

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, 1999  
OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-14649

Trex Company, Inc.

(Exact name of registrant as specified in its charter)

Delaware

54-1910453

(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer  
Identification No.)

20 South Cameron Street  
Winchester, Virginia

22601

(Address of principal executive offices)

(Zip Code)

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

Not Applicable

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

The number of shares of the registrant's common stock, par value \$.01 per share, outstanding at November 5, 1999 was 14,120,572 shares.

TREX COMPANY, INC.

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Part I. FINANCIAL INFORMATION

Item 1. Financial Statements

TREX COMPANY, INC.  
Consolidated Balance Sheets

	December 31, 1998 (*)	September 30, 1999
	-----	----- (unaudited)
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,200,000	\$ 312,000
Trade accounts receivable	34,000	4,256,000
Inventories	6,007,000	3,155,000
Prepaid expenses and other assets	673,000	405,000
	-----	-----
Total current assets	7,914,000	8,128,000
	-----	-----
Property, plant and equipment, net	33,886,000	53,512,000
Intangible assets, net	9,298,000	8,671,000
Deferred financing charges, net	233,000	--
	-----	-----
Total assets	\$ 51,331,000	\$ 70,311,000
	=====	=====
<b>LIABILITIES AND MEMBERS' / STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Trade accounts payable	\$ 2,577,000	\$ 3,723,000
Accrued expenses	1,086,000	1,555,000
Income taxes payable	--	1,787,000
Other current liabilities	1,314,000	702,000
Current portion of long-term debt	6,109,000	444,000
	-----	-----
Total current liabilities	11,086,000	8,211,000
Deferred income taxes	--	2,849,000
Long-term debt	26,954,000	10,887,000
	-----	-----
Total liabilities	38,040,000	21,947,000
	-----	-----
Members' / stockholders' equity:		
Preferred units, 1,000 units authorized, issued and outstanding	3,000,000	--
Junior units, 4,000 units authorized, issued and outstanding	2,350,000	--
Undistributed earnings	7,941,000	--
Preferred stock, \$.01 par value, 3,000,000 shares authorized, none issued and outstanding	--	--
Common stock, \$.01 par value, 40,000,000 shares authorized, 14,118,435 shares issued and outstanding	--	141,000
Additional capital	--	40,947,000
Retained earnings	--	7,276,000
	-----	-----
Total members' / stockholders' equity	13,291,000	48,364,000
	-----	-----
Total liabilities and members' / stockholders' equity	\$ 51,331,000	\$ 70,311,000
	=====	=====

\* The consolidated balance sheet at December 31, 1998 has been derived from the audited financial statements of TREX Company, LLC (the Company's predecessor) at that date, but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED).

TREX COMPANY, INC.

Consolidated Statements of Operations  
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1998	1999	1998	1999
Net sales	\$ 12,058,000	\$ 19,955,000	\$ 41,386,000	\$ 62,095,000
Cost of sales	6,537,000	9,358,000	19,812,000	27,554,000
Gross profit	5,521,000	10,597,000	21,574,000	34,541,000
Selling, general and administrative expenses	3,199,000	3,885,000	9,883,000	14,855,000
Income from operations	2,322,000	6,712,000	11,691,000	19,686,000
Interest income	160,000	30,000	302,000	63,000
Interest (expense)	(758,000)	(211,000)	(2,156,000)	(1,331,000)
Income before taxes and extraordinary item	1,724,000	6,531,000	9,837,000	18,418,000
Income taxes	--	2,394,000	--	6,674,000
Income before extraordinary item	1,724,000	4,137,000	9,837,000	11,744,000
Extraordinary loss on the early extinguishment of debt, net of \$704,000 of taxes	--	--	--	(1,056,000)
Net income	\$ 1,724,000	\$ 4,137,000	\$ 9,837,000	\$ 10,688,000
Basic earnings per common share				
Income before extraordinary item	\$ 0.17	\$ 0.29	\$ 1.00	\$ 0.94
Extraordinary item	--	--	--	(0.09)
Net income	\$ 0.17	\$ 0.29	\$ 1.00	\$ 0.85
Weighted average shares outstanding	9,500,000	14,117,981	9,500,000	12,420,021
Pro forma data (unaudited, see Note 7):				
Historical income before taxes and extraordinary item	\$ 1,724,000	\$ 6,531,000	\$ 9,837,000	\$ 18,418,000
Pro forma income taxes	(655,000)	(2,482,000)	(3,738,000)	(6,999,000)
Pro forma net income	\$ 1,069,000	\$ 4,049,000	\$ 6,099,000	\$ 11,419,000
Pro forma basic earnings per common share	\$ 0.11	\$ 0.29	\$ 0.64	\$ 0.92
Pro forma weighted average common shares outstanding	9,500,000	14,117,981	9,500,000	12,420,021

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED).

TREX COMPANY, INC.

Consolidated Statements of Cash Flows  
(Unaudited)

	Nine Months Ended September 30,	
	1998	1999
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 9,837,000	\$ 10,688,000
Adjustments to reconcile net income to net cash provided by operating activities		
Extraordinary loss on early prepayment of debt	--	1,760,000
Deferred income taxes	--	2,849,000
Depreciation and amortization	2,208,000	3,096,000
Amortization of deferred financing charges	38,000	13,000
Loss on disposal of property, plant and equipment	--	156,000
Changes in operating assets and liabilities		
Trade accounts receivable	(1,676,000)	(4,222,000)
Inventories	2,567,000	2,852,000
Prepaid expenses and other assets	(327,000)	268,000
Trade accounts payable	414,000	1,146,000
Accrued expenses	628,000	469,000
Income taxes payable	--	1,787,000
Other current liabilities	(603,000)	(612,000)
	-----	-----
Net cash provided by operating activities	13,086,000	20,250,000
	-----	-----
<b>INVESTING ACTIVITIES</b>		
Expenditures for property, plant and equipment	(8,783,000)	(22,251,000)
	-----	-----
Net cash used in investing activities	(8,783,000)	(22,251,000)
	-----	-----
<b>FINANCING ACTIVITIES</b>		
Borrowings under mortgages and notes	3,780,000	11,298,000
Borrowings under line of credit	162,000	--
Principal payments under mortgages and notes	(34,000)	(34,570,000)
Proceeds from initial public offering	--	41,055,000
Proceeds from employee stock purchase plan	--	33,000
Preferred distributions paid	(304,000)	(3,115,000)
Common distributions paid	(2,296,000)	(13,588,000)
	-----	-----
Net cash provided by financing activities	1,308,000	1,113,000
	-----	-----
Net increase (decrease) in cash and cash equivalents	5,611,000	(888,000)
Cash and cash equivalents at beginning of period	2,000,000	1,200,000
	-----	-----
Cash and cash equivalents at end of period	\$ 7,611,000	\$ 312,000
	=====	=====

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED).

Notes to Consolidated Financial Statements  
For The Three and Nine Months Ended September 30, 1998 and 1999 (Unaudited)

1. BUSINESS AND ORGANIZATION

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

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

Reorganization

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

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

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

TREX COMPANY, INC.

Notes to Consolidated Financial Statements  
For The Three and Nine Months Ended September 30, 1998 and 1999 (Unaudited)

Initial Public Offering

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

2. Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, the accompanying consolidated financial statements do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normally recurring accruals, except as described below) considered necessary for a fair presentation have been included in the accompanying consolidated financial statements. The consolidated results of operations for the three-month and nine-month periods ended September 30, 1999 are not necessarily indicative of the results that may be expected for the full fiscal year. These consolidated financial statements should be read in conjunction with the consolidated audited financial statements as of December 31, 1998 and 1997 and for the period from July 1, 1996 (inception) to December 31, 1996 and for each of the two years in the period ended December 31, 1998 included in the registration statement of Trex Company, Inc. on Form S-1 (File No. 333-63287), as filed with the Securities and Exchange Commission.

