tenant at Tenant's sole cost and expense. If the Leased Premises, or any portion thereof, are otherwise available for Tenant to take possession thereof, but Tenant is not permitted to take possession of the Leased Premises because Tenant has failed to deliver to Landlord evidence reasonably satisfactory to Landlord that all insurance required hereunder to be carried by Tenant and its contractor is effective, then (i) Landlord shall be deemed to have tendered possession of the Leased Premises (or portion thereof) to Tenant, (ii) neither the Lease Commencement Date nor the Rent Commencement Date shall be delayed as a result thereof, and (iii) Tenant shall be entitled to access the Leased Premises (or portion thereof) when such evidence of insurance has been delivered to Landlord.

(b) (Intentionally Omitted).

(c) Notwithstanding the foregoing provisions of this Section 2, if Landlord is unable to tender possession of any portion of the Leased Premises to Tenant on or before any date because Landlord is unable to complete Landlord's Work (if any) or for any other reason and such inability is caused by any act or omission of Tenant, its employees, officers, directors, agents or independent contractors (collectively, "Tenant Delays"), then Landlord nonetheless shall be deemed to have tendered possession of such portion of the Leased Premises to Tenant as of the aforementioned date on which Landlord would have otherwise delivered possession of such portion of the Leased Premises to Tenant, even though Tenant may not in fact have occupied the Leased Premises on such date, and Landlord shall actually deliver such portion of the Leased Premises to Tenant as soon as practicable thereafter.

(d) If permission is given to Tenant (or its employees, agents or contractors) to use or access the Leased Premises, to enter into the possession of the Leased Premises or to occupy premises other than the Leased Premises prior to the Lease Commencement Date, Tenant covenants and agrees that such access, possession or occupancy shall be deemed to be under all the terms, covenants, conditions and provisions of this Lease. Similarly, Tenant's access to and temporary possession and occupancy of the Additional Space (as defined in Paragraph 3 of the Addendum hereto) (which access and temporary possession and occupancy rights shall be deemed given to Tenant as of the Lease Commencement Date) for the purposes of performing the Tenant Improvements therein (as contemplated pursuant to the terms of Paragraph 3 of the Addendum and Exhibit B hereto), shall be deemed to be under and subject to all of the terms, covenants, conditions and provisions of this Lease.

(e) Notwithstanding any provision hereof to the contrary, in the event that the Lease Commencement Date has not occurred within five (5) years of the date of the execution of this Lease by all parties hereto, then this Lease shall automatically terminate and be without further force and effect. The parties acknowledge that the terms of the foregoing sentence are included herein for the purposes of ensuring that this Lease comply with the common law Rule Against Perpetuities, as the same is recognized under Virginia law, and in no way is said five (5) year period intended as an estimate of the expected timing of the Lease Commencement Date.

3. Rent and Additional Rent; Computation of Operating Expense Increases.

(a) Payment of Basic Rent and Additional Rent. Tenant shall pay the Basic Rent in equal monthly installments in advance on the first day of each month during the Term commencing on the Rent Commencement Date (except as provided in Section 1(a)(8) above); provided, however, if the Rent Commencement Date is not the first day of a month, Basic Rent for the period commencing on the Rent Commencement Date and ending on the last day of the month in which the Rent Commencement Date occurs shall be pro-rated for each day at the rate of one-thirtieth (1/30) of the full monthly installment of Basic Rent and paid on the Rent Commencement Date. If any due and owing Basic Rent is underpaid as a result of failure to make any required adjustment thereto or other cause, after such required adjustment thereto or other cause, Tenant shall pay such deficiency in its entirety along with the next monthly payment of Basic Rent. Tenant shall also pay its Proportionate Share of Operating Expense Increases as provided in Sections 1(a)(7) and 3(b) hereof. The Basic Rent and all Additional Rent shall be paid promptly when due, in lawful money of the United States, without notice or demand and, except as may be otherwise expressly provided herein, without deduction, diminution, abatement, counterclaim or set-off of any amount or for any reason whatsoever, to Landlord at Landlord's Notice Address or at such other address or to such other person as Landlord may from time to time designate. If Tenant makes any payment to Landlord by check, the same shall be by check of Tenant only, and Landlord shall not be required to accept the check of any other person, and any check received by Landlord shall be deemed received subject to collection. If any check is mailed by Tenant, it should mailed to Landlord's Notice Address and Tenant shall post such check in sufficient time prior to the date when payment is due so that such check will be received by Landlord on or before the date when payment is due. Tenant shall assume the risk of lateness or failure of delivery of the mails. If, during any Lease Year, Landlord receives two or more checks from Tenant which are returned by Tenant's bank for insufficient funds or are otherwise returned unpaid, Tenant agrees that all checks thereafter shall be either bank certified or bank cashier's checks. All bank service charges resulting from any bad checks shall be borne by Tenant. In no event shall the operation of any provision hereunder concerning Additional Rent, including without limitation those provisions of Section 3(b), result in the payment by Tenant in any month of less than the Basic Rent shown on the Schedule on 1(a)(2). The Rent reserved under this Lease shall be the total of all Basic Rent and Additional Rent, increased and adjusted as elsewhere herein provided, payable during the entire Term and, accordingly, the methods of payment provided for herein, namely, annual and monthly rental payments, are for convenience only and are made on account of the total Rent reserved hereunder, provided, however, that unless an Event of Default has occurred and is continuing, Landlord cannot demand payment of the total Rent reserved hereunder in anything but monthly rental payments.

(b) Computation of Operating Expenses.

Beginning on the first anniversary of the Rent Commencement Date, Tenant shall pay, as Additional Rent, Tenant's Proportionate Share of Operating Expense Increases (as defined below) as hereinafter provided. For the purposes hereof, "Operating Expense Increases" shall mean the amount, if any, by which Operating Expenses for any Lease Year following the Base Year exceed Operating Expenses for the Base Year. Beginning with the 2006 Base Year, within a reasonable period (not to exceed one year) following the expiration of each Lease Year, Landlord shall submit to Tenant a statement setting forth in reasonable detail the Operating Expenses for the preceding Lease Year, as well as Landlord's estimate of the Operating Expenses for the following (current) Lease Year. (Alternatively, Landlord may render a statement of Landlord's estimate of the Operating Expenses for the following (current) Lease Year separately from Landlord's statement of the actual Operating Expenses for the preceding Lease Year). Beginning with the first Lease Year for which additional rent is due pursuant to this subparagraph (b), such statement shall be accompanied by a statement (the "Statement") setting forth the amount, if any, due to Landlord from Tenant for such previous Lease Year on account of such Operating Expense Increases (based upon the difference, if any, between the estimated payments towards Tenant's Proportionate Share of Operating Expense Increases made by Tenant and the actual Tenant's Proportionate Share of Operating Expense Increases). Prior to the rendition of any such Statement containing Landlord's estimate of the following (current) Lease Year's Operating Expense Increases, Tenant shall continue to pay to Landlord, on the first day of each month, 1/12th of Landlord's most-recent estimate of the Tenant's Proportionate Share of Operating Expense Increases for the preceding Lease Year. If any such Statement applicable to the period following the first anniversary of the Rent Commencement Date shows that Tenant's Proportionate Share of Operating Expense Increases remains due from Tenant with respect to such preceding Lease Year, then Tenant shall make payment of any unpaid portion thereof within thirty (30) days after delivery of such Statement. Similarly, if any such Statement applicable to the period following the first anniversary of the Rent Commencement Date shows that Tenant has paid more than Tenant's actual Proportionate Share of Operating Expense Increases then any such overpayment shall be credited towards Tenant's next occurring Rent obligations hereunder (or, if such Statement is delivered following the expiration or termination of the Lease and the amount of such credit exceeds the amount of any outstanding Tenant rental obligation, then the same shall be promptly refunded to Tenant). Following delivery of such Statement, Tenant shall also pay to Landlord as Additional Rent, commencing as of the first day of the month immediately following the rendition of such Statement and on the first day of each month thereafter until a new statement is rendered, 1/12th of Landlord's new estimate of the Tenant's Proportionate Share of Operating Expense Increases to be due from Tenant for the current Lease Year; and, Tenant shall also pay to Landlord, as additional rent, within thirty (30) days after receipt of such Statement, an amount equal to the difference between (a) the product obtained by multiplying the estimated Tenant's Proportionate Share of Operating Expense Increases for the current Lease Year by a fraction, the denominator of which shall be twelve (12) and the numerator of which shall be the number of months of the current Lease Year which shall have elapsed prior to the first day of the month immediately following the rendition of such Statement, and (b) the sum of all previous payments (if any) of Operating Expense Increases made by Tenant with respect to such prior months in the current Lease Year. Payments based on the estimated Tenant's Proportionate Share of Operating Expense Increases for the current Lease Year shall be credited toward the actual Operating Expense Increases due from Tenant for the current Lease Year, subject to adjustment as and when the Statement for such current Lease Year is rendered by Landlord. All obligations of Landlord and Tenant applicable to the Term of the Lease with respect to the payment of Operating Expense Increases and reimbursement of overpayments thereof shall survive the expiration or termination of the Lease.

(c) Interest. If Tenant fails on more than one occasion during any Lease Year to pay any Basic Rent or Additional Rent within five (5) days after the same becomes due and payable, interest shall accrue from the date due on the unpaid portion thereof at a rate of one percent (1%) per month, or three (3) percentage points above the Prime Rate in effect on such due date, whichever is higher, but in no event at a rate higher than the maximum rate allowed by law. Such interest shall be deemed Additional Rent hereunder and shall be collectible as such.

(d) Accord and Satisfaction. No payment by Tenant or receipt by Landlord of any lesser amount than the amount stipulated to be paid hereunder shall be deemed other than on account of the earliest stipulated Basic Rent or Additional Rent; nor shall any endorsement or statement on any check or letter be deemed an accord and satisfaction, and Landlord may accept any check or payment without prejudice to Landlord's right to recover the balance due or to pursue any other remedy available to Landlord.

(e) Late Payment Charge. If Tenant fails to pay any Basic Rent or Additional Rent within ten (10) days after the same becomes due and payable, Tenant shall also pay to Landlord a late payment service charge equal to the greater of Five Hundred ($500.00) or Five Percent (5%) of such unpaid sum for each month such sum remains unpaid. Notwithstanding the foregoing, on the first two (2) occasions of such a failure to timely pay by Tenant during any Lease Year, no such late payment charge shall be payable unless Tenant fails to make the required late payment of Basic Rent or Additional Rent within five (5) days following written notice from Landlord regarding Tenant's failure to timely pay the same. Such payment shall be deemed liquidated damages and not a penalty, but shall not excuse the timely payment of Rent. Acceptance of such late charge by Landlord shall in no event constitute a waiver of Tenant's default with respect to such overdue amount, nor prevent Landlord from exercising any of the other rights and remedies granted hereunder.

(f) Right to Audit. Within one hundred twenty (120) days (except as provided in Section 1(a)(2) with respect to the Base Year) after receipt of any Statement referred to in (b) above, an independent certified public account retained by Tenant ("Auditor") shall have the right, at Tenant's expense, to inspect Landlord's Operating Expenses records relating to the Lease Year covered by the Statement. The inspection must be completed within ninety (90) days of: Landlord's making such records available to Tenant. No such inspection may be conducted on a contingency basis by the Auditor (and therefore no portion of the fee or other compensation payable to the Auditor may in any way be tied to the results of such inspection), and any such inspection conducted on such basis shall be deemed void for the purposes hereof, and Tenant hereby waives and further rights to inspect Landlord's records relating to Operating Expenses following the performance of an inspection on such basis. No subtenant shall have any right to conduct an inspection and no assignee shall conduct an inspection for any period prior to the effective date of the assignment of the Lease. The results of such inspection and any information obtained during the performance thereof shall be kept confidential by Tenant and its Auditor, and at Landlord's request, such Auditor must agree in writing (in a commercially reasonable form) to keep such results and information confidential and not to reveal the same to any parties other than Landlord and Tenant. Before conducting any inspection, Tenant must pay the full amount of Tenant's Proportionate Share of Operating Expense Increases billed and other Rent due. Tenant may review only those records of Landlord that are specifically related to Operating Expenses. The inspection shall be conducted in a location in the Northern Virginia, Washington, D.C. metropolitan area and at a reasonable time determined by Landlord. Upon receipt thereof, but in any event, no later than thirty (30) days following the conduct of such inspection, Tenant will deliver to Landlord a copy of the written report procured as a result of the inspection and all accompanying data. Tenant may not conduct an inspection more often than once each Lease Year. Tenant may inspect records only with respect to the Lease Year in question. The parties shall negotiate in good faith to resolve any disputes that arise out of any such inspection. If such inspection by Tenant's Auditor (as the results thereof are finally agreed upon by Landlord and Tenant) conclusively reveals that Landlord overstated Operating Expenses for the Lease Year in question by more than four percent (4%), then Landlord shall reimburse Tenant the reasonable out-of-pocket third party costs of Tenant in conducting such inspection up to a maximum of Five Thousand and 00/100 Dollars ($5,000.00). Any over payment or underpayment of Operating Expense Increases revealed by such inspection shall be refunded by Landlord or paid by Tenant within thirty (30) days.

4. Services and Utilities.

(a) Types. Throughout the Term, Landlord agrees that, without additional charges except as set forth: (i) in the Operating Expenses provisions of the Lease, and (ii) as otherwise set forth in this Lease, it will furnish to Tenant the following services. Such services shall be of the quality and character as provided by Landlord's managing agent, Lerner Corporation, at similar class A buildings managed by Lerner Corporation in Northern Virginia (such as the Corporate Office Center at Tysons II) ("Service Standard").

(1) Electricity twenty-four (24) hours per day for normal lighting purposes and the operation of ordinary office equipment, in accordance with Section 6(b) hereof;

(2) Adequate supplies for toilet rooms;

(3) Normal and usual cleaning and char services each day except on Saturdays, Sundays and Building Holidays (as defined below) in accordance with the specifications set forth in Exhibit E hereto, as the same may be modified from time to time by Landlord in its reasonable discretion;

(4) Hot and cold running water in the bathrooms;

(5) Landlord will also provide elevator service by means of automatically operated elevators. Such elevator service shall be provided on a twenty-four (24) hour per day, seven (7) day per week basis. However, Landlord shall have the right to remove elevators from service as the same shall be required for moving freight, or for servicing or maintaining the elevators and/or the Building provided that, except in the event of an emergency or as absolutely necessary for repair and maintenance purposes, at least one (1) elevator shall be available to allow Tenant to access the Leased Premises at all times;

(6) Air cooling/heating, when required, between the hours of 7:00 A.M. and 7:00 P.M. Mondays through Fridays and between 9:00 A.M. and 1:00 P.M. on Saturdays, except on the following Building Holidays (herein so called): New Year's Day, Memorial Day, July 4th, Labor Day, Thanksgiving Day and Christmas Days (or such business days on which the foregoing days are recognized/celebrated by the federal government) [If air cooling/heating is provided to Tenant during hours and/or days other than those set forth above, Tenant shall pay Landlord for such additional service at the rate of $30 per hour for floor during the first three (3) Lease Years, and such increased rate as Landlord shall establish on an annual basis thereafter based upon increases in utility costs related to providing such service.];

(7) [RESERVED];

(8) All electric bulbs, ballasts and fluorescent tubes in standard 2'x 2' and 2' x 4' light fixtures in the Leased Premises and the Common Areas;

(9) Facilities for parking as specified herein;

(10) Two (2) keys to the Leased Premises along with an allotment of two hundred nineteen (219) building access cards (based upon a ratio of four (4) cards per 1,000 square feet in the Leased Premises) at no cost to Tenant; with all additional keys and access cards at the cost of Tenant (based upon Landlord's actual direct cost thereof);

(11) Lamping of all Building standard ceiling lighting fixtures in the Leased Premises;

(12) An electronic card-key building access system which will provide Tenant with twenty-four (24) hours per day, seven (7) days per week access to the Building and parking garage, provided, however, that Tenant acknowledges and agrees that repairs, hazardous conditions and circumstances beyond Landlord's reasonable control may prevent access to the Leased Premises or parking garage from time to time;

(13) A health club (which shall be furnished with fitness equipment prior to the Rent Commencement Date) in a location reasonably chosen by Landlord in the Building, including locker and shower facilities for use by Tenant and its employees in common with other Building occupants;

(14) Initial Building directory signage strips or identification in a computer directory, elevator lobby signage on each floor of the Leased Premises and suite entry signage as provided in Section 24 herein. Tenant shall receive Tenant's Proportionate Share of the Building directory signage strips as set forth in Section 24 herein [The design, size, location and materials of such signage shall be in accordance with Landlord's standard Building signage package except to the extent such signage package conflicts with the provisions contained in Section 24.];

(15) a staffed concierge desk in the lobby of the Building during regular business hours (as reasonably determined by Landlord); and

(16) a vending area in the common area of the Building with food and beverage service equipment consistent with a "high-end" vending area (which vending area shall be equipped prior to the Rent Commencement Date).

(b) Access. Upon reasonable prior notice (except in the event of an emergency, in which case no such notice shall be required), Landlord shall have access to and reserves the right to inspect, erect, use, connect to, maintain and repair pipes, ducts, conduits, cables, plumbing, vents

and wires, and other facilities in, to and through the Leased Premises as and to the extent that Landlord may now or hereafter deem to be necessary or appropriate for the proper operation and maintenance of the Building (including the servicing of other occupants of the Building) and the right at all times to transmit water, heat, air conditioning and electric current through such pipes, conduits, cables, plumbing, vents and wires and the right to interrupt the same in suspected emergencies without eviction (constructive or otherwise) of Tenant, abatement of Rent or liability for damages of any kind. In exercising its rights under this subparagraph (b), Landlord will utilize commercially reasonable efforts to minimize any interference with Tenant's ability to utilize the Leased Premises as contemplated hereunder.

(c) Interruption in Services. Except as expressly provided below in this subparagraph (c), Tenant agrees that Landlord shall not be liable to Tenant for its failure to furnish gas, electricity, elevator, telephone service, water, HVAC or any other utility services or building services when such failure is occasioned, in whole or in part, by repairs, replacements, or improvements, by any strike, lockout or other labor trouble, by inability to secure electricity, gas, water, telephone service or other utility at the Building, by any accident, casualty or event arising from any cause whatsoever, including the negligence of Landlord, its employees, agents and contractors, by act, negligence or default of Tenant or any other person or entity, or by an other cause, including bomb scares, and such failures shall not be deemed to constitute an eviction (constructive or otherwise) or disturbance of Tenant's use and possession of the Leased Premises or relieve Tenant from the obligation of paying Rent or performing any of its obligations under this Lease. Furthermore, Landlord shall not be liable under any circumstances for loss of property or for injury to, or interference with, Tenant's business, including, without limitation, loss of profits, however occurring, through or in connection with or incidental to a failure to furnish any such services or utilities. Landlord may comply with mandatory or voluntary controls or guidelines promulgated by any governmental entity or utility provider relating to the use or conservation of energy, water, gas, light or electricity or the reduction of automobile or other emissions without creating any liability of Landlord to Tenant under this Lease. Notwithstanding the foregoing, if there is a failure by Landlord to furnish the utilities or services specified above, which failure: (i) interferes substantially with or prevents Tenant's use of the Leased Premises or any material part thereof, (ii) is caused by the negligence or willful misconduct of Landlord, and (iii) continues for five (5) consecutive days (any such failure that satisfies all three (3) criteria specified in (i) through (iii) above, being referred to herein as a "Substantial Interference"), then, as Tenant's sole and exclusive remedy in connection with any such failure by Landlord, the Basic Rent shall abate for the period beginning on the sixth (6^{th}) day following such interruption and continuing until such Substantial Interference is remedied, based upon the portion or portions of the Leased Premises rendered unusable by such Substantial Interference with utilities or services.

