SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2000

OR

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

For the transition period from _____________________ to _____________________

Commission File Number: 001-14649

Trex Company, Inc.

(Exact name of registrant as specified in its charter)

Delaware	54-1910453
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
20 South Cameron Street Winchester, Virginia	22601
(Address of principal executive offices)	(Zip Code)

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

Not Applicable

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

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 [X] No [ ]

The number of shares of the registrant's common stock, par value $.01 per share, outstanding at November 8, 2000 was 14,135,060 shares.

TREX COMPANY, INC.

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Part I. FINANCIAL INFORMATION

Item 1. Financial Statements

TREX COMPANY, INC.

Consolidated Balance Sheets

	December 31, 1999	September 30, 2000 (unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	--	--
Trade accounts receivable	1,266,000	5,696,000
Inventories	8,668,000	12,519,000
Prepaid expenses and other assets	1,057,000	1,355,000
Deferred income taxes	360,000	360,000
Total current assets	11,351,000	19,930,000
Property, plant, and equipment, net	59,489,000	95,688,000
Intangible assets, net	8,252,000	7,720,000
Other	211,000	574,000
Total assets	$79,303,000	$123,912,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	$ 6,416,000	$ 10,859,000
Accrued expenses	1,737,000	2,678,000
Income taxes payable	117,000	2,421,000
Other current liabilities	1,163,000	727,000
Line of credit	5,714,000	--
Current portion of long-term debt	385,000	602,000
Total current liabilities	15,532,000	17,287,000
Deferred income taxes	3,532,000	4,997,000
Line of credit	--	17,460,000
Long-term debt	10,838,000	16,232,000
Total liabilities	29,902,000	55,976,000
Stockholders' equity:		
Preferred stock, $0.01 par value, 3,000,000 shares authorized; none issued and outstanding	--	--
Common stock, $0.01 par value, 40,000,000 shares authorized; 14,120,572 and 14,133,126 shares issued and outstanding	141,000	141,000
Additional capital	40,992,000	41,193,000
Retained earnings	8,268,000	26,602,000
Total stockholders' equity	49,401,000	67,936,000
Total liabilities and stockholders' equity	$79,303,000	$123,912,000

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

TREX COMPANY, INC.

Consolidated Statements of Operations
(unaudited)

	Three Months Ended September 30, 1999	Three Months Ended September 30, 2000	Nine Months Ended September 30, 1999	Nine Months Ended September 30, 2000
Net sales	$19,955,000	$25,078,000	$62,095,000	$98,698,000
Cost of sales	9,358,000	11,975,000	27,554,000	49,420,000
Gross profit	10,597,000	13,103,000	34,541,000	49,278,000
Selling, general and administrative expenses	3,885,000	4,647,000	14,855,000	19,097,000
Income from operations	6,712,000	8,456,000	19,686,000	30,181,000
Interest income	30,000	3,000	63,000	5,000
Interest (expense)	(211,000)	(79,000)	(1,331,000)	(621,000)
Income before taxes and extraordinary item	6,531,000	8,380,000	18,418,000	29,565,000
Income taxes	2,394,000	3,184,000	6,674,000	11,231,000
Income before extraordinary item	4,137,000	5,196,000	11,744,000	18,334,000
Extraordinary loss on early extinguishment of debt	--	--	(1,056,000)	--
Net income	$ 4,137,000	$ 5,196,000	$10,688,000	$18,334,000
Basic earnings per common share				
Income before extraordinary item	$ 0.29	$ 0.37	$ 0.94	$ 1.30
Extraordinary item	--	--	(0.09)	--
Net income	$ 0.29	$ 0.37	$ 0.85	$ 1.30
Weighted average basic shares outstanding	14,117,981	14,132,959	12,420,021	14,127,938
Diluted earning per common share				
Income before extraordinary item	$ 0.29	$ 0.37	$ 0.94	$ 1.29
Extraordinary item	--	--	(0.09)	--
Net income	$ 0.29	$ 0.37	$ 0.85	$ 1.29
Weighted average diluted shares outstanding	14,181,725	14,193,579	12,457,290	14,182,491
Pro forma data (unaudited, see Note 7):				
Historical income before taxes and extraordinary item			$18,418,000	
Pro forma income taxes			(6,999,000)	
Pro forma net income			$11,419,000	
Pro forma basic earnings per share			$ 0.92	
Pro forma diluted earnings per share			$ 0.92	
Pro forma weighted average basic common shares outstanding			12,420,021	
Pro forma weighted average diluted common shares outstanding			12,457,290	

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

TREX COMPANY, INC.