3. Inventory

Inventories consist of the following:

	December 31, 1998 -----	September 30, 1999 -----
Finished goods	\$4,847,000	\$2,327,000
Raw materials	1,160,000 -----	828,000 -----
	\$6,007,000 =====	\$3,155,000 =====

4. Debt

On August 3, 1999, the Company revised the terms of its bank revolving credit facility. The new terms of the revolving credit facility provide for borrowings of up to \$10.0 million on an unsecured basis for working capital and general corporate purposes. In addition, under this facility, the Company may obtain a total of \$7.5 million of term loans, collateralized by certain equipment, to finance equipment purchases and for other general corporate purposes. Amounts drawn under the revolving credit facility and any

TREX COMPANY, INC.

Notes to Consolidated Financial Statements

For The Three and Nine Months Ended September 30, 1998 and 1999 (Unaudited)

term loans bear interest at an annual rate equal to LIBOR plus 1.00%. The revolving credit facility will mature on July 31, 2000. The unpaid principal balance of term loans outstanding on December 31, 1999 will be payable in consecutive monthly payments beginning on February 1, 2000, and the entire unpaid principal balance of the term loans will be payable in full on July 31, 2000.

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

5. Stockholders' Equity

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1998	1999	1998	1999
Numerator:				
Income before extraordinary item	\$ 1,724,000	\$ 4,137,000	\$ 9,837,000	\$ 11,744,000
Preferred dividends	(101,000)	-	(304,000)	(115,000)
	-----	-----	-----	-----
Extraordinary item	1,623,000	4,137,000	9,533,000	11,629,000
	-	-	-	(1,056,000)
	-----	-----	-----	-----
Net income available to common shareholders	\$ 1,623,000	\$ 4,137,000	\$ 9,533,000	\$ 10,573,000
	=====	=====	=====	=====
Denominator:				
Denominator for basic earnings per share-weighted average shares outstanding	9,500,000	14,117,981	9,500,000	12,420,021
	=====	=====	=====	=====
Basic earnings per common share				
Income before extraordinary item	\$ 0.17	\$ 0.29	\$ 1.00	\$ 0.94
Extraordinary loss	-	-	-	(0.09)
	-----	-----	-----	-----
Net income per share	\$ 0.17	\$ 0.29	\$ 1.00	\$ 0.85
	=====	=====	=====	=====



TREX COMPANY, INC.

Notes to Consolidated Financial Statements  
For The Three and Nine Months Ended September 30, 1998 and 1999 (Unaudited)

The earnings per share amounts shown above have been adjusted to reflect the Reorganization and the issuance of 9,500,000 shares of Trex Company, Inc. Common Stock in exchange for the junior units in the Company. Earnings per share on a fully diluted basis is the same as basic earnings per share and, therefore, is not separately presented.

During 1999, the Company granted certain employees stock options to acquire a total of 105,050 shares of the Company's Common Stock at exercise prices of \$10.00 per share and its two non-employee directors stock options to acquire a total of 6,110 shares of Common Stock at exercise prices ranging from \$13.75 to \$26.56 per share. Each option vests with respect to 25% of the shares subject to the option on each of the first, second, third and fourth anniversaries of the date of grant. The options are forfeitable upon termination of an option holder's service as an employee or director under certain circumstances.

6. Seasonality

The Company's net sales and income from operations have historically varied from quarter to quarter. Such variations are principally attributable to seasonal trends in the demand for the Trex product. The Company typically experiences lower net sales during the fourth quarter due to holidays and adverse weather conditions in certain regions, which reduce the level of home improvement and new construction activity. Net sales during the third quarter of 1998 accounted for approximately 26% of annual sales in the year ended December 31, 1998.

7. Pro Forma and Supplemental Pro Forma Data (Unaudited)

The pro forma consolidated statements of operations data set forth in the accompanying consolidated statements of operations give effect to the Reorganization as if the Reorganization had occurred on January 1 of each period presented. The pro forma income taxes and pro forma net income reflect federal and state income taxes (assuming a 38% combined effective tax rate) as if the Company had been taxed as a C corporation for the three and nine months ended September 30, 1998 and 1999. The pro forma consolidated statements of operations data exclude one-time charges relating to the Reorganization and IPO, including (i) a net deferred tax liability of approximately \$2.6 million and (ii) a \$1.1 million extraordinary charge for the extinguishment of debt repaid from the net proceeds of the IPO. Pro forma weighted average shares outstanding reflect 9,500,000 shares of Trex Company, Inc. Common Stock outstanding through April 7, 1999, 13,500,000 from April 8, 1999 through May 2, 1999, 14,115,450 from May 3 through July 14 and 14,118,435 shares outstanding through September 30, 1999 (See Note 1).

TREX COMPANY, INC.

Notes to Consolidated Financial Statements  
For The Three and Nine Months Ended September 30, 1998 and 1999 (Unaudited)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1998	1999	1998	1999
<b>Numerator:</b>				
Historical income from operations	\$ 2,322,000	\$ 6,712,000	\$ 11,691,000	\$ 19,686,000
Supplemental pro forma interest income (expense), net	96,000	(181,000)	227,000	(483,000)
Supplemental pro forma income taxes	(919,000)	(2,482,000)	(4,529,000)	(7,297,000)
Supplemental pro forma net income available to common shareholders	<u>\$ 1,499,000</u>	<u>\$ 4,049,000</u>	<u>\$ 7,389,000</u>	<u>\$ 11,906,000</u>
<b>Denominator:</b>				
Denominator for pro forma basic earnings per common share-weighted average shares outstanding	<u>14,115,450</u>	<u>14,117,981</u>	<u>14,115,450</u>	<u>14,116,303</u>
Supplemental pro forma basic earnings per common share	<u>\$ 0.11</u>	<u>\$ 0.29</u>	<u>\$ 0.52</u>	<u>\$ 0.84</u>

The foregoing supplemental pro forma basic earnings per common share amounts have been adjusted to reflect the Reorganization (see Note 1) as if the Reorganization had occurred on January 1, 1998 and 1999, respectively. The supplemental pro forma interest income (expense) gives effect to the repayment of the senior and subordinated notes of the Company (see Note 1) as if such repayments had been made as of January 1, 1998 and 1999, respectively. The supplemental pro forma income taxes reflect federal and state income taxes (assuming a 38% combined effective tax rate) as if the Company had been taxed as a C corporation as of January 1, 1998 and 1999, respectively. Supplemental pro forma net income available to common shareholders assumes the preferred units were exchanged for a note of Trex Company, Inc. as of January 1, 1998 and 1999, and excludes one-time charges relating to the Reorganization and IPO, including (i) a net deferred tax liability of approximately \$2.6 million and (ii) a \$1.1 million extraordinary charge for the extinguishment of debt repaid from the net proceeds of the IPO. Supplemental pro forma weighted average shares outstanding assumes that the shares issued in the Reorganization and the IPO were outstanding for all periods presented. Supplemental pro forma earnings per share on a fully diluted basis is the same as supplemental pro forma basic earnings per share and, therefore, is not separately presented.

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

This Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements regarding the Company's expected financial position and operating results, its business strategy and its financing plans are forward-looking statements. These statements are subject to risks and uncertainties that could cause the Company's actual results to differ materially. Such risks and uncertainties include the Company's ability to increase market acceptance of its Trex product; the Company's lack of product diversification; the Company's current dependence on its two manufacturing facilities and its ability to increase its manufacturing capacity in its existing facilities; the Company's reliance on the supply of raw materials used in its production process; the Company's sensitivity to economic conditions, which influence the level of activity in home improvements and new home construction; the Company's ability to manage its growth; the Company's significant capital requirements; and the Company's dependence on its largest distributors to market and sell its products. A discussion of such risks and uncertainties is contained in the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 25, 1999.