5. Maintenance and Repairs.

Subject to the provisions of this Section 5 and Section 8 below and subject to reimbursement by Tenant in accordance with the provisions of this Section 5 and Sections 1(b)(9) and 3 herein, Landlord agrees to maintain, consistent with the Service Standard specified in Section 4(a) above, the structural portions of the Building and central Building mechanical, electrical and plumbing systems, the Common Areas, and Building standard items in the Leased Premises (including: (i) the restroom facilities that would otherwise constitute "Common Areas" on multi-tenanted floors, (ii) building standard lighting fixtures, ballasts and bulbs, (iii) Landlord-installed sprinkler heads and systems, and (iv) any portions of Building systems located behind walls or at or above finished ceilings), as well as any ceiling tiles damaged by roof leaks, in good order and repair throughout the Term. Such maintenance obligations of Landlord shall include the obligation to comply with all applicable laws, statutes, rules, regulations, orders and codes applicable to the same (although if such compliance arises as a result of the unique use of the Leased Premises by Tenant, the acts or omissions of Tenant, its employees, agents or contractors, or any alterations, improvements or other installations undertaken by or on behalf of Tenant, then Landlord shall undertake the necessary compliance obligations at Tenant's cost and expense. Tenant, and not Landlord, shall be responsible for (i) maintaining all other improvements to the Leased Premises including, with the exception of the items described above for which Landlord is responsible, portions of Building systems which are not behind walls or at or above finished ceilings, and (ii) reimbursing Landlord for the full cost of any repairs to the Leased Premises or to any part of the Building caused by the unreasonable wear and tear by or negligence or willful act of Tenant or its agents, employees or invitees, such reimbursement to be collectible as Additional Rent hereunder within thirty (30) days following written demand by Landlord. Any contractors performing repairs which are the responsibility of Tenant hereunder must receive the prior written approval of Landlord (which approval shall not be unreasonably withheld, conditioned or delayed), and must provide Landlord in advance of such work with a certificate of insurance naming Landlord and the other

parties named in Section 7(a)(1) as additional insureds. In addition, it is understood and agreed that, at Tenant's request, and at Tenant's cost and expense, Landlord may assist (whether by performing portions of such work and/or coordinating the performance of the same by third party contractors or vendors) Tenant in the performance of certain portions of Tenant's maintenance and repair obligations hereunder.

6. Use of Leased Premises.

(a) General Offices. Tenant shall use and occupy the Leased Premises solely for general office purposes, and shall not use or permit or suffer the use of the Leased Premises for any other purpose whatsoever. Also, in any announcement of this Lease or other advertising of Tenant in newspapers, magazines or similar type publications making reference to this Lease or the Leased Premises, Tenant shall also make reference to **"The Corporate Office Park at Dulles Town Center"**. Tenant and its employees may utilize the Common Area fire stairwells serving the Leased Premises for internal access to the various portions of the Leased Premises, provided that the same is undertaken in accordance with and subject to the terms and conditions of this Section 6. Without limiting the generality of the foregoing, any use of the Common Area fire stairwells shall be undertaken: (i) in compliance with all applicable codes and laws, (ii) in a manner consistent with any security requirements imposed by Landlord or applicable law (including, without limitations, card readers on all doors by which such stairwells are accessed), and (iii) for the limited purpose of allowing Tenant's employees to traverse between portions of the Leased Premises. Subject to the foregoing and further subject to Landlord's prior written approval (not to be unreasonably withheld) of any plans and specifications with respect to the same, Tenant's use of the fire stairwells may include, at Tenant's option and at Tenant's cost and expense, security devices such as card readers on such doors in order to limit entrance into the Leased Premises from such stairwells to Tenant's employees.

(b) Covenants. Throughout the Term, Tenant covenants and agrees to: (i) keep the Leased Premises in a neat and clean condition; (ii) pay before delinquency any and all taxes, assessments and public charges levied, assessed or imposed upon Tenant's business, upon the leasehold estate created by this Lease or upon Tenant's fixtures, furnishings or equipment in the Leased Premises; (iii) not to use or permit or suffer the use of any portion of the Leased Premises for any immoral or unlawful purpose, for any purpose which would injure the reputation of the Building, or in any manner which might be hazardous or might jeopardize Landlord's insurance coverage or increase Landlord's insurance premium; (iv) not to allow any pets to be brought into the Leased Premises; (v) not to use or permit or suffer the use of the plumbing facilities for any purpose other than that for which they were constructed, or dispose or permit or suffer the disposal of any foreign substances therein; (vi) not to place a load on any floor exceeding the floor load per square foot which such floor was designed to carry in accordance with the plans and specifications of the Building, and not install, operate or maintain in the Leased Premises any heavy item of equipment except in such manner as to achieve a proper distribution of weight; (vii) not to strip, overload, damage or deface the Leased Premises, the floors, or the hallways, stairways, elevators, parking facilities or other Common Areas of the Building, or the fixtures therein or used therewith, nor to permit any hole to be made in any of the same; (viii) not to move any furniture or equipment into or out of the Leased Premises except at such times and in such manner as Landlord may from time to time reasonably agree to or designate; (ix) not to use or permit or suffer the use of any floor adhesive in the installation of any carpeting; (x) not to install or operate in the Leased Premises any electrical, heating and cooling, or refrigeration equipment, computer equipment, electronic data processing equipment, punch card machines or other equipment using electric current in excess of standard voltage or amperage (which standard voltage shall mean: (1) 5 watts per square foot demand load for Tenant general power and distribution, and (2) 2 watts per square foot for Tenant lighting), or in excess of that to be provided by Landlord pursuant to this Section 6(b), or requiring non-standard electrical wiring outlets, circuits or panels (other than ordinary office equipment such as electric typewriters, adding machines, television sets, radios, clocks and lamps), without first obtaining the written consent of Landlord (which consent shall not be unreasonably withheld, but may be conditioned upon Tenant's agreement to make direct payment to the local utility company or the payment by Tenant of an Additional Rent to Landlord, for Tenant's excessive consumption of electricity and for the cost of additional wiring or metering which may be required for the operation of such equipment and machinery); (xi) not to install any other equipment of any kind or nature which will or may overheat, exceed the capacity, or otherwise necessitate any repairs, changes, replacements or additions to, or in the use of, the water system, heating system, plumbing system, air conditioning system or electrical system of the Leased Premises or the Building, without first obtaining the written consent of Landlord, which consent may be granted or withheld in Landlord's sole and absolute discretion; and (xii) at all times to comply with the Requirements. The parties acknowledge that Tenant is contemplating installing supplemental HVAC equipment to serve the Leased Premises. Tenant may install the same, subject to Landlord's prior written consent, in accordance with the terms and conditions set forth in clause (x) above.

(c) Compliance. Tenant will not use or occupy the Leased Premises in violation of any Requirements imposed by any federal, state and municipal governments, and the appropriate agencies, offices, departments, boards and commissions thereof, as well as all covenants, restrictions or agreements now or hereafter recorded among the land records of the jurisdiction in which the Building is located affecting the Building, as such covenants may be amended from time to time. Tenant will not use or occupy the Leased Premises in material violation of any Requirements imposed by Landlord's insurer(s), the board of fire underwriters and/or the fire insurance rating organization or similar organization performing the same or similar functions or Landlord's mortgagee. If any governmental authority, after the commencement of the Term, shall contend or declare that the Leased Premises are being used for a purpose which is in violation of any Requirements, then Tenant shall, immediately discontinue such use of the Leased Premises. If thereafter the governmental authority asserting such violation threatens, commences or continues criminal or civil proceedings against Landlord for Tenant's failure to discontinue such use, in addition to any and all rights, privileges and remedies given to Landlord under this Lease for default therein, Landlord shall have the right to immediately terminate this Lease. Tenant shall indemnify and hold Landlord harmless of and from any and all liability (including attorneys' fees) for any such violation or violations to the extent that such violations do not result from the gross negligence or willful misconduct of Landlord.

(d) Rules and Regulations. Tenant and its agents, employees and invitees shall comply in all material respects with and observe all rules and regulations concerning the use, management, operation, safety and good order of the Leased Premises and the Building as may be reasonably promulgated and amended from time to time by Landlord. Initial rules and regulations are attached hereto as Exhibit D. Tenant shall be deemed to have received notice of any amendment to the rules and regulations when a copy of such amendment has been delivered to Tenant in the manner prescribed for the giving of notices. Tenant shall comply in all material respects with all fire protective rules and regulations promulgated by the Landlord for the safety of the Building and its occupants, including rules prescribing certain types of materials and prohibiting other types of materials in the Building. Landlord shall not be responsible to Tenant for any violation of the rules and regulations, or the covenants or agreements contained in any other lease, by any other tenant of the Building, or its agents or employees, and Landlord may waive any or all of the rules or regulations in respect of any one or more tenants for good cause so long as such rules and regulations are otherwise enforced in a substantially non-discriminatory manner.

7. Insurance.

(a) Tenant

(1) Types; Limits. Tenant, at Tenant's sole cost and expense, shall obtain and maintain in effect at all times during the Term, a policy of commercial general liability insurance with broad form property damage endorsement, naming Landlord, DTC Partners, L.L.C., Lerner Enterprises, LLC, Lerner Corporation, and all members, partners and owners thereof and any mortgagee of the Building, any ground landlord and any other party requested by Landlord as additional named insured(s), protecting such parties against any liability for bodily injury, death or property damage occurring upon, in or about any part of the Building, the Leased Premises or any appurtenances thereto, with such policies to afford protection to the limit of not less than Three Million Dollars ($3,000,000) with respect to bodily injury or death to any one person, to the limit of not less than Ten Million Dollars ($10,000,000) with respect to bodily injury or death to any number or persons in any one accident, and to the limit of not less than Three Million Dollars ($3,000,000) with respect to damage to the property of any one Person, and with a deductible no greater than One Thousand Dollars ($1,000.00) for any single occurrence. Tenant shall obtain and keep in force during the Term of this Lease special form property insurance with coverages reasonably acceptable to Landlord. Said insurance shall be written on a one hundred percent (100%) replacement cost basis on Tenant's personal property, all tenant improvements installed at the Leased Premises by Landlord or Tenant, Tenant's trade fixtures and other property. By way of example and not limitation, such policies shall provide protection against any peril included within the classification "fire and extended coverage," against vandalism and malicious mischief, theft, sprinkler leakage, sewer backup, and flood damage. Tenant shall, at all times during the Term hereof, maintain in effect workers' compensation insurance as required by applicable law and business interruption and extra expense insurance satisfactory to Landlord.

(2) Policies. The insurance policy required to be obtained by Tenant under this Lease (i) shall be issued by an insurance company of recognized responsibility licensed to do business in the jurisdiction in which the Building is located with a rating of at least "A" and a financial rating of at least "Class X" (or such other rating as may be required by any lender having a lien on the Building) as set forth in the most recent edition of "Best Insurance Reports", and (ii) shall be written as primary policy coverage and not contributing with or in excess of any coverage which Landlord may carry. Neither the issuance of any insurance policy required under this Lease, nor the minimum limits specified herein with respect to Tenant's insurance coverage, shall be deemed to limit or restrict in any way Tenant's liability arising under or out of this Lease. With respect to each insurance policy required to be obtained by Tenant under this Section, on or before the Lease Commencement Date, and at least seven (7) days before the expiration of any expiring policy or certificate previously furnished, Tenant shall deliver to Landlord a certificate of insurance therefor, together with evidence of payment of all applicable premiums. Each insurance policy required to be carried hereunder by or on behalf of Tenant shall provide (and any certificate evidencing the existence of each such insurance policy shall certify) that such insurance policy shall not be canceled unless Landlord shall have received thirty (30) days' prior written notice of such cancellation. Any insurance required to be carried hereunder may be effected by a policy or policies of blanket insurance, covering additional items or locations; provided, however, that: (i) Landlord and any other parties in interest from time to time designated by Landlord to Tenant shall be named as additional insureds and thereunder as its interests may appear; and (ii) the coverage afforded Landlord and any such other parties in interest will not be reduced or diminished by reason of the use of such blanket policy of insurance, and (iii) any such policy or policies shall specify therein (or Tenant shall furnish Landlord with a written statement from the insurers under such policy specifying the same) the amount of the total insurance allocated to Tenant's improvements and personal property in the Leased Premises; and (iv) the requirements set forth herein are otherwise satisfied.

(3) Prohibitions. Tenant shall not do, permit or suffer to be done any act, matter, thing or failure to act in respect of the Leased Premises and/or the Building that will invalidate or be in conflict with insurance policies covering the Building or any part thereof, and shall not do, or permit anything to be done, in or upon the Leased Premises and/or the Building, or bring or keep anything therein, which shall increase the rate of insurance on or related to the Building or on any property located therein. If, as a direct result of the failure of Tenant to comply with the provisions of this subsection, which failure continues following written notice from Landlord and a reasonably opportunity to cure, the insurance rate shall at any time be higher than it otherwise would be, then Tenant shall reimburse Landlord on demand, for that part of all premiums for any insurance coverage that shall have been charged because of such violation by Tenant and which Landlord shall have paid on account of an increase in the rate or rates in its own policies of insurance.

(4) Hold Harmless; Indemnification. Except to the extent that claims result from the gross negligence or willful misconduct of Landlord, Tenant hereby agrees to indemnify and hold harmless Landlord, DTC Partners, L.L.C., Lerner Enterprises, LLC, Lerner Corporation, and all members, partners and owners thereof, and Landlord's employees, agents, mortgagees and ground lessors (collectively, "Landlord Indemnified Parties") from and against any and all claims, losses, actions, damages, liabilities and expenses (including reasonable attorneys' fees) (collectively, "claims") that (i) arise from or are in connection with Tenant's possession, use, occupation, management, repair, maintenance or control of the Leased Premises, the Building, including the Common Areas, or any portion of any of the foregoing, or (ii) arise from or are in connection with any act or omission of Tenant or Tenant's agents, employees or invitees on the Leased Premises, or (iii) arise from or are in connection with any negligent or willful act or omission of Tenant or Tenant's agents or employees outside of the Leased Premises, or (iv) result from any default, breach, violation or non-performance of this Lease or any provision herein by Tenant, or (v) result from injury or death to persons or damage to property sustained in, about or in connection with the Leased Premises. Tenant shall, at its own cost and expense, defend any and all actions, suits and proceedings which may be brought against the aforesaid parties with respect to the foregoing or in which the aforesaid parties may be impleaded. Tenant shall pay, satisfy and discharge any and all judgments, orders and decrees which may be recovered against the aforesaid parties in connection with the foregoing. In all cases under this Lease where Landlord is being indemnified and or held harmless, such indemnity and/or hold harmless provisions shall run to all Landlord Indemnified Parties to the same extent Landlord is so indemnified and/or held harmless.

(5) Coverage. Landlord makes no representation to Tenant that the limits or forms of coverage specified above or approved by Landlord are adequate to insure Tenant's property or Tenant's obligations under this Lease, and the limits of any insurance carried by Tenant shall not limit Tenant's obligations or liability under any indemnity provision included in this Lease or under any other provision of this Lease.

(b) Landlord. Landlord shall obtain and keep in force a policy of commercial general liability insurance with coverage against such risks and in such amounts as Landlord reasonably deems advisable insuring Landlord against liability arising out of the ownership, operation and management of the Building. Landlord shall also obtain and keep in force during the Term of this Lease a policy or policies of special form insurance covering loss or damage to the Building in the amount of not less than eighty percent (80%) of the full replacement cost thereof, as determined by Landlord from time to time. The terms and conditions of said policies and the perils and risks covered thereby shall be determined by Landlord, from time to time, in Landlord's reasonable discretion, but shall at all times be consistent with the levels of insurance maintained by prudent landlords of similar Class A office buildings located in the Metropolitan Washington D.C. area. In addition, at Landlord's option, Landlord may obtain and keep in force, during the Term of this Lease, a policy of rental interruption insurance, with loss payable to Landlord, which insurance shall, at Landlord's option, also cover all Operating Expenses. Tenant will not be named as an additional insured in any insurance policies carried by Landlord and shall have no right to any proceeds therefrom. At Landlord's option, Landlord may obtain insurance coverages and/or bonds related to the operation of the parking areas, the health club or other matters. In addition, Landlord shall have the right to obtain such additional insurance as is customarily carried by owners or operators of other comparable office buildings in the geographical area of the Building. The policies purchased by the Landlord shall contain such deductibles as Landlord may reasonably determine. In addition to amounts payable by Tenant in accordance with Section 1(b)(9) and Section 3, Tenant shall pay any increase in the property insurance premiums for the Building over what was payable immediately prior to the increase to the extent the increase is specified by Landlord's insurance carrier as being caused by the nature of Tenant's occupancy of the Leased Premises, or any act or omission of Tenant, or Tenant shall cease the activity giving rise to such increase. Except to the extent caused by Tenant's, its agents', employees' or contractors' negligence or intentional misconduct, Landlord (subject to the provisions set forth in this Section 7(a)(4) and in Section 7(c)) hereby agrees to indemnify and hold harmless Tenant from and against any and all claims, losses, actions, damages, liabilities and expenses (including reasonable attorneys' fees) that arise from the gross negligence or willful misconduct of Landlord (including Landlord's agents employees and contactors) in its management and operation of the Common Areas.

(c) Waiver of Subrogation. Anything in this Lease to the contrary notwithstanding, each party hereto hereby releases and waives all claims, rights of recovery, and causes of action that either such party or any party claiming by, through, or under such party by subrogation or otherwise may now or hereafter have against the other party or any of the other party's partners, venturers, directors, officers, agents, or employees for any loss or damage that may occur to the Building, Premises, any of Tenant's fixtures or improvements or any of the contents of any of the foregoing, as well as any damage to Tenant's business, by reason of fire, act of God, the elements, or any other cause, including negligence (but not the willful misconduct) of the parties hereto or their partners, venturers, directors, officers, agents, or employees (collectively, "Property Losses"), to the extent that such that Property Losses would have been insured against under the terms of the special form ("all-risk") insurance required to be carried by the waiving party under this Lease. The parties hereby make the foregoing waiver on behalf of their respective insurers, which insurers, by insuring the parties as contemplated under this Lease, shall be deemed to have acknowledged the provisions hereof. Each party shall give its insurance carrier written notice of the terms of this mutual waiver, and shall request its insurance carrier to endorse all applicable policies to waive the carrier's right of recovery under subrogation or otherwise in favor of the other party.

8. Damage by Fire or Other Casualty.

Tenant shall give prompt notice to Landlord in case of any fire or other damage to the Leased Premises. If the Leased Premises or the Building are damaged by fire or other casualty, Landlord shall (taking into account the time necessary to effectuate a satisfactory settlement with Landlord's insurance company) repair such damage at its own expense (except for the repair and/or replacement of any fixtures and personal property of Tenant, all of which shall be repaired and/or replaced by Tenant, at Tenant's cost and expense), and until such repairs have been completed the Basic Rent and Additional Rent shall be abated in proportion to the part of the Leased Premises which is rendered untenantable (in no event shall damage to any parking areas be deemed to render the Leased Premises untenantable). However, if available insurance proceeds are insufficient or if the Leased Premises or the Building or any portion thereof are damaged by fire or other casualty to such an extent that the Leased Premises, or a material portion thereof are rendered untenantable and the damage, in Landlord's reasonable opinion, cannot be fully repaired within one (1) year from the date such damage occurs (taking into account the time necessary to effectuate a satisfactory settlement with Landlord's insurance company), then either Landlord or Tenant shall have the right

to terminate this Lease effective as of the date of such damage by providing written notice of such termination to the other party within thirty (30) days following the date that Landlord delivers written notice of such determination to Tenant. In addition, if available insurance proceeds are insufficient or if the Building or any portion thereof are damaged by fire or other casualty (whether or not the Leased Premises, or a material portion thereof, are rendered untenantable as a result of such damage), to such an extent that the damage, in Landlord's reasonable opinion, cannot be fully repaired within one (1) year from the date such damage occurs (taking into account the time necessary to effectuate a satisfactory settlement with Landlord's insurance company), then Landlord shall have the right to terminate this Lease effective as of the date of such damage by providing written notice of such termination to Tenant within thirty (30) days following the date that Landlord delivers written notice of such determination to Tenant. In the event that: (i) the Leased Premises is damaged to such an extent that all or a portion of the Leased Premises are rendered untenantable, and (ii) this Lease is not terminated pursuant to the foregoing provisions, and (iii) repairs are required to be made by Landlord prior to Tenant being able to complete Tenant's repair or rebuilding obligations hereunder, then in the event that Landlord has not substantially completed Landlord's repair obligations within one (1) year from the date that such damage occurred, then Tenant shall have the right to terminate this Lease upon thirty (30) days notice to Landlord provided such right is exercised, if at all, within thirty (30) days of expiration of said one (1) year period. Notwithstanding the foregoing, if the fire or other casualty shall be caused by the willful misconduct of Tenant, its agents, employees or invitees, Tenant shall: (x) be deemed to have waived any and all termination rights provided in this Paragraph 8, and (y) remain liable for the full amount of the Basic Rent and Additional Rent during the period of restoration or until termination of this Lease, and all required repairs shall be made at Tenant's expense.

