SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2005

OR

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

For the transition period from ______ to ______

Commission File Number: 001-14649

Trex Company, Inc.

(Exact name of registrant as specified in its charter)

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

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

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

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes ☒ No ☐

The number of shares of the registrant's common stock, par value $.01 per share, outstanding at April 26, 2005 was 14,886,925 shares.

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TREX COMPANY, INC.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

TREX COMPANY, INC.

Condensed Consolidated Balance Sheets

(In thousands)

	December 31, 2004	March 31, 2005
		(unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 23,925	$ 362
Restricted cash	20,959	9,299
Accounts receivable, net	21,964	68,825
Inventories	44,357	38,806
Prepaid expenses and other assets	4,659	5,362
Deferred income taxes	2,975	2,052
Total current assets	118,839	124,706
Property, plant, and equipment, net	158,389	170,462
Goodwill	6,837	6,837
Debt-related derivatives	—	186
Other assets	2,986	3,045
Total assets	$ 287,051	$ 305,236
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 16,392	$ 22,016
Accrued expenses	14,904	13,050
Income taxes payable	200	2,966
Line of credit	—	2,713
Current portion of long-term debt	8,932	8,973
Total current liabilities	40,428	49,718
Deferred income taxes	15,808	16,231
Debt-related derivatives	1,736	1,354
Long-term debt, net of current portion	69,565	69,285
Total liabilities	127,537	136,588
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 14,864,446 shares issued and outstanding at December 31, 2004 and March 31, 2005, respectively	148	149
Additional capital	60,182	61,258
Deferred compensation	(1,259)	(1,967)
Accumulated other comprehensive loss	(1,098)	(737)
Retained earnings	101,541	109,945
Total stockholders' equity	159,514	168,648
Total liabilities and stockholders' equity	$ 287,051	$ 305,236

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

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TREX COMPANY, INC.

Condensed Consolidated Statements of Operations
(unaudited)

(In thousands, except share and per share data)

	Three Months Ended March 31, 2004	Three Months Ended March 31, 2005
Net sales	$ 76,257	$ 89,904
Cost of sales	46,274	56,568
Gross profit	29,983	33,336
Selling, general and administrative expenses	14,139	19,416
Income from operations	15,844	13,920
Interest expense, net	(974)	(756)
Income before income taxes	14,870	13,164
Income taxes	5,533	4,760
Net income	$ 9,337	$ 8,404
Basic earnings per common share	$ 0.64	$ 0.57
Basic weighted average shares outstanding	14,587,853	14,731,889
Diluted earnings per common share	$ 0.63	$ 0.56
Diluted weighted average shares outstanding	14,751,621	14,921,705

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

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TREX COMPANY, INC.

Condensed Consolidated Statements of Cash Flows
(unaudited)

(In thousands)

	Three Months Ended March 31,	
	2004	**2005**
OPERATING ACTIVITIES		
Net income	$ 9,337	$ 8,404
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Deferred income taxes	571	1,560
Equity method losses	46	139
Amortization of deferred compensation and financing costs	225	274
Depreciation	3,324	3,496
Loss on disposal of property, plant and equipment	18	16
Changes in operating assets and liabilities:		
Accounts receivable	(26,040)	(46,861)
Inventories	15,680	5,551
Prepaid expenses and other assets	503	(703)
Accounts payable	2,185	5,624
Accrued expenses	6,134	(1,854)
Income taxes payable	4,805	2,766
Net cash provided by (used in) operating activities	16,788	(21,588)
INVESTING ACTIVITIES		
Loan to Denplax, S.A.	(369)	(305)
Restricted Cash	—	11,660
Expenditures for property, plant and equipment	(1,982)	(15,585)
Net cash used in investing activities	(2,351)	(4,230)
FINANCING ACTIVITIES		
Principal payments under mortgages and term loans	(217)	(239)
Proceeds from employee stock purchase and option plans	145	524
Purchase of common stock	—	(743)
Net borrowings under line of credit	—	2,713
Net cash provided by (used in) financing activities	(72)	2,255
Net increase (decrease) in cash and cash equivalents	14,365	(23,563)
Cash and cash equivalents at beginning of period	8,151	23,925
Cash and cash equivalents at end of period	$ 22,516	$ 362
Supplemental Disclosure:		
Cash paid for interest	$ 292	$ 272
Cash paid for income taxes	$ 161	$ 176

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

TREX COMPANY, INC.