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

### Overview

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

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

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

Three Months Ended September 30, 1999 Compared with Three Months Ended  
September 30, 1998

Net Sales

Net sales in the three months ended September 30, 1999 (the "1999 quarter") increased 65.5% to \$20.0 million from \$12.1 million in the three months ended September 30, 1998 (the "1998 quarter"). The increase in net sales was primarily attributable to the growth in sales volume, which increased to 60.7 million pounds of finished product in the 1999 quarter from 38.6 million pounds in the 1998 quarter, and, to a lesser extent, to a price increase of approximately 6%. Production line rate increases, the addition of two production lines in the Company's Winchester, Virginia manufacturing facility in the first quarter of 1999 and the opening of the Company's Fernley, Nevada manufacturing facility with two production lines during the 1999 quarter significantly increased the Company's production capacity in the 1999 quarter. The increase in the number of dealer outlets, from approximately 1,850 at September 30, 1998 to approximately 2,000 at September 30, 1999, contributed to the growth in sales volume.

Cost of Sales

Cost of sales increased 43.2% to \$9.4 million in the 1999 quarter from \$6.5 million in the 1998 quarter. All components of cost of sales increased to support the higher level of sales activity. Cost of sales as a percentage of net sales decreased to 46.9% in the 1999 quarter from 54.2% in the 1998 quarter. The decline principally reflected operating efficiencies from improved production line rates and the economies of scale resulting from the four additional production lines.

Gross Profit

Gross profit increased 91.9% to \$10.6 million in the 1999 quarter from \$5.5 million in the 1998 quarter. The increase in gross profit was attributable to the higher sales volume and improved operating efficiencies. Gross profit as a percentage of net sales increased to 53.1% in the 1999 quarter from 45.8% in the 1998 quarter.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased 21.4% to \$3.9 million in the 1999 quarter from \$3.2 million in the 1998 quarter. The increase was primarily attributable to higher sales and marketing expenses, which increased 26.3% to \$1.9 million in the 1999 quarter from \$1.5 million in the 1998 quarter. The largest component of the increase consisted of branding costs, including advertising costs, which increased 57.6% as the Company expanded its advertising and promotional activities. General and administrative expenses increased 17.1% to \$2.0 million in the 1999 quarter from \$1.7 million in the 1998 quarter. The increase was primarily attributable to costs associated with an increase in staffing necessary to support the Company's growth, the Company's second manufacturing facility, which started production in the 1999 quarter, and an increase in research and development activities. Selling, general and administrative expenses as a percentage of net sales decreased to 19.5% in the 1999 quarter from 26.5% in the 1998 quarter.

Interest Expense

Net interest expense decreased 69.7% to \$0.2 million in the 1999 quarter from \$0.6 million in the 1998 quarter. The decrease was primarily attributable to lower average balances outstanding as a result of the repayment, in the second

quarter of 1999, of \$21.3 million of senior debt and \$5.0 million of subordinated debt with the net proceeds of the Company's initial public offering (the "IPO").

#### Income Taxes

The Company was taxed as a partnership for federal and state tax purposes for all periods through April 7, 1999 and thus recorded no provision for income taxes. The income tax provision of \$2.4 million in the 1999 quarter represents an assumed 38% combined effective tax.

#### Net Income

The Company realized net income of \$4.1 million in the 1999 quarter compared to net income of \$1.7 million in the 1998 quarter.

#### Nine Months Ended September 30, 1999 Compared with Nine Months Ended September 30, 1998

##### Net Sales

Net sales in the nine months ended September, 30, 1999 (the "1999 nine-month period") increased 50.0% to \$62.1 million from \$41.4 million in the nine months ended September, 30, 1998 (the "1998 nine-month period"). The increase in net sales was primarily attributable to the growth in sales volume, which increased to 189.7 million pounds of finished product in the 1999 nine-month period from 133.9 million pounds in the 1998 nine-month period, and, to a lesser extent, to a price increase of approximately 6%. Production line rate increases, the addition of two production lines in the Company's Winchester, Virginia manufacturing facility in the first quarter of 1999 and the opening of the Company's Fernley, Nevada manufacturing facility with two production lines during the 1999 quarter significantly increased the Company's production capacity in the 1999 nine-month period. The increase in the number of dealer outlets, from approximately 1,850 at September 30, 1998 to approximately 2,000 at September 30, 1999, contributed to the growth in sales volume.

##### Cost of Sales

Cost of sales increased 39.1% to \$27.6 million in the 1999 nine-month period from \$19.8 million in the 1998 nine-month period. All components of cost of sales increased to support the higher level of sales activity. Cost of sales as a percentage of net sales decreased to 44.4% in the 1999 nine-month period from 47.9% in the 1998 nine-month period. The decline principally reflected operating efficiencies from improved production line rates and the economies of scale resulting from the four additional production lines.

##### Gross Profit

Gross profit increased 60.1% to \$34.5 million in the 1999 nine-month period from \$21.6 million in the 1998 nine-month period. The increase in gross profit was attributable to the higher sales volume and improved operating efficiencies. Gross profit as a percentage of net sales increased to 55.6% in the 1999 nine-month period from 52.1% in the 1998 nine-month period.

##### Selling, General and Administrative Expenses

Selling, general and administrative expenses increased 50.3% to \$14.9 million in the 1999 nine-month period from \$9.9 million in the 1998 nine-month period. The increase was primarily attributable to higher sales and marketing expenses,

which increased 49.2% to \$8.4 million in the 1999 nine-month period from \$5.7 million in the 1998 nine-month period. The largest component of the increase consisted of branding costs, including advertising costs, which increased 74.7% as the Company expanded its advertising and promotional activities. General and administrative expenses increased 51.8% to \$6.4 million in the 1999 nine-month period from \$4.2 million in the 1998 nine-month period. The increase was primarily attributable to costs associated with an increase in staffing necessary to support the Company's growth, the Company's second manufacturing facility, which started production in the 1999 quarter, and an increase in research and development activities. Selling, general and administrative expenses as a percentage of net sales remained at 23.9%.

#### Interest Expense

Net interest expense decreased 31.6% to \$1.3 million in the 1999 nine-month period from \$1.9 million in the 1998 nine-month period. The decrease was primarily attributable to lower average balances outstanding as a result of the repayment, in the second quarter of 1999, of \$21.3 million of senior debt and \$5.0 million of subordinated debt with the net proceeds of the IPO.

#### Income Taxes

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

#### Extraordinary Charge

The extraordinary charge of \$1.1 million in the 1999 nine-month period reflects a prepayment penalty of \$1.5 million from the early retirement of \$26.3 million of senior and subordinated debt with the net proceeds of the IPO and the related write-off of unamortized debt discount of \$.2 million, both net of taxes.

#### Net Income

Net income increased 8.7% to \$10.7 million in the 1999 nine-month period from \$9.8 million in the 1998 nine-month period.

#### Liquidity and Capital Resources

The Company's total assets increased from \$51.3 million at December 31, 1998 to \$70.3 million at September 30, 1999. Higher receivables balances resulting from an increase in net sales in the 1999 nine-month period accounted for \$4.2 million of the increase. Inventories decreased \$2.9 million in relation to the increased net sales. Property, plant and equipment, net, increased \$19.6 million as the Company installed two additional production lines in its Winchester, Virginia facility, constructed and opened its second manufacturing facility in Fernley, Nevada with two production lines and started ordering equipment for four additional manufacturing lines for its Nevada facility.

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

The Company's cash flow from operating activities for the 1999 nine-month period was \$20.3 million compared to \$13.1 million for the 1998 nine-month

period. Higher sales volume accounted for the increase in cash flows in the 1999 nine-month period.

The Company's working capital generally averages between 12% and 18% of net sales. The Company's working capital needs correlate closely with the level of the Company's net sales. Consequently, the Company's short-term borrowing requirements are affected by the seasonality of its business. On August 3, 1999, the Company amended the terms of its revolving credit facility. The new terms of the facility provide for borrowings of up to \$10.0 million on an unsecured basis for working capital and other general corporate purposes. In addition, under this facility, the Company may obtain a total of \$7.5 million of term loans, collateralized by certain equipment, to finance equipment purchases and for other general corporate purposes. Amounts drawn under the revolving credit facility and any term loans bear interest at an annual rate equal to LIBOR plus 1.00%. The revolving credit facility will mature on July 31, 2000. The unpaid principal balance of any term loans outstanding on December 31, 1999 will be payable in consecutive monthly payments beginning February 1, 2000, and the entire unpaid principal balance of the term loans will be payable in full on July 31, 2000.