Consolidated Statements of Cash Flows
(unaudited)

	Nine Months Ended September 30, 1999	Nine Months Ended September 30, 2000
OPERATING ACTIVITIES		
Net income	$ 10,688,000	$ 18,334,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Extraordinary loss on early prepayment of debt	1,760,000	--
Deferred income taxes	2,849,000	1,465,000
Depreciation and amortization	3,096,000	4,899,000
Amortization of deferred financing charges	13,000	--
Loss on disposal of property, plant and equipment	156,000	14,000
Changes in operating assets and liabilities:		
Trade accounts receivable	(4,222,000)	(4,430,000)
Inventories	2,852,000	(3,851,000)
Prepaid expenses and other assets	268,000	(819,000)
Trade accounts payable	1,146,000	4,443,000
Accrued expenses	469,000	941,000
Income taxes payable	1,787,000	2,304,000
Other current liabilities	(612,000)	(436,000)
Net cash provided by operating activities	20,250,000	22,864,000
INVESTING ACTIVITIES		
Expenditures for property, plant and equipment	(22,251,000)	(40,422,000)
Net cash used in investing activities	(22,251,000)	(40,422,000)
FINANCING ACTIVITIES		
Borrowings under mortgages and notes	11,298,000	5,940,000
Principal payments under mortgages and notes	(34,570,000)	(329,000)
Borrowings under line of credit	--	29,321,000
Principal payments under line of credit	--	(17,575,000)
Proceeds from exercise of employee stock purchase and option plan grants	33,000	201,000
Proceeds from initial public offering	41,055,000	--
Preferred distributions paid	(3,115,000)	--
Common distributions paid	(13,588,000)	--
Net cash provided by financing activities	1,113,000	17,558,000
Net increase (decrease) in cash and cash equivalents	(888,000)	--
Cash and cash equivalents at beginning of period	1,200,000	--
Cash and cash equivalents at end of period	$ 312,000	$

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

Notes to Condensed Consolidated Financial Statements
For The Three and Nine Months Ended September 30, 1999 and 2000 (Unaudited)

1. BUSINESS AND ORGANIZATION

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

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

Reorganization

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

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

Immediately prior to the Reorganization, TREX Company, LLC exercised an option to repurchase 667 units of junior membership interest from certain members at a price of $.01 per unit.

Initial Public Offering

In the IPO, the Company sold 4,615,450 shares of Common Stock at a public offering price of $10.00 per share. Of such shares, the Company sold 4,000,000 shares on April 13, 1999 and 615,450 shares on May 6, 1999 pursuant to the underwriters' exercise in full of their over-allotment option. The net proceeds from the IPO, after deducting underwriting discounts and commissions and offering expenses payable by the Company, totaled approximately $41.1 million. The net proceeds of approximately $35.5 million from the sale of shares on April 13, 1999 were used as follows: approximately $28.1 million was used to repay approximately $26.3 million of senior and subordinated notes, accrued interest thereon and a related prepayment premium of approximately $1.5 million; approximately $3.1 million was used to repay the note issued to the preferred member of TREX Company, LLC in the Reorganization; and approximately $4.3 million was used to fund a portion of the LLC Distribution. The net proceeds of approximately $5.6 million from the over-allotment exercise were used as follows: approximately $4.4 million was used to repay borrowings under the Company's revolving credit facility and approximately $1.2 million was used for working capital and general corporate purposes.

2. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, the accompanying condensed consolidated financial statements do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normally recurring accruals) considered necessary for a fair presentation have been included in the accompanying condensed consolidated financial statements. The consolidated results of operations for the three-month and nine-month periods ended September 30, 2000 are not necessarily indicative of the results that may be expected for the full fiscal year. These condensed consolidated financial statements should be read in conjunction with the consolidated audited financial statements as of December 31, 1998 and 1999 and for each of the three years in the period ended December 31, 1999 included in the annual report of Trex Company, Inc. on Form 10-K (File No. 001-14649), as filed with the Securities and Exchange Commission.