Notes to Condensed Consolidated Financial Statements
For the Three Months Ended March 31, 2004 and 2005
(unaudited)

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. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, the accompanying condensed consolidated financial statements do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal and recurring adjustments) considered necessary for a fair presentation have been included in the accompanying condensed consolidated financial statements. The consolidated results of operations for the three-month period ended March 31, 2005 are not necessarily indicative of the results that may be expected for the full fiscal year. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements as of December 31, 2003 and 2004 and for each of the three years in the period ended December 31, 2004 included in the annual report of Trex Company, Inc. on Form 10-K, as filed with the Securities and Exchange Commission.

Reclassifications

Certain prior year amounts have been reclassified to conform to the 2005 presentation.

3. INVENTORY

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

	December 31, 2004	March 31, 2005
Finished goods	$ 32,564	$ 24,143
Raw materials	11,793	14,663
	$ 44,357	$ 38,806

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

4. ACCRUED EXPENSES

Accrued expenses consist of the following (in thousands):

	December 31, 2004	March 31, 2005
Accrued sales and marketing costs	$ 3,442	$ 2,860
Accrued compensation and benefits	5,404	4,597
Professional fees and legal costs	1,954	243
Accrued interest	191	1,093
Deferred rent	439	451
Other	3,474	3,806
Accrued expenses	$ 14,904	$ 13,050

5. DEBT

The Company's outstanding debt consists of senior notes, a variable rate promissory note, real estate loans and revolving credit facility. The revolving credit facility provides for borrowing up to $20.0 million. Amounts drawn under the revolving credit facility are subject to a borrowing base consisting of accounts receivable and finished goods inventories. As of March 31, 2005, $2.7 million was outstanding under the revolving credit facility.

The revolving credit facility, real estate loans, senior notes and bond loan documents contain negative and financial covenants. As of March 31, 2005, the Company was in compliance with these covenants.

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 March 31, 2005, the Company had capped its interest rate exposure at an annual effective rate of approximately 8.1% on all of its $13.3 million principal amount of floating-rate real estate loans and capped its interest rate exposure at an annual effective rate of approximately 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 approximately 3.0% for five years on an additional $10.0 million principal amount of such note.

6. STOCKHOLDERS' EQUITY

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

	Three Months Ended March 31,	
	2004	**2005**
Numerator:		
Net income available to common shareholders	$ 9,337	$ 8,404
Denominator:		
Basic weighted average shares outstanding	14,587,853	14,731,889
Impact of potential common shares:		
Options	90,331	133,207
Restricted stock	73,437	56,609
Diluted weighted average shares outstanding	14,751,621	14,921,705
Basic earnings per share	$ 0.64	$ 0.57
Diluted earnings per share	$ 0.63	$ 0.56

7. STOCK-BASED COMPENSATION

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 under the Company's 1999 Stock Option and Incentive Plan had an exercise price equal to the market value of the underlying 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.

	Three Months Ended March 31,	
	2004	**2005**
Net income, as reported	$ 9,337	$ 8,404
Deduct: Additional stock-based employee compensation expense determined under fair value based method, net of related tax effects	$ 313	$ 443
Pro forma net income	$ 9,024	$ 7,961
Earnings per share:		
Basic-as reported	$ 0.64	$ 0.57
Basic-pro forma	$ 0.62	$ 0.54
Diluted-as reported	$ 0.63	$ 0.56
Diluted-pro forma	$ 0.61	$ 0.53

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: risk-free interest rates of 3-4%; no dividends; expected life of the options of approximately five years; and volatility of 35-81%.

On March 9, 2005, the Company issued 18,948 shares of restricted common stock to certain employees under the Company's 1999 Stock Option and Incentive Plan. The shares vest in equal installments on the first, second and third anniversaries of the date of grant. The Company recorded $0.9 million of deferred compensation equity relating to the issuance of the restricted stock. The deferred compensation will be amortized on a straight-line basis over the three-year vesting term. In the three months ended March 31, 2005, the Company recorded compensation expense of $24,000.

On March 9, 2005, the Company granted 53,987 performance share awards to certain employees under the Company's 1999 Stock Option and Incentive 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 become probable. In the three months ended March 31, 2005, the Company recorded no compensation expense.