The Company substantially reduced its overall long-term indebtedness on April 13, 1999 following its repayment of \$26.3 million principal amount of senior and subordinated notes with the net proceeds of the Company's initial public offering. As of September 30, 1999, the Company's indebtedness had an overall weighted average interest rate of approximately 7.6% per annum.

The Company financed its purchase of its Winchester, Virginia facility in June 1998 with a ten-year term loan of \$3.8 million. Pursuant to an interest rate swap agreement, interest on this loan is payable at an annual rate of 7.12%.

The Company financed its purchase of the Trex Technical Center in November 1998 in part with the proceeds of a ten-year term loan of \$1.0 million. Pursuant to an interest rate swap agreement, interest on this loan is payable at an annual rate of 6.8%.

The Company financed its acquisition of the site for its second manufacturing facility located in Nevada in December 1998 in part with a \$2.1 million loan which was payable in September 1999. The Company financed construction of the facility in part with proceeds of \$4.6 million under a construction loan which was payable in November 1999. The site acquisition and construction loans accrued interest at an annual rate of 7.5%. The Company refinanced both loans on September 30, 1999 with a fifteen-year term loan in the original principal amount of \$6.7 million. Pursuant to an interest rate swap agreement, interest on this loan is payable at an annual rate of 7.90%.

As part of the Reorganization, TREX Company, LLC in April 1999 made a distribution to its junior members (the "LLC Distribution") of approximately \$12.6 million. See Note 1 to the Consolidated Financial Statements included elsewhere in this report. The LLC Distribution was funded from \$3.9 million of cash on hand, \$4.4 million of borrowings under the credit facility and \$4.3 million of net proceeds from the initial public offering. The Company made a final payout of \$822,000 in the third quarter of 1999 relating to the LLC Distribution.

Expansion of the Company's production capacity will continue to require significant capital expenditures. Capital expenditures during the 1999 nine-month period totaled approximately \$22.3 million. As of September 30, 1999, the Company estimates \$12.5 million will be required to complete the equipping of four additional manufacturing lines for its Nevada facility. The Company estimates that its capital expenditures for this purpose in the fourth quarter

of 1999 will total approximately \$6.5 million and in 2000 will total approximately \$6.0 million. The Company believes that cash on hand, cash flow from operations and borrowings expected to be available under the Company's credit facility will provide sufficient funds to enable the Company to expand its business as currently planned for at least the next 12 months. The actual amount and timing of the Company's future capital requirements may differ materially from the Company's estimate depending on the demand for Trex and new market developments and opportunities. The Company may determine that it is necessary or desirable to obtain financing for such requirements through bank borrowings or the issuance of debt or equity securities. Debt financing would increase the leverage of the Company, while equity financing may dilute the ownership of the Company's stockholders. There can be no assurance as to whether, or as to the terms on which, the Company will be able to obtain such financing.

#### Year 2000 Issue

The Company's Program. The Company has undertaken a program to address the Year 2000 issue with respect to the following: (1) the Company's information technology and operating systems, including its billing, accounting and financial reporting systems; (2) the Company's non-information technology systems, such as buildings, plant, equipment and other infrastructure systems that may contain embedded microcontroller technology; (3) certain systems of the Company's major suppliers and material service providers, insofar as such systems relate to the Company's business activities with such parties; and (4) the Company's major distributors, insofar as the Year 2000 issue relates to the ability of such distributors to distribute Trex to the Company's dealer outlets. As described below, the Company's Year 2000 program involves (1) an assessment of the Year 2000 problems that may affect the Company, (2) the development of remedies to address the problems discovered in the assessment phase and the testing of such remedies and (3) the preparation of contingency plans to deal with worst case scenarios.

Assessment Phase. As part of the assessment phase of its program, the Company has identified substantially all of the major components of the systems described above. To determine the extent to which such systems are vulnerable to the Year 2000 issue, the Company has completed an evaluation of its software applications and began remediation and testing activities for such applications in the first half of 1999. In addition, the Company has distributed letters to certain of its major suppliers and other material service providers and to the Company's major distributors, requesting them to provide the Company with detailed, written information concerning existing or anticipated Year 2000 compliance by their systems insofar as the systems relate to such parties' business activities with the Company. The Company has received and analyzed responses from a majority of these parties. The third parties responding to the Company's inquiries generally have indicated either that they believe that their systems are or will be Year 2000 compliant or that they have undertaken programs seeking to achieve Year 2000 compliance.

Remediation and Testing Phase. Based upon the results of its assessment efforts, the Company has undertaken remediation and testing activities. The Company completed this phase during the 1999 quarter. The activities conducted during the remediation and testing phase addressed potential Year 2000 problems in computer software used by the Company in its information technology systems. In this phase, the Company first evaluated a program application and, when potential Year 2000 problems were identified, attempted to remediate the problem and individually test the application to confirm that the remediating changes are effective and have not adversely affected the functionality of that application. After the individual applications and system components underwent remediation and testing phases, the Company conducted integrated testing for



the purpose of demonstrating functional integrated systems operation. All applications and systems functioned properly during the testing phase.

**Contingency Plans.** The Company has developed contingency plans to handle its most reasonably likely worst case Year 2000 scenarios. The Company believes that its most reasonably likely worst case scenario is that some of its suppliers of raw materials may have difficulty filling orders. The Company's plans to mitigate the impact of such an event on its business would entail the purchase of additional raw materials from its current suppliers and new supply sources. In its contingency planning, the Company has identified alternative sources for its raw materials.

**Costs Related to the Year 2000 Issue.** To date, the Company has incurred approximately \$35,000 in costs for its Year 2000 program. Such costs do not include internal staff costs, consisting principally of payroll costs, incurred on Year 2000 matters, because the Company does not separately track such costs. The Company does not expect to incur any material additional costs for its Year 2000 program.

**Risks Related to the Year 2000 Issue.** Although the Company's Year 2000 efforts are intended to minimize the adverse effects of the Year 2000 issue on the Company's business and operations, the actual effects of the issue and the success or failure of the Company's efforts described above cannot be known until the year 2000. Failure by the Company and its major suppliers, other material service providers and major distributors to address adequately their respective Year 2000 issues in a timely manner insofar as such issues relate to the Company's business could have a material adverse effect on the Company's business, results of operations and financial condition.

### Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company's major market risk exposure is to changing interest rates. The Company's policy is to manage interest rates through a combination of variable-rate debt under its revolving credit facility and interest rate swap agreements with respect to its other debt. Amounts drawn under the revolving credit facility and any term loans bear interest at an annual rate equal to LIBOR plus 1.00%. As of September 30, 1999, pursuant to interest-rate swap agreements, the Company had effectively fixed its interest rate exposure under its other debt at approximately 7.6% through 2014.

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

Part II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) The Company files herewith the following exhibits:

- 10.1 Amended and Restated Credit Agreement, dated as of August 3, 1999, among Trex Company, Inc., TREX Company, LLC and First Union National Bank of Virginia. Filed herewith.
- 10.2 Standing Loan Agreement, dated as of September 28, 1999, by and between TREX Company, LLC and Bank of America, N.A. Filed herewith.
- 10.3 Promissory Note, dated September 28, 1999, made by TREX Company, LLC payable to Bank of America, N.A. Filed herewith.
- 10.4 Payment Guaranty, dated as of September 28, 1999, made by Trex Company, Inc. in favor of Bank of America, N.A. Filed herewith.
- 27. Financial Data Schedule. Filed herewith.