3. INVENTORY

Inventories consist of the following:

	December 31, 1999	September 30, 2000 (unaudited)
Finished goods.........	$7,599,000	$ 9,471,000
Raw materials..........	1,069,000	3,048,000
	$8,668,000	$12,519,000

4. DEBT

On October 27, 2000, the Company and the lender revised the terms of the Company's bank revolving credit agreement primarily to increase the maximum amount of borrowings available to the Company. The terms of the new revolving credit facility provide for borrowings of up to $75.0 million on an unsecured basis for working capital and general corporate purposes through September 30, 2001 and $50.0 million thereafter. Amounts drawn under the revolving credit facility bear interest at an annual rate equal to LIBOR plus 1.00%. The facility will mature on June 30, 2003. The facility agreement contains restrictive and financial covenants and is subject to a commitment fee on the unused balance.

On September 30, 1999, the Company refinanced two loans with which it financed the site acquisition and construction of the Company's second manufacturing facility located in Nevada with a 15-year term loan in the original principal amount of $6.7 million. Pursuant to an interest rate swap, interest on this loan is payable at an annual rate of 7.90%.

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

5. STOCKHOLDERS' EQUITY

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1999	2000	1999	2000
Numerator:				
Income before extraordinary item	$ 4,137,000	$ 5,196,000	$11,744,000	$18,334,000
Preferred dividends	--	--	(115,000)	--
	4,137,000	5,196,000	11,629,000	18,334,000
Extraordinary item	--	--	(1,056,000)	--
Net income available to common shareholders, basic and diluted	$ 4,137,000	$ 5,196,000	$10,573,000	$18,334,000
Denominator:				
Weighted average shares outstanding, basic	14,117,981	14,132,959	12,420,021	14,127,938
Impact of potential common shares:				
Stock options	63,744	60,620	37,269	54,553
Weighted average shares outstanding, diluted	14,181,725	14,193,579	12,457,290	14,182,491
Basic earnings per share				
Income before extraordinary item	$ 0.29	$ 0.37	$ 0.94	$ 1.30
Extraordinary loss	--	--	(0.09)	--
Net income per share	$ 0.29	$ 0.37	$ 0.85	$ 1.30
Diluted earnings per share				
Income before extraordinary item	$ 0.29	$ 0.37	$ 0.94	$ 1.29
Extraordinary loss	--	--	(0.09)	--
Net income per share	$ 0.29	$ 0.37	$ 0.85	$ 1.29

The earnings per share amounts shown above have been adjusted to reflect the Reorganization and the issuance of 9,500,000 shares of Trex Company, Inc. Common Stock in exchange for the junior units in TREX Company, LLC.

6. SEASONALITY

The Company's net sales and income from operations have historically varied from quarter to quarter. Such variations are principally attributable to seasonal trends in the demand for the Trex product. The Company has historically experienced lower net sales during the fourth quarter due to holidays and adverse weather conditions in certain regions, which reduce the level of home improvement and new construction activity. Net sales during the third quarter of 1999 accounted for 26.8% of annual sales in 1999. During the third quarter of 2000, the Company's increased production capacity enabled it to eliminate the allocation of product supply to its network of wholesale distributors and retail dealers. Because customer stockpiling of inventories resulting from this allocation policy affected seasonality during 1998 and 1999, the Company's historical seasonality may not be a reliable indicator of future seasonality.

7. PRO FORMA AND SUPPLEMENTAL PRO FORMA DATA (UNAUDITED)

Pro Forma Data

The pro forma consolidated statement of operations data set forth in the accompanying consolidated statements of operations give effect to the Reorganization as if the Reorganization had occurred on January 1, 1999. The pro forma income taxes and pro forma net income reflect federal and state income taxes (assuming a 38% combined effective tax rate) as if the Company had been taxed as a C corporation for the three and nine months ended September 30, 1999. The pro forma consolidated statement of operations data exclude one-time charges relating to the Reorganization and IPO, including (i) a net deferred tax liability of approximately $2.6 million and (ii) a $1.1 million extraordinary charge for the extinguishment of debt repaid from the net proceeds of the IPO. Pro forma weighted average shares outstanding reflect 9,500,000 shares of Trex Company, Inc. Common Stock outstanding through April 7, 1999, 13,500,000 from April 8, 1999 through May 2, 1999, and 14,115,450 from May 3, 1999 through July 14, 1999 and 14,118,435 shares outstanding through September 30, 1999 (See Note 1).

