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

FORM 10-Q

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

For the quarterly period ended September 30, 2012

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

The number of shares of the registrant's common stock, par value \$.01 per share, outstanding at October 23, 2012 was 16,937,942 shares.

TREX COMPANY, INC.

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PART I
FINANCIAL INFORMATION

Item 1. Financial Statements

TREX COMPANY, INC.
Condensed Consolidated Balance Sheets
(In thousands)

	<u>September 30,</u> <u>2012</u>	<u>December 31,</u> <u>2011</u>
	<u>(Unaudited)</u>	
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,500	\$ 4,526
Restricted cash	—	37,000
Accounts receivable, net	32,813	29,192
Inventories	8,601	28,896
Prepaid expenses and other assets	1,680	2,118
Income taxes receivable	663	322
Total current assets	<u>46,257</u>	<u>102,054</u>
Property, plant, and equipment, net	106,512	115,212
Goodwill and other intangibles	10,552	10,558
Other assets	1,104	266
Total assets	<u>\$ 164,425</u>	<u>\$ 228,090</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 9,704	\$ 11,892
Accrued expenses	19,671	16,187
Accrued warranty	7,500	6,000
Deferred income taxes	124	124
Line of credit	2,000	—
Current portion of long-term debt	—	86,425
Total current liabilities	<u>38,999</u>	<u>120,628</u>
Deferred income taxes	2,819	2,819
Non-current accrued warranty	24,080	10,345
Other long-term liabilities	320	1,799
Total liabilities	<u>66,218</u>	<u>135,591</u>
Stockholders' equity:		
Preferred stock, \$0.01 par value, 3,000,000 shares authorized; none issued and outstanding	—	—
Common stock, \$0.01 par value, 40,000,000 shares authorized; 16,932,088 and 15,602,132 shares issued and outstanding at September 30, 2012 and December 31, 2011, respectively	169	156
Additional paid-in capital	99,241	99,885
Retained deficit	(1,203)	(7,542)
Total stockholders' equity	<u>98,207</u>	<u>92,499</u>
Total liabilities and stockholders' equity	<u>\$ 164,425</u>	<u>\$ 228,090</u>

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

TREX COMPANY, INC.**Condensed Consolidated Statements of Comprehensive Income**

(Unaudited)

(In thousands, except share and per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Net sales	\$ 70,819	\$ 67,916	\$ 261,199	\$ 215,328
Cost of sales	68,673	50,644	190,043	151,484
Gross profit	2,146	17,272	71,156	63,844
Selling, general and administrative expenses	15,836	12,991	55,304	47,012
Income (loss) from operations	(13,690)	4,281	15,852	16,832
Interest expense, net	153	4,795	8,863	12,769
Income (loss) before income taxes	(13,843)	(514)	6,989	4,063
Provision (benefit) for income taxes	469	(18)	650	(2,604)
Net income (loss)	\$ (14,312)	\$ (496)	\$ 6,339	\$ 6,667
Basic earnings (loss) per common share	\$ (0.86)	\$ (0.03)	\$ 0.40	\$ 0.43
Basic weighted average common shares outstanding	16,677,159	15,427,437	15,910,300	15,373,132
Diluted earnings (loss) per common share	\$ (0.86)	\$ (0.03)	\$ 0.37	\$ 0.41
Diluted weighted average common shares outstanding	16,677,159	15,427,437	17,011,706	16,461,674
Comprehensive income (loss)	\$ (14,312)	\$ (496)	\$ 6,339	\$ 6,851

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

TREX COMPANY, INC.

Condensed Consolidated Statements of Cash Flows

(Unaudited)
(In thousands)

	Nine Months Ended September 30,	
	2012	2011
Operating Activities		
Net income	\$ 6,339	\$ 6,667
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	12,901	14,785
Debt discount amortization	5,450	7,133
Loss on extinguishment of debt	—	621
Stock-based compensation	2,583	2,390
Deferred income taxes	—	191
Loss on disposal of property, plant and equipment	1,909	3
Other non-cash adjustments	(314)	(127)
Changes in operating assets and liabilities:		
Accounts receivable	(3,597)	38,861
Inventories	20,296	(3,972)
Prepaid expenses and other assets	86	(209)
Accounts payable	(2,188)	(5,153)
Accrued expenses and other liabilities	16,559	(19,750)
Income taxes receivable/payable	352	(277)
Net cash provided by operating activities	<u>60,376</u>	<u>41,163</u>
Investing Activities		
Expenditures for property, plant and equipment	(5,642)	(6,160)
Proceeds from sales of property, plant and equipment	3	28
Purchase of acquired company, net of cash acquired	(11)	(2,010)
Notes receivable, net	87	72
Net cash used in investing activities	<u>(5,563)</u>	<u>(8,070)</u>
Financing Activities		
Financing costs	(750)	—
Principal payments under mortgages and notes	(91,875)	(2,542)
Borrowings under line of credit	80,700	—
Principal payments under line of credit	(78,700)	—
Repurchases of convertible notes	—	(5,882)
Change in restricted cash	37,000	—
Repurchases of common stock	(3,785)	(3,068)
Proceeds from employee stock purchase and option plans	571	1,345
Net cash used in financing activities	<u>(56,839)</u>	<u>(10,147)</u>
Net increase (decrease) in cash and cash equivalents	(2,026)	22,946
Cash and cash equivalents at beginning of period	4,526	27,270
Cash and cash equivalents at end of period	<u>\$ 2,500</u>	<u>\$ 50,216</u>
Supplemental Disclosure:		
Cash paid for interest, net of capitalized interest	\$ 5,771	\$ 6,347
Cash paid for income taxes, net	\$ 384	\$ 649

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

TREX COMPANY, INC.

**Notes to Condensed Consolidated Financial Statements
For the Nine Months Ended September 30, 2012 and 2011
(Unaudited)**

1. BUSINESS AND ORGANIZATION

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

2. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, the accompanying condensed consolidated financial statements do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal and recurring adjustments) considered necessary for a fair presentation have been included in the accompanying condensed consolidated financial statements. The consolidated results of operations for the nine months ended September 30, 2012 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, 2011 and 2010 and for each of the three years in the period ended December 31, 2011 included in the annual report of Trex Company, Inc. on Form 10-K, as filed with the Securities and Exchange Commission.

The Company’s critical accounting policies are included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2011.

In 2011, the Company completed the acquisition of substantially all of the assets of Iron Deck Corporation, a manufacturer of steel deck-framing systems located in Denver, Colorado, for approximately \$2 million in cash plus the assumption of certain liabilities. As a result of the acquisition, the Company recorded an increase of \$3.7 million to Goodwill. The provisions of the purchase agreement allow for future payments contingent upon certain future sales targets. The contingent payments were estimated as purchase consideration at the acquisition date and may be revised if actual sales differ from projected sales. As a result of decreased near-term sales projections of steel deck-framing systems, the Company reduced its provision for future contingent payments and recorded a \$1.4 million benefit to selling, general and administrative expenses in the three months ended September 30, 2012.

3. NEW ACCOUNTING STANDARDS

Accounting Pronouncements Recently Adopted

In June 2011, the FASB issued ASU 2011-05, “*Presentation of Comprehensive Income.*” ASU 2011-05 requires the components of net income and other comprehensive income to be either presented in one continuous statement, referred to as the statement of comprehensive income, or in two separate, but consecutive statements. An entity is also required to present on the face of the financial statements reclassification adjustments for items that are reclassified from other comprehensive income to net income in the statement(s) where the components of net income and the components of other comprehensive income are presented. In December 2011, the FASB issued ASU 2011-12, “*Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in ASU No. 2011-05,*” which defers the effective date for the portion of ASU 2011-05 that pertains to the presentation of reclassification adjustments out of accumulated other comprehensive income. While ASU 2011-05 changes the presentation of comprehensive income, there are no changes to the components that are recognized in net income or other comprehensive income under current accounting guidance. The Company adopted ASU 2011-05 effective January 1, 2012. As this guidance only amends the presentation of the components of comprehensive income, the adoption did not have an impact on the Company’s consolidated financial position or results of operations.

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4. INVENTORIES

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

	September 30, 2012	December 31, 2011
Finished goods	\$ 16,137	\$ 29,980
Raw materials	19,275	27,134
Total FIFO inventories	35,412	57,114
Reserve to adjust inventories to LIFO value	(26,811)	(28,218)
Total LIFO inventories	<u>\$ 8,601</u>	<u>\$ 28,896</u>

Due to the liquidation of certain inventories, a portion of the Company's cost of sales is based on prior year costs rather than current year costs. As a result, the Company recognized benefits of \$0.5 million and \$1.4 million during the three and nine months ended September 30, 2012, respectively.

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

5. PROPERTY, PLANT AND EQUIPMENT

During the three months ended September 30, 2012, the Company determined that certain manufacturing equipment rendered obsolete due to improvements in technology would not be employed in its manufacturing process in the future. As a result, the Company recorded a \$1.9 million pre-tax charge related to the disposal of the assets.

6. ACCRUED EXPENSES

Accrued expenses consist of the following (in thousands):

	September 30, 2012	December 31, 2011
Accrued compensation and benefits	\$ 9,069	\$ 2,116
Accrued sales and marketing	4,473	5,831
Accrued rent obligations	2,035	1,821
Accrued interest	26	2,807
Other	4,068	3,612
Total accrued expenses	<u>\$ 19,671</u>	<u>\$ 16,187</u>

7. DEBT

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

	September 30, 2012	December 31, 2011
Convertible notes	\$ —	\$ 91,875
Less unamortized debt discount	—	(5,450)
	—	86,425
Less current portion	—	(86,425)
Total long-term debt	<u>\$ —</u>	<u>\$ —</u>

The Company's outstanding debt consists of a revolving credit facility.

Revolving Credit Facility. On January 6, 2012, the Company entered into an Amended and Restated Credit Agreement (the "Revolving Credit Facility") with BB&T, Wells Fargo Capital Finance, LLC and BB&T Capital Markets (the "Lenders"). Under the Amended Credit Agreement, the Lenders agreed to provide the Company with one or more revolving loans in a collective maximum principal amount of \$100,000,000. The Revolving Credit Facility replaces the previous revolving credit facility in its entirety. Amounts drawn under the Revolving Credit Facility are subject to a borrowing base consisting of certain accounts receivables, inventories, machinery and equipment and real estate.

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At September 30, 2012, the Company had \$2.0 million of outstanding borrowings under its revolving credit facility and additional available borrowing capacity of approximately \$59.3 million.

Convertible Notes Offering. On July 2, 2012 the Company repaid the \$91.9 million principal balance on the notes and, in accordance with the conversion feature of the notes, issued 1,061,745 shares of common stock to the note-holders.

Interest expense relating to the Company's convertible notes for the three and nine months ended September 30, 2012 and 2011 is as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Interest expense at coupon rate (6.0%)	\$ —	\$ 1,422	\$ 2,756	\$ 4,347
Non-cash interest in accordance with ASC 470	—	2,488	5,450	7,133
Total interest expense recognized on convertible debt instruments	\$ —	\$ 3,910	\$ 8,206	\$ 11,480

Compliance with Debt Covenants and Restrictions. The Company's ability to make scheduled principal and interest payments and to borrow and repay amounts under any outstanding revolving credit facility, and continue to comply with any loan covenants depends primarily on the Company's ability to generate sufficient cash flow from operations.

As of September 30, 2012, the Company was in compliance with all of the covenants contained in its debt agreements. Failure to comply with the loan covenants might cause lenders to accelerate the repayment obligations under the credit facility, which may be declared payable immediately based on a default.

8. FINANCIAL INSTRUMENTS

The Company considers the recorded value of its financial assets and liabilities, consisting primarily of cash and cash equivalents, restricted cash, accounts receivable, accounts payable, accrued expenses and other current liabilities to approximate the fair value of the respective assets and liabilities at September 30, 2012 and December 31, 2011.

9. EARNINGS PER SHARE

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Numerator:				
Net income (loss) available to common shareholders	\$ (14,312)	\$ (496)	\$ 6,339	\$ 6,667
Denominator:				
Basic weighted average shares outstanding	16,677,159	15,427,437	15,910,300	15,373,132
Effect of dilutive securities:				
SARs and options	—	—	421,539	480,297
Convertible notes	—	—	643,978	562,139
Restricted stock	—	—	35,889	46,106
Diluted weighted average shares outstanding	16,677,159	15,427,437	17,011,706	16,461,674
Basic earnings (loss) per share	\$ (0.86)	\$ (0.03)	\$ 0.40	\$ 0.43
Diluted earnings (loss) per share	\$ (0.86)	\$ (0.03)	\$ 0.37	\$ 0.41

Diluted earnings per share is computed using the weighted average number of shares determined for the basic earnings per share computation plus the dilutive effect of common stock equivalents using the treasury stock method. For the three months ended September 30, 2012 and 2011, 342,342 and 308,037 shares of restricted stock and stock options, respectively, and 941,914 and 1,172,011 stock appreciation rights, respectively, were excluded from the computation of diluted earnings per share because the effect would be anti-dilutive. For the nine months ended September 30, 2012 and 2011, 201,626 and 219,071 shares of restricted stock and stock options, respectively, and 418,694 and 434,719 stock appreciation rights, respectively, were excluded from the computation of diluted earnings per share because the effect would be anti-dilutive.

10. STOCK-BASED COMPENSATION

The Company has one stock-based compensation plan, the 2005 Stock Incentive Plan (the “2005 Plan”), which was amended by its shareholders on May 7, 2008. The 2005 Plan is administered by the Compensation Committee of the Company’s Board of Directors. Stock-based compensation is granted to officers, directors and certain key employees in accordance with the provisions of the 2005 Plan. The 2005 Plan provides for grants of stock options, stock appreciation rights (“SARs”), restricted stock and performance share awards. As of September 30, 2012, the total aggregate number of shares of the Company’s common stock that may be issued under the 2005 Plan is 3,150,000.