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

SIGNATURES

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

TREX COMPANY, INC.  
(Registrant)

Date: November 12, 1999

/s/ Anthony J. Cavanna

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

EXHIBIT INDEX

(Pursuant to Item 601 of Regulation S-K)

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- 10.4 Payment Guaranty, dated as of September 28, 1999, made by Trex Company, Inc. in favor of Bank of America, N.A. Filed herewith.
- 27 Financial Data Schedule. Filed herewith.

AMENDED AND RESTATED CREDIT AGREEMENT dated as of August 3, 1999  
among TREX COMPANY, LLC, a Delaware limited liability company, TREX  
COMPANY, INC., a Delaware corporation,  
and FIRST UNION NATIONAL BANK,  
a national banking association.

RECITALS

WHEREAS, the Borrower and the Bank entered into an Amended and Restated Credit Agreement dated as of March 23, 1999 (the "Original Credit Agreement") pursuant to which the Bank made available to the Borrower a revolving line of credit and a term loan facility;

WHEREAS, the Borrower and the Bank have agreed that the revolving line of credit shall be unsecured and the terms of the Original Credit Agreement shall be amended in certain other respects;

WHEREAS, TREX COMPANY, INC. owns all of the issued and outstanding limited liability company interests in the Borrower, operates the Borrower as its wholly-owned subsidiary and has agreed to guaranty payment of the Obligations;

WHEREAS, in furtherance of the foregoing the Borrower and the Bank have agreed to amend and restate the Original Credit Agreement.

NOW, THEREFORE, in consideration of the foregoing recitals and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Borrower and the Bank agree to amend, restate and replace the Original Credit Agreement as follows:

ARTICLE I  
DEFINITIONS

Section 1.01 Definitions. All capitalized terms used in this Agreement

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or in any Appendix, Schedule or Exhibit hereto which are not otherwise defined herein or therein shall have the respective meanings set forth in the Appendix attached hereto identified as the Definitions Appendix. The Definitions Appendix is incorporated herein by reference in its entirety and is a part of this Agreement to the same extent as if it had been set forth in this Section 1.01 in full.

Section 1.02 Accounting Terms and Determinations. Unless otherwise

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specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared, in accordance with generally accepted accounting principles in the United States of America as in effect from time to time, applied on a basis consistent (except for changes

concurrent in by the Borrower's independent public accountants) with the most recent audited consolidated financial statements of the Borrower and its Consolidated Subsidiaries delivered to the Bank.

ARTICLE II  
THE CREDIT

Section 2.01 Commitment to Lend.  
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(a) Revolving Commitment. The Bank agrees, on the terms and conditions  
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set forth in this Agreement, to make Revolving Loans to the Borrower from time to time during the Revolving Credit Period in amounts such that the aggregate principal amount of Revolving Loans at any one time outstanding will not exceed the Revolving Commitment. Within the foregoing limit, the Borrower may borrow, prepay and reborrow Revolving Loans at any time during the Revolving Credit Period.

(b) Term Commitment. The Bank agrees, on the terms and conditions set  
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forth in this Agreement, to make Term Loans to the Borrower from time to time during the Term Loan Period in amounts such that the aggregate principal amount of Term Loans will not exceed the Term Commitment. This commitment to make Term Loans is not revolving in nature, and any Term Loans repaid may not be reborrowed.

Section 2.02 Methods of Borrowing.  
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(a) Notice of Borrowing. Except as otherwise provided in this Section,  
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the Borrower may, with the approval of the Bank, give the Bank notice substantially in the form of Exhibit A hereto (a "Notice of Borrowing") not later than 12:00 P.M. (local time in Winchester, Virginia) on the date of each requested Loan, specifying the date of such Loan and the amount of such Loan.

(b) Cash Management Services. The Borrower subscribes to the Bank's  
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cash management services and such services are applicable to the Revolving Loans. The terms of such services, as set forth in the Services Agreement, shall control the manner in which funds are transferred between the Operating Account and the Revolving Loans for credit or debit to the Revolving Loans.

(c) Overdrafts in Other Accounts. The Bank may, at its option, pay  
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any Item which will cause any deposit account maintained by the Borrower with the Bank to become overdrawn, and such payment shall be deemed a Revolving Loan hereunder.

Section 2.03 Funding of Loans. The Bank shall disburse the proceeds  
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of each Loan made pursuant to Section 2.02 as follows:

(a) The proceeds of each Loan under Section 2.02(a) shall be made available by the Bank to the Borrower in Federal or other funds immediately available at the Bank's address referred to in Section 8.01.

(b) The proceeds of each Loan under Section 2.02(b) or (c) shall be disbursed by the Bank by way of direct payment of the relevant Item or by way of deposit to the Operating Account pursuant to the Services Agreement, as the case may be.

Section 2.04 Note.  
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(a) Evidence of Loans. The Revolving Loans and the Term Loans shall each be evidenced by a single Note payable to the order of the Bank in an amount equal to the Revolving Commitment and the Term Commitment, respectively.

(b) Records of Amounts Due. The Bank shall record the date and amount of each Loan made by it and the date and amount of each payment of principal made by the Borrower with respect thereto, and may, if the Bank so elects in connection with any transfer or enforcement of each Note, endorse on the schedule forming a part thereof appropriate notations to evidence the foregoing information with respect to each such Loan then outstanding; provided that the failure of the Bank to make any such recordation or endorsement shall not affect the obligations of the Borrower hereunder or under such Note. The Bank is hereby irrevocably authorized by the Borrower so to endorse each Note and to attach to and make a part of such Note a continuation of any such schedule as and when required. The Bank shall send the Borrower a copy of any endorsements and continuations so made.

Section 2.05 Interest Rate.  
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(a) LIBOR Market Index-Based Rate. Each Loan shall bear interest on the outstanding principal amount thereof, for each day from the date such Loan is made until it becomes due, at a rate per annum equal to the applicable LIBOR Market Index-Based Rate for such day. Such interest shall be payable for each month in arrears on the first day of the immediately succeeding calendar month.

"LIBOR Market Index-Based Rate" shall be the rate per annum equal to the LIBOR Market Index Rate plus one percent (1.0%) as that rate may change from day to day. "LIBOR Market Index Rate", for any day, is the rate for 1 month U.S. dollar deposits as reported on Telerate page 3750 as of 11:00 a.m., London time, on such day, or if such day is not a London business day, then the immediately preceding London business day (or if not so reported, then as determined by the Bank from another recognized source or interbank quotation).

(b) Overdue Amounts. Any overdue principal of or interest on any Loan shall bear interest, payable on demand, for each day from and including the date payment thereof was due to but excluding the date of actual payment, at a rate per annum equal to the sum of 2% plus the LIBOR Market Index-Based Rate applicable to such Loan on such day.

Section 2.06 Unused Commitment Fee. The Borrower shall pay to the an

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unused commitment fee (the "Commitment Fee") for each day at a rate per annum equal to the product of (i) 12.5 basis points multiplied by (ii) the excess of the Revolving Commitment over the aggregate amount of the Revolving Loans on such day. Such unused commitment fee shall accrue from and including the Effective Date to but excluding the Termination Date (or earlier date of termination of the Revolving Commitment in its entirety) and shall be payable quarterly in arrears on each Quarterly Date and on the Termination Date.

Section 2.07 Adjustments of Commitment.

(a) Optional Termination or Reductions of Revolving Commitment. The

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Borrower may, upon at least three Business Days' notice to the Bank, (i) terminate the Revolving Commitment at any time, if no Revolving Loans are outstanding at such time or (ii) reduce from time to time the amount of the Revolving Commitment in excess of the aggregate outstanding principal amount of the Revolving Loans. If the Revolving Commitment is terminated in its entirety, all accrued fees shall be payable on the effective date of such termination.

(b) Optional Extension of Commitment.

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(i) The Bank may elect, by notice to the Borrower not less than 15 days and not more than 45 days prior to June 30, 2000 or the first anniversary of an Extension Date (as applicable, an "Anniversary Date"), to extend the Revolving Credit Period until the second anniversary of such Anniversary Date (each of the first and subsequent Anniversary Dates on which the Revolving Credit Period is extended hereunder being referred to herein as an "Extension Date"). Failure by the Bank to notify the Borrower of such election within the above time period shall be deemed to constitute an election by the Bank not to extend the Revolving Credit Period.