Supplemental Pro Forma Data

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

	Nine Months Ended September 30, 1999
Numerator:	
Historical income from operations	$19,686,000
Supplemental pro forma interest expense, net	(483,000)
Supplemental pro forma income taxes	(7,297,000)
Supplemental pro forma net income available to common shareholder, basic and diluted	$11,906,000
Denominator:	
Denominator for supplemental pro forma earnings per common share-weighted average basic shares outstanding	14,116,303
Impact of potential common shares:	
Stock options	37,269
Denominator for supplemental pro forma earnings per common share-weighted average diluted shares outstanding	14,153,572
Supplemental pro forma basic earning per common share	$ 0.84
Supplemental pro forma diluted earnings per common share	$ 0.84

The foregoing supplemental pro forma basic and diluted earnings per common share amounts have been adjusted to reflect the Reorganization (see Note 1) as if the Reorganization had occurred on January 1, 1999. The supplemental pro forma interest expense gives effect to the repayment of the senior and subordinated notes of the Company (see Note 1) as if such repayments had been made as of January 1, 1999. The supplemental pro forma income taxes reflect federal and state income taxes (assuming a 38% combined effective tax rate) as if the Company had been taxed as a C corporation as of January 1, 1999. Supplemental pro forma net income available to common shareholders assumes the preferred units in TREX Company, LLC were exchanged for a note of Trex Company, Inc. as of January 1, 1999 and excludes one-time charges relating to the Reorganization and IPO, including (i) a net deferred tax liability of approximately $2.6 million and (ii) a $1.1 million extraordinary charge for the extinguishment of debt repaid from the net proceeds of the IPO. Supplemental pro forma weighted average basic and diluted shares outstanding assume that the shares issued in the Reorganization and the IPO were outstanding for all of the periods presented.

8. NEW ACCOUNTING STANDARDS

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards Number 133 (SFAS 133) "Accounting for Derivative Instruments and Hedging Activities." This statement establishes standards for recognition and measurement of derivatives and hedging activities. The Company intends to adopt SFAS 133 in the first quarter of fiscal year 2001. The Company is currently assessing the financial statement impact of SFAS 133.

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

This Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements regarding the Company's expected financial position and operating results, its business strategy and its financing plans are forward-looking statements. These statements are subject to risks and uncertainties that could cause the Company's actual results to differ materially. Such risks and uncertainties include the Company's ability to increase market acceptance of its Trex product; the Company's lack of product diversification; the Company's current dependence on its two manufacturing facilities and its ability to increase its manufacturing capacity in its existing facilities; the Company's reliance on the supply of raw materials used in its production process; the Company's sensitivity to economic conditions, which influence the level of activity in home improvements and new home construction; the Company's ability to manage its growth; the Company's significant capital requirements; and the Company's dependence on its largest distributors to market and sell its products. A discussion of these risks and uncertainties is contained in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 22, 2000. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

References to the "Company" in the following discussion mean TREX Company, LLC until the consummation of the reorganization on April 7, 1999 (the "Reorganization") and Trex Company, Inc. and its wholly owned subsidiary, TREX Company, LLC, at all times thereafter. See Note 1 to the Condensed Consolidated Financial Statements included elsewhere in this report.

Overview

The Company is the nation's largest manufacturer of non-wood decking alternative products, which are marketed under the brand name Trex(R). Trex Wood-Polymer(TM) lumber ("Trex") is a wood/plastic composite which is manufactured in a proprietary process that combines waste wood fibers and reclaimed polyethylene. Trex is used primarily for residential and commercial decking. Trex also has non-decking product applications, including applications for parks and recreational areas, floating and fixed docks and other marine applications, and landscape edging.

Net sales consists of sales net of returns and discounts. Cost of sales consists of raw material costs, direct labor costs and manufacturing costs, including depreciation. The principal component of selling, general and administrative expenses is branding and other sales and marketing costs, which have increased significantly as the Company has sought to build brand awareness of Trex in the decking market. Sales and marketing costs consist primarily of salaries, commissions and benefits paid to sales and marketing personnel, advertising expenses and other promotional costs. General and administrative expenses include salaries and benefits of personnel engaged in research and development, procurement, accounting and other business functions and office occupancy costs attributable to such functions, as well as amortization expense.