The fair value of each SAR is estimated on the date of grant using a Black-Scholes option-pricing formula. For SARs issued in the nine months ended September 30, 2012 and 2011, respectively, the assumptions shown in the following table were used:

	Nine Months Ended September 30,	
	2012	2011
Weighted-average fair value of grants	\$ 14.11	\$ 14.33
Dividend yield	0%	0%
Average risk-free interest rate	0.8%	2.0%
Expected term (years)	5	5
Expected volatility	66%	65%

The following table summarizes the Company’s stock-based compensation grants for the nine months ended September 30, 2012:

	Stock Awards Granted	Weighted-Average Grant Price Per Share
Stock appreciation rights	100,740	\$ 25.73
Restricted stock	156,832	\$ 27.18

The following table summarizes the Company’s stock-based compensation expense for the three and nine months ended September 30, 2012 and 2011 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Stock appreciation rights	\$ 369	\$ 408	\$ 1,089	\$ 1,146
Restricted stock	508	391	1,442	1,198
Employee stock purchase plan	13	10	52	46
Total stock-based compensation	<u>\$ 890</u>	<u>\$ 809</u>	<u>\$ 2,583</u>	<u>\$ 2,390</u>

Total unrecognized compensation cost related to unvested awards as of September 30, 2012 was \$6.2 million. The cost of these unvested awards is being recognized over the requisite vesting period of each award.

11. INCOME TAXES

The Company’s effective tax rate for the nine months ended September 30, 2012 and 2011 was 9.3% and (64.1%) respectively, which resulted in an expense of \$0.7 million and a benefit of \$2.6 million, respectively. During the first quarter of 2011, the Company recognized an income tax benefit of approximately \$2.6 million related to the favorable resolution of uncertain tax positions.

The Company continues to maintain a valuation allowance against its net deferred tax asset, the effect of which is to substantially reduce the Company’s effective tax rate as the tax expense or benefit recorded at the statutory tax rate is offset

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by a corresponding expense or benefit resulting from the change in the valuation allowance. Accordingly, the Company's effective tax rate for the nine months ended September 30, 2012 and 2011, excluding the impact from the aforementioned one-time benefit, was 9.3% and 0.1% respectively. As a result of the Company's valuation allowance, its annual effective tax rate, and changes to it, is primarily a function of the Company's expectations of the cash taxes paid to various jurisdictions as a result of taxable income exceeding available net operating loss carry-forwards or alternative minimum tax calculations. The Company expects cash taxes paid to be materially consistent with amounts paid in the prior period.

The Company operates in multiple tax jurisdictions and, in the normal course of business, its tax returns are subject to examination by various taxing authorities. Such examinations may result in future assessments by these taxing authorities, and the Company has accrued a liability when it believes that it is more likely than not that benefits of tax positions will not be realized. The Company believes that adequate provisions have been made for all tax returns subject to examination. As of September 30, 2012, tax years 2009 through 2012 remain subject to examination by federal and certain state tax jurisdictions.

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

12. SEASONALITY

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

13. COMMITMENTS AND CONTINGENCIES

Contract Termination Costs

In anticipation of relocating its corporate headquarters, the Company entered into a lease agreement in 2005. The Company reconsidered and decided not to move its headquarters. The lease, which extends through June 30, 2019, obligates the Company to lease 55,047 square feet. The Company has executed subleases for the entire 55,047 square feet it currently leases. The terms of the existing subleases expire in years 2013 to 2019. The Company estimates that the present value of the estimated future sublease rental receipts, net of transaction costs, will be less than the Company's remaining minimum lease payment obligations under its lease for the office space. Accordingly, the Company accounts for the expected shortfall as contract termination costs and has recorded a liability in accordance with FASB ASC Topic 420, "Exit or Disposal Cost Obligations."

To estimate future sublease receipts for the periods beyond the term of the existing subleases, the Company has assumed that the existing subleases will be renewed or new subleases will be executed at rates consistent with rental rates in the current subleases. However, management cannot be certain that the timing of future subleases or the rental rates contained in future subleases will not differ from current estimates. Factors such as the delivery of a significant amount of new office space or poor economic conditions could have a negative effect on vacancy rates and rental rates in the area. The inability to sublet the office space in the future or unfavorable changes to key management assumptions used in the estimate of the future sublease receipts may result in material charges to selling, general and administrative expenses in future periods.

As of September 30, 2012, the minimum payments remaining under the Company's lease relating to its reconsidered corporate relocation over the years ending December 31, 2012, 2013, 2014, 2015 and 2016 are \$0.4 million, \$1.7 million, \$1.7 million, \$1.7 million and \$1.8 million, respectively, and \$4.5 million thereafter. The minimum receipts remaining under the Company's existing subleases over the years ending December 31, 2012, 2013, 2014, 2015 and 2016 are \$0.4 million, \$1.5 million, \$1.2 million, \$0.3 million and \$0.3 million, respectively, and \$0.9 million thereafter. As a result of new leases executed with subtenants, the Company recognized an increase in estimated contract termination costs of \$0.1 million during the nine months ended September 30, 2012.

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

	<u>2012</u>	<u>2011</u>
Balance as of January 1	\$ 452	\$ 567
Net rental receipts (payments)	30	(107)
Accretion of discount	28	34
Increase in estimated contract termination costs	127	—
Balance as of September 30	<u>\$ 637</u>	<u>\$ 494</u>

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Product Warranty

The Company warrants that its products will be free from material defects in workmanship and material and will not check, split, splinter, rot or suffer structural damage from termites or fungal decay. This warranty extends for a period of 25 years for residential use and 10 years for commercial use. With respect to the Company's Transcend and Enhance product, the Company further warrants that the product will not fade in color more than a certain amount and will be resistant to permanent staining from food substances or mold (provided the stain is cleaned within seven days of appearance). This warranty extends for a period of 25 years for residential use of the Transcend product, 20 years for residential use of the Enhance product, and 10 years for commercial use of either product. If there is a breach of such warranties, the Company has an obligation either to replace the defective product or refund the purchase price.

The Company continues to receive and settle claims related to material produced at its Nevada facility prior to 2007 that exhibits surface flaking and maintains a warranty reserve to provide for the settlement of these claims. Projecting future surface flaking settlement costs requires management to estimate the number of claims to be received, the number of claims that will ultimately result in payment and the average cost to settle each claim, all of which are subject to variables that are difficult to predict.

The average cost per claim may vary due to a number of factors, including the average size of affected decks, the type of replacement material used, changes in the cost of production and the method of claim settlement. Although the cost per claim varies over time, it is less volatile and more predictable than the number of claims to be received, which is inherently uncertain. The Company is not aware of any analogous industry data that might be referenced in predicting future claims to be received. The Company evaluates its historical surface flaking claims activity in developing its estimate of future claims. The Company anticipated that the effects of a previously settled class action lawsuit would subside and the number of claims received would substantially diminish. Payments for surface flaking claims decreased from \$28 million in 2007 to \$8 million in 2011. While the number of claims received continues to decline, recent claims activity indicates that the rate of acceleration in the decline has not improved as anticipated.

During the three months ended September 30, 2012, the Company concluded, based on an analysis of recent claims activity, that the payments for surface flaking claims and the rate of decline in claims in 2012 will approximate the levels experienced in 2011, falling short of the Company's estimated decline. As a result, the Company revised its estimate of the future claims to be received to reflect a rate of decline consistent with the trend now emerging from the claims activity. The effect of reducing the anticipated rate of decline both increases the number of claims expected in future years and extends the number of years in which claims will be received. As a result of these changes in estimate, the Company recorded an increase of \$20 million to the warranty reserve at September 30, 2012.

The Company's analysis is based on currently known facts and a number of assumptions. However, projecting future events such as new claims to be received each year and the average cost of resolving each claim could cause the actual warranty liabilities to be higher or lower than those projected which could materially affect our financial condition, results of operations or cash flow. The Company estimates that the number of claims received will continue to decline over time. If the level of claims does not diminish consistent with the Company's expectations, it could result in additional increases to the warranty reserve and reduced earnings in future periods. The Company estimates that a 10% change in the expected number of remaining claims or the expected cost to settle claims may result in approximately a \$3.2 million change in the warranty reserve.

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

	<u>2012</u>	<u>2011</u>
Beginning balance, January 1	\$16,345	\$14,472
Provision for estimated warranties	21,487	—
Settlements made during the period	<u>(6,252)</u>	<u>(5,949)</u>
Ending balance, September 30	<u>\$31,580</u>	<u>\$ 8,523</u>

Legal Matters

As reported in the Company's Annual Report on Form 10-K for the year ended December 31, 2011, on January 19, 2009, a purported class action case was commenced against the Company in the Superior Court of California, Santa Cruz County, by the lead law firm of Lief, Cabraser, Heimann & Bernstein, LLP and certain other law firms (the "Lief Cabraser Group") on behalf of Eric Ross and Bradley S. Hureth and similarly situated plaintiffs. These plaintiffs generally allege certain defects in the Company's products, and

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that the Company has failed to provide adequate remedies for defective products. On February 13, 2009, the Company removed this case to the United States District Court, Northern District of California. On January 21, 2009, a purported class action case was commenced against the Company in the United States District Court, Western District of Washington by the law firm of Hagens Berman Sobol Shapiro LLP (the “Hagens Berman Firm”) on behalf of Mark Okano and similarly situated plaintiffs, generally alleging certain product defects in the Company’s products, and that the Company has failed to provide adequate remedies for defective products. This case was transferred by the Washington Court to the California Court as a related case to the Loeff Cabraser Group’s case.

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

On March 25, 2010, the Loeff Cabraser Group amended its complaint to add claims relating to alleged defects in the Company’s products and alleged misrepresentations relating to mold growth. The Hagens Berman firm has alleged similar claims in its original complaint. In its Final Order approving the surface flaking settlement, the District Court consolidated these pending actions relating to the mold claims, and appointed the Hagens Berman Firm as lead counsel in this case. The Company believes that these claims are without merit, and will vigorously defend this lawsuit.

On December 15, 2010, a purported class action case was commenced against the Company in the United States District Court, Western District of Kentucky, by the lead law firm of Cohen & Malad, LLP (“Cohen & Malad”) on behalf of Richard Levin and similarly situated plaintiffs, and on June 13, 2011, a purported class action was commenced against the Company in the Marion Circuit/Superior Court of Indiana by Cohen & Malad on behalf of Ellen Kopetsky and similarly situated plaintiffs. On June 28, 2011, the Company removed the Kopetsky case to the United States District Court, Southern District of Indiana. On August 11, 2011, a purported class action was commenced against the Company in the 50th Circuit Court for the County of Chippewa, Michigan on behalf of Joel and Lori Peffers and similarly situated plaintiffs. On August 26, 2011, the Company removed the Peffers case to the United States District Court, Western District of Michigan. On April 4, 2012, a purported class action was commenced against the Company in Superior Court of New Jersey, Essex County on behalf of Caryn Borger, M.D. and similarly situated plaintiffs. On May 1, 2012, the Company removed the Borger case to the United States District Court, District of New Jersey. The plaintiffs in these purported class actions generally allege certain defects in the Company’s products and alleged misrepresentations relating to mold growth. The Company believes that these claims are without merit, and will vigorously defend these lawsuits.

The Company has other lawsuits, as well as other claims, pending against it which are ordinary routine litigation and claims incidental to the business. Management has evaluated the merits of these other lawsuits and claims, and believes that their ultimate resolution will not have a material effect on the Company’s consolidated financial condition, results of operations, liquidity or competitive position.

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

This management’s discussion and analysis contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements regarding our expected financial position and operating results, our business strategy, our financing plans, forecasted demographic and economic trends relating to our industry and similar matters are forward-looking statements. These statements can sometimes be identified by our use of forward-looking words such as “may,” “will,” “anticipate,” “estimate,” “expect,” “intend” or similar expressions. We cannot promise you that our expectations in such forward-looking statements will turn out to be correct. Our actual results could be materially different from our expectations because of various factors, including the factors discussed under “Item 1A. Risk Factors” in our Annual Report on Form 10-K for fiscal year 2011 filed with the Securities and Exchange Commission. These statements are also subject to risks and uncertainties that could cause the Company’s actual operating results to differ materially. Such risks and uncertainties include the extent of market acceptance of the Company’s products; the costs associated with the development and launch of new products and the market acceptance of such new products; the sensitivity of the Company’s business to general economic conditions; the Company’s ability to obtain raw materials at acceptable prices; the Company’s ability to maintain product quality and product performance at an acceptable cost; the level of expenses associated with product replacement and consumer relations expenses related to product quality; and the highly competitive markets in which the Company operates.

Overview

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

We have four principal decking products: Trex Transcend®, Trex Enhance®, Trex Accents®, and Trex Escapes®; two railing products: Trex Designer Series Railing® and Trex Transcend Railing; a porch product, Trex Transcend Porch Flooring and Railing System; a steel deck framing system, Trex Elevations™; two fencing products: Trex Seclusions® and Trex Surroundings®; a deck lighting system, Trex DeckLighting™; and a cellular PVC outdoor trim product, TrexTrim™. In addition, we offer Trex Hideaway®, which is a hidden fastening system for specially grooved boards.

Highlights related to the third quarter of 2012 include:

- We reduced our total indebtedness by 98.3%, or \$114.9 million, during the quarter and ended the quarter with \$2.0 million of outstanding borrowings under our revolving credit facility.
- We recorded a \$20 million increase to the warranty reserve to settle claims related to material produced prior to 2007 that exhibits surface flaking.
- We recorded net income of \$6.2 million, or \$0.36 per diluted share, during the quarter excluding the impact of the increase to the warranty reserve.
- We achieved gross margins of 31.3% in the quarter, excluding the impact of increase to the warranty reserve.

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 products. Our branding and product differentiation strategy enables us to command premium prices over wood products.

Sales Incentives / Early Buy Program: As part of our normal business practice and consistent with industry practices, we have historically provided our distributors and dealers incentives to build inventory levels before the start of the prime deck-building season to ensure adequate availability of product to meet anticipated seasonal consumer demand and to enable production planning. These incentives, which together we reference as our “early buy program,” include prompt payment discounts and favorable payment terms. In addition, from time to time we may offer price discounts or volume rebates on specified products and other incentives based on increases in distributor purchases as part of specific promotional programs.