9. Condemnation.

If more than fifty percent (50%) of the Leased Premises, or all or substantially all of the Building (or the use or possession thereof), shall be taken in condemnation proceedings or by exercise of any right of eminent domain, or by a private purchase in lieu thereof (collectively, a "Condemnation"), then this Lease shall terminate and expire on the date of such taking or purchase and Tenant shall, in all other respects, keep, observe and perform all the other terms, covenants and conditions of this Lease up to the date of such taking. If less than fifty percent (50%), but more than thirty-three percent (33%) of the Leased Premises shall be subject to a Condemnation, then either party may terminate this Lease as of the date that possession of such portion of the Leased Premises vests in the condemning authority, by delivering written notice of the same to the other party within thirty (30) days following delivery to such terminating party of formal notice of such Condemnation and the effective date thereof. If less than thirty-three percent (33%) of the Leased Premises shall be subject to condemnation or if this Lease is not terminated in the event of a Condemnation as provided above, then this Lease and the Term shall continue in full force and effect, provided that from and after the date of vesting of title, the Rent shall be equitably reduced to reflect the reduction of the Leased Premises as a result of such Condemnation. The net proceeds of any award or other compensation payable in connection with such taking or purchase shall be paid to Landlord, and Tenant hereby assigns to Landlord all of its right, title and interest in and to such award or other compensation. Nothing contained in this Section 9 shall be deemed to prevent Tenant from making a separate claim in any condemnation proceeding for the then value of any of Tenant's Property or Alterations paid for by Tenant included in such Condemnation and for moving expenses or business interruption, provided any such award is in addition to, and does not result in the reduction of, the award made to Landlord.

10. Assignment and Subletting.

(a) Landlord's Consent Required. Except as expressly permitted pursuant to the terms of subparagraph 10(i) below, Tenant shall not voluntarily or by operation of law assign, transfer, hypothecate, mortgage, sublet, or otherwise transfer or encumber all or any part of Tenant's interest in this Lease or in the Leased Premises (hereinafter a "Transfer"), without Landlord's prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed in accordance with the terms set forth in subparagraph (c) below, but which otherwise may be granted or withheld in Landlord's sole and absolute discretion. Landlord shall respond to Tenant's written request for consent hereunder within fifteen (15) business days after Landlord's receipt of the written request together with all information requested by Landlord in connection with the request from Tenant. If Landlord fails to respond within the aforesaid fifteen (15) business day period and such failure continues for an additional five (5) business days following delivery of a reminder notice from Tenant to Landlord regarding the same (which reminder notice must specify in bolded, capitalized letters that the same constitutes a reminder notice, as well as the consequences of Landlord's failure to respond to the same), then the proposed Transfer in question shall be deemed approved by

Landlord. Any attempted Transfer without such consent shall be void and shall constitute a material default and breach of this Lease. Tenant's written request for Landlord's consent shall include, and Landlord's fifteen (15) business day response period referred to above shall not commence, unless and until Landlord has received from Tenant, all of the following information: (i) reasonably acceptable financial statements for the proposed transferee (including, without limitation, current and prior year financial statements and tax returns for the proposed transferee , (ii) a TRW credit report or similar report on the proposed transferee, (iii) a detailed description of the business the proposed transferee intends to operate at the Leased Premises, (iv) the proposed effective date of the Transfer and copies of any other agreements with the proposed transferee or in connection with the proposed Transfer, (v) a copy of the proposed Transfer agreement which includes all of the terms and conditions of the proposed Transfer (to the extent that such terms are not otherwise subject to binding confidentiality agreements or legal requirements regarding confidentiality), (vi) a detailed description of any ownership or commercial relationship between Tenant and the proposed transferee, and (vii) a detailed description of any Alterations, as hereinafter defined, the proposed transferee desires to make to the Leased Premises. If the obligations of the proposed transferee will be guaranteed by any person or entity, Tenant's written request shall not be considered complete until the information described in (i), (ii), (iii) and (iv) of the previous sentence has been provided with respect to each proposed guarantor. "Transfer" shall also include the transfer (i) if Tenant is a corporation, and Tenant's stock is not publicly traded over a recognized securities exchange, of more than fifty percent (50%) of the voting stock of such corporation during the Term of this Lease (whether or not in one or more transfers) or the dissolution, merger or liquidation of the corporation, or (ii) if Tenant is a partnership or other entity, of more than fifty percent (50%) of the profit and loss participation in such partnership or entity during the Term of this Lease (whether or not in one or more transfers) or the dissolution, merger or liquidation of the partnership or entity. If Tenant is a limited or general partnership (or is comprised of two or more persons, individually or as co-partners), Tenant shall not be entitled to change or convert to (i) a limited liability company, (ii) a limited liability partnership or (iii) any other entity which possesses the characteristics of limited liability without the prior written consent of Landlord, which consent shall be given or withheld in accordance with the applicable standards set forth in this Section 10. Tenant's sole remedy in the event that Landlord shall wrongfully withhold consent to or disapprove any Transfer shall be to obtain an order by a court of competent jurisdiction that Landlord grant such consent; in no event shall Landlord be liable for damages with respect to its granting or withholding consent to any proposed Transfer. If Landlord shall exercise any option to recapture the Leased Premises, or shall deny a request for consent to a proposed Transfer, Tenant shall indemnify, defend and hold Landlord harmless from and against any and all losses, liabilities, damages, costs and claims that may be made against Landlord by the proposed transferee, or by any brokers or other persons claiming a commission or similar compensation in connection with the proposed Transfer.

(b) (Intentionally Omitted).

(c) Standard For Approval. Landlord shall not unreasonably withhold, condition or delay its consent to a Transfer provided that Tenant has complied with each and every requirement, term and condition of this Section 10 Without limitation, it shall be deemed reasonable for Landlord to withhold its consent to a Transfer if any requirement, term or condition of this Section 10 is not complied with in all material respects or: (i) the Transfer would cause Landlord to be in violation of its obligations under another lease or agreement to which Landlord is a party; (ii) in Landlord's reasonable judgment, (A) in the case of a proposed assignment, a proposed assignee is a less favorable credit risk than was Tenant on the date this Lease was entered into with Tenant; or, (B) in the case of a proposed sublease, except to the extent provided in the final sentence of this subparagraph (c), a proposed sublessee is a poor credit risk in light of the portion of the Leased Premises which they propose to sublease; (iii) a proposed transferee's business will impose a burden on the Building's parking facilities, elevators, Common Areas or utilities that is greater than the burden imposed by Tenant, in Landlord's sole, but reasonable, judgment; (iv) the terms of a proposed Transfer will allow the proposed transferee to exercise or enjoy the benefit of a right of renewal, right of expansion, right of first offer, right of first refusal or similar right held by Tenant; (v) a proposed transferee refuses to enter into a written agreement, reasonably satisfactory to Landlord, which provides that it will abide by and assume all of the terms and conditions of this Lease for the term of any assignment or sublease and containing such other terms and conditions as Landlord reasonably deems necessary; (vi) the use of the Leased Premises by the proposed transferee will not be consistent with the use permitted by this Lease; (vii) any guarantor of this Lease refuses to consent to the Transfer or to execute a written agreement reaffirming the guaranty; (viii) an outstanding uncured Event of Default exists at the time of the request ; (ix) if requested by Landlord, the transferee refuses to sign a non-disturbance and attornment agreement or estoppel certificate in favor of Landlord's lender; (x) Landlord or any mortgagee has sued or been sued

by the proposed transferee or has otherwise been involved in a legal dispute with the proposed transferee; (xi) the proposed transferee is involved in a business which is not in keeping with the then current standards of the Building (such standards being applied reasonably and equitably by Landlord); (xii) the proposed transferee is: (1) an existing tenant of the Building or any other property forming a part of the Dulles Town Center project owned by or managed by Landlord, DTC Partners, L.L.C., Lerner Enterprises, LLC, or Lerner Corporation, and (2) is a person or entity then negotiating with Landlord for the lease of comparable space in the Building, or any other such property in the Dulles Town Center project; (xiii) (intentionally omitted); or (xiv) the proposed transferee is a governmental or quasi-governmental entity or an agency, department or instrumentality. Notwithstanding the foregoing standards set forth in clause (ii) above, Landlord agrees that, in the case of any particular proposed sublease of which (1) applies to an area of less than 12,500 rentable square feet, and (2) when considered along with all previous subleases to date does not result in more than a total of 12,500 square feet of space being subleased by Tenant), Landlord will not base any decision not to grant Landlord's consent to such particular proposed sublease upon the financial condition of the proposed sublessee.

(d) Additional Terms and Conditions. The following terms and conditions shall be applicable to any Transfer:

(1) Regardless of Landlord's consent, no Transfer shall release Tenant from Tenant's obligations hereunder or alter the primary liability of Tenant to pay the Rent and other sums due Landlord hereunder and to perform all other obligations to be performed by Tenant hereunder or release any guarantor from its obligations under its guaranty.

(2) Landlord may accept Rent from any person other than Tenant pending approval or disapproval of a proposed Transfer.

(3) Neither a delay in the approval or disapproval of a Transfer, nor the acceptance of Rent, shall constitute a waiver or estoppel of Landlord's right to exercise its rights and remedies for the breach of any of the terms or conditions of this Section 10.

(4) The consent by Landlord to any Transfer shall not constitute a consent to any subsequent Transfer by Tenant or to any subsequent or successive Transfer by a transferee. However, Landlord may consent to subsequent Transfers or any amendments or modifications thereto without notifying Tenant or anyone else liable on the Lease or any guaranty and without obtaining their consent, and such action shall not relieve such persons from liability under this Lease or any guaranty.

(5) Upon the occurrence of an Event of Default under this Lease, Landlord may proceed directly against Tenant, any guarantors or anyone else responsible for the performance of this Lease, including any transferee, without first exhausting Landlord's remedies against any other person or entity responsible therefor to Landlord, or any security held by Landlord.

(6) Landlord's written consent to any Transfer by Tenant shall not constitute an acknowledgment that no Event of Default then exists under this Lease nor shall such consent be deemed a waiver of any then existing Event of Default (or fact or condition which with the passage of time or giving of notice and expiration of any cure period would constitute an Event of Default).

(7) The discovery of the fact that any financial statement relied upon by Landlord in giving its consent to a Transfer was false shall, at Landlord's election, render Landlord's consent null and void and constitute a default hereunder.

(8) Landlord shall not be liable under this Lease or under any sublease to any subtenant.

(9) No assignment, sublease or other document entered into in connection with a Transfer and applicable to the Transfer may be modified or amended without Landlord's prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed provided that the same is consistent with the terms, conditions and requirements of this Lease as well as any written consent to the original Transfer by Landlord.

(10) (Intentionally Omitted).

(11) Any transferee shall be deemed, for the benefit of Landlord, to have assumed and agreed to conform and comply with each and every term, covenant, condition and obligation herein to be observed or performed by Tenant during the term of said assignment or sublease, other than such obligations as are contrary or inconsistent with provisions of an agreement to which Landlord has specifically consented in writing.

(e) Additional Terms and Conditions Applicable to Subletting. The following terms and conditions shall apply to any subletting by Tenant of all or any part of the Leased Premises and shall be deemed included in all subleases under this Lease whether or not expressly incorporated therein:

(1) Tenant hereby absolutely and unconditionally assigns and transfers to Landlord all of Tenant's interest in all rentals and income arising from any sublease entered into by Tenant, and Landlord may collect such rent and income and apply same toward Tenant's obligations under this Lease; provided, however, that until an Event of Default in the performance of Tenant's obligations under this Lease shall occur and remain uncured, Tenant may receive, collect and enjoy the rents accruing under such sublease. Landlord shall not, by reason of this or any other assignment of such rents to Landlord nor by reason of the collection of the rents from a subtenant, be deemed to have assumed or recognized any sublease or to be liable to the subtenant for any failure of Tenant to perform and comply with any of Tenant's obligations to such subtenant under such sublease, including, but not limited to, Tenant's obligation to return any Security Deposit. Tenant hereby irrevocably authorizes and directs any such subtenant, upon receipt of a written notice from Landlord stating that Tenant has committed an Event of Default under this Lease, to pay to Landlord the rents due as they become due under the sublease. Tenant agrees that such subtenant shall have the right to rely upon any such statement and request from Landlord, and that such subtenant shall pay such rents to Landlord without any obligation or right to inquire as to whether such Event of Default exists and notwithstanding any notice from or claim from Tenant to the contrary.

(2) If Tenant has committed an Event of Default under this Lease, Landlord at its option and without any obligation to do so, may require any subtenant to attorn to Landlord, in which event Landlord shall undertake the obligations of Tenant under such sublease from the time of the exercise of said option to the termination of such sublease; provided, however, Landlord shall not be liable for any prepaid rents or Security Deposit paid by such subtenant to Tenant or for any other prior defaults of Tenant under such sublease.

(f) Transfer Premium from Transfer. Except in the case of a Permitted Transfer (as provided in subsection (i) below), Landlord shall be entitled to receive from Tenant (as and when received by Tenant) as an item of additional rent fifty percent (50%) of the Total Transfer Premium received by Tenant from any transferee or transferees. The "Transfer Premium" (as defined below) shall be calculated on an annual basis based upon all Transfers previously completed prior to the date of such calculation and shall be determined based upon the Net Proceeds of all such Transfers, which Net Proceeds shall be equal to the total Basic Rent, Additional Rent and other consideration and amounts received by Tenant in connection with all such Transfers (including, without limitation, key money and bonus money paid by any transferees to Tenant in connection with any such Transfer, and any payments in excess of fair market value for services rendered by Tenant to any transferee or for assets, fixtures, inventory, equipment, or furniture transferred by Tenant to such transferee in connection with any such Transfer), reduced by the actual, reasonable (not to exceed market) brokerage commissions, improvement costs or tenant allowances and legal fees actually paid by Tenant in order to complete such Transfers (collectively, the "Tenant Expenses"). "Transfer Premium" shall mean all Net Proceeds payable by all such transferees in excess of the Basic Rent and Additional Rent payable by Tenant under this Lease with respect to that portion of the Leased Premises that is the subject of such Transfers. If less than all of the Leased Premises is transferred, the "Basic Rent and the Additional Rent payable by Tenant under this Lease" shall be determined on a per rentable square foot basis. For purposes of calculating the Net Proceeds and Transfer Premium, all of the foregoing Tenant Expenses will be offset against the first proceeds received in connection with any such Transfers following the date that such Tenant Expenses are incurred and Net Proceeds shall not be deemed to exist until such time as the proceeds of all such Transfers exceed the Tenant Expenses applicable to such transactions.

(g) Landlord's Option to Recapture Space. Notwithstanding anything to the contrary contained in this Section 10, except in the case of a Permitted Transfer (as defined in subsection (i) below) if Tenant proposes to sublease a portion of the Leased Premises constituting more than one (1) full floor or more than 25,024 rentable square feet) for a Term that will expire

during the last twelve (12) calendar months of the Term or on upon the expiration of the Term, then Landlord shall have the option, by giving written notice to Tenant within fifteen (15) business days after receipt of any request by Tenant to such a Transfer, to terminate this Lease with respect to any space affected by such Transfer as of the later to occur of (i) the date thirty (30) days after Landlord's election, or (ii) Tenant's proposed effective date of such Transfer. If Landlord exercises such recapture right, then Tenant may, by delivering written notice of the same to Landlord within five (5) business days of Landlord's election, withdraw Tenant's request for Landlord's consent, refrain from entering into the proposed Transfer and thereby void Landlord's recapture. Under such circumstances, this Lease shall continue in full force and effect with respect to the space that was the subject of such proposed Transfer. In the event of a recapture by Landlord (that is not voided as provided above), if this Lease shall be canceled with respect to less than the entire Leased Premises, the Basic Rent, Tenant's Proportionate Share of Operating Expense increases, the number of parking spaces and other items (e.g., directory strips) Tenant may use shall be adjusted on the basis of the number of rentable square feet retained by Tenant in proportion to the number of rentable square feet contained in the original Leased Premises, the applicable terms of Paragraph 5 of the Addendum hereto shall become effective (if applicable) and this Lease as so amended shall continue thereafter in full force and effect, and upon request of either party, the parties shall execute written confirmation of same. If Landlord recaptures only a portion of the Leased Premises, it shall construct and erect at its sole cost partitions to sever the space to be retained by Tenant from the space recaptured by Landlord. Landlord may, at its option, lease any recaptured portion of the Leased Premises to the proposed transferee or to any other person or entity without liability to Tenant. Tenant shall not be entitled to any portion of the profit, if any, Landlord may realize on account of such termination and reletting. Tenant acknowledges that the purpose of this Section 10(g) is to enable Landlord to receive profit in the form of higher rent or other consideration to be received from a proposed transferee, to give Landlord the ability to meet additional space requirements of other tenants of the Building and to permit Landlord to control the leasing of space in the Building.

(h) Landlord's Expenses. Other than in connection with an assignment or subletting to an Affiliate of Tenant pursuant to Section 10(i), below, in the event Tenant shall assign this Lease or sublet the Leased Premises or request the consent of Landlord to any Transfer, then Tenant shall pay, as Additional Rent, Landlord's reasonable actual costs and expenses incurred in connection therewith, including, but not limited to, attorneys', architects', accountants', engineers' or other consultants' fees up to a maximum reimbursement obligation of Five Thousand Dollars ($5,000.00), or, if no third party fees are claimed by Landlord, an administrative fee of One Thousand Five Hundred and No/100 Dollars ($1,500.00).

(i) Permitted Transfers. Notwithstanding anything to the contrary contained in Section 10(a) hereof, provided no outstanding, uncured Event of Default exists at the time of such Transfer (, Tenant shall be permitted to Transfer all or a portion of the Leased Premises (by way of assignment or subletting) without the prior written consent of Landlord provided that (i) the proposed transferee of such interest is an Affiliate of Tenant (as defined below), and (ii) Tenant notifies Landlord in writing of the effective date and terms of such Transfer prior to the effective date thereof, and memorializes the same in an appropriate written document prior to the effective date of such Transfer; and (iii) Tenant (or the entity resulting from such transaction, maintains a Net Worth (as defined below) at the time of such transaction (and immediately following the completion of any related transactions) of at least the greater of the Net Worth of Tenant as of the date hereof or the Net Worth of Tenant as of the date immediately prior to such Transfer (in which case Tenant shall deliver written proof reasonably acceptable to Landlord that the transaction satisfies the aforesaid Net Worth requirement). Such transfer shall be referred to herein as a "Permitted Transfer"). For the purposes of this Paragraph, an Affiliate of Tenant shall mean: (A) any entity that prior to and following the effective date of the proposed transfer, directly or indirectly, controls, is controlled by or is under common control with Tenant; (B) any entity into which or with which Tenant is merged or consolidated or which is merged or consolidated into or with Tenant; (C) any entity which acquires all or substantially all of the stock or assets of Tenant; and (D) any entity which acquires a controlling interest in the stock or partnership interests of Tenant. For purposes of this definition, "control" means possessing the power to direct or cause the direction of the management and policies of the entity by the ownership of a majority of the voting securities of the entity. No such Permitted Transfer shall in any way alter the terms of this Lease or Tenant's and Guarantor's, if any, continuing liability hereunder.