The Company did not record an income tax provision for any period through April 7, 1999. Until the Reorganization, the Company elected to be treated as a partnership for federal and state income tax purposes. Accordingly, the Company's income through April 7, 1999 was taxed directly to the Company's members, rather than to the Company.

Because of the continued expansion of its production capacity, during the third quarter of 2000 the Company was able to eliminate the allocation of product supply to its network of wholesale distributors and retail dealers. As a result, customers generally no longer seek to stockpile inventories. The Company believes there has been a temporary slowdown in new orders as excess inventories at the wholesale and retail levels are reduced, and that the impact of this slowdown may continue until the normal seasonal demand for Trex resumes in the first quarter of 2001.

Three Months Ended September 30, 2000 Compared with Three Months Ended September 30, 1999

Net Sales

Net sales in the three months ended September 30, 2000 (the "2000 quarter") increased 25.7% to $25.1 million from $20.0 million in the three months ended September 30, 1999 (the "1999 quarter"). The increase in net sales was primarily attributable to a growth in sales volume and, to a lesser extent, a price increase of approximately 7.2% in January 2000. Production line rate increases and the opening of the Company's Fernley, Nevada manufacturing facility with two production lines during the third quarter of 1999 and three additional production lines in 2000 significantly increased the Company's production capacity in the 2000 quarter. The increase in the number of dealer outlets, from approximately 2,000 at September 30, 1999 to approximately 2,500 at September 30, 2000, also contributed to the growth in sales volume.

Cost of Sales

Cost of sales increased 28.0% to $12.0 million in the 2000 quarter from $9.4 million in the 1999 quarter. Cost of sales as a percentage of net sales increased to 47.8% in the 2000 quarter from 46.9% in the 1999 quarter. The increase principally reflected higher raw material costs. The increased cost was partially offset by operating efficiencies from improved production line rates and the economies of scale resulting from the operations of the second manufacturing facility and additional production lines.

Gross Profit

Gross profit increased 23.6% to $13.1 million in the 2000 quarter from $10.6 million in the 1999 quarter. The increase in gross profit was attributable to the higher sales volume and the price increase in January 2000 and was partially offset by increased manufacturing costs. Gross profit as a percentage of net sales decreased to 52.2% in the 2000 quarter from 53.1% in the 1999 quarter.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased 19.6% to $4.6 million in the 2000 quarter from $3.9 million in the 1999 quarter. The increase was primarily attributable to an increase in expense of $0.4 million related to additional corporate personnel and related hiring costs necessary to support the Company's growth. As a percentage of net sales, selling, general and administrative expenses decreased to 18.5% in the 2000 quarter from 19.5% in the 1999 quarter.

Interest Expense

Net interest expense was $0.1 million in the 2000 quarter compared to $0.2 million in the 1999 quarter. The effects of higher average debt balances incurred since the 1999 quarter to fund the expansion of the Company's production capacity were offset by the capitalization of interest with respect to those projects.

Provision for Income Taxes

The Company recorded a provision of $3.2 million in the 2000 quarter compared to a provision of $2.4 million in the 1999 quarter. Both provisions reflect a 38% combined effective tax rate.

Net Income

The Company's net income increased 25.6% to $5.2 million in the 2000 quarter from $4.1 million in the 1999 quarter. The increase in net income in the 2000 quarter primarily resulted from an increase of $1.7 million in income from operations, the effect of which was offset in part by an increase in the income tax provision of $0.8 million.

Nine Months Ended September 30, 2000 Compared with Nine Months Ended September 30, 1999

Net Sales

Net sales in the nine months ended September 30, 2000 (the "2000 nine-month period") increased 58.9% to $98.7 million from $62.1 million in the nine months ended September 30, 1999 (the "1999 nine-month period"). The increase in net sales was primarily attributable to a growth in sales volume and, to a lesser extent, a price increase of approximately 7.2% in January 2000. Production line rate increases and the opening of the Company's Fernley, Nevada manufacturing facility with two production lines during the third quarter of 1999 and three additional production lines in 2000 significantly increased the Company's production capacity in the 2000 nine-month period. The increase in the number of dealer outlets, from approximately 2,000 at September 30, 1999 to approximately 2,500 at September 30, 2000, also contributed to the growth in sales volume.