We launched our early buy program for the 2012 decking season in December 2011. The timing and terms of the 2012 program were generally consistent with the timing and terms of the 2011 program launched in December 2010. To qualify for early buy program incentives, customers must commit to the terms of the program which specify eligible products and quantities, order deadlines and available terms, discounts and rebates. There are no product return rights granted to our distributors except those granted pursuant to the warranty provisions of our agreements with distributors. In addition, our products are not susceptible to rapid changes in technology that may cause them to become obsolete. The early buy program can have a significant impact on our sales, receivables and inventory levels. We have provided further discussion of our receivables and inventory in the liquidity and capital resources section.

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

Product Warranty. We continue to receive and settle claims related to material produced at our Nevada facility prior to 2007 that exhibits surface flaking and maintain a warranty reserve to provide for the settlement of these claims. While the number of claims received continues to decline, recent claims activity indicates that the rate of acceleration in the decline has not improved as anticipated.

During the three months ended September 30, 2012, we concluded, based on an analysis of recent claims activity, that the payments for surface flaking claims and the rate of decline in claims in 2012 will approximate the levels experienced in 2011, falling short of our estimated decline. As a result, we revised our estimate of the future claims to be received to reflect a rate of decline consistent with the trend now emerging from the claims activity. The effect of reducing the anticipated rate of decline both increases the number of claims expected in future years and extends the number of years in which claims will be received. As a result of these changes in estimate, we recorded an increase of \$20 million to the warranty reserve at September 30, 2012.

We estimate that the number of claims received will continue to decline over time. If the level of claims does not diminish consistent with our expectations, it could result in additional increases to the warranty reserve and reduced earnings in future periods. We estimate that a 10% change in the expected number of remaining claims or the expected cost to settle claims may result in approximately a \$3.2 million change in the warranty reserve.

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

Results of Operations

The following table shows, for the three and nine months ended September 30, 2012 and 2011, respectively, selected statement of comprehensive income data as a percentage of net sales:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	97.0	74.6	72.8	70.4
Gross profit	3.0	25.4	27.2	29.6
Selling, general and administrative expenses	22.3	19.1	21.2	21.8
Income (loss) from operations	(19.3)	6.3	6.0	7.8
Interest expense, net	0.2	7.1	3.4	5.9
Income (loss) before income taxes	(19.5)	(0.8)	2.6	1.9
Provision (benefit) for income taxes	0.7	—	0.2	(1.2)
Net income (loss)	(20.2)%	(0.8)%	2.4%	3.1%

Three Months Ended September 30, 2012 Compared With Three Months Ended September 30, 2011

Net Sales. Net sales in the quarter ended September 30, 2012 (the “2012 quarter”) increased 4.3% to \$70.8 million from \$67.9 million in the quarter ended September 30, 2011 (the “2011 quarter”). The increase in net sales was due primarily to an increase in sales volume. We attribute the increase in sales volumes in the 2012 quarter compared to the 2011 quarter to the execution of growth strategies including the introduction of new product lines and increased market share.

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Gross Profit. Gross profit decreased to \$2.1 million in the 2012 quarter from \$17.3 million in the 2011 quarter. Gross profit in the 2012 quarter was adversely affected by a \$20.0 million increase to the previously established warranty reserve. Excluding the aforementioned charge in the 2012 quarter, gross profit increased 28.2% to \$22.1 million in the 2012 quarter from \$17.3 million in the 2011 quarter. Excluding the aforementioned charge in the 2012 quarter, gross margin increased to 31.3% from 25.4% in the 2011 quarter. Improved manufacturing efficiencies contributed 4% and sales related items contributed 2% to gross margin.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased \$2.8 million, or 21.9% to \$15.8 million in the 2012 quarter from \$13.0 million in the 2011 quarter. The increase in selling, general and administrative expenses in the 2012 quarter was primarily related to a \$2.5 million increase in personnel related expenses due to increased incentive compensation and sales commissions. We recorded a \$1.9 million loss on the disposal of property, plant and equipment due to improvements in manufacturing technologies that caused existing technologies and related equipment to become obsolete. These increases were partially offset by a \$1.4 million benefit in the 2012 quarter due to a reduction in the provision for future contingent payments resulting from decreased near-term sales projections of steel deck-framing systems. As a percentage of net sales, total selling, general and administrative expenses increased to 22.3% in the 2012 quarter from 19.1% in the 2011 quarter.

Interest Expense. Net interest expense decreased \$4.6 million to \$0.2 million in the 2012 quarter from \$4.8 million in the 2011 quarter. The decrease was the result of a significant decrease in debt during the 2012 quarter, primarily due to the repayment of the \$91.9 million principal balance on the convertible notes on July 2, 2012. As a percentage of net sales, interest expense decreased to 0.2% in the 2012 quarter from 7.1% in the 2011 quarter.

Provision for Income Taxes. The effective tax rate for the 2012 quarter and 2011 quarter was (3.4%) and 3.5%, respectively, which resulted in an expense of \$0.5 million and a benefit of \$18 thousand for the respective quarters. The effective tax rate was substantially lower than the statutory rate in both quarters due to the effect of the valuation allowance we maintain against our net deferred tax assets which substantially offsets statutory income tax. As a result of our valuation allowance, our annual effective tax rate, and changes to it, is primarily a function of our expectations of the cash taxes paid to various jurisdictions as a result of taxable income exceeding available net operating loss carry-forwards or alternative minimum tax calculations. We expect cash taxes paid to be materially consistent with amounts paid in the prior period.

Nine Months Ended September 30, 2012 Compared With Nine Months Ended September 30, 2011

Net Sales. Net sales in the nine months ended September 30, 2012 (the “2012 nine-month period”) increased 21.3% to \$261.2 million from \$215.3 million in the nine months ended September 30, 2011 (the “2011 nine-month period”). The increase in net sales was due primarily to an increase in sales volume. We attribute the increase in sales volumes in the 2012 nine-month period compared to the 2011 nine-month period to various factors, including:

- Sales volumes in the 2011 nine-month period were depressed as a result of customers purchasing product in late 2010 to avoid an announced 2011 Transcend price increase;
- Favorable weather conditions throughout 2012 compared to 2011 have allowed for a more favorable deck-building season, and;
- Increased market share.

Gross Profit. Gross profit increased 11.5% to \$71.2 million in the 2012 nine-month period from \$63.8 million in the 2011 nine-month period. Gross profit in the 2012 nine-month period was adversely affected by a \$21.5 million increase to the warranty reserve. Excluding the aforementioned charge in the 2012 nine-month period, gross profit increased 45.1% to \$92.6 million in the 2012 nine-month period from \$63.8 million in the 2011 nine-month period. Excluding the aforementioned charge in the 2012 nine-month period, gross margin increased to 35.5% in the 2012 nine-month period from 29.6% in the 2011 nine-month period. Improved manufacturing efficiencies contributed 4% and sales related items contributed 2% to gross margin.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased \$8.3 million, or 17.6% to \$55.3 million in the 2012 nine-month period from \$47.0 million in the 2011 nine-month period. The increase in selling, general and administrative expenses in the 2012 nine-month period was primarily related to a \$7.8 million increase in personnel related expenses due to increased incentive compensation, sales commissions and severance costs. We recorded a \$1.9 million loss on the disposal of property, plant and equipment due to improvements in manufacturing technologies that caused existing technologies and related equipment to become obsolete. These increases were partially offset by a \$1.4 million benefit in the 2012 nine-month period due to a reduction in the provision for future contingent payments resulting from decreased near-term sales projections of steel deck-framing systems. As a percentage of net sales, total selling, general and administrative expenses decreased to 21.2% in the 2012 nine-month period from 21.8% in the 2011 nine-month period.

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Interest Expense. Net interest expense decreased \$3.9 million to \$8.9 million for the 2012 nine-month period from \$12.8 million in the 2011 nine-month period. The decrease was the result of a significant decrease in debt during the 2012 nine-month period, primarily due to the repayment of the \$91.9 million principal balance on the convertible notes on July 2, 2012. As a percentage of net sales, interest expense decreased to 3.4% in the 2012 nine-month period from 5.9% in the 2011 nine-month period.

Provision for Income Taxes. The effective tax rate for the 2012 and 2011 nine-month periods was 9.3% and (64.1%), respectively, which resulted in an expense of \$0.7 million and a benefit of \$2.6 million, in the respective nine-month periods. The effective tax rate for the 2011 nine-month period was primarily the result of benefits recorded in the first quarter related to the favorable resolution of uncertain tax positions. Excluding these benefits, the effective tax rate for the nine-months ended September 30, 2011 was approximately 0.1%. The effective tax rate was substantially lower than the statutory rate in both nine-month periods due to the effect of the valuation allowance we maintain against our net deferred tax assets which substantially offsets statutory income tax. As a result of our valuation allowance, our annual effective tax rate, and changes to it, is primarily a function of our expectations of the cash taxes paid to various jurisdictions as a result of taxable income exceeding available net operating loss carry-forwards or alternative minimum tax calculations. We expect cash taxes paid to be materially consistent with amounts paid in the prior period.

Liquidity and Capital Resources

We finance operations and growth primarily with cash flow from operations, borrowings under our revolving credit facility, operating leases and normal trade credit terms from operating activities.

At September 30, 2012, we had \$2.5 million of cash and cash equivalents.

Sources and Uses of Cash. Cash provided by operating activities for the 2012 nine-month period was \$60.4 million compared to cash provided by operating activities of \$41.2 million for the 2011 nine-month period. The \$19.2 million increase was primarily related to a reduction in inventory levels, which accounted for a \$24.3 million improvement in cash provided by operating activities. The favorable effect of the reduced inventory levels was partially offset by an increase in the ending accounts receivable balance at September 30, 2012 compared to September 30, 2011. The increased accounts receivable balance was a result of increased sales in the 2012 nine-month period compared to the 2011 nine-month period. We expect to collect substantially all outstanding accounts receivable balances by the end of 2012.

Cash used in investing activities totaled \$5.6 million in the 2012 nine-month period compared to cash used in investing activities of \$8.1 million in the 2011 nine-month period. The decrease is primarily attributable to the acquisition of substantially all of the assets of Iron Deck Corporation in the 2011 nine-month period. Capital expenditures in the 2012 nine-month period consisted primarily of manufacturing equipment for process and productivity improvements, including retrofitting lines to produce new products.

Cash used in financing activities was \$56.8 million in the 2012 nine-month period compared to cash used in financing activities of \$10.1 million in the 2011 nine-month period. In the 2012 nine-month period, we used cash on hand, including \$37.0 million classified as restricted cash, to repay in full the \$91.9 million principal balance on the convertible notes. Our net borrowings from the revolving credit facility were \$2.0 million in the 2012 nine-month period compared to no borrowings in the 2011 nine-month period.

Capital Requirements. Capital expenditures in the 2012 nine-month period totaled \$5.6 million, primarily for manufacturing equipment. We currently estimate that our capital expenditures in 2012 will be approximately \$10 to \$15 million.

Indebtedness. At September 30, 2012, our indebtedness totaled \$2.0 million and the annualized weighted average interest rate of such indebtedness was 2.2%.

Our ability to borrow under our revolving credit facility is tied to a borrowing base that consists of certain accounts receivables, inventories, machinery and equipment and real estate. At September 30, 2012, we had \$2.0 million of outstanding borrowings under the revolving credit facility and additional available borrowing capacity of approximately \$59.3 million.

Debt Covenants. To remain in compliance with covenants contained within our debt agreements, we must maintain specified financial ratios based on levels of debt, capital, net worth, fixed charges, and earnings before interest, taxes, depreciation and amortization. At September 30, 2012, we were in compliance with these covenants. Failure to comply with our loan covenants might cause our lenders to accelerate our repayment obligations under our credit facility, which may be declared payable immediately based on a default.

We believe that cash on hand, cash from operations and borrowings expected to be available under our revolving credit facility will provide sufficient funds to fund planned capital expenditures, make scheduled principal and interest payments,

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fund the warranty reserve and meet other cash requirements. We currently expect to fund future capital expenditures from operations and financing activities. The actual amount and timing of future capital requirements may differ materially from our estimate depending on the demand for Trex and new market developments and opportunities.

Inventory in Distribution Channels. We sell our products through a tiered distribution system. We have approximately 20 distributors and two mass merchandisers to which we sell our products. These distributors in turn sell the products to approximately 3,100 dealers who in turn sell the products to end users. While we do not typically receive information regarding inventory in the distribution channel from dealers, we occasionally receive limited information from some but not all of our distributors regarding their inventory. Because few distributors provide us with any information regarding their inventory, we cannot definitively determine the level of inventory in the distribution channels at any time. We believe that distributor inventory levels as of September 30, 2012 are generally lower than distributor inventory levels as of September 30, 2011. Significant changes in inventory levels in the distribution channel without a corresponding change in end-user demand could have an adverse effect on future sales.

Product Warranty. We continue to receive and settle claims related to material produced at our Nevada facility prior to 2007 that exhibits surface flaking, which has had a material adverse effect on cash flow from operations. We estimate that the number of claims received will continue to decline over time. If the level of claims does not diminish consistent with our expectations, it could result in additional increases to the warranty reserve and reduced earnings and cash flow in future periods.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

For information regarding our exposure to certain market risks, see “Quantitative and Qualitative Disclosures about Market Risk,” in Part II, Item 7A of the Company’s 10-K for the year ended December 31, 2011. There were no material changes to the Company’s market risk exposure during the nine months ended September 30, 2012.