8. 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 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. Net sales during the three months ended March 31, 2003 and 2004 accounted for approximately 36% and 30% of annual net sales in 2003 and 2004, respectively.

9. NEW ACCOUNTING STANDARDS

In December 2004, the Financial Accounting Standards Board ("FASB") issued Statement 123 (Revised 2004), "Share-Based Payment" ("SFAS 123(R)"). SFAS 123(R) requires that the cost resulting from all share-based payment transactions be recognized in the financial statements over the period during which an employee is required to provide service in exchange for the award. SFAS 123(R) establishes fair value as the measurement objective in accounting for share-based payment arrangements and requires all entities to apply a fair-value based method in accounting for share-based transactions with employees. SFAS 123(R) was originally scheduled to be effective as of the beginning of the first interim reporting period that begins after June 15, 2005. On April 14, 2005, the effective date was amended. As a result, FAS 123(R) is now effective for most public companies for annual (rather than interim) periods that begin after June 15, 2005. The Company has not yet determined the option-pricing model it will use to calculate the fair value of its options, and the Company is currently evaluating which method of adoption it will use. Note 7 to the accompanying consolidated financial statements 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. 123(R) in prior periods, the impact of that standard would have approximated the impact of SFAS No. 123(R) as described in the disclosure of pro forma income and earnings per share.

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. 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 "Business-Risk Factors" in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 16, 2005.

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 effectively manage 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 analyze 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 45% of total gross sales in the first quarter of 2005. Sales of the Trex Brasilia product, which was introduced in the fourth quarter of 2004, accounted for approximately 10% of total gross sales in the first quarter of 2005. The Company expects that the demand for the Trex Brasilia product will grow as this product becomes generally available through the Company's distribution channels.

In the first quarter of 2005, higher manufacturing unit costs contributed to a reduction in gross profit as a percentage of sales. Manufacturing unit costs increased because of higher raw materials costs and lower utilization rates. Managing raw materials costs and manufacturing performance is one of the Company's principal operating objectives. In the first quarter of 2005, the Company purchased a higher level of reclaimed polyethylene, or "PE material," at higher prices compared to the first quarter of 2004, and operating inefficiencies related to the Company's production of new products negatively affected manufacturing unit costs. The Company expects that new PE material sourcing and purchasing initiatives will be necessary for it to effectively manage its costs of PE material in future periods. The Company continues to focus on product quality initiatives to enhance the appearance of the entire product line. These initiatives, which focus on board dimension and color consistency, also have negatively affected manufacturing performance and utilization rates. The resulting reduction in production rates has contributed to higher manufacturing unit costs by reducing the absorption of fixed manufacturing costs.

The Company continued to support its branding efforts through advertising campaigns in print publications and on television. Branding expenditures in the first quarter of 2005 increased $1.6 million over the first quarter of 2004. These expenditures supported a new, more extensive advertising campaign which the Company commenced in the first quarter of 2005.

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 the Company 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 prior to the start of the deck building season. These incentives include prompt payment discounts or extended payment terms to customers.

Gross Profit. Gross profit indicates 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.

Three Months Ended March 31, 2005 Compared With Three Months Ended March 31, 2004

Net Sales. Net sales in the quarter ended March 31, 2005 increased 17.9% to $89.9 million from $76.3 million in the quarter ended March 31, 2004. The increase in net sales was primarily attributable to an increase in revenue per product unit and, to a lesser extent, an increase in volume. The increase in revenue per product unit resulted from increased sales of the higher unit priced Trex Accents and Trex Brasilia products and from a price increase effective May 2004 of 5% on decking products and 9% on railing products.

Gross Profit. Gross profit increased 11.2% to $33.3 million in the 2005 quarter from $30.0 million in the 2004 quarter. The increase was primarily attributable to the higher net sales volume 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 was also adversely affected by a decrease in production rates due to new product and product quality initiatives and the associated decrease in absorption of fixed manufacturing expenses. Gross profit as a percentage of net sales decreased to 37.1% in 2005 from 39.3% in 2004.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased 37.3% to $19.4 million in the 2005 quarter from $14.1 million in the 2004 quarter. The higher selling, general and administrative expenses resulted principally from increases of $1.6 million in branding expenses, $1.2 million in compensation and benefits, $0.5 million in research and development expenses and $0.4 million in information technology consulting costs. As a percentage of net sales, selling, general and administrative expenses increased to 21.6% in the 2005 quarter from 18.5% in the 2004 quarter. Selling, general and administrative expenses for the full year 2005 are expected to be in the range of 21% to 23% of net sales.