11. Default Provisions.

(a) Events of Default. Each of the following events shall be deemed to be a default under this Lease, and is referred to in this Lease as an "Event of Default":

(1) If Tenant shall fail to pay any part of the Rent, or any installment thereof when due, and such failure shall continue for a period of five (5) days following written notice of such failure;

(2) If Tenant shall fail to pay any part of the Rent, or any installment thereof on or before the date that the same shall be due and payable hereunder and such failure occurs during any twelve (12) calendar month period in which two Events of Default described in clause (a)(1) above have previously occurred;

(3) The neglect or failure of Tenant to perform or observe any of the terms, covenants or conditions contained in this Lease on Tenant's part to be performed or observed (other than those referred to above in the other numbered clauses in this subsection (a)) which is not remedied by Tenant within thirty (30) days after Landlord shall have given to Tenant written notice of such failure, provided, however, that if such failure is incapable of practicably being cured with diligence within such thirty (30) day period and if Tenant shall proceed promptly to cure the same and thereafter shall prosecute such curing with diligence, then upon receipt by Landlord of a written certification from an officer of Tenant stating the reason such failure cannot be cured within thirty (30) days and stating the estimated time necessary to fully cure such failure with diligence, the time period within which such failure may be cured shall be reasonably extended by Landlord for such period as may be necessary to complete the curing of the same with diligence;

(4) The assignment, transfer, mortgaging or encumbering of this Lease or the subletting of the Leased Premises in a manner not permitted by Section 10 hereof; or

(5) The taking of this Lease or the Leased Premises, or any part thereof, upon execution or by other process of law directed against Tenant, or upon or subject to any attachment at the insistence of any creditor of or claimant against Tenant, which execution or attachment shall not be discharged or disposed of within sixty (60) days after the levy thereof, or the occurrence of any of the events listed in Section 12 hereof;.

(b) Remedies. Upon the occurrence of an Event of Default, Landlord shall have the right, at its election, then or at any time thereafter while such Event of Default shall continue, either:

(1) To give Tenant written notice that this Lease will terminate on a date to be specified in such notice, which date shall not be less than five (5) days after such notice, and on the date specified in such notice Tenant's right to possession of the Leased Premises shall cease and this Lease shall thereupon be terminated, but Tenant shall remain liable as provided below in subsection (c); or,

(2) Without demand or notice, to lawfully re-enter and take possession of the Leased Premises, or any part thereof, and repossess the same as of Landlord's former estate and expel Tenant and those claiming through or under Tenant and remove its or their effects, either by summary proceedings or by action at law or in equity or by self-help (if necessary) or otherwise, without being deemed guilty of any manner of trespass and without prejudice to any remedies for arrears of rent or preceding breach of covenant. If Landlord elects to re-enter under this subsection (2), Landlord may terminate this Lease, or, from time to time, without terminating this Lease but terminating Tenant's right to occupy the Leased Premises, may relet the Leased Premises, or any part thereof, as agent for Tenant for such term or terms and at such rental or rentals and upon such other terms and conditions as Landlord may deem advisable, with the right to make alterations and repairs to the Leased Premises. No such re-entry or taking of possession of the Leased Premises by Landlord shall be construed as an election on Landlord's part to terminate this Lease unless a written notice of such intention is given to Tenant under above subsection (1) or unless the termination thereof be decreed by a court of competent jurisdiction. Tenant waives any right to the service of any notice of Landlord's intention to re-enter provided for by any present or future law.

(c) Damages. If Landlord terminates this Lease or Tenant's right to occupy the Leased Premises pursuant to above subsection (b), Tenant shall remain liable (in addition to accrued liabilities) to the extent legally permissible for (i) (A) all Basic Rent and Additional Rent provided for in this Lease until the date this Lease would have expired had such termination not occurred, discounted to present value at the discount rate of the Federal Reserve Bank of Baltimore at the time of such termination, all accelerated to the date of any such termination, and (B) any and all actual and reasonable expenses incurred by Landlord in re-entering the Leased Premises, repossessing the same, making good any default of Tenant, remodeling, altering or dividing the Leased Premises, combining the same with any adjacent space for any new tenants, putting the same in proper repair, establishing

signage for, reletting the same (including any and all reasonable attorneys' fees and disbursements and brokerage fees incurred in so doing), and any and all expenses which Landlord may reasonably incur in reletting the Leased Premises; less (ii) the net proceeds of any reletting. Tenant agrees to pay to Landlord the difference between items (i) and (ii) above, immediately upon any termination or subletting, in full or, at Landlord's option, with respect to each month during the Term, at the end of such month. Any suit brought by Landlord to enforce collection of such difference for any one month shall not prejudice Landlord's right to enforce the collection of any difference for any other month. In addition to the foregoing, Tenant shall pay to Landlord reasonable attorneys' fees with respect to any successful law suit or action instituted by Landlord to enforce any of the provisions of this Lease or in connection with an Event of Default by Tenant. Landlord shall have the right, at its sole option, to relet the whole or any part of the Leased Premises for the whole of the unexpired Term, or longer, or from time to time for shorter periods, for any rental, giving such concessions of rent and making such special repairs, alterations, decorations and painting for any new tenant as Landlord, in its sole and absolute discretion, may deem advisable. Except as expressly set forth in subsection (d) below, Landlord shall be under no obligation to relet the Leased Premises. Tenant's liability as aforesaid shall survive the institution of summary proceedings and the issuance of any warrant thereunder. (See Paragraph 9 of the Addendum hereto regarding limitations on damages.)

(d) Duty to Mitigate. Landlord agrees to undertake reasonable efforts to mitigate its damages under this Lease in the event that Landlord regains legal possession of the Leased Premises prior to the expiration of the Term hereof as a result of a default hereunder by Tenant. Landlord may relet all or a portion of the Leased Premises for a term or terms which may, at Landlord's option, be less than or exceed the balance of the Term of this Lease. Further, Landlord shall not be obligated to relet the Leased Premises at its then fair market value, and Landlord may relet the Leased Premises upon such terms and conditions as Landlord deems appropriate. The phrase "reasonable efforts" as it relates to Landlord's duty to attempt to relet the Leased Premises, shall require Landlord to do only the following: (i) notify Landlord's leasing agent of the availability of the Leased Premises for reletting, and (ii) show the "vacant" status of the Leased Premises in any new posters and information brochures used at leasing trade meetings and conventions. Landlord shall not be required to relet the Leased Premises before reletting any space in the Building that is not producing income to Landlord, and Landlord shall be entitled to consider issues such as tenant quality, tenant-mix, and the nature of the Building in making any leasing decisions. Provided that Landlord substantially undertakes such reasonable efforts as required above, then anything in this Lease, or any statute, or common law rule to the contrary notwithstanding, Landlord shall be deemed to have satisfied any and all duties to mitigate its damages

12. Bankruptcy Termination Provision.

This Lease shall, at Landlord's option, terminate and expire, without the performance of any act or the giving of any notice by Landlord, upon the occurrence of any of the following events: (1) the commencement by Tenant of a voluntary case under the federal bankruptcy laws, as now constituted or hereafter amended, or any other applicable federal or state bankruptcy, insolvency or other similar law, or (2) the entry of a decree or order for relief by a court having jurisdiction in the premises in respect of Tenant in an involuntary case under the federal bankruptcy laws, as now constituted or hereafter amended, or any other applicable federal or state bankruptcy, insolvency or other similar law, and the continuance of any such decree or order unstayed and in effect for a period of ninety (90) consecutive days, or (3) Tenant's making an assignment of all or a substantial part of its property for the benefit of its creditors, or (4) Tenant's seeking or consenting to or acquiescing in the appointment of, or the taking of possession by, a receiver, trustee or custodian for all or a substantial part of its property, which appointment is not dismissed within ninety (90) days, or (5) the entry of a court order, which order shall not be vacated, set aside or stayed within sixty (60) days from the date of entry, appointing a receiver, trustee or custodian for all or a substantial part of its property, (6) the sale of all or substantially all of Tenant's assets, or (7) any of the foregoing events by or as against any guarantor. In the event of termination of the Lease as a result of any of the foregoing events, Landlord shall be entitled to damages as set forth in Section 11(c) hereof. The provisions of this Section 12 shall be construed with due recognition for the provisions of the federal bankruptcy laws, where applicable, but shall be interpreted in a manner which results in a termination of this Lease in each and every instance, and to the fullest extent and at the earliest moment, that such termination is permitted under the federal bankruptcy laws, it being of prime importance to the Landlord to deal only with Tenants who have, and continue to have, a strong degree of financial strength and financial stability.

13. Landlord May Perform Tenant's Obligations.

If Tenant shall fail to keep or perform any of its obligations as provided in this Lease, then Landlord may (but shall not be obligated to do so) upon the continuance of such failure on Tenant's part for fifteen (15) business days after written notice to Tenant (or, if such failure results in an imminent threat of bodily harm or material property damage, without written notice to Tenant) and without waiving or releasing Tenant from any obligation, and as an additional but not exclusive remedy, make any such payment or perform any such obligation, and all sums so paid by Landlord and all reasonable and actual incidental costs and expenses, including reasonable attorneys fees, incurred by Landlord in making such payment or performing such obligation, together with interest thereon at the rate specified in Section 3(c) hereof from the date of payment, shall be deemed Additional Rent and shall be paid to Landlord within thirty (30) days following demand therefor.

14. (Intentionally Deleted).

15. Subordination; Non-Disturbance; Attornment.

(a) Subordination. This Lease and Tenant's interest hereunder shall be subject and subordinate to each and every ground or underlying lease now existing or hereafter made of the Building and/or underlying land and to all renewals, modifications, replacements and extensions thereof, and to the lien of any mortgage now or hereafter placed upon the Building, and to all renewals, modifications, replacements, consolidations and extensions thereof and to any and all advances made thereunder and the interest thereon. Landlord shall provide to Tenant for Tenant's benefit a subordination, non-disturbance and attornment agreement ("SNDA") from Landlord's current lender on such lender's commercially reasonable standard form attached hereto as Exhibit G. Landlord shall also provide an SNDA for Tenant's benefit from any future lender on such lender's commercially reasonable standard form in consideration for Tenant's agreeing to subordinate the Lease to such future lender's interest. Tenant, at its sole cost and expense, shall cooperate with respect to the delivery of any such SNDA (including such SNDA from Landlord's existing lender), including executing the same at the request of Landlord or its lender. Except as provided below in this subsection (a), Tenant will also, upon request, submit current financial statements and financial statements covering the five (5) immediately preceding years. Tenant will upon request record this Lease or a short form thereof if required by Landlord's mortgagee or other lending institution but, otherwise, Tenant shall not record this Lease or a short form thereof. If Tenant shall fail to so execute and deliver such a short form Lease within ten (10) business days following written request therefor from Landlord or Landlord's mortgagee or other lending institution, and such failure shall continue for an additional period of five (5) business days following delivery of a reminder notice from Landlord (or such mortgagee or lending institution) to Tenant regarding the same (which reminder notice must specify in bolded, capitalized letters that the same constitutes a reminder notice, as well as the consequences of Tenant's failure to respond to the same), then Tenant hereby irrevocably constitutes and appoints Landlord as Tenant's attorney-in-fact to execute, acknowledge and deliver any and all such instruments for and on behalf of Tenant. Notwithstanding the foregoing, the named Tenant hereunder shall not be required to deliver any such financial statements so long as such named Tenant remains a publicly traded company whose current financial information is regularly reported pursuant to SEC requirements.

(b) Modifications. In the event that any bank, insurance company, university, pension or welfare fund, savings and loan association, real estate investment trust, business trust, or other financial institution providing financing for the Building requires, as a condition of such financing, that modifications to this Lease be obtained, and provided that such modifications (i) are reasonable, (ii) do not adversely affect Tenant's use of the Leased Premises as herein permitted, and (iii) do not increase the Rent and other sums required to be paid by Tenant hereunder, Tenant shall enter into and execute a written amendment hereto incorporating such required modifications within ten (10) days after the same have been submitted to Tenant by Landlord. (c)

(c) Attornment. In the event of (a) a transfer of Landlord's interest in the Leased Premises, (b) the termination of any ground or underlying lease of the Building and/or underlying land, or (c) the purchase of the Building or Landlord's interest therein at a foreclosure sale or by deed in lieu of foreclosure under any mortgage or pursuant to a power of sale contained in any mortgage, then in any of such events, Tenant shall, subject to the terms of the applicable SNDA, at Landlord's request, attorn to and recognize the transferee or purchaser of Landlord's interest or the landlord under the terminated ground or underlying lease, as the case may be, as landlord under this Lease for the balance then remaining of the Term, and thereafter this Lease shall continue as a direct lease between such person, as "Landlord", and Tenant, as "Tenant", but such landlord, transferee or purchaser, unless an express assumption is made in which case Landlord shall be released from liability, shall not be liable for any act or omission of Landlord prior to such lease termination or prior to such person's succession to title, nor be subject to any offset, defense or counterclaim

accruing prior to such lease termination or prior to such person's succession to title, nor be bound by any payment of Basic Rent or Additional Rent prior to such lease termination or prior to such person's succession to title for more than one month in advance. Tenant agrees that, within ten (10) days after written request therefor from Landlord, it will, from time to time, execute and deliver any instrument or other document reasonably required by any mortgagee, transferee, purchaser or other interested person to confirm such attornment and/or such obligation to attorn.

16. Quiet Enjoyment.

Tenant, upon paying the Basic Rent and the Additional Rent provided for in this Lease, and upon performing and observing all of the terms, covenants, conditions and provisions of this Lease on Tenant's part to be kept, observed and performed, shall quietly hold, occupy and enjoy the Leased Premises during the Term without hindrance, ejection or molestation by Landlord or any party lawfully claiming through or under Landlord, subject to the terms of this Lease.

17. Landlord's Right of Access.

Except in the case of an emergency (in which case no notice shall be required), upon reasonable prior notice to Tenant, Landlord may enter upon the Leased Premises, any portion thereof and any appurtenance thereto (with laborers and materials, if required) for the purpose of: (i) inspecting the same; (ii) making such repairs, replacements or alterations which it may be required to perform under the provisions of this Lease or which it may deem desirable for the Leased Premises or the Building, including but not limited to repairs and improvements to space above, below and/or on the same floor as the Leased Premises; and (iii) showing the Leased Premises to prospective lenders, purchasers or, during the last eighteen (18) months of the Term, to prospective tenants. In making such an entry, Landlord agrees to use commercially reasonable efforts to avoid interfering with the regular and usual conduct of the Tenant's business. If Tenant shall carpet over the floor of the Leased Premises, Landlord shall have the right to cut such carpeting in order to make or install any necessary electrical or telephone equipment or wiring to service other parts of the Building, without being held liable therefor, provided Landlord shall have the carpeting restored (or replaced with comparable carpeting) in a workmanlike manner.

18. Limitation on Landlord's Liability. Subject to the terms of Paragraph 7(c) hereof, except to the extent that such injury or damage directly results from the gross negligence or willful misconduct of Landlord, Landlord, its affiliates and their agents and employees shall not be liable to Tenant, its employees, agents, business invitees, licensees, customers, guests or trespassers for any damage or loss to the property of Tenant or others located on the Leased Premises or for any accident or injury to persons in the Leased Premises or the Building resulting from: repairing any portion of the Building; the use or operation (by Tenant or any other person or persons whatsoever) of any elevators, or heating, cooling, electrical or plumbing equipment or apparatus; the termination of this Lease by reason of the destruction of the Building or the Leased Premises; any fire, robbery, theft and/or any other casualty; any leaking in any part or portion of the Leased Premises or the Building; any water, wind, rain or snow that may leak into, or flow from, any part of the Leased Premises or the Building; any acts or omissions of any occupant of any space adjacent to or adjoining all or any part of the Leased Premises; any water, gas, steam, fire, explosion, electricity or falling plaster; the bursting, stoppage or leakage of any pipes, sewer pipes, drains, conduits, ducts, appliances or plumbing works; the functioning or malfunctioning of the fire sprinkler system; the functioning or malfunctioning of any security system installed in the Building or any part thereof; or any other cause whatsoever.

19. Hazardous Material.

(a) General. Except for reasonable quantities of ordinary office supplies such as copier toners, liquid paper, glue, ink and other products as may be reasonably necessary for Tenant to conduct normal general office use operations in the Leased Premises and standard cleaning materials, Tenant shall not cause or permit any Hazardous Materials, as hereinafter defined, to be brought, kept or used in or about the Leased Premises or the Building by Tenant, its agents, employees, contractors, or invitees. Tenant hereby agrees to indemnify Landlord from and against any breach by Tenant of the obligations stated in the preceding sentence, and agrees to defend and hold Landlord harmless from and against any and all claims, judgments, damages, penalties, fines, costs, liabilities, or losses (including, without limitation, diminution in value of the Building, damages for the loss or restriction or use of rentable space or of any amenity of the Building, damages arising from any adverse impact on marketing of space in the Building, sums paid in settlement of claims, attorneys' fees, consultant fees and expert fees) which arise during or after the Term of this Lease as result of such breach. This

indemnification of Landlord by Tenant includes, without limitation, costs incurred in connection with any investigation of site conditions and any cleanup, remedial removal, or restoration work required due to the presence of Hazardous Materials. Tenant shall promptly notify Landlord of any release of a Hazardous Materials in the Leased Premises or at the Building of which Tenant becomes aware, whether caused by Tenant or any other person or entity. The provisions of this Section 19 shall survive the termination of the Lease.

(b) Definition and Consent. ”Hazardous Materials” means (1) asbestos and any asbestos containing material and any substance that is then defined or listed in, or otherwise classified pursuant to, any Environmental Law (as hereinafter defined) or any other applicable law as a “hazardous substance”, “hazardous material”, “hazardous waste”, “infectious waste”, “toxic substance”, “toxic pollutant” or any other formulation intended to define, list, or classify substances by reason of deleterious properties such as ignitability, corrosivity, reactivity, carcinogenicity, toxicity, reproductive toxicity, or Toxicity Characteristic Leaching Procedure (TCLP) toxicity, (2) any petroleum and drilling fluids, produced waters, and other wastes associated with the exploration, development or production of crude oil, natural gas, or geothermal resources, and (3) any petroleum product, polychlorinated biphenyls, urea formaldehyde, radon gas, radioactive material (including any source, special nuclear, or by-product material), medical waste, chlorofluorocarbon, lead or lead-based product, and any other substance whose presence could reasonably be deemed to violate any Environmental Law or be hazardous to health or the environment. “Environmental Law” means any law and any amendments (whether such law and amendments are common law, statute, rule, order, regulation or otherwise), permits and other requirements or guidelines of governmental authorities applicable to the Building or the land and relating to the environment and environmental conditions or to any Hazardous Material (including, without limitation, CERCLA, 42 U.S.C. § 9601 et seq., the Resource Conservation and Recovery Act of 1976, 42 U.S.C. § 6901 et seq., the Hazardous Materials Transportation Act, 49 U.S.C. § 1801 et seq., the Federal Water Pollution Control Act, 33 U.S.C. § 1251 et seq., the Clean Air Act, 33 U.S.C. § 7401 et seq., the Toxic Substances Control Act, 15 U.S.C. § 2601 et seq., the Safe Drinking Water Act, 42 U.S.C. § 300f et seq., the Emergency Planning and Community Right-To-Know Act, 42 U.S.C. § I 10 1 et seq., the Occupational Safety and Health Act, 29 U.S.C. § 651 et seq., and any so-called “Super Fund” or “Super Lien” law, any law requiring the filing of reports and notices relating to hazardous substances, environmental laws administered by the Environmental Protection Agency, and any similar state and local laws, all amendments thereto and all regulations, orders, decisions, and decrees now or hereafter promulgated thereunder concerning the environment, industrial hygiene or public health or safety).

(c) Duty to Inform Landlord. If Tenant or Landlord knows, or has reasonable cause to believe, that a Hazardous Material, or a condition involving or resulting from same, has come to be located in, on or under or about the Leased Premises or the Building, Tenant or Landlord, as applicable, shall promptly give written notice of such fact to the other party. Each party shall also immediately give the other party (without demand by the other party) a copy of any statement, report, notice, registration, application, permit, license, given to or received from, any governmental authority or private party, or persons entering or occupying the Leased Premises, concerning the presence, spill, release, discharge of or exposure to, any Hazardous Material or contamination in, on or about the Leased Premises.