Item 4. Controls and Procedures

The Company’s management, with the participation of its Chief Executive Officer, who is the Company’s principal executive officer, and its Vice President and Chief Financial Officer, who is the Company’s principal financial officer, has evaluated the effectiveness of the Company’s disclosure controls and procedures as of September 30, 2012. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the Company’s disclosure controls and procedures are effective. In addition, there have been no changes in the Company’s internal control over financial reporting during the quarter ended September 30, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II

OTHER INFORMATION

Item 6. Exhibits

The Company files herewith the following exhibits:

- 3.1 Restated Certificate of Incorporation of Trex Company, Inc. (the “Company”). Filed as Exhibit 3.1 to the Company’s Registration Statement on Form S-1 (No. 333-63287) and incorporated herein by reference.
- 3.2 Amended and Restated By-Laws of the Company. Filed as Exhibit 3.2 to the Company’s Current Report on Form 8-K filed May 7, 2008 and incorporated herein by reference.
- 10.1 Trex Company, Inc. Amended and Restated 1999 Incentive Plan for Outside Directors. Filed herewith.
- 10.2 Amendment and Restatement of Employment Agreement, dated as of July 24, 2012, between Trex Company, Inc. and Ronald W. Kaplan. Filed herewith.
- 10.3 Retention Agreement, dated as of July 24, 2012, between Trex Company, Inc. and Ronald W. Kaplan. Filed herewith.
- 10.4 Retention Agreement, dated as of July 24, 2012, between Trex Company, Inc. and James E. Cline. Filed herewith.
- 10.5 Retention Agreement, dated as of July 24, 2012, between Trex Company, Inc. and William R. Gupp. Filed herewith.*
- 10.6 Retention Agreement, dated as of July 24, 2012, between Trex Company, Inc. and F. Timothy Reese. Filed herewith.
- 31.1 Certification of Chief Executive Officer of Trex Company, Inc. pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934. Filed herewith.
- 31.2 Certification of Chief Financial Officer of Trex Company, Inc. pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934. Filed herewith.
- 32 Certifications pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. § 1350. Filed herewith.
- 101 The following financial statements from the Company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2012, formatted in Extensible Business Reporting Language (“XBRL”): (i) condensed consolidated balance sheets, (ii) condensed consolidated statements of comprehensive income, (iii) condensed consolidated statements of cash flows, and (iv) the notes to the condensed consolidated financial statements. Under Rule 406T of Regulation S-T, this exhibit is deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise is not subject to liability under those sections. Filed herewith.

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

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: November 1, 2012

By: /s/ James E. Cline

James E. Cline

Vice President and Chief Financial Officer

(Duly Authorized Officer and Principal Financial Officer)

EXHIBIT INDEX

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

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1. DEFINITIONS

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

- 1.1 "Annual Director Fee" means an annual fee earned by an Eligible Director for service on the Board of Directors.
- 1.2 "Annual Committee Fee" means an annual fee earned by an Eligible Director for service on various committees of the Board of Directors.
- 1.3 "Board of Directors" or "Board" means the Board of Directors of the Company.
- 1.4 "Cash Portion of the Annual Director Fee" means the portion of the Annual Director Fee to be received in cash, or if elected by the Eligible Director, in Options or SARs and Restricted Stock, as provided in Sections 4.1.1 and 4.3 hereof.
- 1.5 "Committee" means the Nominating/Corporate Governance Committee which administers the Plan.
- 1.6 "Common Stock" means the common stock, par value \$0.01 per share, of the Company.
- 1.7 "Company." means Trex Company, Inc., a Delaware corporation, or any successor thereto.
- 1.8 "Election Form" means the form used by an Eligible Director to elect to receive all or a portion of the Cash Portion of the Annual Director Fee and the Annual Committee Fee for a Plan Year in the form of Options or SARs and Restricted Stock.
- 1.9 "Eligible Director" for each Plan Year means a member of the Board of Directors who is not an employee of the Company or any Subsidiary.
- 1.10 "Equity Portion of the Annual Director Fee" means the portion of the Annual Director Fee to be received in Restricted Stock, as provided in Section 4.1.2 hereof.
- 1.11 "Fair Market Value" means the closing price of a share of Common Stock reported on the New York Stock Exchange (the "NYSE") on the date Fair Market Value is being determined, provided that if there is no closing price reported on such date, the Fair Market Value of a share of Common Stock on such date shall be deemed equal to the closing price as reported by the NYSE for the last preceding date on which sales of shares of Common Stock were reported. Notwithstanding the foregoing, in the event that the shares of Common Stock are listed upon more than one established stock exchange, "Fair Market Value" means the closing price of the shares of Common Stock reported on the exchange that trades the largest volume of shares of Common Stock on the date Fair Market Value is being determined. If the Common Stock is not at the time listed or admitted to trading on a stock exchange, Fair Market Value means the mean between the

lowest reported bid price and highest reported asked price of the Common Stock on the date in question in the over-the-counter market, as such prices are reported in a publication of general circulation selected by the Board and regularly reporting the market price of Common Stock in such market. If the Common Stock is not listed or admitted to trading on any stock exchange or traded in the over-the-counter market, Fair Market Value shall be as determined in good faith by the Board.

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

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

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

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

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

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

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

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

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

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

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

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

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

2. PURPOSE

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

3. SHARES SUBJECT TO THE PLAN

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

4. ANNUAL DIRECTOR AND COMMITTEE FEES

4.1 Annual Director Fee

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

4.1.1 Cash Portion of the Annual Director Fee. Each Eligible Director shall receive the amount of forty thousand dollars (\$40,000) (the "Cash Portion of the Annual Director Fee"). The Cash Portion of the Annual Director Fee (after reduction pursuant to Section 4.3 hereof, if any) shall be paid to an Eligible Director in four equal quarterly installments in arrears on the first business day following the end of each quarter of the Plan Year in which the Eligible Director provided services to the Company. Notwithstanding the foregoing, (a) any Eligible Director who serves as Chairman of the Board shall receive the amount of seventy thousand dollars (\$70,000) in lieu of the \$40,000 payment referred to above, and (b) any Eligible Director that serves as Lead Independent Director shall receive the amount of twelve thousand five hundred dollars (\$12,500) in addition to the \$40,000 payment referred to above, with all other provisions of this subsection being applicable to such Eligible Director(s).

4.1.2 Equity Portion of the Annual Director Fee. Each Eligible Director shall receive Restricted Stock valued at fifty five thousand dollars (\$55,000) (the "Equity Portion of the Annual Director Fee"). The number of shares of Restricted Stock shall be determined by dividing \$55,000 by the Fair Market Value of a share of Common Stock on the grant date. The Equity Portion of the Annual Director Fee shall be paid in arrears as provided in Section 5 below.

4.2 Annual Committee Fee

Each Eligible Director shall be entitled to an Annual Committee Fee, which may be adjusted by the Board from time to time, as follows (a) twelve thousand five hundred dollars (\$12,500) for the Audit Committee Chairman, (b) seven thousand five hundred dollars (\$7,500) for each Audit Committee member (other than the Chairman), (c) seven thousand five hundred dollars (\$7,500) for the Nominating/Corporate Governance Committee Chairman and the

Compensation Committee Chairman, and (d) five thousand dollars (\$5,000) for each Compensation Committee member (other than the Chairman) and Nominating/Corporate Governance Committee member (other than the Chairman). The Annual Committee Fee shall be paid to an Eligible Director in four equal quarterly installments in arrears on the first business day following each quarter of the Plan Year in which the Eligible Director served on the applicable committee(s).

4.3 Election

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

4.4 Proration

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

4.5 Initial Grant upon Election to Board

Upon initial election to the Board (but not subsequent re-elections), each Eligible Director shall receive Options or SARs valued at fifty five thousand dollars (\$55,000), with the number of Options or SARs granted being determined by dividing such amount by the value of each Option or SAR on the grant date as determined pursuant to the methodology then in use by the Company's Finance Department to value Options and SARs granted pursuant to the Trex Company, Inc. 2005 Stock Incentive Plan. The form of the grant (either Options or SARs, or some combination) shall be determined by the Board prior to the Grant Date.

5. GRANT DATE

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

6. OPTION/SAR PRICE

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

7. TERM OF OPTIONS/SARS

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

8. VESTING OF OPTIONS/SARS AND RESTRICTED STOCK

8.1 Options/SARs

Each Option or SAR, as the case may be, granted hereunder shall be exercisable in respect of 100 percent (100%) of the number of shares covered by the grant on the date of the grant of such Option or SAR. Any limitation on the exercise of an Option or SAR contained in any Option or SAR Agreement may be rescinded, modified or waived by the Committee, in its sole discretion, at any time and from time to time after the date of grant of such Option or SAR. The Option or SAR, as the case may be, shall be exercisable, in whole or in part, at any time and from time to time, prior to the termination of the Option or SAR; provided, that no single exercise of the Option or SAR shall be for less than 100 shares, unless the number of shares purchased is the total number at the time available for purchase under the Option or SAR.

8.2 Restricted Stock

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

9. SERVICE TERMINATION

9.1 Options/SARs

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

9.2 Restricted Stock

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

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

10.1 Election Form

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

10.2 Time for Filing Election Form

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

11. ADMINISTRATION

11.1 Committee

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

11.2 Rules for Administration

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

11.3 Committee Action

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

11.4 Delegation

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

11.5 Services

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

11.6 Indemnification

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

12. AMENDMENT AND TERMINATION

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

13. GENERAL PROVISIONS

13.1 Limitation of Rights

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

13.2 No Rights as Stockholders

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

13.3 Rights as a Non-Employee Director

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

13.4 Assignment, Pledge or Encumbrance

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

13.5 Binding Provisions

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

13.6 Notices

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

13.7 Governing Law

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

13.8 Withholding

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

13.9 Effective Date

This Plan shall be effective as of March 12, 1999. The Plan was amended and restated effective May 14, 2002, October 24, 2003, July 27, 2004, February 10, 2005, July 21, 2005, February 8, 2006, July 20, 2006 and November 12, 2007. The Plan was amended on May 5, 2010, July 20, 2010 and July 24, 2012.

AMENDMENT AND RESTATEMENT OF EMPLOYMENT AGREEMENT

This Amendment and Restatement of Employment Agreement is entered into as of July 24, 2012, by and between Ronald W. Kaplan, an individual ("Executive") and Trex Company, Inc., a Delaware corporation (the "Company").

Recitals

The Company and Executive executed an Employment Agreement dated as of January 1, 2008, which was amended and restated as of March 7, 2011 and August 3, 2011, providing for Executive's employment as President and Chief Executive Officer of the Company (the "Employment Agreement"). The parties now desire to amend the Employment Agreement in certain respects, and to incorporate such amendments in this Amended and Restated Employment Agreement (the "Agreement").

Agreement

Now, therefore, in consideration of the mutual covenants contained herein, the parties hereby agree that the Employment Agreement shall be amended and restated as follows:

1. Employment/Board of Directors. Executive will serve as President and Chief Executive Officer of the Company for the Employment Term specified in Section 2 below. Executive will solely report to the Board of Directors of the Company (the "Board"), and Executive will render such services, consistent with the foregoing role, as the Board may from time to time direct. All employees of the Company shall report either directly or indirectly to Executive. The Company appointed Executive to the Board of Directors for an initial term, and will recommend to the shareholders that Executive be reappointed to the Board whenever his election must be approved by the shareholders.

2. Term. The employment of Executive pursuant to this Agreement (the "Employment Term") shall continue through August 16, 2015, unless extended or the Executive's employment is earlier terminated as provided in this Agreement. The Employment Term shall automatically be extended for additional one-year periods commencing on August 17, 2015 and continuing each year thereafter, unless either Executive or the Company gives the other written notice at least ninety (90) days prior to the then scheduled expiration of the Employment Term, of such party's intention not to extend the Employment Term. Employment Term includes the original term plus all extensions.

3. Salary. As compensation for the services rendered by Executive under this Agreement, the Company shall pay to Executive a base salary equal to \$515,000 per year, payable to Executive in accordance with the Company's payroll practices as in effect from time to time during the Employment Term. The base salary shall be subject to adjustment by the Board or the Compensation Committee of the Board (the "Committee"), in the sole discretion of the Board or such Committee, on an annual basis; provided, however, that Executive's base salary may not be decreased other than any such reduction consistent with a general proportionate reduction of pay across the executive staff as a group, as an economic or strategic measure due to poor financial performance by the Company. Executive's annual base salary, as may be adjusted from time to time as provided above, is referred to herein as "Base Salary".

4. Bonus. The Executive shall be eligible for participation in The Trex Company, Inc. Annual Cash Bonus Plan. As of the date of this Agreement, Executive has a target incentive of 100% of his Base Salary for fiscal year 2011. The actual amount earned will be contingent upon actual Company and individual performance as identified in the plan and may range between 0% of target and the maximum payment allowable under the plan. The annual target bonus shall be established by the Board or the Committee, in the discretion of the Board or Committee, but in no event shall the target bonus be less than 80% of Base Salary, and shall be payable based on achievement of performance objectives as identified in the plan and which are established in consultation with Executive.

5. Stock Incentive Awards. Executive shall be eligible to participate in any stock incentive plan approved by the Board of Directors and the shareholders at a level appropriate to his position as President and Chief Executive Officer. The terms and conditions of any and all such grants will be determined by the applicable Stock Agreement of the Trex Company, Inc. 2005 Stock Incentive Plan (or a successor plan) in effect at the time of such grant. Under the current provisions of the Plan, the President and Chief Executive Officer is eligible for an annual grant of Long-Term Incentives (LTI) which is equal to 200% of Base Salary.

In 2008, upon commencement of his employment, the Company granted to the Executive an initial grant of stock equal to one (1) times the Annual LTI Grant amount (200% of Base Salary at the rate in effect in 2008). This initial grant was as follows:

(a) Stock Appreciation Rights (SARs), equal to 140% of Base Salary (at the rate in effect in 2008) at an exercise price equal to the fair market value of the Common Stock on the date of the grant. The SARs vest equally over a three (3) year period in accordance with the award agreement, and as of the date of this Agreement, Executive is 100% vested in such SARs.

(b) Restricted shares of Common Stock with a par value of \$0.01, the amount of which equals 60% of Base Salary (at the rate in effect in 2008) subject to a three (3) year annual vesting in equal installments in accordance with the award agreement, and as of the date of this Agreement, Executive is 100% vested in such restricted shares.