(ii) If the Bank shall have elected to extend the Revolving Credit Period as provided in this Section 2.07(b), then the Revolving Credit Period shall continue until the second anniversary of the Extension Date in effect, and the term "Termination Date", as used herein, shall mean such second anniversary.

Section 2.08 Maturity and Repayment of Loans.

(a) Maturity on Termination Date. Each Revolving Loan shall mature, and

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the principal amount thereof shall be due and payable, on the Termination Date.

(b) Cash Management Services. The Revolving Loans shall be repaid as set

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forth in the Services Agreement, and consistent with Section 2.02(b) of this Agreement.

(c) Term Loans. The unpaid principal balance of the Term Loans on

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December 31, 1999 shall be payable in consecutive monthly payments on the first day of each month, beginning February 1, 2000, equal to the quotient of the amount of such unpaid principal balance on December 31, 1999 divided by 60; provided, however, that the entire unpaid principal balance



of the Term Loans and all accrued interest thereon shall be due and payable in full on July 31, 2000.

(d) Optional Prepayments of Loans. The Borrower may upon at least one

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Business Day's notice to the Bank, prepay any Loan, in whole at any time, or from time to time in part, without penalty, by paying the principal amount to be prepaid together with accrued interest thereon to the date of prepayment. The notice of prepayment delivered by the Borrower to the Bank shall not be revocable by the Borrower following its receipt by the Bank. Any prepayment of the Term Loans shall be applied to the Term Loans in the inverse order of their maturities.

Section 2.09 General Provisions as to Payments. The Borrower shall make

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each payment of principal of and interest on the Loans and fees hereunder not later than 12:00 Noon (local time in Winchester, Virginia) on the date when due, without set-off, counterclaim or other deduction, in Federal or other funds immediately available to the Bank at its address referred to in Section 9.01 or such other location as designated by the Bank. Whenever any payment of principal of, or interest on, the Loans or of fees shall be due on a day which is not a Business Day, the date for payment thereof shall be extended to the next succeeding Business Day. If the date for any payment of principal is extended by operation of law or otherwise, interest thereon shall be payable for such extended time.

Section 2.10 Computation of Interest and Fees. Interest on Loans

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hereunder shall be computed on the basis of a year of 360 days and paid for the actual number of days elapsed (including the first day but excluding the last day).

### ARTICLE III CONDITIONS

Section 3.01 Conditions to Closing. The obligation of the Bank to make

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the first Loan hereunder is subject to the satisfaction of the following conditions:

(a) Effectiveness. This Agreement shall have become effective in

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accordance with Section 10.08.

(b) Notes. On or prior to the Closing Date, the Bank shall have received a

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duly executed Revolving Note and Term Note dated on or before the Closing Date complying with the provisions of Section 2.04.

(c) Other Loan Documents. Each of the Loan Documents to be executed on or

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before the Closing Date shall be in form and substance reasonably satisfactory to the Bank and shall have been duly executed and delivered to the Bank by each of the parties thereto.

(d) Adverse Change, etc. On the Closing Date, nothing shall have occurred

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(and the Bank shall not have become aware of any facts or conditions not previously known) which has, or could reasonably be expected to have, a Material Adverse Effect.

(e) Officer's Certificate. The Bank shall have received a certificate

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dated the Closing Date signed on behalf of the Borrower by the Chairman of the Board, the President, any Vice President or the Treasurer of the Borrower stating that (x) on the Closing Date and after giving effect to the Loan being made on the Closing Date, no Default or Event of Default shall have occurred and be continuing and (y) to the best knowledge and belief of such officer, the representations and warranties of the Borrower contained in the Loan Documents are true and correct on and as of the Closing Date.

(f) Opinion of Counsel. On the Closing Date, the Bank shall have received

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from counsel to the Borrower and Guarantor an opinion addressed to the Bank, dated the Closing Date, substantially in the form of Exhibit C hereto and covering such additional matters incident to the transactions contemplated hereby as the Bank may reasonably request.

(g) (i) Borrower Proceedings. On the Closing Date, the Bank shall have

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received (i) a copy of the Borrower's Certificate of Formation, as amended, certified by the Secretary of State of Delaware and dated as of a recent date prior to the Closing Date; (ii) a certificate of the Secretary of State of Delaware and each other state in which the Borrower is qualified as a foreign limited liability company to do business, dated as of a recent date prior to the Closing Date, as to the good standing of the Borrower; (iii) a copy of the Borrower's Limited Liability Company Agreement, including all amendments thereto; and (iv) a certificate of the appropriate officer or other authorized person of the Borrower dated the Closing Date and certifying (A) that the documents referred to in clause (iii) above have not been amended since the date of said certificate, (B) that attached thereto is a true, correct and complete copy of resolutions adopted by the managers of the Borrower authorizing the execution, delivery and performance of the Credit Agreement, the Notes and the Security Agreement and each other document delivered in connection herewith or therewith and that said resolutions have not been amended and are in full force and effect on the date of such certificate, (C) as to the incumbency and specimen signatures of each officer or other authorized person of the Borrower executing this Agreement, the Notes and the Security Agreement or any other document delivered in connection herewith or therewith and (D) certifying as to the names and respective jurisdictions of organization of all Subsidiaries of the Borrower existing on the Closing Date.

(ii) Guarantor Proceedings. On the Closing Date, the Bank shall have

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received (i) a copy of the Guarantor's Certificate of Incorporation, as amended, certified by the Secretary of State of Delaware and dated as of a recent date prior to the Closing Date; (ii) a certificate of the Secretary of State of Delaware and each other state in which the Guarantor is qualified as a foreign corporation to do business, dated as of a recent date prior to the Closing Date, as to the good standing of the Guarantor; (iii) a copy of the Guarantor's by-laws, including all amendments thereto; and (iv) a certificate of the appropriate officer or other authorized person of the Guarantor dated the Closing Date and certifying (A) that the documents referred to in clause (iii) above have not been amended since the date of said certificate, (B) that attached thereto is a true, correct and complete copy of resolutions adopted by the directors of the Guarantor authorizing the execution, delivery and performance of the Credit Agreement and each other document delivered in connection herewith or therewith to which the Guarantor is a party and that said resolutions have not been amended and are in full force and effect on the date of such certificate, (C) as to the incumbency and specimen signatures of each officer or other authorized

person of the Guarantor executing this Agreement or any other document delivered in connection herewith or therewith and (D) certifying as to the names and respective jurisdictions of organization of all Subsidiaries of the Guarantor existing on the Closing Date.

All company and legal proceedings and instruments and agreements relating to the transactions contemplated by this Agreement or in any other document delivered in connection therewith shall be satisfactory in form and substance to the Bank and its counsel, and the Bank shall have received all information and copies of all documents and papers, including records of company proceedings, governmental approvals, good standing certificates and bring-down telegrams, if any, which the Bank reasonably may have requested in connection therewith, such documents and papers where appropriate to be certified by proper company or governmental authorities.

(h) Perfection of Security Interests; Search Reports. On or prior to the

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Closing Date, the Bank shall have received:

(i) a Perfection Certificate of the Borrower, substantially in the form of Exhibit A to the Security Agreement;

(ii) appropriate Financing Statements (Form UCC-1 or such other financing statements or similar notices as shall be required by local law) fully executed for filing under the Uniform Commercial Code or other applicable local law of each jurisdiction in which the filing of a financing statement or giving of notice may be required, or reasonably requested by the Bank, to perfect the security interests purported to be created by the Loan Documents;

(iii) copies of reports from Prentice-Hall Financial Services or other independent search service reasonably satisfactory to the Bank listing all effective financing statements that name the Borrower (under its present name and any previous name and, if requested by the Bank, under any trade names) as debtor or seller that are filed in the jurisdictions referred to in clause (i) above, together with copies of such other financing statements (none of which shall cover the Collateral (as that term is defined in the Security Agreement) except to the extent evidencing Permitted Liens or for which the Bank shall have received termination statements (Form UCC-3) or such other termination statements as shall be required by local law) fully executed for filing; and

(iv) evidence of the completion of all other filings and recordings of, or with respect to, the Loan Documents as may be necessary or, in the opinion of the Bank, desirable to perfect the security interests intended to be created by the Loan Documents. (After the aforementioned filings and recordings have been effected, the Bank shall execute all termination statements submitted by the Borrower effecting the termination of all filings and recordings pertaining to previous terminated or superseded agreements between the parties.)