Cost of Sales

Cost of sales increased 79.4% to $49.4 million in the 2000 nine-month period from $27.6 million in the 1999 nine-month period. Cost of sales as a percentage of net sales increased to 50.1% in the 2000 nine-month period from 44.4% in the 1999 nine-month period. The increase principally reflected higher raw material costs and scrap rates. These increased costs were partially offset by operating efficiencies from improved production line rates and the economies of scale resulting from the second manufacturing facility and additional production lines.

Gross Profit

Gross profit increased 42.7% to $49.3 million in the 2000 nine-month period from $34.5 million in the 1999 nine-month period. The increase in gross profit was attributable to the higher sales volume. The price increase in January 2000 was partially offset by increased manufacturing costs. Gross profit as a percentage of net sales decreased to 49.9% in the 2000 nine-month period from 55.6% in the 1999 nine-month period.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased 28.6% to $19.1 million in the 2000 nine-month period from $14.9 million in the 1999 nine-month period. The increase was primarily attributable to performance bonuses of $2.0 million recognized in the 2000 nine-month period and higher branding costs, including expenses of promotion, advertising, public relations, sales literature, trade shows and cooperative advertising, which increased 18.8% to $7.6 million in the 2000 nine-month period from $6.4 million in the 1999 nine-month period. The Company did not record any performance bonuses in the 1999 nine-month period. An increase in corporate personnel necessary to support the Company's growth accounted for $1.3 million of the increase. Selling, general and administrative expenses as a percentage of net sales decreased to 19.3% in the 2000 nine-month period from 23.9% in the 1999 nine-month period.

Interest Expense

Net interest expense was $0.6 million in the 2000 nine-month period compared to $1.3 million in the 1999 nine-month period. The effects of higher average debt balances incurred since the 1999 nine-month period to fund the expansion of the Company's production capacity were offset by the capitalization of interest with respect to those projects.

Provision for Income Taxes

The Company was taxed as a partnership for federal and state tax purposes for all periods through April 7, 1999 and thus through that date recorded no provision for income taxes. The income tax provision of $6.7 million in the 1999 nine-month period represents a 38% combined effective tax rate and reflects a one-time charge for deferred income taxes of $2.6 million arising from the Company's conversion on April 7, 1999 from a partnership for federal income tax purposes to a corporation taxed in accordance with Subchapter C of the Internal Revenue Code. The income tax provision of $11.2 million in the 2000 nine-month period represents an assumed 38% combined effective tax rate.

Net Income

The Company's net income increased 71.5% to $18.3 million in the 2000 nine-month period from $10.7 million in the 1999 nine-month period. The increase in net income primarily resulted from an increase in income from operations of $10.5 million and a decrease in interest expense of $0.7 million, which were partially offset by an increase in the provision for income taxes of $4.6 million. The 1999 nine-month period included a $1.1 million charge for the early extinguishment of debt in connection with the Reorganization.

Liquidity and Capital Resources

The Company's total assets increased from $79.3 million at December 31, 1999 to $123.9 million at September 30, 2000. Higher receivables balances resulting from an increase in net sales in the 2000 nine-month period accounted for $4.4 million of the increase. Inventories increased by $3.9 million as a result of increased production. This increase was partially offset by the increase in net sales. Property, plant and equipment, net, increased $36.2 million as the Company installed three additional production lines in its Fernley, Nevada manufacturing facility and began construction to increase the size of the facility to accommodate additional production lines. In May 2000, the Company acquired a site adjacent to its existing Winchester, Virginia facility for the purpose of expanding capacity in that facility, and has begun construction of a manufacturing facility for this site. The Company has initiated procurement for five additional production lines between the two facilities and expects a minimum of one production line to commence production in its Fernley, Nevada facility by April 1, 2001 and a minimum of two production lines to commence production by July 1, 2001 in its Winchester, Virginia facility. The Company has financed the increases in assets in the 2000 nine-month period from cash flows provided by operations and additional net draws of approximately $11.7 million under its revolving credit facility.

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

The Company's cash flow from operating activities for the 2000 nine-month period was $22.9 million compared to $20.2 million for the 1999 nine-month period. Higher net sales volume accounted for the increase in cash flow in the 2000 nine-month period.