(d) Inspection; Compliance. Landlord and Landlord’s employees, agents, contractors and lenders shall have the right to enter the Leased Premises at any time in the case of an emergency, and otherwise at reasonable times upon notice (if applicable) in accordance with the terms of Section 17 hereof, for the purpose of inspecting the condition of the Leased Premises and for verifying compliance by Tenant with this Section 19. Landlord shall have the right to employ experts and/or consultants in connection with its examination of the Leased Premises and with respect to the installation, operation, use, monitoring, maintenance, or removal of any Hazardous Material on or from the Leased Premises. The costs and expenses of any such inspections shall be paid by the party requesting same, unless a contamination, caused or materially contributed to by Tenant, is found to exist or be imminent, or unless the inspection is requested or ordered by governmental authority as the result of any such existing or imminent violation or contamination (in any such case addressed in the immediately preceding clause, Tenant shall upon request reimburse Landlord for the cost and expenses of such inspection).

(e) Landlord’s Obligations. Landlord hereby represents and warrants that it has received no notice and has no knowledge of any Hazardous Materials in, on or under the Leased Premises or the Building. Landlord shall not cause or permit the escape, disposal or release of any Hazardous Materials within or from the Leased Premises. Landlord shall be solely responsible, at its

expense, for the remediation of any Hazardous Materials in the Leased Premises as of the Lease Commencement Date, as well as the remediation of any Hazardous Materials disposed or released upon the Leased Premises by Landlord, its agents or contractors. In addition, if any governmental authority requires Tenant to take any action with respect to any Hazardous Materials present in the Leased Premises as of the Lease Commencement Date, Landlord will indemnify and hold Tenant harmless from and against any and all costs (including reasonable attorneys' fees) incurred in connection with any such governmentally required action.

20. Certificates.

Tenant shall, without charge therefor (except as expressly provided below), at any time and from time to time, within ten (10) days after request therefor by Landlord, execute, acknowledge and deliver to Landlord a written estoppel certificate certifying, among other things, to Landlord, any mortgagee, assignee of a mortgagee, or any purchaser of the Building, or any other person designated by Landlord, as of the date of such estoppel certificate, (i) that Tenant is in possession of the Leased Premises, (ii) that this Lease is unmodified and in full force and effect (or if there have been modifications, that the Lease is in full force and effect as modified and setting forth such modification); (iii) whether or not there are then existing any set-offs or defenses against the enforcement of any right or remedy of Landlord, or any duty or obligation of Tenant hereunder (and, if so, specifying the same in detail); (iv) the dates through which Basic Rent and Additional Rent have been paid; (v) that Tenant having made due investigation has no knowledge of any then uncured defaults on the part of Landlord under this Lease (or if Tenant has knowledge of any such uncured defaults, specifying the same in detail); (vi) that Tenant having made due investigation has no knowledge of any event having occurred that authorizes the termination of this Lease by Tenant (or if Tenant has such knowledge, specifying the same in detail); (vii) the amount of any Security Deposit held by Landlord; and (viii) other matters reasonably requested by Landlord. If Tenant shall fail to so execute and deliver such a written estoppel certificate within the aforesaid ten (10) day period, and such failure shall continue for an additional period of five (5) business days following delivery of a reminder notice from Landlord to Tenant regarding the same (which reminder notice must specify in bolded, capitalized letters that the same constitutes a reminder notice, as well as the consequences of Tenant's failure to respond to the same), then Landlord shall thereafter have the right, at its sole option, to deliver such certificate as Tenant's attorney-in-fact. Except in connection with an estoppel certificate which Tenant fails to execute and delivery within the time frames specified above, to the extent that Landlord requests that Tenant execute more than one (1) estoppel certificate in any calendar year (it being understood and agreed that any corrected or modified version of the same estoppel certificate in connection with a single transaction shall not constitute an additional request by Landlord), then Landlord shall reimburse Tenant for the reasonable actual out of pocket costs incurred by Landlord in connection with executing such additional estoppel certificates up to a maximum reimbursement per certificate of One Thousand, Five Hundred Dollars ($1,500.00)

21. Surrender of Leased Premises.

Tenant shall, on or before the last day of the Term, or upon earlier termination hereof or of Tenant's right to occupy the Leased Premises in accordance with the terms hereof, (i) peaceably and quietly leave, surrender and yield up to Landlord the Leased Premises, free of subtenancies, broom clean and in good order and condition except for reasonable wear and tear, and (ii) at its expense, remove from the Leased Premises all movable trade fixtures, furniture, equipment, and other personal property, provided that Tenant shall promptly repair any damage caused by such removal. Any of such property not so removed may, at Landlord's election and without limiting Landlord's right to compel removal thereof, be deemed abandoned and either may be retained by Landlord as its property or be disposed of, without accountability, in such manner as Landlord may see fit. All affixed installations, alterations, additions, betterments and improvements to the Leased Premises made by either Landlord or Tenant, whether at Landlord's or Tenant's expense, including, without limitation, all wiring, paneling, partitions, floor coverings, lighting fixtures, built-in cabinets, bookshelves affixed to walls, and the like shall become the property of Landlord when installed and shall remain with the Leased Premises at the expiration or sooner termination of the Term, except that Landlord shall have the right (subject to the terms of Section 22(a) below), by written notice to Tenant (delivered at the time that Landlord approves any of the foregoing in accordance with the terms of this Lease if the foregoing are so approved, except as provided in Paragraph II.1 of Exhibit B to the Lease), to require Tenant, at its expense, to remove any of such property installed by or at the sole expense of Tenant or other remaining property objectionable to Landlord and to repair any damage caused by such removal. In the event Tenant fails to perform such removal and repair, as aforesaid, Landlord may remove any property of Tenant from the Leased Premises and store the same elsewhere, all at the expense and risk of Tenant. The provisions of this Section shall survive any expiration or termination of this Lease.

22. Alterations and Additions.

(a) Except: (i) as expressly provided in this subparagraph (a), (ii) with respect to the initial Tenant Improvements contemplated on Exhibit B, which will be performed in accordance with and subject to the provisions of Exhibit B, and (iii) with respect to the initial improvements and alterations to the Additional Space, as contemplated pursuant to the terms of Paragraphs 3 and 4 of the Addendum hereto, which will also be performed in accordance with and subject to the provisions of Exhibit B, Tenant shall not, without Landlord's prior written consent, which may be given or withheld in accordance with the standards set forth below, make any alterations, improvements, additions, utility installations or repairs (hereinafter collectively referred to as "Alteration(s)") in, on or about the Leased Premises or the Building. Alterations shall include, but shall not be limited to, the installation or alteration of security or fire protection systems, communication systems, millwork, shelving, file retrieval or storage systems, carpeting or other floor covering, window and wall coverings, electrical distribution systems, lighting fixtures, telephone or computer system wiring, HVAC and plumbing. Tenant shall have the right from time to time and at any time, with notice to Landlord, but without Landlord's consent, to: (1) perform Alterations that (i) do not exceed $50,000 in cost and also (ii) do not in any way affect any Building systems or structural portions of the Building, (iii) are typical office improvements, and (iv) are not visible from outside of the Premises; (2) regardless of the cost thereof., (i) paint and install wall coverings, (ii) install and remove office furniture, (iii) relocate, but not add additional, electrical outlets, (iv) install and remove workstations, (v) install and remove Tenant's equipment and perform cable pulls in connection therewith, and (vi) remove and re-install carpeting and other floor coverings (collectively, "Non-Material Work"). All other proposed Alterations shall be subject to Landlord's prior written approval. Landlord may grant or withhold its consent in its sole and absolute discretion with respect to any proposed Alterations that: (i) affect any Building systems or structural portions of the Building; (ii) are not typical office improvements; or (iii) are visible from outside of the Premises. Landlord's consent to any other proposed Alterations shall not be unreasonably withheld.

Except to the extent provided below in this subparagraph (a), prior to the expiration of the Term, Landlord may require the removal of any Alterations installed by Tenant and the restoration of the Leased Premises and the Building to their prior condition, at Tenant's expense. Except as provided in Paragraph II.1 of Exhibit B to the Lease, Landlord shall notify Tenant of such requirement at the time that Landlord provides Tenant with Landlord's written approval of the same. However, so long as Tenant's initial tenant improvements and subsequent Alterations are typical office improvements (i.e., not internal staircases, scifs or vaults) or Non-Material Work, Tenant shall have no obligation to remove such improvements upon the expiration of the Term. If, as a result of any Alteration made by Tenant, Landlord is obligated to comply with the Americans With Disabilities Act or any other law or regulation and such compliance requires Landlord to make any improvement or Alteration to any portion of the Building, as a condition to Landlord's consent, Landlord shall have the right to require Tenant to pay to Landlord prior to the construction of any Alteration by Tenant, the entire cost of any improvement or Alteration Landlord is obligated to complete by such law or regulation. Should Landlord permit Tenant to make its own Alterations, Tenant shall use only such contractor as has been expressly approved by Landlord, and Landlord may require Tenant to provide to Landlord, at Tenant's sole cost and expense, a lien and completion bond in an amount equal to one and one-half times the estimated cost of such Alterations. In addition, except with respect to Non-Material Work (with respect to which no such fee shall be payable), within sixty (60) days following Landlord's written approval (or deemed approval) of the plans and specifications therefor, Tenant shall pay to Landlord a fee equal to five percent (5%) of the hard construction costs associated with performing such Alterations. The foregoing fee is intended to compensate Landlord for the overhead and other costs it incurs in reviewing the plans for the Alterations and in monitoring the construction of the Alterations. Should Tenant make any Alterations without the prior approval of Landlord, or use a contractor not expressly approved by Landlord, Landlord may, at any time during the Term of this Lease, require that Tenant remove all or part of the Alterations and return the Leased Premises to the condition it was in prior to the making of the Alterations. In the event Tenant makes any Alterations, Tenant agrees to obtain or cause its contractor to obtain, prior to the commencement of any work, "builders all risk" insurance in an amount reasonably approved by Landlord and workers compensation insurance.

(b) Any Alterations in or about the Leased Premises that Tenant shall desire to make shall be presented to Landlord in written form, with plans and specifications which are sufficiently detailed to obtain a building permit. Landlord will approve or disapprove, as noted, any such proposed Alterations within ten (10) business days following proper submission of the same in permit-ready form. If Landlord fails to respond within the aforesaid ten (10) business day period and such failure continues for an additional five (5) business days following delivery of a reminder notice from Tenant to Landlord regarding the same (which reminder notice must specify in bolded,

capitalized letters that the same constitutes a reminder notice, as well as the consequences of Landlord's failure to respond to the same), then the proposed Alterations set forth in such permit-ready plans and specifications in question shall be deemed approved by Landlord. If Landlord consents to an Alteration, the consent shall be deemed conditioned upon Tenant acquiring a building permit from the applicable governmental agencies, furnishing a copy thereof to Landlord prior to the commencement of the work, and compliance by Tenant with all conditions of said permit in a prompt and expeditious manner. Additionally, except with respect to the initial Tenant Improvements referenced in Exhibit B, Landlord may condition its consent, among other matters, to Tenant performing such Alterations during non-business hours if such Alterations will create unreasonable noise, noxious fumes or otherwise interfere with the quiet enjoyment of the other tenants in the Building. Tenant shall provide Landlord with as-built plans and specifications for the Tenant Improvements and any Alterations made to the Leased Premises. All Alterations which may be made to the Leased Premises by Tenant shall be paid for by Tenant, at Tenant's sole expense, and shall be made and done in a good and workmanlike manner with new materials reasonably satisfactory to Landlord, and in accordance with Landlord's then-current Construction Rules and Regulations (the current version of which are set forth in Section IV of Exhibit B hereto, but which remain subject to modification from time to time by Landlord in its reasonable discretion. Landlord will not condition its consent to any proposed Alterations upon Tenant utilizing union labor in connection with the performance of such Alterations and Landlord shall not otherwise require Tenant to utilize union labor in connection with any Alterations.

(c) Tenant shall not permit a mechanic's lien or liens to be placed upon the Leased Premises or the Building as a result of any Alterations made by it and agrees, if any such lien be filed on account of the acts of Tenant, to discharge or bond off the same within twenty (20) days. In the event Tenant fails to discharge or bond off any such lien, it may be paid by Landlord without releasing Tenant and the cost charged to Tenant as Additional Rent under this Lease.

(d) Tenant shall give Landlord not less than ten (10) days' advance written notice prior to the commencement of any work in the Leased Premises by Tenant, and Landlord shall have the right to post notices of non-responsibility in or on the Leased Premises or the Building.

23. Holding Over.

If Tenant remains in possession of the Leased Premises or any part thereof after the expiration or earlier termination of the Term hereof without a new lease reduced to writing and duly executed and delivered (even if Tenant shall have paid, and Landlord shall have accepted, Rent in respect to such holding over), such occupancy shall be a tenancy from month to month upon all the terms and conditions of this Lease pertaining to the obligations of Tenant, except that the Basic Rent payable shall be increased to the "Holdover Rent," as defined below. The Holdover Rent shall be: (i) during the first sixty (60) days immediately following the expiration or termination date, an amount equal to one hundred fifty percent (150%) of the rate of Basic Rent payable hereunder with respect to the last full calendar month immediately preceding the expiration or termination date (determined without giving effect to any abatements thereof); and (ii) after the first sixty (60) days immediately following the expiration or termination date, an amount equal to two hundred percent (200%) of the Basic Rent payable hereunder with respect to the last full calendar month immediately preceding the expiration or termination date (determined without giving effect to any abatements thereof), and all Options, if any, shall be deemed terminated and be of no further effect. Nothing contained herein shall be construed to constitute Landlord's consent to Tenant holding over at the expiration or earlier termination of the Term. If Tenant fails to surrender the Leased Premises upon the termination of the Term, then Tenant shall, in addition to any other liabilities to Landlord accruing therefrom, indemnify, hold harmless and defend Landlord from any cost, loss, claim or liability (including attorneys' fees) Landlord may incur as a result of Tenant's failure to surrender possession of the Leased Premises to Landlord upon the termination of this Lease, including, without limiting the generality of the foregoing, any claims made by any succeeding tenant for such failure.

24. Signs.

Except as provided in this Section 24 and in Paragraph 5 of the Addendum hereto, Tenant shall not inscribe, paint, affix, or otherwise display any sign, advertisement or notice on any part of the outside or inside of the Building. Tenant shall have the right, at its sole cost and expense, to install lobby signage in the elevator lobbies of any floor of the Building which is completely leased by Tenant hereunder as part of the Leased Premises. Any such elevator lobby signage shall be subject to Landlord's prior written approval, and be consistent with any Dulles Town Center and Building signage and design criteria. To the extent that any portions of the Leased Premises do not constitute full floors of the Building, Landlord will provide at Tenant's cost, a standard suite

identification sign to be affixed by Landlord at the exterior entrance to the Leased Premises in the standard size, color and style selected by Landlord for the Building. If any other signs advertisements or notices are painted, affixed, or otherwise displayed without the prior approval of Landlord, Landlord shall have the right to remove the same, and Tenant shall be liable for any and all costs and expenses incurred by Landlord in such removal. The signage rights granted to Tenant in this Section 24 and Paragraph 5 of the Addendum hereto are personal to the original Tenant and may not be assigned by or to any person or entity other than Tenant, except to assignees of Tenant pursuant to a Permitted Transfer, as defined in Section 10(i) hereof.

25. Options.

(a) Definition. As used in this Lease, the words "Option" or "Options" have the following meaning: (1) the right or option to extend the Term of this Lease or to renew this Lease, and (2) the option, right of first refusal, or the right of first offer to lease the Leased Premises, or the option, the right of first refusal, or the right of first offer to lease other space within the Building, and (3) the right or option to terminate this Lease prior to its expiration date or to reduce the size of the Leased Premises. Any Option granted to Tenant by Landlord must be evidenced by a written option agreement attached to this Lease as a rider or addendum or said option shall be of no force or effect.

(b) Options Personal. Each Option granted to Tenant in this Lease, if any, is personal to the original Tenant and may be exercised only by the original Tenant while occupying the entire Leased Premises and may not be exercised or be assigned, voluntarily or involuntarily, by or to any person or entity other than Tenant (except pursuant to a Permitted Transfer). The Options, if any, herein granted to Tenant are not assignable separate and apart from this Lease, nor may any Option be separated from this Lease in any manner, either by reservation or otherwise. If at any time an Option is exercisable by Tenant, the Lease has been assigned (except pursuant to a Permitted Transfer), or a sublease exists as to any portion of the Leased Premises (except pursuant to a Permitted Transfer), the Option shall be deemed null and void and neither Tenant nor any assignee or subtenant shall have the right to exercise the Option.

(c) Multiple Options. In the event that Tenant has multiple Options to extend or renew this Lease a later Option cannot be exercised unless the prior Option to extend or renew this Lease has been so exercised.

(d) Effect of Default on Options. Tenant shall have no right to exercise an Option if an Event of Default has occurred and is continuing at the time of exercise. The period of time within which an Option may be exercised shall not be extended or enlarged by reason of Tenant's inability to exercise an Option because of the provisions of this Section 25(d).

(e) (Intentionally Omitted).;

(f) Notice of Exercise of Option. Tenant may only exercise an Option by delivering its written notice of exercise to Landlord in accordance with the requirements of Section 28(f) hereof.

26. Leasing Commission.

Landlord and Tenant each represent and warrant that the representing party has not employed or had contact with any broker relative to this Lease, other than Diamond Property Company with respect to Landlord and Cassidy & Pinkard Companies with respect to Tenant. Each party shall indemnify, defend (with counsel reasonably acceptable to the other party) and hold the other party and the other party's broker (and, in the case of Tenant's indemnification of Landlord, all other Landlord Indemnified Parties) harmless, from and against any claim or claims for brokerage or other commissions or other loss, damage, cost or expense (including, without limitation, attorneys' fees and all court costs) incurred by the indemnified party arising from or out of (i) any breach of the foregoing representation and warranty by the indemnifying party, or (ii) any claim from any broker or agent claiming under or through the indemnifying party, or claiming to have been employed, hired or otherwise used by such indemnifying party in connection with this Lease, or claiming to be the "procuring cause" of this Lease.

27. Parking.

(a) Provided that Tenant is occupying the Leased Premises, Tenant shall have the right, at no additional charge, to use the number of Allotted Parking Spaces (hereinafter defined), on

an unreserved basis and on the terms and conditions as established by Landlord from time to time. Such rights are non-transferable other than to permitted sublessees and assignees hereunder. Use of the parking areas by Tenant, its employees, agents and business invitees is subject to the rules and regulations of Landlord as may be promulgated or amended by Landlord operator from time to time. Allotted Parking Spaces shall mean four (4) parking spaces per 1,000 rentable square feet in the Leased Premises, which parking spaces shall be in the surface parking area for the Building.

(b) Initially, no parking spaces at the Building shall be designated reserved for Tenant or any other occupant of the Building. If, at any time during the Term, Landlord elects, in its sole discretion, to grant reserved parking rights to other Building occupants, then the following terms shall apply: (i) Landlord shall simultaneously provide Tenant with twenty (20) designated reserved spaces in the parking area on the north side of the Building in the locations indicated in red on Exhibit F hereto; (ii) in addition, the foregoing allocation of twenty (20) designated reserved spaces shall be increased in the event that Landlord grants another Building occupant a higher ratio of reserved parking spaces (based upon the square footage occupied by such other Building occupant) (Under such circumstances Tenant's designated reserved parking allocation shall be increased so that Tenant's ratio at least equals that of any other occupant of the Building); (iii) none of the eight (8) parking spaces located immediately adjacent to the north side of the Building, as indicated in blue on Exhibit F hereto, shall be designated as reserved spaces for any Building tenants or occupants except tenants or occupants of the first floor of the Building; and (iv) the cost of any signage for such designated Tenant reserved spaces shall be borne by Tenant.