Interest Expense. Net interest expense decreased to $0.8 million in the 2005 quarter from $0.9 million in the 2004 quarter. The decrease in net interest expense resulted from an increase in interest capitalized on construction in process and an increase in interest income on the Company's cash balances. The effects of these factors were partially offset by an increase in interest expense resulting from higher average debt balances in the 2005 quarter. The Company capitalized $0.6 million and $0.2 million of interest on construction in process in the 2005 and 2004 quarters, respectively.

Provision for Income Taxes. The Company recorded a provision for income taxes of $4.8 million in the 2005 quarter compared to a provision of $5.5 million in the 2004 quarter. The provisions reflected an effective tax rate of approximately 36% in the 2005 quarter and approximately 37% in the 2004 quarter. The decrease in the effective rate was due to an expected benefit from the American Jobs Creation Act of 2004.

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.

S*ources and Uses of Cash.* The Company's cash used in operating activities for the 2005 quarter was $21.6 million compared to cash provided by operating activities of $16.8 million for the 2004 quarter. The level of cash flow in the 2005 quarter was adversely affected by an increase in accounts receivable. The effect of increased accounts receivable was offset in part by a decrease in inventory levels. Receivables increased from $22.0 million at December 31, 2004 to $68.8 at March 31, 2005 as the Company offered customers extended payment terms on sales in the fourth quarter of 2004 and first quarter of 2005 to facilitate the introduction on a national basis of the Trex Brasilia™ line of decking products and to provide incentives to customers to meet seasonal demand. Payments under the extended terms are due in the second quarter of 2005. The Company's inventories decreased from $44.4 million at December 31, 2004 to $38.8 million at March 31, 2005 as shipments outpaced production. An increase in payables, which was partially offset by a decrease in accrued expenses, had a positive effect on cash flows from operating activities in the 2005 quarter. The increase in accounts payable resulted from the timing of payments for capital expenditures, which were primarily for the Company's third manufacturing site in Olive Branch, Mississippi. The decrease in accrued expenses principally resulted from the payout in the 2005 quarter of employee compensation obligations for 2004.

The Company's cash used in investing activities totaled $4.2 million in the 2005 quarter, compared to cash used in investing activities of $2.4 million in the 2004 quarter. In the 2005 quarter, expenditures related to the purchase of property, plant and equipment totaled $15.8 million and were primarily funded by $11.7 million of restricted cash. The Company's use of proceeds from its bond financing in the fourth quarter of 2004 is restricted to financing all or a portion of the costs of the acquisition, construction and equipping of the solid waste disposal facilities to be used in connection with the Company's new manufacturing facility. The remaining proceeds, as of March 31, 2005, have been included in restricted cash on the Company's balance sheet.

The Company's cash provided by financing activities was $2.2 million in the 2005 quarter compared to cash used in financing activities of $0.1 million in the 2004 quarter. In the 2005 quarter, the Company borrowed $2.7 million under its revolving credit facility. Borrowings in the quarter were necessary to meet working capital requirements.

Indebtedness. As of March 31, 2005, the Company's indebtedness totaled $82.1 million and the annualized overall weighted average interest rate of such indebtedness was approximately 6.5%, including the effect of the Company's interest rate swaps.

The Company's ability to borrow under its revolving credit facility is tied to a borrowing base that consists of certain receivables and inventories. As of March 31, 2005, the borrowing base was $55.6 million, of which $9.3 million was available, and $2.7 million of borrowings were outstanding. The borrowings available under the facility were reduced by outstanding borrowings and letters of credit.

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. As of March 31, 2005, the Company was in compliance with these covenants.

Capital Requirements. The Company made capital expenditures in the 2005 quarter totaling $15.6 million, primarily to construct the manufacturing facility and purchase equipment for the third manufacturing site. The Company currently estimates that its capital requirements in 2005 will total approximately $40 to $45 million. The Company expects that it will continue to make significant capital expenditures in subsequent years as the Company completes its construction in process and its new manufacturing site to meet an anticipated increase in the demand for Trex.