The Company substantially reduced its overall long-term indebtedness on April 13, 1999 following its repayment of $26.3 million principal amount of senior and subordinated notes with the net proceeds of the Company's initial public offering. As of September 30, 2000, the Company's long-term indebtedness totaled $16.8 million and had an overall weighted average interest rate of approximately 7.75% per annum.

On October 27, 2000, the Company and the lender revised the terms of the Company's bank revolving credit agreement primarily to increase the maximum amount of borrowings available to the Company. The terms of the new revolving credit facility provide for borrowings of up to $75.0 million on an unsecured basis for working capital and general corporate purposes through September 30, 2001 and $50.0 million thereafter. Amounts drawn under the revolving credit facility bear interest at an annual rate equal to LIBOR plus 1.00%. The facility will mature on June 30, 2003.

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

In October 2000, the Company purchased an additional 11.83 acres of land near its existing Winchester, Virginia manufacturing facility. The Company financed the purchase through borrowings under its revolving credit facility.

Expansion of the Company's production capacity will continue to require significant capital expenditures. In the second quarter of 2000, the Company accelerated its capital expenditure program to invest in additional production capacity to meet current and expected demand for its product. In the third quarter of 2000, the Company completed installation of a sixth production line in its Fernley, Nevada facility, which increased to 14 the total number of the Company's production lines in its two facilities. The Company also is conducting engineering, site work and construction to expand capacity at its Winchester, Virginia and Fernley, Nevada facilities; acquiring a site and commencing engineering for a third manufacturing facility in another location; commencing procurement for five additional production lines, of which three are expected to be operational by July 1, 2001 in the two existing facilities; and procuring equipment for processing polyethylene that the Company believes will enable it to expand its raw material sourcing at competitive pricing. Capital expenditures during the 2000 nine-month period totaled $40.4 million and for the balance of 2000 are expected to total approximately $9.6 million. The Company believes that cash flow from operations and borrowings expected to be available under the Company's revolving credit facility will provide sufficient funds to enable the Company to expand its business as currently planned for at least the next 12 months. The actual amount and timing of the Company's future capital requirements may differ materially from the Company's estimate depending on the demand for Trex and new market developments and opportunities. The Company may determine that it is necessary or desirable to obtain financing for such requirements through bank borrowings or the issuance of debt or equity securities. Debt financing would increase the leverage of the Company, while equity financing may dilute the ownership of the Company's stockholders. There can be no assurance as to whether, or as to the terms on which, the Company will be able to obtain such financing.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company's primary market risk exposure is to changing interest rates. The Company's policy is to manage interest rates through a combination of variable-rate debt under its revolving credit facility and interest rate swap agreements with respect to its other debt. Amounts drawn under the revolving credit facility bear interest at an annual rate equal to LIBOR plus 1.00%. As of September 30, 2000, pursuant to interest rate swap agreements, the Company had effectively fixed its interest rate exposure under its other debt at approximately 7.6% through 2014.

The Company does not use foreign currency forward contracts or commodity contracts and does not have any material foreign currency exposure.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

In October 2000, the remaining counterclaims filed by a former distributor against the Company's operating subsidiary, TREX Company, LLC, in a lawsuit in the Circuit Court of Frederick County, Virginia, were voluntarily dismissed by the former distributor. TREX Company, LLC had filed a lawsuit on March 2, 1999 against the former distributor to collect unpaid invoices. The defendant filed its response on July 30, 1999 and, in a counterclaim, alleged that TREX Company, LLC had made various misrepresentations which resulted in, among other items, loss of business and loss of reputation. TREX Company, LLC intends to continue to pursue its claims against the former distributor. The case is currently scheduled for trial in December 2000. For additional information about this lawsuit, see the Company's Annual Report on Form 10-K filed on March 22, 2000.

Item 6. Exhibits and Reports on Form 8-K

(a) The Company files herewith the following exhibits:

10.1 Fourth Amendment to Amended and Restated Credit Agreement, dated as of October 27, 2000, among Trex Company, Inc., TREX Company, LLC and First Union National Bank.

27.1 Financial Data Schedule.

(b) The Company did not file any Current Reports on Form 8-K during the period covered by this report.