(c) Landlord shall provide a reasonable number of visitor parking spaces in the parking area located on the east (Atlantic Boulevard) side of the Building, which spaces shall be designated for use by visitors and guests of the Building tenants.

28. General Provisions.

(a) Binding Effect. The covenants, conditions, agreements, terms and provisions of this Lease shall be binding upon and shall inure to the benefit of the parties hereto and, subject to the provisions of Section 10 hereof, each of their respective personal representatives, successors and assigns.

(b) Laws. It is the intention of the parties hereto that this Lease (and the terms and provisions hereof) shall be construed and enforced in accordance with the laws of the jurisdiction in which the Building is located.

(c) Attorneys' Fees. If Landlord or Tenant brings an action to enforce the terms hereof or declare rights hereunder, the prevailing party in any such action, or appeal thereon, shall be entitled to its reasonable attorneys' fees and court costs to be paid by the losing party as fixed by the court in the same or separate suit. The attorneys' fee award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorneys' fees and court costs reasonably incurred in good faith. In addition to the foregoing, Landlord shall be entitled to reasonable attorneys' fees and all other costs and expenses incurred in enforcing Landlord's rights or Tenant's obligations under this Lease and including the preparation and service of notices of default and consultations in connection therewith., whether or not legal action is commenced in connection therewith. Landlord and Tenant agree that attorneys' fees incurred with respect to defaults and bankruptcy are actual pecuniary losses within the meaning of Section 365(b)(1)(B) of the Bankruptcy Code or any successor statute.

(d) Waiver. No failure by Landlord or Tenant to insist upon the strict performance of any term, covenant, agreement, provision, condition or limitation of this Lease or to exercise any right or remedy consequent upon a breach thereof, and no acceptance by the Landlord of full or partial Rent during the continuance of any such breach, shall constitute a waiver of any such breach or of any such term, covenant, agreement, provision, condition or limitation. No term, covenant, agreement, provision, condition or limitation of this Lease to be kept, observed or performed by Landlord or by Tenant, and no breach thereof, shall be waived, altered or modified except by a written instrument executed by Landlord or Tenant, as applicable. No waiver by Landlord or Tenant of any breach shall affect or alter this Lease, but each and every term, covenant, agreement, provision, condition and limitation of this Lease shall continue in full force and effect with respect to any other existing or subsequent breach thereof. No failure by Landlord or Tenant to insist upon the strict performance of any term, covenant, agreement, provision, condition or limitation of a lease with any other tenant or to exercise any right or remedy consequent thereof shall constitute a waiver of any similar term, covenant, agreement, provision, condition or limitation contained in this Lease unless the same be incorporated in a written instrument signed by Landlord or Tenant, as applicable, and making specific reference to this Lease and to Landlord's or Tenant's obligations hereunder, as applicable.

(e) (Intentionally Omitted).

(f) Notices. No notice, request, consent, approval, waiver or other communication which may be or is required or permitted to be given under this Lease shall be effective unless the same is in writing and is delivered: (i) in person or (ii) sent by registered or certified mail, return receipt requested, first-class postage prepaid, or (iii) delivered via nationally recognized overnight courier service against signed receipt, (1) if to Landlord, at Landlord's Notice Address, or (2) if to Tenant, at Tenant's Notice Address, or at any new address that may be given by one party to the other by notice pursuant to this subsection. Such notices, if sent by registered or certified mail, shall be deemed to have been delivered at the time of deliver or attempted delivery if receipt is refused).

(g) Integration. It is understood and agreed by and between the parties hereto that this Lease contains the final and entire agreement between the parties relative to the subject matter hereof, and that they shall not be bound by any terms, statements, conditions or representations relative to the subject matter hereof, oral or written, express or implied, not herein contained.

(h) Waiver of Jury. Landlord and Tenant hereby waive all right to trial by jury in any claim, action, proceeding or counterclaim by either Landlord or Tenant relating to this Lease and/or Tenant's use or occupancy of the Leased Premises.

(i) Waiver of Venue. Tenant hereby waives any objection to the venue of any action filed by Landlord against Tenant in any state or federal court of the jurisdiction in which the Building is located, and Tenant further waives any right, claim or power, under the doctrine of forum non conveniens or otherwise, to transfer any such action filed by Landlord to any other court.

(j) Confidentiality. Tenant acknowledges and agrees that the terms of this Lease are confidential and constitute propriety information of Landlord. Disclosure of the terms hereof could adversely affect the ability of Landlord to negotiate other leases with respect to the Building and may impair Landlord's relationship with other tenants of the Building. Tenant agrees that it and its partners, officers, directors, employees, brokers, and attorneys, if any (collectively, the "Tenant Parties"), shall not disclose the terms and conditions of this Lease to any other person or entity without the prior written consent of Landlord which may be given or withheld by Landlord in its sole and absolute discretion. Landlord agrees that the foregoing restrictions shall not include any information which (a) was already known to the Tenant Parties prior to disclosure by Landlord, (b) is in or has entered the public domain through no breach of this Lease or other wrongful act of the Tenant Parties, (c) has been rightly received from a third party who is not under any obligation of confidentiality with respect to such information, (d) has been approved for release by written authorization of Landlord, or (e) is required by law, rule or regulation including under the rules and regulations of the New York Stock Exchange or Securities and Exchange Commission. It is understood and agreed that damages alone would be an inadequate remedy for the breach of this provision by Tenant, and Landlord shall also have the right to seek specific performance of this provision and to seek injunctive relief to prevent its breach or continued breach.

(k) Tenant Entity. If Tenant is a corporation, it shall, upon Landlord's request, furnish to Landlord written proof of the authority of the party executing this Lease on Tenant's behalf, to bind Tenant to the terms hereof; and it shall furnish to Landlord evidence (reasonably satisfactory to Landlord and its counsel) that Tenant is a duly organized corporation under the laws of the state of its incorporation, is qualified to do business in the jurisdiction in which the Building is located, is in good standing under the laws of the state of its incorporation and has the power and authority to enter into this Lease, and that all corporate action requisite to authorize Tenant to enter into this Lease has been duly taken. If Tenant is a partnership, the person executing this Lease on behalf of such partnership hereby represents and warrants on behalf of such person and the partners of Tenant that such person is authorized by Tenant to enter into this Lease.

(l) Financial Statements. Except as expressly provided in the final sentence of Section 15(a) hereof with respect to the named Tenant hereunder, at the request of Landlord, Tenant shall, not later than ninety (90) days following the close of each fiscal year of Tenant, furnish to Landlord a balance sheet of Tenant as of the end of such fiscal year and a statement of income of expense for the year then ended.

(m) Time of Essence. Time is of the essence in the performance of all of Tenant's and Landlord's obligations under this Lease.

(n) Words and Phrases. Wherever appropriate herein, the singular includes the plural and the plural includes the singular and neuter gender references shall refer to the gender of the particular party.

(o) Limit on Parties' Liability. Notwithstanding any provision to the contrary, Tenant shall look solely to the estate and property of Landlord in and to the Building in the event of any claim against Landlord arising out of or in connection with this Lease, the relationship of Landlord and Tenant, or Tenant's use of the Leased Premises, and Tenant agrees that the liability of Landlord and the other parties referenced in Section 7(a)(4) hereof arising out of or in connection with this Lease, the relationship of Landlord and Tenant, or Tenant's use of the Leased Premises, shall be limited to such estate and property of Landlord (or sale proceeds). No other properties or assets of Landlord shall be subject to levy, execution or other enforcement procedures for the satisfaction of any judgment (or other judicial process) or for the satisfaction of any other remedy of Tenant arising out of or in connection with this Lease, the relationship of Landlord and Tenant or Tenant's use of the Leased Premises, and if Tenant shall acquire a lien on or interest in any other properties or assets by judgment or otherwise, Tenant shall promptly release such lien on or interest in such other properties and assets by executing, acknowledging and delivering to Landlord an instrument to that effect satisfactory to Landlord. No partnership relation shall be deemed created hereunder between Landlord and Tenant. The foregoing provisions of this subsection shall run to the benefit of Landlord, its successors, assigns, mortgagees and ground lessors. Notwithstanding any provision to the contrary, Landlord shall look solely to the assets and property of Tenant in order to satisfy any judgment obtained by Landlord against Tenant, and, except as may be otherwise permitted pursuant to applicable law (pursuant to laws such as those governing misappropriation of corporate assets, for example) Landlord shall not seek to enforce any such judgment against the assets of any officer, director, member or shareholder of Tenant and no such parties shall have any personal liability hereunder.

(p) Force Majeure. Neither party shall be required to perform any of its obligations under Section 4(a) hereof or any other provision of this Lease, nor be liable for loss or damage for failure to do so, nor shall the other party be released from any of its obligations under this Lease because of the excused party's failure to perform, where such failure arises from or through acts of God, strikes, lockouts, labor difficulties, shortages of equipment, delays in issuance of governmental permits or approvals, explosions, sabotage, accidents, riots, civil commotions, acts of war, results of any warfare or warlike conditions in this or any foreign country, fire and casualty, Requirements, utility brownouts, utility blackouts, reduction in utility use as a result of mandatory or voluntary guidelines by the public utility supplying energy or government law, regulation, executive or administrative order, or any other causes beyond the reasonable control of the non-performing party. If the non-performing party is so delayed or prevented from performing any of its obligations during the Term, the period of such delay or such prevention shall be deemed added to the time herein provided for the performance of any such obligation. Notwithstanding the foregoing, the terms of this subparagraph (p) shall not apply to, and shall in no way excuse any failure to timely pay rent or other amounts due under this Lease.

(q) (Intentionally Omitted).

(r) Counterparts. This Lease may be executed in several counterparts, each of which such counterparts shall constitute one and the same instrument.

(s) (Intentionally Omitted).

(t) Exhibits and Addendum. Exhibits A (Floor Plan of Leased Premises), A-1 (Base Building Plans), B (Workletter), C (Verification Letter), D (Rules and Regulations), E (Janitorial Specifications), F (Location of Potential Reserved Parking Spaces), G (Form Subordination, Non-disturbance & Attornment Agreement), H (Additional Space Space Plan), I (Form Expansion Amendment) and Addendum, attached hereto, are hereby incorporated herein.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, Landlord and Tenant have executed this Deed of Lease under seal as of the day and year first above written.

WITNESS:

LANDLORD:
1 DULLES TOWN CENTER, L.L.C.
By: Lerner Enterprises, LLC, its manager

By: /s/ Theodore Lerner
Name:
Title:

ATTEST:

TENANT:
TREX COMPANY, INC.

By: /s/ Robert G. Matheny
Name: Robert G. Matheny
Title: CEO and Chairman

ADDENDUM

THIS ADDENDUM (the "Addendum") is attached to the Lease dated as of July 27, 2005, by and between **1 DULLES TOWN CENTER, L.L.C.**, a Virginia limited liability company (hereinafter, "Landlord"), and **TREX COMPANY, INC.**, a _____ corporation (hereinafter, "Tenant") and incorporated herein by reference thereto. To the extent that there are any conflicts between the provisions of the Lease and the provisions of this Addendum, the provisions of this Addendum shall supersede the conflicting provisions of the Lease.

1. **Landlord Payment.** Landlord agrees that as an inducement for Tenant to enter into this Lease, Landlord shall pay to Tenant up to [***] ([***] per square foot with respect to the Office Space portion of the Premises, plus [***] per square foot with respect to the Additional Space, plus [***] with respect to the Storage Space portion of the Premises) (the "Landlord Payment"). Such Landlord Payment shall be paid to Tenant in accordance with the following terms:

(a) From time to time during the performance of the Tenant Improvements (but not more often than once every thirty (30) days), Tenant may submit to Landlord copies of invoices (hereinafter referred to as "Approved Invoices") from Tenant's general contractor, architect, engineer, furniture provider, fixtures or equipment vendor, construction consulting, moving contractor, and telephone and cabling provider which invoices: (i) shall either (1) be accompanied by written evidence that Tenant has paid the same (which payment shall constitute Tenant's written certification that the same are accurate and eligible for reimbursement in accordance with the terms of this Paragraph 1), or (2) be approved in writing by Tenant as being accurate and eligible for payment in accordance with the terms of this Paragraph 1; (ii) shall detail work already completed by the invoicing party as part of the approved Tenant Improvements or in connection with the initial installation of cabling, furniture, fixtures or other equipment in the Leased Premises in connection with Tenant's initial occupancy thereof, or moving costs associated with Tenant's initial occupancy of the Leased Premises; (iii) with respect to work that is a part of the Tenant Improvements, shall be accompanied by: (1) written partial lien waivers (in form and substance reasonably acceptable to Landlord) from the general contractor and all subcontractors and materialmen who have performed work or delivered materials in connection with the Tenant Improvements through the date the date of the Approved Invoices covering the Tenant Improvements completed through the date of the paid invoices, by which such parties waive any lien rights (or in the case of unpaid invoices waive such lien rights conditioned only upon payment of the invoice in question); and (2) a written certification from Tenant's architect or Construction Manager that the work described in any such Approved Invoices from Tenant's general contractor has been substantially completed in accordance with the final plans for the Tenant Improvements approved by Landlord.

(b) Provided that Tenant is not in default of any of its obligations under the Lease beyond any applicable notice and cure period, within fifteen (15) business days of delivery of the aforesaid Approved Invoices accompanied by the proper documentation as required above, Landlord will pay to Tenant from the Landlord Payment the amount of any previously unreimbursed or unpaid Approved Invoices up to a maximum total payment (except as provided in subparagraph (c) below) of [***] (which amount is subject to further reduction by any amounts deducted from the Landlord Payment pursuant to the terms of Paragraph 5 hereof).

(c) If any portion of the Landlord Payment remains unpaid in accordance with subparagraph (b) above and the deduction of all Signage Costs in accordance with the terms of Paragraph 5 below, then within thirty (30) days after satisfaction of the "Final Payment Conditions", as defined below, Landlord shall pay the remaining unpaid balance to the extent of any remaining unreimbursed or unpaid (whether in whole or in part) Approved Invoices.

For purposes of this Lease, the Final Payment Conditions shall include:

(i) Tenant has completed the Tenant Improvements according to the final plans and specifications therefor approved by Landlord; and

(ii) Tenant has obtained and delivered to Landlord final, unconditional lien waivers from Tenant's general contractor and all subcontractors and materialmen who performed work or delivered materials in connection with the Tenant Improvements, waiving any liens against the Leased Premises (including the Additional Space) and the Building; and

(iii) Tenant has obtained and delivered to Landlord a general contractor's affidavit specifying the names of all contractors, subcontractors, suppliers and material persons who have supplied labor, services, goods or materials to the Leased Premises (including the Additional

Space) and stating that all such listed persons and entities have been paid in full and Landlord agrees that a duly executed AIA Form G706A (with attachments) is sufficient to satisfy this requirement;

(iv) There is no outstanding, uncured Event of Default by Tenant under the Lease;

(v) Tenant has submitted Approved Invoices that have not been previously paid or reimbursed totaling at least the amount requested by Tenant and any necessary documentation as set forth above; and

(vi) Tenant has obtained and delivered a copy to Landlord of a permanent Certificate of Occupancy for the Leased Premises (including the Additional Space).

(d) Any claim of Tenant to any portion of Landlord's Payment not paid or due and owing pursuant to the terms set forth above on or before December 31, 2006, shall be deemed waived by Tenant. Notwithstanding the foregoing, in the event that an Event of Default is outstanding and uncured at the time that Tenant requests a payment from the Landlord Payment, Landlord shall not be obligated to make such payment to Tenant; provided, however, that if Tenant cures the Event of Default within the applicable cure period provided in the Lease, Landlord shall thereafter make the payment from the Landlord Payment, provided no other defaults under the Lease exist at the time of such payment. If an Event of Default occurs prior to full payment of the Landlord Payment and such Event of Default results in a termination of Tenant's right to possession of the Leased Premises by a court of competent jurisdiction, Tenant shall reimburse to Landlord upon demand all amounts paid to Tenant on account of the Landlord Payment and Landlord shall have no further obligation to make any payments of the Landlord Payment to Tenant.

2. **Renewal Option.** (a) Subject to the provisions of Section 25 of the Lease, Tenant is hereby granted an option to renew the Lease and extend the Term hereof for an additional period of one hundred twenty (120) calendar months ("Renewal Term," beginning on the expiration of the Initial Term and ending on the last day of the one hundred twentieth (120th) full calendar month thereafter), subject to and in accordance with all of the terms and conditions set forth below. Tenant's renewal option is conditioned upon Tenant having satisfied each of the following requirements:

(i) Tenant notifies Landlord of its election to exercise the right of renewal granted hereby at least fifteen (15) months but not more than twenty-four (24) months prior to the expiration of the Initial Term;

(ii) at the time of the exercise of such right and for the remainder of the Term thereafter prior to the commencement of the Renewal Term, there is no existing Event of Default which is not remedied within the applicable cure periods set forth in the Lease;

(iii) the Lease has not terminated prior to the commencement of the Renewal Term; and

(iv) at the time of the exercise of such Option and for the remainder of the Term thereafter prior to the commencement of the Renewal Term, the original named Tenant or a transferee of Tenant pursuant to a Permitted Transfer (as defined in Section 10(i) of the Lease) is in possession of and occupying the entire Leased Premises.

(b) During the first twelve (12) calendar months of the Renewal Term, Tenant shall pay Landlord Basic Rent equal to the greater of: (i) [***] of the Fair Market Rent (as defined below) for the Leased Premises for the Renewal Term, or (ii) the total of: (1) [***] the net rental component of the annual Basic Rent rate payable hereunder by Tenant (notwithstanding any abatements thereof) during the one year period immediately preceding the commencement of the Renewal Term; plus (2) the Additional Rent related to increased Operating Expenses payable by Tenant pursuant to the terms of Section 3(b) of the Lease (determined without giving effect to any abatements thereof) during the one year period immediately preceding the commencement of the Renewal Term. The "Fair Market Rent," as used in this Paragraph 2, shall mean the market annual face rental rate (plus any market-appropriate annual escalations thereof) for comparable space in the Corporate Office Park at Dulles Town Center for a third party tenant of similar caliber and financial standing entering into a new arms-length Lease, taking into account all appropriate factors and all then current market economics and concessions (including, if applicable, rental abatement, improvement and other allowances, new base year for Operating Expenses, etc.). Beginning with the thirteenth (13th) Lease Month of the Renewal Term, the aforesaid Basic Rent for the first twelve (12) Lease Months of the Renewal Term shall be escalated on an annual basis in accordance with market appropriate escalations, determined in accordance with the Fair Market Rent described above.