(i) Payment of Fees. All reasonable costs, fees and expenses due to

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the Bank on or before the Closing Date (including, without limitation, legal fees and expenses) shall have been paid.

(j) Counsel Fees. The Bank shall have received payment from the

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Borrower of the reasonable fees and expenses of McGuire, Woods, Battle & Boothe, LLP described in Section 8.03 which are billed through the Closing Date.

The Bank shall promptly notify the Borrower of the Closing Date, and such notice shall be conclusive and binding on all parties hereto. The documents referred to in this Section shall be delivered to the Bank no later than the Closing Date. The certificates and opinion referred to in this Section shall be dated the Closing Date.

Section 3.02 Conditions to All Loans. The obligation of the Bank to

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make each Loan is subject to the satisfaction of the following conditions:

(i) the fact that the Closing Date shall have occurred;

(ii) with respect to each Revolving Loan, the fact that, immediately after the making of such Loan, the aggregate outstanding principal amount of all Revolving Loans will not exceed the Revolving Commitment;

(iii) with respect to each Term Loan, the fact that, immediately after the making of such Loan, the aggregate principal amount of all Term Loans made shall not exceed the Term Commitment.

(iv) the fact that, immediately before and after the making of such Loan, no Default shall have occurred and be continuing;

(v) the fact that the representations and warranties of the Borrower contained in this Agreement shall be true on and as of the date of such Loan; and

(vi) (A) the Bank shall in good faith have determined that its prospect of receiving payment in full of the Obligations then outstanding or its ability to exercise its rights and remedies hereunder and under the other Loan Documents have not been impaired, (B) no event or condition shall have occurred since the Effective Date which has or could reasonably be expected to have a Material Adverse Effect or (C) the Bank shall not reasonably suspect that one or more Events of Default have occurred and is continuing.

Each Loan hereunder shall be deemed to be a representation and warranty by the Borrower on the date of such Loan as to the facts specified in clauses (iv) and (v) of this Section.

ARTICLE IV  
GUARANTY

Section 4.01 Guaranty. Guarantor hereby guaranties to the Bank the

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prompt payment of the Obligations in full when due (whether at stated maturity, as a mandatory prepayment, by acceleration or otherwise) strictly in accordance with the terms thereof. Guarantor hereby further agrees that if any of the Obligations are not paid in full when due (whether at stated maturity, as a mandatory prepayment, by acceleration or otherwise), Guarantor will promptly pay the same, without any demand or notice whatsoever, and that in the case of any extension of time of payment or renewal of any of the Obligations, the same will be promptly paid in full when due (whether at extended maturity, as a mandatory prepayment, by acceleration or otherwise) in accordance with the terms of such extension or renewal.

Section 4.02 Obligations Unconditional. The obligation of the Guarantor

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under Section 4.01 hereof is absolute and unconditional, irrespective of the value, genuineness, validity, regularity or enforceability of any of the Loan Documents, or any other agreement or instrument referred to therein, or any substitution, release or exchange of any other guaranty of or security for any of the Obligations, and, to the fullest extent permitted by applicable law, irrespective of any other circumstance whatsoever which might otherwise constitute a legal or equitable discharge or defense of a surety or guarantor, it being the intent of this Section 4.02 that the obligations of the Guarantor hereunder shall be absolute and unconditional under any and all circumstances. The Guarantor agrees that it shall have no right of subrogation, indemnity, reimbursement or contribution against the Borrower for amounts paid under this guaranty until such time as the Bank has been paid in full, all commitments under this Agreement have been terminated and no Person shall have any right to request any return or reimbursement of funds from the Bank in connection with monies received under the Loan Documents. Without limiting the generality of the foregoing, it is agreed that, to the fullest extent permitted by law, the occurrence of any one or more of the following shall not alter or impair the liability of the Guarantor hereunder which shall remain absolute and unconditional as described above:

(i) at any time or from time to time, without notice to the Guarantor, the time for any performance of or compliance with any of the Obligations shall be extended, or such performance or compliance shall be waived;

(ii) any of the acts mentioned in any of the provisions of any of the Loan Documents or any other agreements or instrument referred to therein shall be done or omitted;

(iii) the maturity of any of the Obligations shall be accelerated, or any of the Obligations shall be modified, supplemented or amended in any respect, or any right under any of the Loan Documents or any other agreement or instrument referred to therein shall be waived or any other guaranty of any of the Obligations or any security therefor shall be released or exchanged in whole or in part or otherwise dealt with;

(iv) any Lien granted to, or in favor of, the Bank as security for any of the Obligations shall fail to attach or be perfected; or

(v) any of the Obligations shall be determined to be void or voidable (including, without limitation, for the benefit of any creditor of the Guarantor) or shall be subordinated to the claims of any Person (including, without limitation, any creditor of the Guarantor).

With respect to its obligations hereunder, the Guarantor hereby expressly waives diligence, presentment, demand of payment, protest and all notices whatsoever, and any requirement that the Bank exhaust any right, power or remedy or proceed against any Person under any of the Loan Documents or any other agreement or instrument referred to therein, or against any other Person under any other guaranty of, or security for, any of the Obligations.

Section 4.03 Reinstatement. The obligation of the Guarantor under this

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Article IV shall be automatically reinstated if and to the extent that for any reason any payment by or on behalf of any Person in respect of the Obligations is rescinded or must be otherwise restored by any holder of any of the Obligations, whether as a result of any proceedings in bankruptcy or reorganization or otherwise, and the Guarantor agrees that it will indemnify the Bank on demand for all reasonable costs and expenses (including, without limitation, fees and expenses of counsel) incurred by the Bank in connection with such rescission or restoration, including any such costs and expenses incurred in defending against any claim alleging that such payment constituted a preference, fraudulent transfer or similar payment under any bankruptcy, insolvency or similar law.

Section 4.04 Certain Additional Waivers. Without limiting the generality

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of the provisions of this Article IV, the Guarantor hereby agrees that it shall have no right of recourse to security for the Obligations.

Section 4.05 Remedies. The Guarantor agrees that, to the fullest extent

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permitted by law, as between the Guarantor, on the one hand, and the Bank, on the other hand, the Obligations may be declared to be forthwith due and payable as provided in Article VI hereof for purposes of Section 4.01 hereof notwithstanding any stay, injunction or other prohibition preventing such declaration as against any other Person and that, in the event of such declaration, the Obligations (whether or not due and payable by any other Person) shall forthwith become due and payable by the Guarantor for purposes of said Section 4.01.

Section 4.06 Continuing Guaranty. The guaranty in this Article IV is a

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continuing guaranty, and shall apply to all the Obligations whenever arising.

Section 4.07 Representations and Warranties. The Guarantor represents

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and warrants that:

(a) The Guarantor is a corporation duly incorporated, validly existing and in good standing under the laws of Delaware, and has all corporate powers and all material governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted. The Guarantor is duly qualified as a foreign corporation, licensed and in good standing in each other jurisdiction where qualification or licensing is required by the nature of its business or the character and location of its property, business or customers and in which the

failure to so qualify or be licensed, as the case may be, could have a material adverse affect on the business, financial position, results of operations, properties or prospects of the Guarantor.