6. Benefits.

(a) Benefits. Executive will be entitled to receive all benefits provided to senior executives, executives and employees of the Company generally from time to time, including medical, dental, life insurance and long-term disability, in each case so long as and to the extent that the same exist; provided, that in respect to each such plan Executive is otherwise eligible and insurable in accordance with the terms of such plans.

(b) Vacation, Sick Leave, and Holidays. Executive shall be entitled to vacation, which shall be no less than 4 weeks per year, sick leave, and holidays in accordance with the policies of the Company as they exist from time to time.

(c) Automobile Allowance. During the Employment Term, Executive shall be entitled to receive a monthly automobile allowance of \$1,000.00 for any and all expenses related to Executive's automobile (i.e., lease payments, insurance, gas, tolls, parking, etc.). Except for reimbursement of directly related automobile expenses (i.e. parking and tolls) incurred by Executive while fulfilling his duties and responsibilities to the Company, but which are outside of Executive's normal day to day usage of his automobile, Executive will not be entitled to any additional or alternative reimbursement for any other automobile related expenses. The payment of any taxes associated with the automobile allowance shall be the sole responsibility of Executive.

(d) Signing Bonus. Upon commencement of his employment with the Company in 2008, Executive received a signing bonus of \$200,000, minus all deductions required by law.

(e) Reimbursement of Legal Expenses. The Company shall reimburse Executive for reasonable legal expenses associated with the review of this Agreement, the Change in Control Severance Agreement, and any other documents associated with Executive's employment with the Company.

(f) Relocation Expenses. Executive shall be entitled to reimbursement under the Company's relocation policy as in effect from time to time.

(g) Indemnification and Insurance. During the term of this Agreement and at all times thereafter, with respect to Executive's service to the Company, Executive shall be entitled to indemnification pursuant to the terms of the Company's By-Laws and applicable law. During the term of this Agreement, and for a period of six years thereafter, with respect to Executive's service to the Company, Executive shall be entitled to indemnification pursuant to the terms of the Company's Directors and Officers Liability Insurance.

7. Effect of Termination

(a) Termination by the Company for Cause or at the Election of Executive Without Good Reason. In the event Executive's employment is terminated for Cause, as defined in Section 10(a), or at the election of Executive for any reason other than Good Reason, as defined in Section 10(b), the Company shall pay to Executive the compensation and benefits otherwise due and payable to him in a lump sum payment in cash, payable within 10 days after termination of employment, equal to the sum of (1) Executive's accrued Base Salary and any accrued vacation pay through the date of termination of employment, and (2) Executive's annual bonus earned for the fiscal year immediately preceding the fiscal year in which the date of termination of employment occurs if such bonus has not been paid as of the date of termination of employment.

(b) Termination for Death or Disability. If Executive's employment is terminated by death or because of Disability, as defined in Section 10(c), the Company shall pay to the estate of Executive or to Executive, as the case may be, a lump sum payment in cash, payable within 10 days after termination of employment, equal to the sum of (1) Executive's accrued Base Salary and any accrued vacation pay through the date of termination of employment, and (2) Executive's annual bonus earned for the fiscal year immediately preceding the fiscal year in which the date of termination of employment occurs if such bonus has not been paid as of the date of termination of employment.

(c) Termination by the Company Without Cause or By Executive for Good Reason. Subject to Section 7(c)(8) below, if Executive's employment is terminated by the Company without Cause, or is terminated by Executive for Good Reason, at any time during the Employment Term (including extensions thereof), except as provided in Section 7(d) and/or except during the Change in Control Protection Period (as defined in Executive's Amended and Restated Change In Control Severance Agreement dated August 3, 2011 ("Change in Control Severance Agreement")), Executive will be entitled to the following payments and benefits outlined in this Section 7(c):

(1) Payment of Accrued Obligations. The Company shall pay to Executive a lump sum payment in cash, no later than 10 days after the date of termination of employment, equal to the sum of (1) Executive's accrued Base Salary and any accrued vacation pay through the date of termination of employment, and (2) Executive's annual bonus earned for the fiscal year immediately preceding the fiscal year in which the date of termination of employment occurs if such bonus has not been paid as of the date of termination of employment.

(2) Payment of Severance. Subject to Section 7(c)(7) below, the Company shall pay to Executive a lump sum cash payment, no later than 10 days after such termination, equal to two (2) times Executive's Final Pay as defined in Section 10(d). In the event Executive materially breaches any non-compete or confidentiality agreement then in effect with the Company, Executive agrees to return to the Company all amounts received under this Section 7(c)(2).

(3) Acceleration of Equity; Period to Exercise. Subject to Section 7(c)(7) below, Executive shall become fully and immediately vested in all unvested restricted stock grants, stock appreciation rights, options, and/or any other form of equity grant and all applicable restrictions on any shares under any grants shall lapse, and each stock appreciation right and option and any other equity that may be subject to an exercise period shall be exercisable for a period ending on the earlier of five (5) years after the date of termination of employment or the expiration of the term of such equity grant.

(4) Benefit Continuation. Subject to Section 7(c)(7) below, commencing on the date immediately following Executive's date of termination of employment and continuing for 24 months (or such lesser time as required to avoid the imposition of additional taxes under Section 409A of the Internal Revenue Code of 1986, as amended (the "Code")) (the "Welfare Benefit Continuation Period"), the Company shall cover Executive under the

same type of Company-sponsored group health plan and dental plan (e.g., individual or family coverage) and group life insurance in which he was covered immediately prior to termination of employment. The Executive shall receive such continued coverage under the same terms and conditions (e.g., any requirement that employees pay all or any portion of the cost of such coverage) that would apply if Executive had continued to be an employee of the Company during the Welfare Benefit Continuation Period.

(5) For each month during the Welfare Benefit Continuation Period in which Executive's continued coverage under an insured plan is not possible, the Company shall, in lieu of providing the coverage described in the preceding paragraph, make a monthly cash payment to Executive equal to the monthly premium the Company would be charged for coverage of a similarly-situated employee. The Company shall not be obligated to "gross up" or otherwise compensate Executive for any taxes due on amounts paid pursuant to the preceding sentence.

(6) Notwithstanding any other provision of this Section 7(c), the Company's obligation to provide continued coverage (or, in lieu thereof, make a cash payment) pursuant to this Section 7(c) shall expire on the date Executive becomes covered under one or more plans sponsored by a new employer (other than a successor to the Company) that, at the sole discretion of the Administrator, as defined in Section 10(e), are determined to provide coverage at least equivalent in the aggregate to the benefits continued under Section 7(c)(4). The coverage period for purposes of the group health continuation requirements of Section 4980B of the Code shall commence at the expiration of the Welfare Benefit Continuation Period.

(7) Release. The Executive shall not be eligible to receive any payments or benefits provided in Section 7(c) (other than payments under Section 7(c)(1)) unless he first executes a written release and agreement substantially in the form attached hereto as Exhibit A and does not revoke such release and agreement within the time permitted therein for such revocation. The release and agreement shall be executed and become irrevocable within sixty (60) days after the Executive's employment termination date.

(8) Restriction on Timing of Distribution. Anything in this Agreement to the contrary notwithstanding, if (1) on Executive's date of termination of employment, any of the Company's stock is publicly traded on an established securities market or otherwise (within the meaning of Section 409A(a)(2)(B)(i) of the Code) and (2) as a result of such termination, Executive would receive any payment that, absent the application of this Section 7(c)(8), would be subject to interest and additional tax imposed pursuant to Section 409A(a) of the Code as a result of the application of Section 409A(a)(1)(B) of the Code, then no such payment shall be payable prior to the date that is the earliest of (x) six months after Executive's date of termination of employment, (y) Executive's death or (z) such other date as will cause such payment not to be subject to such interest and additional tax. For the avoidance of doubt, upon the Executive's involuntary separation from service (as defined in Treas. Regs. §1.409A-1(n)), the preceding sentence shall not prevent payment to the Executive during such six-month period of an aggregate amount not exceeding the lesser of (a) two (2) times the sum of the Executive's annualized compensation based upon the annual rate of pay for his taxable year preceding the taxable year of the separation from service, or (b) two (2) times the maximum amount that may be taken into account under a qualified plan pursuant to Section 401(a)(17) of the Code for the year in which the Executive has a separation from service, as permitted pursuant to Treas. Regs. §1.409A-1(b)(9)(iii).

(d) Termination on August 16, 2015 by Company Upon Expiration Pursuant to Section 2. In the event that the Company provides notice under Section 2 of its intention not to extend the Employment Term for an additional one year period upon its expiration on August 16, 2015, then the Company shall pay to the Executive a lump sum cash payment, no later than 10 days after August 16, 2015, equal to one and one half (1.5) times the sum of (1) Executive's Base Salary in effect at the time employment terminates and (2) Executive's targeted cash bonus for the year in which employment terminates. In the event Executive materially breaches any non-compete or confidentiality agreement then in effect with the Company, Executive agrees to return to the Company all amounts received under this Section 7(d). For purposes of clarification, regardless of his age, if Executive's employment is terminated by the Company without Cause at any time during the Employment Term (including extensions thereof) without adherence to the notice and expiration provisions of Section 2, then the payment and benefit provisions of Section 7(c) shall apply. Additionally, regardless of his age, if Executive terminates his employment for Good Reason at any time during the Employment Term (including extensions thereof), then the payment and benefit provisions of Section 7(c) shall apply.

(e) Accelerated Vesting of Equity Compensation Upon Termination On or After August 16, 2015. If Executive's employment is terminated for any reason on or after August 16, 2015, other than by the Company for Cause (as defined in Section 10(a)), Executive shall become fully and immediately vested in all unvested restricted stock grants, stock appreciation rights, options, and/or any other form of equity grant and all applicable restrictions on any shares under any grants shall lapse, and each stock appreciation right and option and any other equity grant that is subject to an exercise period shall be exercisable for a period ending on the earlier of five (5) years after the date of termination of employment or the expiration of the term of such equity grant.

(f) Termination During a Change in Control Protection Period. If Executive's employment is terminated during a Change in Control Protection Period (as that term is defined in Executive's Change in Control Severance Agreement), Executive shall be entitled to receive such severance payments and benefits as are set forth in Executive's Change in Control Severance Agreement, and shall not be entitled to any benefits under this Section 7.

8. Duty to Devote Full Time and Avoid Conflict of Interest. Executive agrees that during the Employment Term Executive shall devote his full-time efforts to his duties as an employee of the Company. Executive further agrees that during the Employment Term Executive shall not, directly or indirectly, engage or participate in any activities which are in conflict with the best interests of the Company. Notwithstanding the foregoing, nothing herein shall preclude Executive from: (i) serving, with the prior written consent of the Company, which consent shall not be unreasonably withheld, as a member of the board of directors or advisory boards (or their equivalents in the case of a non-corporate entity) of non-competing businesses and charitable organizations; (ii) engaging in charitable activities and community affairs; and (iii) managing his personal investments and affairs; provided, however, that the activities set out in clauses (i), (ii) and (iii) shall be limited by Executive so as not to materially interfere, individually or in the aggregate, with the performance of his duties and responsibilities hereunder.

9. Compliance with Rules and Regulations. Executive agrees to comply with the Company's rules, regulations and practices as they may from time to time be adopted or modified, so long as they are uniformly applied to all employees.

10. Definitions.

(a) "Cause" means one of the following reasons for which the Executive's employment with the Company is terminated: (1) Executive's willful or grossly negligent misconduct that is materially injurious to the Company; (2) Executive's embezzlement or misappropriation of funds or property of the Company; (3) Executive's conviction of a felony or the entrance of a plea of guilty or nolo contendere to a felony; (4) Executive's conviction of any crime involving fraud, dishonesty, moral turpitude or breach of trust or the entrance of a plea of guilty or nolo contendere to such a crime; or (5) Executive's willful failure or refusal by Executive to devote his full business time (other than on account of disability or approved leave) and attention to the performance of his duties and responsibilities if such breach has not been cured within 15 days after written notice thereof is given to the Executive by the Board.

(b) For the purposes of this Agreement, "Good Reason" shall exist upon: (1) a material and adverse change in Executive's status or position(s) as an officer or management employee of the Company, including, without limitation, any adverse change in his status or position as an employee of the Company as a result of a material diminution in his duties or responsibilities (other than, if applicable, any such change directly attributable to the fact that the Company is no longer publicly owned) or the assignment to him of any duties or responsibilities which are materially inconsistent with such status or position(s) (other than any isolated and inadvertent failure by the Company that is cured promptly upon his giving notice), or any removal of Executive from or any failure to reappoint or reelect him to such position(s) (except in connection with Executive's termination other than for Good Reason); (2) a 10% or greater reduction in Executive's aggregate Base Salary and targeted bonus, other than any

such reduction proportionately consistent with a general reduction of pay across the executive staff as a group, as an economic or strategic measure due to poor financial performance by the Company; (3) the failure by the Company to continue in effect any employee benefit plan (excluding any equity compensation plan) in which the Executive is participating (or plans providing Executive with similar benefits that are not materially reduced in the aggregate) other than as a result of the normal expiration of any such plan in accordance with its terms; or the taking of any action, or the failure to act, by the Company or any successor which would adversely affect Executive's continued participation in any of such plans on at least as favorable a basis to him or which would materially reduce his benefits under any of such plans; (4) Company's requiring Executive to be based at an office that is both more than 50 miles from where his office is located and further from his then current residence; or (5) a material breach by the Company of this Agreement; provided, however, that if any of the conditions in this Section 10(b) exists, the Executive must provide notice to the Company no more than ninety (90) calendar days following the initial existence of the condition and his intention to terminate his employment for Good Reason. Upon such notice, the Company shall have a period of thirty (30) calendar days during which it may remedy the condition.

(c) For the purposes of this Agreement, the term "Disability" shall have the meaning given that term under the Trex Company, Inc. disability plan carrier, as in effect at the time a determination of Disability is to be made.