As of March 31, 2005, the Company had a total of approximately $0.4 million of cash and cash equivalents and $9.3 million of restricted cash. 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 funds 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 terms of its borrowing agreements for at least the next 12 months. Thereafter, significant capital expenditures may be required to provide increased capacity to meet the expected growth in demand for the Company's products. The Company currently expects that it will fund its future capital expenditures from operations and financing activities. The actual amount and timing of the Company's future capital requirements may differ materially from the Company's estimate depending on the demand for Trex and new market developments and opportunities. The Company may determine that it is necessary or desirable to obtain financing for such requirements through bank borrowings or the issuance of debt or equity securities. Debt financing would increase the Company's level of indebtedness, while equity financing 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 will be able to obtain such financing.

Item 3. 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 variable rate promissory note. The interest on the variable rate promissory note is based on auction rates and is reset every seven days. At March 31, 2005, the Company had capped its interest rate exposure at an annual effective rate of approximately 8.1% on its $13.3 million of floating-rate mortgage debt. At March 31, 2005, the Company had capped its interest rate exposure on $10.0 million principal amount of its variable rate promissory note at an annual effective rate of 3.1% for seven years and on an additional $10.0 million principal amount of such note at an annual effective rate of 3.0% for the five years.

The Company has a purchase agreement for polyethylene under which it has certain limited market risk related to foreign currency fluctuations on euros. At current purchase levels, such exposure is not material.

Item 4. Controls and Procedures

The Company's management, with the participation of its Chief Executive Officer, who is the Company's principal executive officer, and its Senior Vice President and Chief Financial Officer, who is the Company's principal financial officer, has evaluated the effectiveness of the Company's disclosure controls and procedures as of March 31, 2005. Based upon that evaluation, the Chief Executive Officer and the Senior Vice President and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective as of March 31, 2005.

During the first fiscal quarter of 2005, there have been no changes in the Company's internal control over financial reporting that have materially affected, or that are reasonably likely to materially affect, its internal control over financial reporting.

PART II. OTHER INFORMATION

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

(c) The following table provides information about the Company's purchases of its common stock during the quarter ended March 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
Jan. 1, 2005 – Jan. 31, 2005	—	—	—	—
Feb. 1, 2005 – Feb. 28, 2005	—	—	—	—
Mar. 1, 2005 – Mar. 31, 2005(1)	16,527	$ 44.93	Not applicable	Not applicable
	16,527	$ 44.93	Not applicable	Not applicable

(1) Represents shares withheld by, or delivered to, the Company pursuant to provisions in agreements with recipients of restricted stock granted under the Company's 1999 Stock Option and Incentive Plan allowing the Company to withhold, or the recipient to deliver to the Company, the number of shares having the fair value equal to tax withholding due.

Item 6. Exhibits

The Company files herewith the following exhibits:

10.1 Form of Trex Company, Inc. Amended and Restated 1999 Stock Option and Incentive Plan Non-Incentive Stock Option Agreement (Periodic Vesting).

10.2 Form of Trex Company, Inc. Amended and Restated 1999 Stock Option and Incentive Plan Non-Incentive Stock Option Agreement (Fully-Vested).

10.3 Form of Trex Company, Inc. 1999 Stock Option and Incentive Plan Performance Award Agreement.

10.4 Form of Trex Company, Inc. 1999 Stock Option and Incentive Plan Restricted Stock Agreement.

31.1 Certification of Chief Executive Officer of Trex Company, Inc. pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.

31.2 Certification of Senior Vice President and Chief Financial Officer of Trex Company, Inc. pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.

32 Certifications pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. § 1350.

[Table of Contents](#)

SIGNATURE

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

TREX COMPANY, INC.

Date: May 5, 2005

By: /s/ Paul D. Fletcher

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

EXHIBIT INDEX

Exhibit No.	
10.1	Form of Trex Company, Inc. Amended and Restated 1999 Stock Option and Incentive Plan Non-Incentive Stock Option Agreement (Periodic Vesting).
10.2	Form of Trex Company, Inc. Amended and Restated 1999 Stock Option and Incentive Plan Non-Incentive Stock Option Agreement (Fully-Vested).
10.3	Form of Trex Company, Inc. 1999 Stock Option and Incentive Plan Performance Award Agreement.
10.4	Form of Trex Company, Inc. 1999 Stock Option and Incentive Plan Restricted Stock Agreement.
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32	Certifications pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. § 1350.