SIGNATURES

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

TREX COMPANY, INC.
(Registrant)

Date: November 14, 2000

/s/ Anthony J. Cavanna

Anthony J. Cavanna, Executive Vice President and Chief Financial Officer (Duly Authorized Officer and Principal Financial Officer)

Exhibit 10.1

FOURTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT

THIS FOURTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT (this "Amendment") is dated as of October 27, 2000 by and among TREX COMPANY, LLC, a Delaware limited liability company ("Borrower"), TREX COMPANY, INC., a Delaware corporation ("Guarantor") and FIRST UNION NATIONAL BANK, a national banking association ("Bank").

R E C I T A L S

A. Borrower, Guarantor and Bank are parties to that certain Amended and Restated Credit Agreement dated as of August 3, 1999, as amended by that certain First Amendment to Amended and Restated Credit Agreement dated as of December 15, 1999, that certain Second Amendment to Amended and Restated Credit Agreement dated as of April 27, 2000 and that certain Third Amendment to Amended and Restated Credit Agreement dated as of June 30, 2000 (the "Credit Agreement").

B. Borrower, Guarantor and Bank have agreed to amend the Credit Agreement by increasing the Revolving Commitment.

A G R E E M E N T

NOW THEREFORE, in consideration of the mutual covenants herein and for Ten Dollars and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Incorporation of Recitals. The Recitals set forth above are incorporated herein by this reference as if fully set forth in the text of this Amendment.

2. Definitions. Capitalized terms used in this Amendment and not otherwise defined herein shall have the meanings set forth in the Credit Agreement.

3. Amendment. The definition of "Revolving Commitment" in the Definitions Appendix to the Credit Agreement is hereby deleted in its entirety and the following new definition is substituted therefor:

> "Revolving Commitment" means (i) from October 27, 2000 until and including September 30, 2001, $75,000,000, and (ii) from October 1, 2001 and thereafter, $50,000,000.

Borrower agrees that if, at any time (including October 1, 2001 when the Revolving Commitment is reduced to $50,000,000), the unpaid principal balance of the Revolving Loans exceeds the Revolving Commitment, Borrower shall immediately pay to Bank the amount of such excess.

4. Representations and Warranties. Each of Borrower and Guarantor hereby confirms to Bank that all representations and warranties of Borrower and Guarantor contained in the Credit Agreement are true and correct as if made on the date hereof.

5. Effectiveness. This Amendment shall be and become effective as of the date hereof when all of the conditions set forth below in this paragraph 5 shall have been satisfied:

a. The Bank shall have received this Amendment, duly executed by the Borrower and the Guarantor.

b. All fees and expenses of the Bank in connection with this Amendment, including legal fees and expenses incurred on or prior to the date of this Amendment, shall have been paid by the Borrower.

c. The Bank shall have received an opinion of counsel for the Borrower and the Guarantor in form satisfactory to the Bank.

6. Full Force and Effect. Except as specifically set forth herein, all terms and conditions of the Credit Agreement and the other Loan Documents shall remain unchanged and in full force and effect.

7. Binding Effect. Each of Borrower and Guarantor hereby reaffirms its covenant and agreement to perform, comply with and be bound by each and every one of the terms and provisions of the Credit Agreement, as modified by this Amendment.

8. Acknowledgment; No Novation. Borrower, Guarantor and Bank agree that this Amendment shall not constitute a novation of the indebtedness evidenced by the Term Note or any of the other Obligations.

9. Successors and Assigns. This Amendment shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, executors, administrators, personal representatives, successors and assigns.

10. Severability. In case any one or more of the provisions contained in this Amendment shall be invalid, illegal or unenforceable, the validity and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

11. Counterparts. This Amendment may be executed by the parties hereto in two counterparts, each of which shall be deemed an original and both of which shall constitute together but one and the same agreement.

The undersigned have caused this Amendment to be executed in the names and under the seals of the undersigned, with the intent that this be a sealed instrument.

BORROWER:

TREX COMPANY, LLC, a Delaware limited liability company

By: /s/ A.J. Cavanna
________________________________(SEAL)
Anthony J. Cavanna
Chief Financial Officer

GUARANTOR:

TREX COMPANY, INC., a Delaware corporation

By: /s/ A.J. Cavanna
________________________________(SEAL)
Anthony J. Cavanna
Chief Financial Officer

BANK:

FIRST UNION NATIONAL BANK, a national banking association

By: /s/ B. Scott Arthur
________________________________(SEAL)
B. Scott Arthur
Vice President

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