(d) For the purposes of this Agreement, the term "Final Pay" shall be defined as the sum of (1) Executive's Base Salary plus automobile allowance in effect at the time employment terminates (without taking into consideration a reduction in Base Salary which constitutes "Good Reason" as provided in Section 10(b)(2) above), and (2) the greater of (A) Executive's targeted cash bonus for the year immediately prior to the year in which employment terminates or (B) the actual cash bonus earned by the Executive for the year immediately prior to the year in which employment terminates.

(e) For the purposes of this Agreement, the term "Administrator" means the Committee or such other person or persons appointed from time to time by the Committee.

11. Notices. For purposes of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when hand delivered, sent by overnight courier, or mailed by first-class, registered or certified mail, return receipt requested, postage prepaid, or transmitted by telegram, telecopy, or telex, addressed, in the case of the Executive, to the Executive's address as shown on the Company's records and, in the case of the Company, to the Company's principal office, to the attention of the General Counsel, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

12. Entire Agreement. This Agreement, together with the Executive's Change In Control Severance Agreement, any stock appreciation rights agreement, restricted stock agreement and/or any other equity agreement issued pursuant to the Trex Company, Inc. 2005 Stock Incentive Plan (or a successor plan), the Director/Officer Indemnification Agreement dated December 2, 2008, and the restrictive covenant agreement dated January 21, 2008, constitute the entire agreement between the parties and supersede all prior agreements and understandings, whether written or oral, relating to the subject matter of this Agreement.

13. Amendment. This Agreement may be amended or modified only by a written instrument executed by both the Company and Executive.

14. Governing Law. This Agreement shall be construed, interpreted and enforced as a sealed instrument under and in accordance with the laws of the Commonwealth of Virginia, without reference to the conflicts of laws provisions thereof. Any action, suit or other legal proceeding which is commenced to resolve any matter arising under or relating to any provision of this Agreement shall be commenced only in a court of the Commonwealth of Virginia (or, if appropriate, a federal court located within Virginia), and the Company and Executive each consents to the jurisdiction of such a court.

15. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of both parties and their respective successors and assigns, including any corporation with which or into which the Company may be merged or which may succeed to its assets or business, provided, however, that the obligations of Executive are personal and shall not be assigned by him. Notwithstanding the foregoing, in the event of Executive's death, any payments that Executive was otherwise entitled to under this Agreement shall be made to his estate.

16. Acknowledgment. The Executive states and represents that he has had an opportunity to fully discuss and review the terms of this Agreement with an attorney. The Executive further states and represents that he has carefully read this Agreement, understands the contents herein, freely and voluntarily assents to all of the terms and conditions hereof, and signs his name of his own free act. The Company represents that it has obtained all necessary consents and approvals to execute this Agreement.

17. Miscellaneous.

(a) No delay or omission by the Company in exercising any right under this Agreement shall operate as a waiver of that or any other right. A waiver or consent given by the Company on any one occasion shall be effective only in that instance and shall not be construed as a bar or waiver of any right on any other occasion.

(b) The captions of the sections of this Agreement are for convenience of reference only and in no way define, limit or affect the scope or substance of any section of this Agreement.

(c) Any reimbursement provided under this Agreement shall be paid as soon as reasonably practicable following Executive's submission of such reasonable supporting documentation as the Company may request and in no event later than December 31 of the year following the year in which the expenses were incurred. Any reimbursements provided to Executive in a given year shall have no effect on the expenses eligible for reimbursement in any other given year. No right to reimbursement shall be subject to liquidation or exchange for another benefit.

(d) Termination of employment under this Agreement shall mean a separation from service under Section 409A of the Code.

(e) In case any provision of this Agreement shall be invalid, illegal or otherwise unenforceable, the validity, legality and enforceability of the remaining provisions shall in no way be affected or impaired thereby.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year set forth above.

Trex Company, Inc.

Name: William R. Gupp
Title: Chief Administrative Officer, General Counsel &
Secretary

Executive:

Name: Ronald W. Kaplan

EXHIBIT A

RELEASE AGREEMENT

This Release is made as of _____, 20____, by and between Trex Company, Inc., a Delaware corporation (“Trex”), and Ronald W. Kaplan (“Employee”). The parties, desiring to settle all differences between them, hereby agree as follows:

1. Termination and Payment of Salary. The parties acknowledge that Employee’s employment with Trex is terminated as of the date this Agreement is executed, thereby discontinuing any employer/employee relationship between Trex and Employee as of that date. This Release is being executed pursuant to Section 7(c)(7) of the Amended and Restated Employment Agreement between Trex and the Employee dated August 3, 2011 (the “Employment Agreement”).

2. Waiver and Release of Claims.

(a) Employee on behalf of Employee and any related individuals and entities, and Employee’s heirs, successors and assigns, hereby unconditionally releases and forever discharges Trex and its past and present parents, subsidiaries and divisions, its related or affiliated companies, their predecessors, successors, assigns past and present, and partners, officers, directors, agents, representatives, attorneys, employees or trustees of any or all of the aforesaid entities (hereinafter collectively referred to as “Trex”), from any and all claims, causes of action, charges, debts, liabilities, demands, obligations, promises, acts, agreements, damages and costs of any nature whatsoever, in law or equity, whether known or unknown, (collectively referred to as “claims”) which Employee has or may have against Trex arising up to and including the date of execution of this Agreement, including any and all claims arising out of Employee’s employment and/or termination of employment with Trex.

(b) Without limiting the general nature of the foregoing waiver and release in subsection (a), Employee acknowledges and agrees that the release and waiver includes, but is not limited to, any statutory, civil or administrative claim, whether arising under any contract, tort, federal, state or local statutes, ordinances or common law, any claim arising under federal, state, and local laws relating to wages and hours or which prohibits discrimination on the basis of race, sex, age, disability or any other form of discrimination, any claim for wrongful termination, and any claim based upon or connected with Employee’s employment with Trex including, but not limited to compensation, benefits, expenses and terms of employment.

(c) Employee also agrees not to initiate any legal action, charge or complaint against Trex in any forum whatsoever to the extent that such legal action, charge or complaint would relate to matters covered or contemplated by this Agreement, or which is based on events which took place up to the execution hereof. In the event such actions, charges or complaints are asserted in the future by Employee, a material breach of this Agreement shall be deemed to have occurred, entitling Trex, in addition to any remedies available to it under law or equity, the return of the consideration set forth in Section 7(c)(2) of the Employment Agreement. Employee agrees to pay for any legal fees or costs incurred by Trex as a result of any knowing breach of Employee’s agreement in this subsection (c).

(d) For purposes of the waiver and release set forth in this Section 3 and the covenants contained herein, references to Trex shall include Trex and its officers, directors, employees, agents, representatives, related entities, successors and assigns.

(e) Notwithstanding the foregoing, this Release shall not apply to Employee's rights (i) under the Employment Agreement and the Amended and Restated Change in Control Severance Agreement between Trex and the Employee dated August 3, 2011, (ii) under COBRA, (iii) to indemnification under Trex's By-laws or applicable law and to directors' and officers' liability insurance coverage pursuant to Section 6(g) of the Employment Agreement.

3. Further Covenants by Employee. Employee agrees: (a) not to make any public statement or statements concerning Trex, its business objectives, its management practices, or other sensitive information without first receiving Trex's written approval; and (b) not to knowingly take any action which would cause Trex or its employees or agents any embarrassment or humiliation or otherwise cause or contribute to Trex's or any such person's being held in disrepute by the general public or Trex's employees, clients, or customers.

4. Litigation Support. Employee agrees to cooperate with, and assist, Trex in the defense of any claim, lawsuit or action instituted against Trex, where Employee has knowledge or information useful to the defense of the claim, suit or action, such cooperation to include Employee's appearance as a witness, with or without subpoena, at any hearing, trial or deposition, provided Trex reimburses Employee for reasonable costs of travel and accommodation, and provided that such cooperation does not materially interfere with any subsequent employment of Employee.

5. Non-Disclosure. The parties agree that they will not disclose the circumstances under which Employee's employment with Trex was terminated, except in connection with any action to enforce the terms of this Agreement or as necessary to respond to legitimate governmental requests for information or as may be required by law. In addition, any party may reveal the terms of this Agreement to such party's accountants or attorneys.

6. No Admission of Liability. The parties agree and understand that neither this Agreement nor anything contained herein shall be construed as an admission by Trex of any liability whatsoever, which liability is expressly denied.

7. Knowing and Voluntary Waiver. Employee acknowledges that (a) Employee has carefully read and fully understands all the provisions of this Agreement; (b) Employee has been advised to consult an attorney, and that if Employee has not consulted with an attorney Employee has done so voluntarily; (c) Employee has not relied upon any representation or statement, written or oral, not contained herein; and (d) Employee has entered into this Agreement knowingly and voluntarily.

8. Acknowledgement of Consideration. Employee acknowledges that Employee's waiver and release of rights and claims, and Employee's undertaking of agreements and obligations as set forth in this Agreement are in exchange for valuable consideration which Employee would not otherwise be entitled to receive.

9. Governing Law. This Agreement shall be governed by and interpreted in accordance with the laws of the Commonwealth of Virginia.

10. Acknowledgment by Employee. Employee further states that Employee has carefully read this Agreement, including specifically Section 2 hereof (waiver and release of claims), that Employee acknowledges that Employee has been advised by Trex to consult with an attorney prior to executing this Agreement, that Employee knows and understands the contents, that Employee acknowledges that the waiver and release set forth in Section 2 hereof includes a waiver of any right or claim arising under the Age Discrimination in Employment Act, and that Employee executes the same as Employee's own free act and deed. Employee further represents and agrees that Employee fully understands the terms, conditions, and final and binding effect of this Agreement, including specifically Section 2 hereof (waiver and release of claims), to be a full and final release of all claims with final and binding effect. Employee acknowledges

that Employee has been given a period of at least twenty-one (21) days within which to consider this Agreement prior to Employee's execution thereof. Furthermore, it is agreed that Employee shall have the right to revoke this Agreement by written notice to Trex within the seven (7) day period following its execution, and that this Agreement shall not become effective or enforceable until such seven-day period has expired. In the event this Agreement is revoked by Employee in accordance with provisions of this Section, or in the event that Employee challenges the validity of any of the provisions hereof including specifically Section 2 hereof (waiver and release of claims), Employee agrees to return to Trex all amounts received under the terms of the Employment Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date last entered below:

TREX COMPANY, INC.

By: _____

Date _____

Ronald W. Kaplan

Date _____

RETENTION AGREEMENT

This Retention Agreement is entered into as of July 24, 2012, by and between Ronald W. Kaplan, an individual (“Executive”) and Trex Company, Inc., a Delaware corporation (the “Company”).

Recitals

Executive is an executive officer of the Company. The Company has determined that it is in the best interests of the Company and its stockholders that Executive’s employment with the Company be assured for a certain period of time. Therefore, the Company and Executive desire to set forth their agreement pursuant to which Executive will receive certain benefits from the Company under certain circumstances.

Agreement

Now, therefore, in consideration of the mutual covenants contained herein, the parties hereby agree as follows:

1. **Restricted Stock.** Subject to the vesting conditions set forth in this Agreement, the Company hereby grants to Executive 37,242 shares of its common stock, \$.01 par value (the “Restricted Stock”) pursuant to the Trex Company, Inc. 2005 Stock Incentive Plan (the “Plan”). In the event that Executive is actively employed by the Company from the date of this Agreement through August 16, 2015, the Restricted Stock shall become fully vested on such date.

2. **Cash Payment.** In the event that Executive is actively employed by the Company from the date of this Agreement through August 16, 2015, the Company shall pay Executive the amount of \$1,055,800 (the “Cash Payment”) on such date, subject to all applicable tax withholdings.

3. **Definitions.** “Cause”, “Good Reason” and “Disability”, as used in Sections 4 and 5 below, shall have the meanings given to such terms in Executive’s Amended and Restated Change in Control Severance Agreement dated as of August 3, 2011 (the “CIC Agreement”), and such definitions are incorporated herein by reference.

4. **Early Vesting/Cash Payment.** Notwithstanding the provisions of Sections 1 and 2 above, or the provisions of any other agreement between the parties, upon the occurrence of any of the following events prior to the date set forth in Sections 1 and 2 above, the Restricted Stock shall immediately vest upon such occurrence, and the Cash Payment shall be made to Executive within 3 days after such occurrence, subject to all applicable tax withholdings:

- (a) Executive’s employment is terminated without “Cause” or at the election of Executive for “Good Reason”; or
- (b) Executive’s employment is terminated by death or because of “Disability”.

If a “Change in Control” (as defined in the CIC Agreement) occurs prior to the date set forth in Section 1 and 2 above, the Restricted Stock shall immediately vest as provided in such CIC Agreement.

5. **Forfeiture of Awards.** In the event Executive’s employment is terminated for “Cause” or at the election of Executive for any reason other than “Good Reason” prior to the date set forth in Section 1 and 2 above, Executive shall forfeit the Restricted Stock and Cash Payment, and this Agreement shall immediately terminate.

6. **Restriction on Timing of Distribution.** The Cash Payment is intended to be excluded from coverage under Section 409A of the Internal Revenue Code (the “Code”) pursuant to the “short-term deferral rule” and this Agreement shall be interpreted accordingly.

7. Benefit Continuation. In the event that Executive is actively employed by the Company from the date of this Agreement through the date set forth in Sections 1 and 2 above, commencing on the date of Executive's termination of employment with the Company for any reason and continuing until Executive's 65th birthday (or such lesser time as required to avoid the imposition of additional taxes under Section 409A of the Code) (the "Welfare Benefit Continuation Period"), Executive shall be eligible to participate under the same type of Company-sponsored group health plan and dental plan (e.g., individual or family coverage) in which he was covered immediately prior to termination of employment. Executive shall receive such continued coverage under the same terms and conditions (e.g., any requirement that employees pay all or any portion of the cost of such coverage) that would apply if Executive had continued to be an employee of the Company during the Welfare Benefit Continuation Period.