Exhibit 10.1

TREX COMPANY, INC.
Amended and Restated
1999 Stock Option and Incentive Plan
Non-Incentive Stock Option Agreement

Grant Date: Stock Option Exercise Price:

Last Date to Exercise: ___________ 1/

Number of Shares of Common Stock
Covered by Grant of Options:

We are pleased to inform you that the Board of Directors has granted you an option (the “Option”) to purchase Trex Company, Inc. common stock. Your grant has been made under the Company’s Amended and Restated 1999 Stock Option and Incentive Plan (the “Plan”), which, together with the terms contained in this Agreement, sets forth the terms and conditions of your grant and is incorporated herein by reference. If any provisions of the Agreement should appear to be inconsistent with the Plan, the Plan will control.

This stock option grant has been executed and delivered as of ___________ on behalf of Trex Company, Inc.

____

Robert G. Matheny
Chairman and Chief Executive Officer

ACCEPTED AND AGREED TO:

____

Employee Name

This is not a stock certificate or a negotiable instrument. Transferable only pursuant to Section 11.2 of the Plan.

1 Certain events can cause an earlier termination of the Option. See “Effects of Changes in Capitalization” in the Plan.

1. Vesting:

Subject to the terms of the Plan, the Option becomes vested as to 33% of the shares of Stock purchasable pursuant to the Option on the first anniversary of the date of grant of the Option, if you have been providing services to the Company or a Subsidiary continuously from the Option's date of grant to the first anniversary of the date of grant (the "Anniversary Date") and, so long as continuous provision of services has not been interrupted, the Option becomes vested as to an additional 33% of the shares of Stock subject to the Option on each of the next two (2) Anniversary Dates. Notwithstanding the foregoing, if you should incur an Involuntary Termination within a one year period following a Change in Control, the Option shall become 100% vested at the time of your termination. "Change in Control" means the dissolution or liquidation of the Company or a merger, consolidation, or reorganization of the Company with one or more other entities in which the Company is not the surviving entity, (ii) a sale of substantially all of the assets of the Company to another person or entity, or (iii) any transaction (including without limitation a merger or reorganization in which the Company is the surviving entity) which results in any person or entity (other than persons who are shareholders or Affiliates immediately prior to the transaction) owning 50% or more of the combined voting power of all classes of stock of the Company. "Involuntary Termination" means a termination of employment by the Company for a reason other than Cause or by you if the Company takes any action which results in a diminution in any material respect with your position (including status, offices, titles and reporting requirements), compensation, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by you.

2. Exercise:

You may exercise this Option, in whole or in part, to purchase a whole number of vested shares at any time of not less than 100 shares, unless the number of shares purchased is the total number available for purchase under the Option, by following the exercise procedures as set forth in the Plan. All exercises must take place before the Last Date to Exercise (shown on the cover sheet), or such earlier date following your death, disability, retirement, or your ceasing to provide services as described below under "Service Requirements." The number of shares you may purchase as of any date cannot exceed the total number of shares vested by that date, less any shares you have previously acquired by exercising this Option.

3. Service Requirements and Termination of Option:

If your service terminates, except as provided in Section 1 above and this Section 3, all further vesting of shares under this Option stops and all unvested shares are canceled.

If your service terminates for a reason other than: (i) for Cause or (ii) because of your death, permanent and total disability or retirement, you will have ninety (90) days after your provision of services ceases to exercise your vested Option shares, but in no event may the Option be exercised after the Last Date to Exercise. After the 90 days have elapsed, your Option will terminate.

If your service terminates because of your death, permanent and total disability, or retirement, you or your estate will have a period of five years to exercise any Options, whether or not the Options were otherwise exercisable at the time of your death, permanent and total disability, or retirement, but in no event may the Options be exercised after the Last Date to Exercise. After the five year period has elapsed, your Options will terminate.

Your Option will terminate immediately upon termination of your services 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 employment, consulting or other services, confidentiality, intellectual property or non-competition agreements.

4. Taxes and Withholding:

This Option shall not constitute an incentive stock option within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended. 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, or withhold such amounts from other payments due to you from the Company, a Subsidiary or an Affiliate.

5. Transferability:

The Option may be transferred in a manner consistent with Section 11.2 of the Plan.