(c) Within thirty (30) days following Landlord's receipt of Tenant's timely notice of its exercise of the renewal option, Landlord shall notify Tenant of Landlord's good faith determination of the Basic Rent applicable to the Renewal Term based upon the foregoing parameters (which determination shall include a determination of market appropriate annual escalations of the initial Basic Rent). If Tenant notifies Landlord that Tenant agrees with Landlord's determination of such Basic Rent, then, provided the foregoing conditions thereto are met (as set forth in subparagraph (a) above), the Term shall be extended for one hundred twenty (120) calendar months beyond the expiration of the Initial Term upon the Basic Rent terms set forth in Landlord's notice to Tenant. If Tenant fails to promptly notify Landlord that Tenant agrees with Landlord's determination of the Basic Rent applicable to the Renewal Term, then during the period between Landlord's notification to Tenant and the thirtieth (30th) day thereafter, the parties shall negotiate and discuss the matter in good faith. If the parties fail to agree upon the Basic Rent applicable to the Renewal Term within such thirty (30) day period, then Tenant, at its option, may withdraw its exercise of the Renewal Option by delivering written notice of such withdrawal within five (5) business days following the expiration of the aforesaid thirty (30) day period. In the event that the parties cannot agree upon the appropriate Basic Rent prior to the close of business on the thirtieth (30th) day following Landlord's notification of Landlord's determination of Basic Rent (such thirty (30th) day being referred to as the "Outside Agreement Date"), and Tenant fails to timely exercise the foregoing withdrawal right, then the Basic Rent applicable to the Renewal Term shall be determined in accordance with the following terms, the results of which shall be binding upon the parties. Within ten (10) business days following the Outside Agreement Date, each party shall give written notice to the other setting forth the name and address of a Broker (as hereinafter defined) selected by such party who has agreed to act in such capacity, to determine the Basic Rent applicable to the Renewal Term. If either party shall fail to select a Broker as aforesaid, then the party which has selected a Broker as aforesaid (the Appointing Party) shall have the right to issue a written notice to the party which failed to select a Broker as aforesaid (the Non-Appointing Party) advising such Non-Appointing Party that it has failed to appoint a Broker, in which case, if the Non-Appointing Party does not then designate its Broker within five (5) business days following receipt of the Appointing Party's Notice, then the Basic Rent shall be determined by the Broker selected by the Appointing Party. Each Broker shall thereupon independently make his determination of the Basic Rent outlined above within twenty (20) days after the appointment of the second Broker. If the two Brokers determinations are not the same, but the higher of such two determinations (based upon the initial annual Basic Rent and average Base Rent over the course of the Renewal Term) is not more than one hundred five percent (105%) of the lower of them, then the Basic Rent shall be deemed to be the average of the two determinations. If the higher of such two determinations is more than one hundred five percent (105%) of the lower of them, then the two Brokers shall jointly appoint a third Broker within ten (10) days after the second of the two determinations described above has been rendered. (If the two brokers are unable to agree upon a third broker, then the third broker shall be appointed by the Greater Washington Area Commercial Broker's Council; or if such organization no longer exists, by the president of its successor organization; or if no such successor organization exists, by the Chief Judge of the Circuit Court of Loudoun County, Virginia). The third Broker shall independently make his determination of the Basic Rent within twenty (20) days after his appointment by choosing one of the two determinations previously submitted in accordance with the foregoing by the parties' respective Brokers, and the third Broker's determination shall be deemed to be the Basic Rent payable by Tenant with respect to the applicable Renewal Term. For the purposes of this Paragraph 1, Broker shall mean a real estate broker licensed in the Commonwealth of Virginia, who has been regularly engaged in such capacity in the business of commercial office leasing in the Northern Virginia submarket for at least five (5) years immediately preceding such persons appointment hereunder. Each party shall pay for the cost of its Broker and one-half of the cost of the third Broker, if any.

(d) Prior to the commencement of the Renewal Term, upon the request of Landlord, Tenant hereby agrees to execute an amendment to the Lease memorializing said extension of the Lease Term.

3. **Additional Premises.** (a) On a date selected by Landlord (in its sole and absolute discretion) between March 1, 2012 and September 1, 2012 ("Delivery Window"), Landlord shall deliver and Tenant shall accept the entire fifth (5th) floor of the Building, consisting of 25,024 rentable square feet of space. ("Additional Space"). Landlord shall endeavor to provide Tenant with at least twelve (12) months' prior written notice of the actually Additional Space Delivery Date, but in any event shall provide a minimum four (4) months' prior written notice. The parties acknowledge that Landlord's ability to precisely determine such actual Additional Space Delivery Date depends upon

the performance by any third parties occupying the space of their obligations to timely vacate the same. Upon delivery of the Additional Premises to Tenant ("Additional Space Delivery Date"):

(i) The Additional Space shall be delivered and accepted in its entirety and in its then "as is" condition, except that: (1) any damage thereto beyond reasonable wear and tear shall have been repaired by Landlord or at Landlord's cost and expense, and (2) to the extent requested pursuant to written notice from Tenant delivered to Landlord within thirty (30) days following Landlord's notice to Tenant regarding the anticipated Additional Space Delivery Date, any material alterations made by any prior occupant thereof to the initial improvements performed therein by Tenant as part of the initial Tenant Improvements (as contemplated in subparagraph (b) below and Exhibit B to the Lease) shall be removed (to the extent requested by Tenant as provided above) and the portions of the Additional Space affected by such removal shall be restored (to its condition following Tenant's completion of the initial Tenant Improvements therein) by or at the cost and expense of Landlord [The parties acknowledge that the exercise by Tenant of such right to require the performance of certain removal and restoration work by Landlord may delay the Additional Space Delivery Date (including, without limitation, a delay to a date outside of the aforesaid Delivery Window) and, provided that such delay is not caused by the failure of Landlord or its contractors to promptly commence and thereafter diligently pursue completion of such removal and restoration obligations within a commercially reasonable period of time, no such delay shall in any way result in any liability on the part of Landlord, nor entitle Tenant to exercise any rights against Landlord. If any such delay in delivery of the Additional Space does result from the failure by Landlord or its contractor to timely comply with the foregoing removal and restoration obligations, then Tenant's sole and exclusive remedy in connection with the same shall be a day-for-day rental abatement with respect to the Additional Space for each day that delivery of the same is delayed beyond the sixtieth (60^{th}) day following the date that Landlord would have otherwise delivered possession of such Additional Space if not for the failure by Landlord or its contractor to timely perform such obligations.];

(ii) The Additional Space shall become part of the Leased Premises and Tenant shall Lease the same from Landlord pursuant to all of the terms, covenants and conditions of the Lease, for the remainder of the initial Term (and the Renewal Term, if exercised);

(iii) As a result, the size of the Leased Premises shall be increased by 25,024 square feet (to a total of 79,780 square feet, unless the Leased Premises was previously increased in size pursuant to the terms of Paragraph 4 below or otherwise);

(iv) Tenant's Proportionate Share of Operating Expenses shall be increased in order to reflect the increased size of the Leased Premises;

(v) Tenant, at its sole cost and expense, shall undertake any additional improvements and alterations to the Additional Space that Tenant deems necessary or desirable in connection with Tenant's use or occupancy of the same ("Additional Improvements"), which Additional Improvements shall be performed subject to and in accordance with the terms of Article 22 of the Lease (including without limitation, the requirement that Tenant obtains Landlord's prior written approval with respect to the same).

(vi) [***]

(vii) Beginning on the thirty-first (31^{st}) day following the Additional Space Delivery Date and continuing throughout the balance of the Lease Term, Tenant shall pay Basic Rent with respect to the Additional Space at the then escalated per square foot Basic Rental Rate then payable by Tenant with respect to the Office Space portion of the Premises in accordance with the terms of Section 1(a)(2) of the Lease (such Basic Rent shall be escalated along with and at the same time as the annual escalation of Tenant's Basic Rent with respect to the Office Space).

(b) The parties acknowledge that, as part of the Tenant Improvements to be performed by Tenant in connection with its initial occupancy of the Leased Premises, Tenant, at its cost and expense, shall also perform certain improvements to the Additional Space for the purposes of making the same leasable to a third party and reasonably compatible with Tenant's Improvements to the Office Space portion of the Leased Premises. That portion of the Tenant Improvements to be performed with respect to the Additional Space shall be performed in accordance with the space plan set forth in Exhibit H to the Lease. The parties agree that, at a minimum such Additional Space Tenant Improvements shall include:

1) a Z -Corridor;

2) an area for a reception area on both sides of the elevator lobby to allow for two occupants on the floor;

3) a kitchen or galley on each side of the floor;

4) a copy/file room on each side of the floor;

5) a demising partition dividing the floor into two suites except that the circulation corridor within the premises will be left open until, and if, two tenant's occupy the floor;

6) a mix of conference rooms, offices and open areas for systems furniture.

However, notwithstanding the foregoing, the parties acknowledge that the portion of the Tenant Improvements to be performed with respect to the Additional Space shall not include any carpeting and base; it being agreed that such carpeting and base shall be installed by Landlord and/or a third party leasing or occupying the space during the period prior to the Delivery Window.

(c) The Tenant Improvements applicable to the Additional Space shall be completed by Tenant no later than thirty (30) days following the Rent Commencement Date. Tenant's temporary possession and occupancy of and access to the Additional Space during the period between the Lease Commencement Date and the thirtieth (30th) day following the Rent Commencement Date shall only be for the purpose of performing the Tenant Improvements in the Additional Space, and such temporary possession and occupancy and access shall be subject to all of the terms, covenants and conditions of the Lease. Upon expiration of such thirtieth (30th) day following the Rent Commencement Date, Tenant's rights with respect to such Additional Space will end and shall not resume until possession of the Additional Space is delivered to Tenant on the Additional Space Delivery Date. Following Tenant's completion of the Tenant Improvements to the Additional Space (which completion shall be no later than the thirtieth (30th) day following the Rent Commencement Date), Landlord shall be free to lease the Additional Space to any third party upon such terms and conditions as Landlord (or otherwise utilize such Additional Space), in its sole and absolute discretion shall determine (subject, of course, to Landlord's obligation to deliver the same to Tenant during the Delivery Window. If Tenant fails to timely complete the Tenant Improvements applicable to the Additional Space prior to the expiration of the aforesaid thirtieth (30th) day following the Rent Commencement Date, then notwithstanding any provision hereof to the contrary, Tenant shall be obligated to pay Landlord Annual Basic Rent and additional rent with respect to such Additional Space in accordance with the terms of subparagraphs (a)(iv) and (vii) above until such time as Tenant completes the Tenant Improvements therein and relinquishes all possession and occupancy of such Additional Space and returns the same to Landlord.

4. **Expansion Options.** (a) Following the initial lease-up of the Building (which period, for the purposes hereof shall end when ninety percent (90%) of the leasable space in the Building has been leased and occupied), throughout the Initial Term (and Renewal Term, if applicable) Tenant shall have a right of first offer to lease any other space that becomes available for leasing in the Building following its initial leasing to a third party. Such right of first offer shall be subject to and exercisable strictly in accordance with the terms of this Paragraph 4.

(b) From time to time during the Term, if Landlord reasonably expects any such space in the Building to become available for leasing, Landlord shall notify Tenant ("Offer Notice") of the date on which Landlord reasonably expects the same to become available (which Landlord notice shall not be delivered to Tenant more than eighteen (18) months prior to the date on which Landlord expects the same to become available for leasing. Any space specified in an Offer Notice from Landlord shall constitute "Offer Space," as such term is used herein. A space shall be deemed to be "available for leasing," as such phrase is used in this Paragraph 4 on the date on which the previous tenant's or occupant's rights to lease such space expire or are terminated. The parties acknowledge that the all space subject to the Expansion Option is currently or will be occupied by other tenants. Landlord shall have no obligation to offer any such space to Tenant on any particular date, nor shall Landlord have any liability for any delay in delivering any such Offer Space to Tenant which results from a delay in the existing tenant vacating such Offer Space, and no such delay shall in any way constitute a default hereunder by Landlord or subject Landlord to any liability. If Tenant exercises its rights under this Paragraph 4, Landlord will use commercially reasonable efforts to regain possession of the Offer Space upon the expiration of such other tenant's or occupant's rights with respect thereto.

(c) Tenant's right to lease said Offer Space shall be subject to the following conditions:

(i) Tenant notifies Landlord in writing of Tenant's intent to lease the Offer Space ("Leasing Notice") on or before the tenth (10th) business day following Landlord's Offer Notice;

(ii) Pursuant to the terms of Tenant's Leasing Notice, Tenant agrees to Lease: (1) all of the Offer Space specified in Landlord's Offer Notice, or (2) at least fifty percent (50%) of such Offer Space, plus such additional portion thereof as may be necessary in order to ensure that: (x) the portion of the Offer Space to be leased by Tenant as well as the remainder of the Offer Space satisfies any code requirements; and (y) the remainder of the Offer Space shall be reasonably marketable to third parties in Landlord's reasonable judgment;

(iii) at the time of the aforesaid Leasing Notice, there is no existing Event of Default which is not remedied within the applicable cure periods set forth in Article 11 of the Lease; and

(iv) at the time of the aforesaid Leasing Notice and throughout the period prior to Landlord's delivery of the Offer Space to Tenant, Tenant has not: (1) assigned any portion of its interest under the Lease or subleased a total of more than 12,500 square feet (determined based upon the total of all then existing subleases applicable to any portion of the Leased Premises) of the Leased Premises to any third party other than pursuant to a Permitted Transfer as provided in Section 10(i) of the Lease, or (2) otherwise ceased to lease any portion of Leased Premises which were originally leased to Tenant under the Lease.

In the event that any of the forgoing conditions are not satisfied, Landlord, at its option, may elect, at its sole option and in its sole and absolute discretion not to lease or offer the Offer Space to Tenant.

(d) If Tenant fails to timely exercise its Expansion Option following an Offer Notice from Landlord, then Landlord may thereafter market and lease the applicable Offer Space to any other person or entity upon terms determined by Landlord in its sole and absolute discretion., subject to the following additional right of Tenant: At any time prior to Landlord entering into a letter of intent (which thereafter results in a lease) or lease with a third party with respect to the same, Tenant may exercise its Expansion Option as provided above. Such subsequent exercise shall remain subject to all of the conditions set forth subparagraph (c) above, and in addition, if Landlord has received a letter of intent or signed lease from a third party for all or a portion of the subject Offer Space, then Tenant must exercise its Expansion Option with respect to entire portion of such Offer Space being contemplated for lease by such third party.

(e) If Tenant timely and properly exercises its right to lease the Offer Space, and the conditions applicable thereto (as set forth in subparagraph (c)) have been satisfied, Tenant's leasing of the Offer Space shall be upon all of the terms and conditions of this Lease [including but not limited to the Term hereof (it being understood that Tenant's leasing of the Offer Space shall be coterminous with Tenant's leasing of the original Leased Premises, unless less than sixty (60) full calendar months remain in the then-current Term, in which case, as an additional condition of Tenant's leasing the Offer Space, the then current Term (the Initial Term or Renewal Term, as applicable) shall be deemed extended by such additional period as is necessary to ensure Tenant's leasing of the Offer Space and the balance of the Leased Premises for a full sixty (60) calendar months)] as modified by the terms of this subparagraph (e) and subparagraph (f) below. Upon Landlord's delivery of the Offer Space, the Leased Premises shall include the Offer Space, and the total net rentable area thereof shall be appropriately increased. Tenant's Basic Rent obligations with respect to the Offer Space shall commence on the date that Landlord delivers possession of the Offer Space to Tenant ("Delivery Date"). Tenant shall pay Landlord annual Basic Rent for the Offer Space, in an amount equal to the net rentable area of the Offer Space multiplied by the sum of (1) the then-escalated per square foot Basic Rent which Tenant is obligated to pay with respect to the original Office Space portion of the Lease Premises pursuant to Section 1(a)(2) of the Lease; and (2) the then-escalated amount payable by Tenant pursuant to Section 3(b) of the Lease with respect to the Office Space portion of the Leased Premises (expressed on a per square foot basis). Thereafter, said Basic Rent payable with respect to the Offer Space shall be escalated in accordance with (and at the same time as) the increase in Annual Basic Rent set forth in such Section 1(a)(2) of the Lease [***]. In addition to the Basic Rent, beginning on the first January 1st following the Delivery Date Tenant shall pay Landlord additional rent with respect to the Offer Space related to increases in Operating Expenses over those applicable to the calendar year in which the Delivery Date occurs. Such Additional Rent shall be payable in accordance with the terms of Article 3 of the Lease except that the "Base Year" for the purposes thereof shall be deemed to be the calendar year in which the Delivery Date occurs.

(f) If Tenant timely exercises the Expansion Option and the conditions applicable thereto are satisfied, then Landlord shall deliver and Tenant shall accept possession of the Offer Space (or portion thereof with respect to which Tenant has exercised its Expansion Option to the extent permitted pursuant to the foregoing) in its then "as is" condition, and any alterations or improvements thereto necessary or desired by Tenant shall be performed in accordance with the

terms of Exhibit B to the Lease. Landlord shall deliver and Tenant shall accept possession of the applicable Offer Space in its then "as is" condition, except that the same shall be broom clean, free of any prior occupants' personal property and with all Building systems serving the same in good working order. Tenant, at its sole cost and expense, shall undertake any improvements and alterations to the Offer Space that Tenant deems necessary or desirable in connection with Tenant's use or occupancy of the same ("Offer Space Improvements"), which Offer Space Improvements shall be performed subject to and in accordance with the terms of Exhibit B to the Lease (including without limitation, the requirement that Tenant obtains Landlord's prior written approval with respect to the same). Landlord shall make available to Tenant an Offer Space Landlord Payment (herein so called) as set forth below. The use and payment of such Offer Space Landlord's Payment shall be subject to the terms and conditions set forth in Paragraph 1 of this Addendum, except that the amount of such Offer Space Landlord's Payment shall be determined by multiplying the following three figures: (1) the quotient resulting from dividing the number of full calendar months between the applicable Offer Space Rent Commencement Date (as defined below) and the last day of the then-current Term (i.e., the Term for which Tenant shall lease and pay Basic Rent with respect to such Offer Space pursuant to the Lease, as such Term same may have been extended as required pursuant to the terms of subparagraph (e) above) by 12; and (2) [***] and (3) the net rentable area of the Offer Space with respect to which Tenant has exercised its Expansion Option. Such Offer Space Landlord Payment shall be paid to Tenant in accordance with the procedures and requirements set forth in Paragraph 1 of this Addendum. For the purposes hereof, the Offer Space Rent Commencement Date shall be the earlier to occur of: (i) substantial completion of the Offer Space Improvements in the Offer Space, or (ii) ninety (90) days after the date that Landlord delivers possession of such Offer Space to Tenant. Prior to Landlord's delivery of the Offer Space to Tenant, Landlord and Tenant shall execute and deliver an amendment to this Lease in the pre-negotiated form attached to the Lease as Exhibit I) adding the applicable Offer Space to the Leased Premises (it being the intent of the parties that Tenant shall utilize such ninety (90) day period to plan, permit, and construct the Offer Space Improvements in the Offer Space).

(g) If Tenant timely and properly exercises the Expansion Option granted hereby, prior to Landlord's delivery of the applicable Offer Space to Tenant, Tenant and Landlord shall execute an amendment to the Lease memorializing said expansion of the Leased Premises and the terms applicable thereto substantially in the form attached to the Lease as Exhibit I.

(h) In the event of: (i) a failure of any of the conditions set forth in subparagraph (c) above prior to Landlord's delivery of the Offer Space to Tenant, no such failure shall relieve Tenant of its obligations with respect to such Offer Space (it being the intent of the parties that if Landlord delivers such Offer Space in accordance with the terms hereof, Tenant shall be responsible for all rental obligations hereunder with respect to such Offer Space).

(i) Nothing in this Paragraph 4 shall in any way affect Tenant's rights to the Additional Space or the terms and conditions applicable thereto set forth in Paragraph 3 hereof.

5. **Exterior Signage.** (a) Subject to the terms set forth below, Tenant, at its sole cost and expense, shall have the non-exclusive right to display a single sign on the exterior of the Building in the location indicated in Exhibit J attached to the Lease ("Exterior Sign"). In addition to the foregoing, subject to the terms set forth below, Tenant, at its sole cost and expense, shall have the non-exclusive right to display one sign ("Monument Signage") on the top line of the Building's major tenant monument sign at the entrance to the Building on Atlantic Boulevard. Said Exterior Sign and Monument Signage shall be: (i) subject to any limitations imposed by applicable codes, regulations and laws, including Loudoun County sign ordinances and Dulles Town Center signage and design criteria, and (ii) incorporate only Tenant's corporate name or trade name as indicated in Exhibit J to the Lease. The precise size, location, materials and method of installation of such Exterior Sign and Monument Signage shall be subject to all applicable codes, regulations and laws, as well as Landlord prior written approval, which approval may be granted or withheld in Landlord's sole and absolute discretion. However, Landlord hereby approves the size, type and location of the Exterior Sign and Monument Signage described in Exhibit J to the Lease.

(b) Notwithstanding the foregoing, if at any time during the Term, Tenant leases and occupies less than 25,000 square feet in the Building, then Landlord, at any time after the effective date of the reduction in the size of the Leased Premises below said threshold, may require Tenant, at its cost and expense, to remove said Exterior Signs from the Building, in accordance with the procedures described in subparagraph (e) below. Such removal shall be completed by Tenant within thirty (30) days following Landlord's written request therefor. Conversely, in the event that Tenant at any time leases at least 125,000 square feet in the Building, and there exists the capacity and legality to install an additional exterior sign on the Building, Tenant may elect to install a second

Building sign in a mutually agreeable location. Any such second exterior sign would be designed by Landlord's graphic designer at Tenant's expense, and the sign would be subject to all of the terms and conditions (including, without limitation, Landlord's approval) applicable to the original Exterior Sign.