8. Provisions Relating to Restricted Stock.

(a) To the extent not yet vested, Restricted Stock may not be transferred, assigned, pledged or hypothecated by Executive, whether by operation of law or otherwise, nor may the Restricted Stock be made subject to execution, attachment or similar process.

(b) Upon the vesting of the shares of Restricted Stock hereunder, the Company will issue Executive a share certificate for such shares, free of the legend set forth in subsection (h) below. The Purchase Price for the Restricted Stock shall be deemed to be paid at that time by Executive's services to the Company.

(c) 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 Executive's 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. 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, Executive shall be issued an instrument of deposit acknowledging the number of shares of Stock delivered in escrow to the Secretary of the Company.

(d) Executive agrees, as a condition of this grant, that he 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 Executive, withhold shares that would otherwise have been issued to Executive under this Agreement or withhold such amounts from other payments due to Executive from the Company or any Affiliate.

(e) 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. Executive 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. Failure to make this filing within the thirty (30) day period will result in the recognition of ordinary income by Executive (in the event the fair market value of the shares increases after the date of purchase) as the forfeiture restrictions lapse. EXECUTIVE ACKNOWLEDGES THAT IT IS HIS SOLE RESPONSIBILITY, AND NOT THE COMPANY'S, TO FILE A TIMELY ELECTION UNDER SECTION 83(b), EVEN IF EXECUTIVE REQUESTS THE COMPANY OR ITS REPRESENTATIVES TO MAKE THIS FILING ON HIS BEHALF. EXECUTIVE IS RELYING SOLELY ON HIS OWN ADVISORS WITH RESPECT TO THE DECISION AS TO WHETHER OR NOT TO FILE ANY 83(b) ELECTION.

(f) Executive 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 Executive receives 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 Executive's stock certificate is issued.

(g) In the event of a stock split, a stock dividend or a similar change in the Company's Common Stock, the number of shares covered by this grant may be adjusted (and rounded down to the nearest whole number) pursuant to the Plan. Executive's 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.

(h) 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."

(i) The Company may choose to deliver certain statutory materials relating to the Plan in electronic form. By accepting this grant, Executive agrees that the Company may deliver the Plan prospectus and the Company's annual report to him in an electronic format. Executive may elect to receive paper copies of these documents at any time.

9. Notices. For purposes of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when hand delivered, sent by overnight courier, or mailed by first-class, registered or certified mail, return receipt requested, postage prepaid, or transmitted by telegram, telecopy, or telex, addressed, in the case of Executive, to Executive's address as shown on the Company's records and, in the case of the Company, to the Company's principal office, to the attention of the General Counsel, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

10. Amendment. This Agreement may be amended or modified only by a written instrument executed by both the Company and Executive.

11. Governing Law. This Agreement shall be construed, interpreted and enforced as a sealed instrument under and in accordance with the laws of the Commonwealth of Virginia, without reference to the conflicts of laws provisions thereof. Any action, suit or other legal proceeding which is commenced to resolve any matter arising under or relating to any provision of this Agreement shall be commenced only in a court of the Commonwealth of Virginia (or, if appropriate, a federal court located within Virginia), and the Company and Executive each consents to the jurisdiction of such a court.

12. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of both parties and their respective successors and assigns, including any corporation with which or into which the Company may be merged or which may succeed to its assets or business, provided, however, that the obligations of Executive are personal and shall not be assigned by him. Notwithstanding the foregoing, in the event of Executive's death, any payments that Executive was otherwise entitled to under this Agreement shall be made to his estate.

13. Acknowledgment. Executive states and represents that he has had an opportunity to fully discuss and review the terms of this Agreement with an attorney. Executive further states and represents that he has carefully read this Agreement, understands the contents herein, freely and voluntarily assents to all of the terms and conditions hereof, and signs his name of his own free act. The Company represents that it has obtained all necessary consents and approvals to execute this Agreement.

14. Miscellaneous.

(a) No delay or omission by the Company in exercising any right under this Agreement shall operate as a waiver of that or any other right. A waiver or consent given by the Company on any one occasion shall be effective only in that instance and shall not be construed as a bar or waiver of any right on any other occasion.

(b) The captions of the sections of this Agreement are for convenience of reference only and in no way define, limit or affect the scope or substance of any section of this Agreement.

(c) In case any provision of this Agreement shall be invalid, illegal or otherwise unenforceable, the validity, legality and enforceability of the remaining provisions shall in no way be affected or impaired thereby.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year set forth above.

Trex Company, Inc.

By: _____
William R. Gupp, Chief Administrative Officer, General
Counsel & Secretary

Ronald W. Kaplan

RETENTION AGREEMENT

This Retention Agreement is entered into as of July 24, 2012, by and between James E. Cline, an individual (“Executive”) and Trex Company, Inc., a Delaware corporation (the “Company”).

Recitals

Executive is an executive officer of the Company. The Company has determined that it is in the best interests of the Company and its stockholders that Executive’s employment with the Company be assured for a certain period of time. Therefore, the Company and Executive desire to set forth their agreement pursuant to which Executive will receive certain benefits from the Company under certain circumstances.

Agreement

Now, therefore, in consideration of the mutual covenants contained herein, the parties hereby agree as follows:

1. **Restricted Stock.** Subject to the vesting conditions set forth in this Agreement, the Company hereby grants to Executive 17,336 shares of its common stock, \$.01 par value (the “Restricted Stock”) pursuant to the Trex Company, Inc. 2005 Stock Incentive Plan (the “Plan”). In the event that Executive is actively employed by the Company from the date of this Agreement through January 1, 2017, the Restricted Stock shall become fully vested on such date.

2. **Cash Payment.** In the event that Executive is actively employed by the Company from the date of this Agreement through January 1, 2017, the Company shall pay Executive the amount of \$491,470 (the “Cash Payment”) on such date, subject to all applicable tax withholdings.

3. **Definitions.** “Cause”, “Good Reason” and “Disability”, as used in Sections 4 and 5 below, shall have the meanings given to such terms in Executive’s Amended and Restated Change in Control Severance Agreement dated as of August 3, 2011 (the “CIC Agreement”), and such definitions are incorporated herein by reference.

4. **Early Vesting/Cash Payment.** Notwithstanding the provisions of Sections 1 and 2 above, or the provisions of any other agreement between the parties, upon the occurrence of any of the following events prior to the date set forth in Sections 1 and 2 above, the Restricted Stock shall immediately vest upon such occurrence, and the Cash Payment shall be made to Executive within 3 days after such occurrence, subject to all applicable tax withholdings:

- (a) Executive’s employment is terminated without “Cause” or at the election of Executive for “Good Reason”; or
- (b) Executive’s employment is terminated by death or because of “Disability”.

If a “Change in Control” (as defined in the CIC Agreement) occurs prior to the date set forth in Section 1 and 2 above, the Restricted Stock shall immediately vest as provided in such CIC Agreement.

5. **Forfeiture of Awards.** In the event Executive’s employment is terminated for “Cause” or at the election of Executive for any reason other than “Good Reason” prior to the date set forth in Section 1 and 2 above, Executive shall forfeit the Restricted Stock and Cash Payment, and this Agreement shall immediately terminate.

6. **Restriction on Timing of Distribution.** The Cash Payment is intended to be excluded from coverage under Section 409A of the Internal Revenue Code (the “Code”) pursuant to the “short-term deferral rule” and this Agreement shall be interpreted accordingly.

7. Provisions Relating to Restricted Stock.

(a) To the extent not yet vested, Restricted Stock may not be transferred, assigned, pledged or hypothecated by Executive, whether by operation of law or otherwise, nor may the Restricted Stock be made subject to execution, attachment or similar process.

(b) Upon the vesting of the shares of Restricted Stock hereunder, the Company will issue Executive a share certificate for such shares, free of the legend set forth in subsection (h) below. The Purchase Price for the Restricted Stock shall be deemed to be paid at that time by Executive's services to the Company.

(c) 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 Executive's 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. 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, Executive shall be issued an instrument of deposit acknowledging the number of shares of Stock delivered in escrow to the Secretary of the Company.

(d) Executive agrees, as a condition of this grant, that he 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 Executive, withhold shares that would otherwise have been issued to Executive under this Agreement or withhold such amounts from other payments due to Executive from the Company or any Affiliate.

(e) 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. Executive 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. Failure to make this filing within the thirty (30) day period will result in the recognition of ordinary income by Executive (in the event the fair market value of the shares increases after the date of purchase) as the forfeiture restrictions lapse. EXECUTIVE ACKNOWLEDGES THAT IT IS HIS SOLE RESPONSIBILITY, AND NOT THE COMPANY'S, TO FILE A TIMELY ELECTION UNDER SECTION 83(b), EVEN IF EXECUTIVE REQUESTS THE COMPANY OR ITS REPRESENTATIVES TO MAKE THIS FILING ON HIS BEHALF. EXECUTIVE IS RELYING SOLELY ON HIS OWN ADVISORS WITH RESPECT TO THE DECISION AS TO WHETHER OR NOT TO FILE ANY 83(b) ELECTION.

(f) Executive 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 Executive receives 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 Executive's stock certificate is issued.

(g) In the event of a stock split, a stock dividend or a similar change in the Company's Common Stock, the number of shares covered by this grant may be adjusted (and rounded down to the

nearest whole number) pursuant to the Plan. Executive's 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.

(h) 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."

(i) The Company may choose to deliver certain statutory materials relating to the Plan in electronic form. By accepting this grant, Executive agrees that the Company may deliver the Plan prospectus and the Company's annual report to him in an electronic format. Executive may elect to receive paper copies of these documents at any time.

8. Notices. For purposes of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when hand delivered, sent by overnight courier, or mailed by first-class, registered or certified mail, return receipt requested, postage prepaid, or transmitted by telegram, telecopy, or telex, addressed, in the case of Executive, to Executive's address as shown on the Company's records and, in the case of the Company, to the Company's principal office, to the attention of the General Counsel, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

9. Amendment. This Agreement may be amended or modified only by a written instrument executed by both the Company and Executive.

10. Governing Law. This Agreement shall be construed, interpreted and enforced as a sealed instrument under and in accordance with the laws of the Commonwealth of Virginia, without reference to the conflicts of laws provisions thereof. Any action, suit or other legal proceeding which is commenced to resolve any matter arising under or relating to any provision of this Agreement shall be commenced only in a court of the Commonwealth of Virginia (or, if appropriate, a federal court located within Virginia), and the Company and Executive each consents to the jurisdiction of such a court.

11. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of both parties and their respective successors and assigns, including any corporation with which or into which the Company may be merged or which may succeed to its assets or business, provided, however, that the obligations of Executive are personal and shall not be assigned by him. Notwithstanding the foregoing, in the event of Executive's death, any payments that Executive was otherwise entitled to under this Agreement shall be made to his estate.

12. Acknowledgment. Executive states and represents that he has had an opportunity to fully discuss and review the terms of this Agreement with an attorney. Executive further states and represents that he has carefully read this Agreement, understands the contents herein, freely and voluntarily assents to all of the terms and conditions hereof, and signs his name of his own free act. The Company represents that it has obtained all necessary consents and approvals to execute this Agreement.

13. Miscellaneous.

(a) No delay or omission by the Company in exercising any right under this Agreement shall operate as a waiver of that or any other right. A waiver or consent given by the Company on any one occasion shall be effective only in that instance and shall not be construed as a bar or waiver of any right on any other occasion.

(b) The captions of the sections of this Agreement are for convenience of reference only and in no way define, limit or affect the scope or substance of any section of this Agreement.

(c) In case any provision of this Agreement shall be invalid, illegal or otherwise unenforceable, the validity, legality and enforceability of the remaining provisions shall in no way be affected or impaired thereby.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year set forth above.

Trex Company, Inc.

By: _____
Ronald W. Kaplan, Chairman, President and Chief
Executive Officer

James E. Cline

RETENTION AGREEMENT

[*] CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY BRACKETS, HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO RULE 24b-2 OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED.

This Retention Agreement is entered into as of July 24, 2012, by and between William R. Gupp, an individual (“Executive”) and Trex Company, Inc., a Delaware corporation (the “Company”).

Recitals

Executive is an executive officer of the Company. The Company has determined that it is in the best interests of the Company and its stockholders that Executive’s employment with the Company be assured until certain strategic legal matters are resolved. Therefore, the Company and Executive desire to set forth their agreement pursuant to which Executive will receive certain benefits from the Company under certain circumstances.

Agreement

Now, therefore, in consideration of the mutual covenants contained herein, the parties hereby agree as follows:

1. Restricted Stock. Subject to the vesting conditions set forth in this Agreement, the Company hereby grants to Executive 15,447 of its common stock, \$.01 par value (the “Restricted Stock”) pursuant to the Trex Company, Inc. 2005 Stock Incentive Plan (the “Plan”). In the event that Executive is actively employed by the Company from the date of this Agreement through the “Final Resolution” of the “Legal Matters” (both terms as defined below), the Restricted Stock shall become fully vested on such date.

2. Cash Payment. In the event that Executive is actively employed by the Company from the date of this Agreement through the Final Resolution of the Legal Matters, the Company shall pay Executive the amount of \$437,920 (the “Cash Payment”) on such date, subject to all applicable tax withholdings.

3. Earliest and Latest Dates for Vesting/Payment. Notwithstanding Sections 1 and 2 above, in no event shall the Restricted Stock vest, or the Cash Payment be made, prior to August 16, 2015. Accordingly, in the event of the Final Resolution of the Legal Matters prior to August 16, 2015, the Restricted Stock shall not vest, and the Cash Payment shall not be made, until August 16, 2015 (provided that the Executive is actively employed by the Company on such date). In addition, in the event that a Final Resolution of the Legal Matters has not occurred prior to August 16, 2019, and provided that the Executive is actively employed by the Company on such date, the Restricted Stock shall vest and the Cash Payment shall be made on such date notwithstanding that a Final Resolution of the Legal Matters has not occurred.