* * * * *

Exhibit 10.2

TREX COMPANY, INC.
Amended and Restated
1999 Stock Option and Incentive Plan
Non-Incentive Stock Option Agreement

Grant Date: Stock Option Exercise Price:
Last Date to Exercise: ___________ 1/

Number of Shares of Common Stock
Covered by Grant of Options:

We are pleased to inform you that the Board of Directors has granted you an option (the "Option") to purchase Trex Company, Inc. common stock. Your grant has been made under the Company's Amended and Restated 1999 Stock Option and Incentive Plan (the "Plan"), which, together with the terms contained in this Agreement, sets forth the terms and conditions of your grant and is incorporated herein by reference. If any provisions of the Agreement should appear to be inconsistent with the Plan, the Plan will control.

This stock option grant has been executed and delivered as of ___________ on behalf of Trex Company, Inc.

____

Robert G. Matheny
Chairman and Chief Executive Officer

ACCEPTED AND AGREED TO:

____

Employee Name

This is not a stock certificate or a negotiable instrument. Transferable only pursuant to Section 11.2 of the Plan.

1 Certain events can cause an earlier termination of the Option. See "Effects of Changes in Capitalization" in the Plan.

1. Vesting:

Subject to the terms of the Plan, the Option becomes vested as to 100% of the shares of Stock purchasable pursuant to the Option on the date of grant of the Option.

2. Exercise:

You may exercise this Option, in whole or in part, to purchase a whole number of shares at any time of not less than 100 shares, unless the number of shares purchased is the total number available for purchase under the Option, by following the exercise procedures as set forth in the Plan. All exercises must take place before the Last Date to Exercise (shown on the cover sheet), or such earlier date following your death, disability, retirement, or your ceasing to provide services as described below under “Service Requirements.”

3. Service Requirements and Termination of Option:

If your service terminates for a reason other than: (i) for Cause or (ii) because of your death, permanent and total disability or retirement, you will have ninety (90) days after your provision of services ceases to exercise your vested Option shares, but in no event may the Option be exercised after the Last Date to Exercise. After the 90 days have elapsed, your Option will terminate.

If your service terminates because of your death, permanent and total disability, or retirement, you or your estate will have a period of five years to exercise any Options, but in no event may the Options be exercised after the Last Date to Exercise. After the five year period has elapsed, your Options will terminate.

Your Option will terminate immediately upon termination of your services 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 employment, consulting or other services, confidentiality, intellectual property or non-competition agreements.

4. Taxes and Withholding:

This Option shall not constitute an incentive stock option within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended. 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, or withhold such amounts from other payments due to you from the Company, a Subsidiary or an Affiliate.

5. Transferability:

The Option may be transferred in a manner consistent with Section 11.2 of the Plan.

* * * * *

Exhibit 10.3

TREX COMPANY, INC.
1999 STOCK OPTION AND INCENTIVE PLAN
PERFORMANCE AWARD AGREEMENT

Trex Company, Inc., a Delaware corporation (the "Company"), hereby grants performance shares relating to shares of its common stock, $.01 par value (the "Stock"), to the individual named below as the Grantee, 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 Trex Company, Inc. 1999 Stock Option and Incentive Plan (the "Plan").

Grant Date: March 8, 2005

Name of Grantee: ______________________________

Number of Performance Shares Covered by Grant: ____________ (Target Number)

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, a copy of which is available from the Company upon 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: ______________________________

<u>Attachment</u>

This is not a stock certificate or a negotiable instrument.

TREX COMPANY, INC.
1999 STOCK OPTION AND INCENTIVE PLAN
PERFORMANCE AWARD AGREEMENT

Grant of Performance Shares	This is a grant of performance shares, subject to the terms and conditions described below (the "Performance Shares"). The number of shares of Stock, if any, that may be issued pursuant to this grant of Performance Shares shall be determined based on the Company's attainment as of the measurement date shown on Exhibit A (the "Measurement Date") of the performance goals specified on attached Exhibit A.
Purchase Price	The Purchase Price for the shares of Stock (if any) delivered pursuant to the Performance Shares shall be deemed paid by your services to the Company.
Performance Shares Non-transferability	Your Performance Shares may not be transferred, assigned, pledged or hypothecated, whether by operation of law or otherwise, nor may the Performance Shares be made subject to execution, attachment or similar process.
Delivery of Stock Pursuant to Performance Shares	Promptly following the Measurement Date, the Company will pay to you the number of Performance Shares authorized by the Compensation Committee, as described in Exhibit A. The shares of Stock represented by Performance Shares may be issued in book entry form. If certificates are issued evidencing the shares of Stock, a certificate for all of the shares of Stock that you have earned will be delivered to you.
Forfeiture of Performance Shares	In the event that you cease to be employed by, or provide services to, the Company or any Affiliate for any reason prior to the Measurement Date, you will forfeit all of your Performance Shares.