(c) Landlord shall, at Tenant's sole cost and expense, subject to any limitations imposed by applicable governmental codes, regulations and other laws, ordinances, regulations, orders or other legal requirements of governmental authorities, contract for the design, fabrication and installation of said Exterior Sign and Monument Signage in accordance with plans and specifications approved by Tenant and Landlord in accordance with the foregoing terms prior to the installation thereof. Landlord will deduct all actual costs associated with the design, fabrication and installation of such Exterior Sign and Monument Signage (the "Signage Costs") from the Landlord Payment. To the extent that any such Signage Costs are not deducted from such Landlord Payment by Landlord (whether by reason of the fact that insufficient funds are then available from such Landlord Payment or otherwise), then Tenant shall pay all such excess Signage Costs to Landlord, as additional rent hereunder, within ten (10) business days of Landlord's delivery of an invoice therefor.

(d) At all times during the Term, Tenant shall, at its sole cost and expense: (i) insure said Exterior Sign in accordance with reasonable insurance requirements relating to the Building or said Exterior Sign, as applicable, (ii) maintain said Exterior Sign in good condition and repair, and (iii) take any action necessary (including, if necessary, the removal of the Exterior Sign) to ensure that said Exterior Sign at all times comply with all present and future laws, ordinances (including zoning ordinances and land use requirements), regulations, orders or other legal requirements of the United States of America, the Commonwealth of Virginia, Loudoun County and any other public or quasi-public authority having jurisdiction over the Building, said Exterior Sign and insurance requirements relating to or affecting the Building, said Exterior Sign.

(e) Prior to the expiration or earlier termination of the Term of the Lease or Tenant's right to possession of the Leased Premises (and prior to a reduction in the size of the Leased Premises as described in subparagraph (b) above, as applicable), Tenant shall, at its sole cost and expense, remove said Exterior Sign from the Building and repair all damage to the Building and Landlord's property caused by the installation, existence or removal of the same, (including, without limitation, the remediation and elimination of any discoloration or "shadow" resulting from the presence or removal of said Exterior Sign). Notwithstanding the foregoing, if Tenant fails to timely remove its sign and repair damage to the Building as required hereunder, Landlord, at its sole option, by written notice to Tenant, may elect to perform (or contract for the performance of) all such removal and repair obligations, in which case Tenant shall reimburse Landlord, as additional rent, for all costs incurred by Landlord in performing such obligations within thirty (30) days of Landlord's delivery of an invoice therefor.

(f) Tenant shall reimburse Landlord, as additional rent, for any reasonable costs incurred by Landlord with respect to Tenant's failure to comply with any requirement in this Lease regarding said Exterior Sign, which failure continues for a period of ten (10) business days following written notice from Landlord (which costs shall include but not be limited to any increased insurance premiums related to the same). Tenant hereby indemnifies and holds Landlord harmless from and against any claims, liabilities, causes of action, losses, damages and costs (collectively, "claims") incurred or suffered by Landlord as a result of the maintenance, existence, relocation or removal of said Exterior Sign (except to the extent that such claims are the direct result of the negligence or willful misconduct of Landlord, its employees, agents or contractors). Tenant covenants not to damage the Building or Landlord's property in the course of maintaining and removing said Exterior Sign. In the event that the maintenance or removal of said Exterior Sign results in any such damage, or Landlord incurs any liability relating to the same, Tenant agrees: (i) to pay Landlord within thirty (30) days after Landlord's written demand therefor, the reasonable costs incurred by Landlord in repairing any such damage, and (ii) to indemnify Landlord against any such liability.

6. **Roof Rights.** (a) Provided Tenant is not in default of any of its obligations hereunder, Tenant shall have the conditional right (at no additional regularly-recurring charge) to install and maintain: (i) a satellite dish or antenna and related communications equipment and separately sub-metered supplemental HVAC equipment exclusively serving the Leased Premises (collectively, the "equipment") on the roof of the Building in accordance with the terms of this Addendum Paragraph 6.

(b) Prior to installing any such equipment, Tenant shall submit detailed plans and specifications therefor (and with respect to the screening thereof, which shall be required by Landlord) to Landlord for its review. Said plans and specifications shall describe in detail the size,

weight, color and configuration of the equipment and any associated equipment (including cabling or other conduits between the equipment itself and the Leased Premises), the proposed location of the same on the Building, the manner in which the same shall be installed and removed, and the name and license number of the competent Virginia licensed contractors who will perform such installation. All such plans shall be subject to Landlord's prior written approval, the size and location of such equipment may be limited by Landlord in its sole and absolute discretion, and Landlord may request any reasonable additional changes to the plans and specifications, as Landlord, in its sole discretion, deems necessary to protect the structure and aesthetic appearance of the Building and/or Landlord's ability to properly maintain and operate the Building. As a result, the design and installation of said equipment shall be subject to the design limitations of the Building and its structural, electrical and mechanical systems. No work may commence with respect to the installation of said equipment until: (i) Landlord has provided Tenant with Landlord's prior written approval of final plans therefor, and (ii) Tenant has provided Landlord with written proof that Tenant has obtained all licenses, permits and approvals from applicable government authorities necessary for the installation and operation of said equipment.

(c) The installation, operation and maintenance of the equipment shall, at all times, comply with all applicable Loudoun County codes, Dulles Town Center Architectural Design Guidelines, as well as all present and future laws, ordinances (including zoning ordinances and land use requirements), regulations, orders or other legal requirements of the United States of America, the Commonwealth of Virginia, and any other public or quasi-public authority having jurisdiction over the Building and insurance requirements relating to or affecting the Leased Premises, the Building, the condition thereof, all machinery, equipment and furnishings therein incident to Tenant's occupancy of the Building and its use thereof. The equipment shall be modified, removed or relocated (subject to Landlord's prior written approval) from time to time by Tenant in order to ensure continued compliance with the foregoing requirements. Landlord's approval of any plans and specifications shall in no way constitute a representation or warranty by Landlord that the same are in compliance with any of the foregoing requirements. The installation and subsequent maintenance of the equipment shall be subject to such reasonable regulations and restrictions as are imposed thereon by Landlord. In the event that the installation or maintenance of the equipment results in damage to the Building, or Landlord incurs any liability relating to or arising from the same, Tenant agrees: (i) to pay Landlord on demand the costs incurred by Landlord in repairing any such damage, and (ii) to indemnify Landlord against any such liability.

(d) Tenant shall pay all costs associated with the design, installation, maintenance, operation, relocation and removal of the equipment. Tenant shall reimburse Landlord, as additional rent, for any costs incurred by Landlord with respect to the equipment, including but not limited to: (i) any increased insurance premiums, (ii) any engineering or architectural fees related to reviewing the aforesaid plans and specifications, and (iii) any reasonable legal fees related to the review of the aforesaid requirements and Tenant's compliance therewith. Tenant hereby indemnifies and holds Landlord harmless from and against any claims, liabilities, causes of action, losses, damages and costs incurred by Landlord as a result of the installation, operation, maintenance, relocation or removal of the equipment. Tenant covenants not to damage the roof or any other part of the Building in the course of installing, maintaining and removing the equipment. Except as expressly set forth in the approved plans therefor, no such installation, maintenance or removal of the equipment shall involve any penetration of the Building's roof or exterior walls.

(e) Tenant covenants that the installation, maintenance, operation, relocation and removal of the equipment shall in no way materially interfere with Landlord's operation of the Building's systems or with other tenant's use of their premises or operation of their equipment. In the event of any such interference, the equipment shall be modified, removed or relocated (subject to Landlord's prior written approval) from time to time by Tenant. Landlord shall have the right to require Tenant to temporarily relocate the equipment in order to allow Landlord to complete repairs, maintenance or modification of the Building. In exercising its rights set forth in the immediately preceding sentence, Landlord will use reasonable efforts to minimize any interference with Tenant's use of the equipment.

(f) Tenant shall use any such communications equipment for internal corporate purposes only. No equipment which Tenant is permitted to install on the roof of the Building in accordance with the terms of this Addendum Paragraph 6 shall be utilized by anyone other than Tenant or in any manner as a source of revenue to Tenant.

(g) The maintenance and operation of the equipment shall be at Tenant's sole risk, and any damage to the equipment will in no way operate to affect Tenant's obligations under this Lease. Similarly, any condemnation or other governmental action which affects Tenant's ability to maintain and operate the equipment shall in no way affect Tenant's obligations under this Lease, except as set

forth below. In the event that any applicable government authority or other legal requirement prevents Tenant from operating or maintaining the equipment, Tenant shall promptly remove the same. The rights of Tenant set forth in this Addendum Paragraph 6 are personal to the named Tenant herein and may not be assigned, sublet or otherwise transferred to any third person or entity (and any assignee of Tenant expressly permitted pursuant to the terms of Section 10(i) of the Lease). Prior to the expiration or termination of the Lease Term, Tenant shall remove the equipment from the Building and restore the same to its condition prior to the installation thereof. Tenant's failure to so remove the same shall constitute an Event of Default under this Lease and a holdover by Tenant in the Leased Premises.

7. **Back-up Generator.** (a) The parties acknowledge that the Building is equipped with a back-up generator. However, provided no Event of Default by Tenant is outstanding and uncured, Tenant shall have the conditional right to install and maintain an emergency generator and related equipment (collectively, "Generator Equipment") to serve the Leased Premises on the property adjacent to the Building in accordance with the terms of this Addendum Paragraph 7.

(b) Prior to installing any such Generator Equipment, Tenant shall submit detailed plans and specifications therefor (and with respect to the screening thereof, which shall be required by Landlord) to Landlord for its review. Said plans and specifications shall describe in detail the size, weight, color and configuration of the generator and any associated equipment (including cabling or other conduits between the equipment itself and the Leased Premises), the proposed location of the same on the property, the manner in which the same shall be installed and removed, and the name and license number of the competent Virginia licensed contractor who will perform such installation. All such plans shall be subject to Landlord's prior written approval, the size and location of such generator and associated equipment may be limited by Landlord in its sole and absolute discretion, and Landlord may request any reasonable additional changes to the plans and specifications, as Landlord, in its sole discretion, deems necessary to protect the structure and aesthetic appearance of the Building and the property and/or Landlord's ability to properly maintain and operate the same. As a result, the design and installation of said generator and related equipment shall be subject to the design limitations of the Building and its structural, electrical and mechanical systems. No work may commence with respect to the installation of said Generator Equipment until: (i) Landlord has provided Tenant with Landlord's prior written approval of final plans therefor, and (ii) Tenant has provided Landlord with written proof that Tenant has obtained all licenses, permits and approvals from applicable government authorities necessary for the installation and operation of said Generator Equipment.

(c) The installation, operation and maintenance of the Generator Equipment shall, at all times, comply with all applicable present and future laws, ordinances (including zoning ordinances and land use requirements), regulations, orders or other legal requirements of the United States of America, the Commonwealth of Virginia, and any other public or quasi-public authority having jurisdiction over the Building and insurance requirements relating to or affecting the Premises, the Building, the condition thereof, all machinery, equipment and furnishings therein incident to Tenant's occupancy of the Building and its use thereof. The Generator Equipment shall be modified, removed or relocated (subject to Landlord's prior written approval) from time to time by Tenant in order to ensure continued compliance with the foregoing requirements. Landlord's approval of any plans and specifications shall in no way constitute a representation or warranty by Landlord that the same are in compliance with any of the foregoing requirements. The installation and subsequent maintenance of the Generator Equipment shall be subject to such reasonable regulations and restrictions as are imposed thereon by Landlord. In the event that the installation or maintenance of the Generator Equipment results in damage to the Building or any portion of the property, or Landlord incurs any liability relating to or arising from the same, Tenant agrees: (i) to pay Landlord on demand the costs incurred by Landlord in repairing any such damage, and (ii) to indemnify Landlord against any such liability.

(d) Tenant shall pay all costs associated with the design, installation, maintenance, operation, relocation and removal of the Generator Equipment. Tenant shall reimburse Landlord, as additional rent, for any costs incurred by Landlord with respect to the Generator equipment, including but not limited to: (i) any increased insurance premiums, (ii) any engineering or architectural fees related to reviewing the aforesaid plans and specifications, and (iii) any reasonable legal fees related to the review of the aforesaid requirements and Tenant's compliance therewith. Tenant hereby indemnifies and holds Landlord harmless from and against any claims, liabilities, causes of action, losses, damages and costs incurred by Landlord as a result of the installation, operation, maintenance, relocation or removal of the Generator Equipment. Tenant covenants not to damage any portion of the property or the Building in the course of installing, maintaining and removing the equipment. Except as expressly set forth in the approved plans therefor, no such installation, maintenance or removal of the equipment shall involve any penetration of the Building's roof or exterior walls.

(e) Tenant covenants that the installation, maintenance, operation, relocation and removal of the Generator Equipment shall in no way materially interfere with Landlord operation of the Building's systems, and common elements or areas of the Building or the property or with other tenant's use of their premises or operation of their equipment. In the event of any such interference, the Generator Equipment shall be modified, removed or relocated (subject to Landlord's prior written approval) from time to time by Tenant. Landlord shall have the right to require Tenant to temporarily relocate the Generator Equipment at Landlord's expense in order to allow Landlord to complete repairs, maintenance or modification of the Building or the property. In exercising its rights set forth in the immediately preceding sentence, Landlord will use reasonable efforts to minimize any interference with Tenant's use of the Generator Equipment.

(f) Tenant shall use any such Generator Equipment for internal corporate purposes only. No Generator Equipment which Tenant is permitted to install in accordance with the terms of this Addendum Paragraph 7 shall be utilized by anyone other than Tenant or in any manner as a source of revenue to Tenant.

(g) The maintenance and operation of the Generator Equipment shall be at Tenant's sole risk, and any damage to the equipment will in no way operate to affect Tenant's obligations under this Lease. Similarly, any condemnation or other governmental action which affects Tenant's ability to maintain and operate the equipment shall in no way affect Tenant's obligations under this Lease, except as set forth below. In the event that any applicable government authority or other legal requirement prohibits Tenant from operating or maintaining the Generator Equipment, Tenant shall promptly remove the same. The rights of Tenant set forth in this Addendum Paragraph 7 are personal to the named Tenant herein and may not be assigned, sublet or otherwise transferred to any third person or entity (except to an assignee of Tenant pursuant to a Permitted Transfer, as defined in Section 10(i) of the Lease). Prior to the expiration or termination of the Lease Term, if requested by Landlord, Tenant shall remove the Generator Equipment from the property and the Building and restore the same to their condition prior to the installation thereof. Tenant's failure to so remove the same shall constitute an Event of Default under this Lease and a holdover by Tenant in the Leased Premises.

8. **Name of Building.** Notwithstanding any provision of the Lease to the contrary, so long as: (i) Tenant is leasing and occupying at least twenty-five thousand (25,000) square feet in the Building; and (ii) no outstanding uncured Event of Default by Tenant exists, Landlord shall not, during the Term of the Lease, change the name of the Building to any name that includes either: (1) the name of a decking materials manufacturer that directly competes with Tenant's primary business, or (2) the name of a Building tenant that is then leasing less total square footage in the Building than is then leased by Tenant hereunder. For the purposes of this provision only, in light of the "must take" character of Paragraph 3 above, the Additional Space shall be deemed to be part of the "total square footage in the Building then leased by Tenant" beginning on the Lease Commencement Date.

9. **Waiver of Certain Damages.** Notwithstanding any provision of the Lease to the contrary, Landlord and Tenant each hereby waive any right that they may otherwise possess or acquire to recover consequential, special or punitive damages against the other party for any claim arising from or related to this Lease.

10. **Tenant's Limited Self-Help Rights.** In the event that Landlord transfers its interest in the Building to a third party that is in no way related to or affiliated with the named Landlord herein, Lerner Corporation, Lerner Enterprises Limited Partnership or the Lerner family, then Tenant shall have the following limited self-help rights:

If (i) any successor unrelated thirty-party Landlord hereunder fails to discharge any repair or maintenance obligation pursuant to this Lease, and (ii) such failure materially adversely affects Tenant's ability to operate its business in the Leased Premises, Tenant shall provide notice to Landlord of its default and Landlord shall have thirty (30) days to cure, except that if the condition is not reasonably curable within such period, the time to cure shall be extended to that which is reasonable, provided Landlord promptly commences and thereafter diligently pursues the cure to completion. If Landlord fails to cure such default during the aforesaid initial thirty day (or greater if the same is extended pursuant to the foregoing) period, then, upon the expiration of such period, Tenant shall provide a reminder notice and an ten (10) day cure period for Landlord to effectuate a cure. If Landlord fails to cure such default within such second cure period, then, upon the expiration of such second cure period Tenant may cure the default. If Tenant exercises the foregoing right to

cure Landlord's default, then Landlord will reimburse Tenant the actual and reasonable costs incurred by Tenant to effectuate such cure within thirty (30) days of Landlord's receipt of invoices detailing such actual, reasonable costs. If Landlord fails to timely reimburse Tenant, Tenant shall be entitled to pursue such claim in a court of competent jurisdiction. If the matter results in Landlord being ordered to pay any or all of such costs and Landlord fails to pay within fifteen (15) days of the entry of a final non-appealable order of such court, then Tenant may set-off such amount against the next accruing Rent obligations of Tenant hereunder until the full amount of the award has been so applied (or paid by Landlord), provided that the amount of any offset applied in any calendar month shall not exceed an amount equal to twenty-five percent (25%) of the Basic Rent otherwise payable hereunder with respect to such calendar month. Notwithstanding the foregoing cure periods set forth in this Paragraph, in the event that such unrelated third party successor Landlord's failure to discharge any repair or maintenance obligation pursuant to this Lease: (1) materially adversely affects Tenant's ability to operate its business in the Premises; and (2) results in an emergency situation posing a substantial and imminent threat of harm to person or property, then such unrelated third party successor Landlord shall only have three (3) days to cure the same following receipt of written notice from Tenant specifying the emergency nature of such default and the imminent threat related thereto. Under such emergency circumstances, if such Landlord fails to cure the default or otherwise eliminate such imminent threat within such three (3) day period, then Tenant shall have the right to cure the default and be reimbursed for the actual and reasonable costs thereof by Landlord (such reimbursement to remain subject to the terms and procedures set forth above).

Exhibit 21

Subsidiaries of Trex Company, Inc.

Name of the Subsidiary	Jurisdiction of Formation
Winchester Capital, Inc.	Virginia
Trex Wood Polymer Espana, S.L.	Spain
Winchester SP, Inc.	Delaware

Exhibit 23

Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements

- Form S-8, No. 333-76847,
- Form S-8, No. 333-83998, and
- Form S-8, No. 333-124685;

of our reports dated March 14, 2006, with respect to the consolidated financial statements of Trex Company, Inc. (Trex), Trex's management's assessment of the effectiveness of internal control over financial reporting, and the effectiveness of internal control over financial reporting of Trex Company, Inc., included in this Annual Report (Form 10-K) for the year ended December 31, 2005.

/s/ ERNST & YOUNG LLP

McLean, Virginia
March 14, 2006

Exhibit 31.1

CERTIFICATION

I, Anthony J. Cavanna, certify that:

1. I have reviewed this annual report on Form 10-K 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: March 16, 2006

/s/ ANTHONY J. CAVANNA

Anthony J. Cavanna
Chairman and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Paul D. Fletcher, certify that:

1. I have reviewed this annual report on Form 10-K 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: March 16, 2005

/s/ PAUL D. FLETCHER

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

Exhibit 32

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

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

(a) the Annual Report on Form 10-K of the Company for the Period Ended December 31, 2005 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: March 16, 2006

/s/ ANTHONY J. CAVANNA
Anthony J. Cavanna
Chairman and Chief Executive Officer

Date: March 16, 2006

/s/ PAUL D. FLETCHER
Paul D. Fletcher
Senior Vice President and Chief Financial Officer