4. Definitions.

(a) “Cause”, “Good Reason” and “Disability”, as used in Sections 5 and 6 below, shall have the meanings given to such terms in Executive’s Amended and Restated Change in Control Severance Agreement dated as of August 3, 2011 (the “CIC Agreement”), and such definitions are incorporated herein by reference.

(b) “Legal Matters” shall mean [*].

5. Early Vesting/Cash Payment. Notwithstanding the provisions of Sections 1, 2 or 3 above, or the provisions of any other agreement between the parties, upon the occurrence of any of the following events prior to the Final Resolution of the Legal Matters, the Restricted Stock shall immediately vest upon such occurrence, and the Cash Payment shall be made to Executive within 3 days after such occurrence, subject to all applicable tax withholdings:

- (a) Executive's employment is terminated without "Cause" or at the election of Executive for "Good Reason"; or
- (b) Executive's employment is terminated by death or because of "Disability".

If a "Change in Control" (as defined in the CIC Agreement) occurs prior to the Final Resolution of the Legal Matters, the Restricted Stock shall immediately vest as provided in such CIC Agreement.

6. Forfeiture of Awards. In the event Executive's employment is terminated for "Cause" or at the election of Executive for any reason other than "Good Reason" prior to the Final Resolution of the Legal Matters, Executive shall forfeit the Restricted Stock and Cash Payment, and this Agreement shall immediately terminate.

7. Restriction on Timing of Distribution. The Cash Payment is intended to be excluded from coverage under Section 409A of the Internal Revenue Code (the "Code") pursuant to the "short-term deferral rule" and this Agreement shall be interpreted accordingly.

8. Provisions Relating to Restricted Stock.

(a) To the extent not yet vested, Restricted Stock may not be transferred, assigned, pledged or hypothecated by Executive, whether by operation of law or otherwise, nor may the Restricted Stock be made subject to execution, attachment or similar process.

(b) Upon the vesting of the shares of Restricted Stock hereunder, the Company will issue Executive a share certificate for such shares, free of the legend set forth in subsection (h) below. The Purchase Price for the Restricted Stock shall be deemed to be paid at that time by Executive's services to the Company.

(c) 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 Executive's 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. 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, Executive shall be issued an instrument of deposit acknowledging the number of shares of Stock delivered in escrow to the Secretary of the Company.

(d) Executive agrees, as a condition of this grant, that he 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 Executive, withhold shares that would otherwise have been issued to Executive under this Agreement or withhold such amounts from other payments due to Executive from the Company or any Affiliate.

(e) 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.

Executive 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. Failure to make this filing within the thirty (30) day period will result in the recognition of ordinary income by Executive (in the event the fair market value of the shares increases after the date of purchase) as the forfeiture restrictions lapse. EXECUTIVE ACKNOWLEDGES THAT IT IS HIS SOLE RESPONSIBILITY, AND NOT THE COMPANY'S, TO FILE A TIMELY ELECTION UNDER SECTION 83(b), EVEN IF EXECUTIVE REQUESTS THE COMPANY OR ITS REPRESENTATIVES TO MAKE THIS FILING ON HIS BEHALF. EXECUTIVE IS RELYING SOLELY ON HIS OWN ADVISORS WITH RESPECT TO THE DECISION AS TO WHETHER OR NOT TO FILE ANY 83(b) ELECTION.

(f) Executive 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 Executive receives 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 Executive's stock certificate is issued.

(g) In the event of a stock split, a stock dividend or a similar change in the Company's Common Stock, the number of shares covered by this grant may be adjusted (and rounded down to the nearest whole number) pursuant to the Plan. Executive's 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.

(h) 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."

(i) The Company may choose to deliver certain statutory materials relating to the Plan in electronic form. By accepting this grant, Executive agrees that the Company may deliver the Plan prospectus and the Company's annual report to him in an electronic format. Executive may elect to receive paper copies of these documents at any time.

9. Notices. For purposes of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when hand delivered, sent by overnight courier, or mailed by first-class, registered or certified mail, return receipt requested, postage prepaid, or transmitted by telegram, telecopy, or telex, addressed, in the case of Executive, to Executive's address as shown on the Company's records and, in the case of the Company, to the Company's principal office, to the attention of the General Counsel, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

10. Amendment. This Agreement may be amended or modified only by a written instrument executed by both the Company and Executive.

11. Governing Law. This Agreement shall be construed, interpreted and enforced as a sealed instrument under and in accordance with the laws of the Commonwealth of Virginia, without reference to the conflicts of laws provisions thereof. Any action, suit or other legal proceeding which is commenced to resolve any matter arising under or relating to any provision of this Agreement shall be commenced only in a court of the Commonwealth of Virginia (or, if appropriate, a federal court located within Virginia), and the Company and Executive each consents to the jurisdiction of such a court.

12. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of both parties and their respective successors and assigns, including any corporation with which or into which the Company may be merged or which may succeed to its assets or business, provided, however, that the obligations of Executive are personal and shall not be assigned by him. Notwithstanding the foregoing, in the event of Executive's death, any payments that Executive was otherwise entitled to under this Agreement shall be made to his estate.

13. Acknowledgment. Executive states and represents that he has had an opportunity to fully discuss and review the terms of this Agreement with an attorney. Executive further states and represents that he has carefully read this Agreement, understands the contents herein, freely and voluntarily assents to all of the terms and conditions hereof, and signs his name of his own free act. The Company represents that it has obtained all necessary consents and approvals to execute this Agreement.

14. Miscellaneous.

(a) No delay or omission by the Company in exercising any right under this Agreement shall operate as a waiver of that or any other right. A waiver or consent given by the Company on any one occasion shall be effective only in that instance and shall not be construed as a bar or waiver of any right on any other occasion.

(b) The captions of the sections of this Agreement are for convenience of reference only and in no way define, limit or affect the scope or substance of any section of this Agreement.

(c) In case any provision of this Agreement shall be invalid, illegal or otherwise unenforceable, the validity, legality and enforceability of the remaining provisions shall in no way be affected or impaired thereby.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year set forth above.

Trex Company, Inc.

By: _____

Ronald W. Kaplan, Chairman, President and Chief
Executive Officer

William R. Gupp

RETENTION AGREEMENT

This Retention Agreement is entered into as of July 24, 2012, by and between F. Timothy Reese, an individual (“Executive”) and Trex Company, Inc., a Delaware corporation (the “Company”).

Recitals

Executive is an executive officer of the Company. The Company has determined that it is in the best interests of the Company and its stockholders that Executive’s employment with the Company be assured for a certain period of time. Therefore, the Company and Executive desire to set forth their agreement pursuant to which Executive will receive certain benefits from the Company under certain circumstances.

Agreement

Now, therefore, in consideration of the mutual covenants contained herein, the parties hereby agree as follows:

1. Restricted Stock. Subject to the vesting conditions set forth in this Agreement, the Company hereby grants to Executive 17,336 shares of its common stock, \$.01 par value (the “Restricted Stock”) pursuant to the Trex Company, Inc. 2005 Stock Incentive Plan (the “Plan”). In the event that Executive is actively employed by the Company from the date of this Agreement through June 15, 2017, the Restricted Stock shall become fully vested on such date.

2. Cash Payment. In the event that Executive is actively employed by the Company from the date of this Agreement through June 15, 2017, the Company shall pay Executive the amount of \$491,470 (the “Cash Payment”) on such date, subject to all applicable tax withholdings.

3. Definitions. “Cause”, “Good Reason” and “Disability”, as used in Sections 4 and 5 below, shall have the meanings given to such terms in Executive’s Amended and Restated Change in Control Severance Agreement dated as of August 3, 2011 (the “CIC Agreement”), and such definitions are incorporated herein by reference.

4. Early Vesting/Cash Payment. Notwithstanding the provisions of Sections 1 and 2 above, or the provisions of any other agreement between the parties, upon the occurrence of any of the following events prior to the date set forth in Sections 1 and 2 above, the Restricted Stock shall immediately vest upon such occurrence, and the Cash Payment shall be made to Executive within 3 days after such occurrence, subject to all applicable tax withholdings:

- (a) Executive’s employment is terminated without “Cause” or at the election of Executive for “Good Reason”; or
- (b) Executive’s employment is terminated by death or because of “Disability”.

If a “Change in Control” (as defined in the CIC Agreement) occurs prior to the date set forth in Section 1 and 2 above, the Restricted Stock shall immediately vest as provided in such CIC Agreement.

5. Forfeiture of Awards. In the event Executive’s employment is terminated for “Cause” or at the election of Executive for any reason other than “Good Reason” prior to the date set forth in Section 1 and 2 above, Executive shall forfeit the Restricted Stock and Cash Payment, and this Agreement shall immediately terminate.

6. Restriction on Timing of Distribution. The Cash Payment is intended to be excluded from coverage under Section 409A of the Internal Revenue Code (the “Code”) pursuant to the “short-term deferral rule” and this Agreement shall be interpreted accordingly.

7. Provisions Relating to Restricted Stock.

(a) To the extent not yet vested, Restricted Stock may not be transferred, assigned, pledged or hypothecated by Executive, whether by operation of law or otherwise, nor may the Restricted Stock be made subject to execution, attachment or similar process.

(b) Upon the vesting of the shares of Restricted Stock hereunder, the Company will issue Executive a share certificate for such shares, free of the legend set forth in subsection (h) below. The Purchase Price for the Restricted Stock shall be deemed to be paid at that time by Executive's services to the Company.

(c) 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 Executive's 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. 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, Executive shall be issued an instrument of deposit acknowledging the number of shares of Stock delivered in escrow to the Secretary of the Company.

(d) Executive agrees, as a condition of this grant, that he 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 Executive, withhold shares that would otherwise have been issued to Executive under this Agreement or withhold such amounts from other payments due to Executive from the Company or any Affiliate.

(e) 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. Executive 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. Failure to make this filing within the thirty (30) day period will result in the recognition of ordinary income by Executive (in the event the fair market value of the shares increases after the date of purchase) as the forfeiture restrictions lapse. EXECUTIVE ACKNOWLEDGES THAT IT IS HIS SOLE RESPONSIBILITY, AND NOT THE COMPANY'S, TO FILE A TIMELY ELECTION UNDER SECTION 83(b), EVEN IF EXECUTIVE REQUESTS THE COMPANY OR ITS REPRESENTATIVES TO MAKE THIS FILING ON HIS BEHALF. EXECUTIVE IS RELYING SOLELY ON HIS OWN ADVISORS WITH RESPECT TO THE DECISION AS TO WHETHER OR NOT TO FILE ANY 83(b) ELECTION.

(f) Executive 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 Executive receives 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 Executive's stock certificate is issued.

(g) In the event of a stock split, a stock dividend or a similar change in the Company's Common Stock, the number of shares covered by this grant may be adjusted (and rounded down to the nearest whole number) pursuant to the Plan. Executive's 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.

(h) 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."

(i) The Company may choose to deliver certain statutory materials relating to the Plan in electronic form. By accepting this grant, Executive agrees that the Company may deliver the Plan prospectus and the Company's annual report to him in an electronic format. Executive may elect to receive paper copies of these documents at any time.

8. Notices. For purposes of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when hand delivered, sent by overnight courier, or mailed by first-class, registered or certified mail, return receipt requested, postage prepaid, or transmitted by telegram, telecopy, or telex, addressed, in the case of Executive, to Executive's address as shown on the Company's records and, in the case of the Company, to the Company's principal office, to the attention of the General Counsel, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

9. Amendment. This Agreement may be amended or modified only by a written instrument executed by both the Company and Executive.

10. Governing Law. This Agreement shall be construed, interpreted and enforced as a sealed instrument under and in accordance with the laws of the Commonwealth of Virginia, without reference to the conflicts of laws provisions thereof. Any action, suit or other legal proceeding which is commenced to resolve any matter arising under or relating to any provision of this Agreement shall be commenced only in a court of the Commonwealth of Virginia (or, if appropriate, a federal court located within Virginia), and the Company and Executive each consents to the jurisdiction of such a court.

11. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of both parties and their respective successors and assigns, including any corporation with which or into which the Company may be merged or which may succeed to its assets or business, provided, however, that the obligations of Executive are personal and shall not be assigned by him. Notwithstanding the foregoing, in the event of Executive's death, any payments that Executive was otherwise entitled to under this Agreement shall be made to his estate.

12. Acknowledgment. Executive states and represents that he has had an opportunity to fully discuss and review the terms of this Agreement with an attorney. Executive further states and represents that he has carefully read this Agreement, understands the contents herein, freely and voluntarily assents to all of the terms and conditions hereof, and signs his name of his own free act. The Company represents that it has obtained all necessary consents and approvals to execute this Agreement.

13. Miscellaneous.

(a) No delay or omission by the Company in exercising any right under this Agreement shall operate as a waiver of that or any other right. A waiver or consent given by the Company on any one occasion shall be effective only in that instance and shall not be construed as a bar or waiver of any right on any other occasion.

(b) The captions of the sections of this Agreement are for convenience of reference only and in no way define, limit or affect the scope or substance of any section of this Agreement.

(c) In case any provision of this Agreement shall be invalid, illegal or otherwise unenforceable, the validity, legality and enforceability of the remaining provisions shall in no way be affected or impaired thereby.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year set forth above.

Trex Company, Inc.

By: _____

Ronald W. Kaplan, Chairman, President and Chief
Executive Officer

F. Timothy Reese

CERTIFICATION

I, Ronald W. Kaplan, certify that:

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

Date: November 1, 2012

/s/ Ronald W. Kaplan

Ronald W. Kaplan

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

CERTIFICATION

I, James E. Cline, certify that:

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

Date: November 1, 2012

/s/ James E. Cline

James E. Cline

Vice President and Chief Financial Officer
(Principal Financial Officer)

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

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

- (a) the Quarterly Report on Form 10-Q of the Company for the quarterly period ended September 30, 2012 filed on the date hereof with the Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (b) information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 1, 2012

/s/ Ronald W. Kaplan

Ronald W. Kaplan

Chairman, President and Chief Executive Officer

Date: November 1, 2012

/s/ James E. Cline

James E. Cline

Vice President and Chief Financial Officer