Withholding Taxes	You agree, as a condition of this award of Performance Shares, that you will make acceptable arrangements to pay any withholding or other taxes that may be due as a result of the grant of this award or your acquisition of Stock under this award. In the event that the Company determines that any federal, state, local or foreign tax or withholding payment is required relating to this award, the Company will have the right to: (1) require that you arrange such payments to the Company; (2) withhold such amounts from other payments due to you from the Company or any Affiliate; or (3) cause an immediate forfeiture of shares of Stock that would otherwise be delivered to you pursuant to the this Performance Share award in an amount equal to the withholding or other taxes due.
Retention Rights	This Agreement does not give you the right to be retained by the Company (or any Affiliates) in any capacity. The Company (and any Affiliate) reserve the right to terminate your service at any time and for any reason.
Shareholder Rights	You do not have any of the rights of a shareholder with respect to the Performance Shares unless and until the Stock relating to the Performance Shares has been delivered to you.
Adjustments	In the event of a stock split, a stock dividend or a similar change in the Stock, the number of Performance Shares covered by this grant will be adjusted (and rounded down to the nearest whole number) as determined by the Board in accordance with the terms of the Plan.
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 Performance Shares. 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.

This Performance Share grant is subject to all of the terms and conditions described above and in the Plan.

<u>EXHIBIT A</u>

PERFORMANCE GOALS AND PAYOUT PERCENTAGES

Measurement Date: __________, 200__

Performance Goals

Three year CAGR Performance Levels	**Performance Shares Earned (Percent of Grant)**
Less than ______%	0%
____%	50%
____%	100%
____% or more	150%

- The Compounded Annual Growth Rate of earnings per share ("CAGR") shall be determined by calculating the compounded annual growth between ____'s EPS of $____ and ____'s EPS. The target CAGR of ____% will be achieved if ____'s EPS is $____.
- Notwithstanding the schedule above, a minimum of ____% annual Return on Invested Capital (ROIC), averaged over fiscal years ____, ____ and ____, must be achieved as a condition to the payment of any performance shares.
- CAGR and ROIC may be adjusted at the discretion of the Compensation Committee to reflect extraordinary items, changes in accounting policy, or any factors that they deem appropriate. There will be interpolation of performance share payout if CAGR is between the performance levels set forth above.

Exhibit 10.4

TREX COMPANY, INC.
1999 STOCK OPTION AND 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 1999 Stock Option and 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, a copy of which is available from the Company upon 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: ______________________________

Robert G. Matheny
President

Attachment

Keep this copy for your records.

This is not a stock certificate or a negotiable instrument.

TREX COMPANY, INC.
1999 STOCK OPTION AND 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 one third (1/3) of the total number of shares covered by this grant, as shown on the cover sheet, on __________, __________, and __________; 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 or permanent and total disability (within the meaning of Section 22(e)(3) of the Code), 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 or permanent and total disability (within the meaning of Section 22(e)(3) of the Code), 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.

The shares of Stock held in escrow hereunder shall be subject to the following terms and conditions relating to their release from escrow or their surrender to the Company for cancellation:

- 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 ________ __, 2005.

4. The taxable year to which this election relates is calendar year 2005.

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: ________, 2005

____
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 31.1

CERTIFICATION

I, Robert G. Matheny, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Trex Company, Inc.;
2. Based on my knowledge, this quarterly 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: May 5, 2005

/s/ Robert G. Matheny

Robert G. Matheny
Chairman and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION

I, Paul D. Fletcher, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Trex Company, Inc.;
2. Based on my knowledge, this quarterly 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: May 5, 2005

/s/ Paul D. Fletcher

Paul D. Fletcher, Senior Vice
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 Quarterly Report on Form 10-Q of the Company for the Period Ended March 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.

/s/ Robert G. Matheny

Robert G. Matheny
Chairman and Chief Executive Officer
May 5, 2005

/s/ Paul D. Fletcher

Paul D. Fletcher
Senior Vice President and Chief Financial Officer
May 5, 2005