(b) The execution, delivery and performance by the Guarantor of this Agreement are within its corporate power, have been duly authorized by all necessary corporate action, require no action by or in respect of, or filing with, any governmental authority and do not contravene, or constitute (with or without the giving of notice or lapse of time or both) a default under, any provision of applicable law or of the articles of incorporation or by-laws of the Guarantor or of any agreement, judgment, injunction, order, decree or other instrument binding upon or affecting the Guarantor.

(c) This Agreement constitutes a legal, valid and binding agreement of the Guarantor, enforceable against it in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general principles of equity (whether enforcement is sought by proceedings in equity or at law).

(d) The Guarantor is not in default in the payment of the principal of or interest on any indebtedness and is not in default under any instrument under and subject to which any such indebtedness has been incurred, and no event has occurred and is continuing under the provisions of any such agreement which, with the lapse of time or the giving of notice, or both, would constitute an event of default thereunder or permit the acceleration of the indebtedness represented thereby.

(e) There is no action, suit or proceeding pending against, or to the knowledge of the Guarantor threatened against or affecting it before any court or arbitrator or any governmental authority in which there is a reasonable possibility of an adverse decision which could materially adversely affect its financial condition or which in any manner draws into question the validity of this Guaranty.

ARTICLE V  
REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants that:

Section 5.01 Existence and Power. The Borrower is a limited liability

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company duly organized, validly existing and in good standing under the laws of the State of Delaware, and has all powers and all material governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted. Each of the Subsidiaries is duly organized, validly existing and in good standing under the laws of the state of its organization and has all powers and all material governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted. Each of the Borrower and the Subsidiaries is duly qualified as a foreign entity, licensed and in good standing in each jurisdiction where qualification or licensing is required by the nature of its business or the character and location of its property, business or customers and in which the failure to so qualify or be licensed, as the case may be, in the aggregate, could have a Material Adverse Effect.

Section 5.02 Company and Governmental Authorization; No Contravention.  
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The execution, delivery and performance by the Borrower of the Loan Documents to which it is a party are within the limited liability company powers of the Borrower, have been duly authorized by all necessary company action, require no action by or in respect of, or filing with, any governmental body, agency or official (except for any such action or filing as shall have been taken or made and that is in full force and effect from and after the Closing Date) and do not contravene, or constitute (with or without the giving of notice or lapse of time or both) a default under, any provision of applicable law or of the organizational documents of the Borrower or any Subsidiary or of any agreement, judgment, injunction, order, decree or other instrument binding upon or affecting the Borrower or any Subsidiary or result in the creation or imposition of any Lien on any asset of the Borrower or any of its Subsidiaries.

Section 5.03 Binding Effect. Each Loan Document other than the Notes to  
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which the Borrower is a party constitutes a valid and binding agreement of the Borrower and each Note, when executed and delivered in accordance with this Agreement, will constitute a valid and binding obligation of the Borrower, in each case enforceable against the Borrower in accordance with its terms except in each case as such enforceability may be limited by bankruptcy, insolvency or similar laws affecting creditors' rights generally and by equitable principles of general applicability (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Section 5.04 Financial Condition.  
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(a) [Intentionally Deleted].  
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(b) Interim Financial Statements. The unaudited consolidated balance  
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sheet of the Borrower and its Consolidated Subsidiaries as of May 31, 1999 and the related unaudited consolidated income statements for the month then ended, copies of which have been delivered to the Bank, fairly present, in conformity with generally accepted accounting principles applied on a basis consistent with the audited financial statements for the fiscal year ended December 31, 1998, the consolidated financial position of the Borrower and its Consolidated Subsidiaries as of such date and their consolidated results of operations and changes in financial position for such 12 month period (subject to normal year-end audit adjustments).

(c) Material Adverse Change. Since December 31, 1998 there has been no  
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material adverse change in condition (financial or otherwise), results of operations, properties, assets, business or prospects of the Borrower or of the Borrower and its Consolidated Subsidiaries, considered as a whole.

Section 5.05 Litigation. Except as set forth on Schedule 5.05, there is  
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no material action, suit, proceeding or investigation pending against, or to the knowledge of the Borrower threatened against, contemplated or affecting, the Borrower or any of its Subsidiaries before any court, arbitrator or any governmental body, agency or official which has, or could reasonably be expected to have, a Material Adverse Effect, or which in any manner draws into question the



validity or enforceability of this Agreement or the Notes, and there is no basis known to the Borrower or any of its Subsidiaries for any such action, suit, proceeding or investigation.

Section 5.06 Regulation U; Use of Proceeds. The Borrower and its

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Subsidiaries do not own any "margin stock" as such term is defined in Regulation U. The proceeds of the Loans will be used by the Borrower only for the purposes set forth in Section 6.16 hereof.

Section 5.07 Regulatory Restrictions on Borrowing. Neither the Borrower

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nor any of its Subsidiaries is an "investment company" within the meaning of the Investment Company Act of 1940, as amended, a "holding company" within the meaning of the Public Utility Holding Company Act of 1935, as amended, or otherwise subject to any regulatory scheme which restricts its ability to incur debt.

Section 5.08 Subsidiaries. Part I of Schedule 5.08 (as such Schedule may

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be supplemented by a writing delivered by the Borrower to the Bank from time to time after the Effective Date) hereto lists each Subsidiary of the Borrower (and the direct and indirect ownership interests of the Borrower therein), in each case existing on the Effective Date and, if applicable, upon completion of the Reorganization. Except as set forth on Part I of such Schedule 5.08, each such Subsidiary existing on the date hereof is, and, in the case of any additional corporate Subsidiaries formed after the Effective Date, each of such additional corporate Subsidiaries will be at each time that this representation is made or deemed to be made after the Effective Date, a wholly-owned Subsidiary that is a corporation duly incorporated, validly existing and, to the extent relevant in such jurisdiction, in good standing under the laws of its jurisdiction of incorporation, and has all corporate powers and all material governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted. Except as listed on Part II of Schedule 5.08 (as such Schedule may be supplemented by a writing delivered by the Borrower to the Bank from time to time after the Effective Date), neither the Borrower nor any of its Subsidiaries is engaged in any joint venture or partnership with any other Person.

Section 5.09 Full Disclosure. All factual information (taken as a whole)

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furnished by or on behalf of the Borrower or any of its Subsidiaries in writing to the Bank for purposes of or in connection with this Agreement or any transaction contemplated hereby is true and accurate in all material respects on the date as of which such information is dated or certified and is not incomplete by omitting to state any material fact necessary to make such information (taken as a whole) not misleading at such time in light of the circumstances under which such information was provided. Except for economic trends generally known to the public affecting generally the industry in which the Borrower and its Subsidiaries conduct their business, the Borrower has disclosed to the Bank in writing any and all facts which materially and adversely affect or may materially and adversely affect (to the extent the Borrower can now reasonably foresee), the business, operations or financial condition of the Borrower and its Consolidated Subsidiaries, taken as a whole, or the ability of the Borrower to perform its obligations under this Agreement.

Section 5.10 Tax Returns and Payments. Each of the Borrower and its

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Subsidiaries has filed all United States Federal income tax returns and all other material tax returns, domestic and foreign, required to be filed by it and has paid all taxes and assessments payable by it which

have become due pursuant to such returns or pursuant to any assessment received by the Borrower or any Subsidiary, other than those not yet delinquent and except for those contested in good faith. Each of the Borrower and its Subsidiaries has paid, or has provided adequate reserves (in good faith judgment of the management of the Borrower) for the payment of, all federal, state and foreign income taxes applicable for all prior fiscal years and for the current fiscal year to the date hereof.

Section 5.11 Compliance with ERISA. Each member of the ERISA Group has

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fulfilled its obligations under the minimum funding standards of ERISA and the Internal Revenue Code with respect to each Plan and is in compliance in all material respects with the presently applicable provisions of ERISA and the Internal Revenue Code with respect to each Plan. No member of the ERISA Group has (i) sought a waiver of the minimum funding standard under Section 412 of the Internal Revenue Code in respect of any Plan, (ii) failed to make any contribution or payment to any Plan or Multiemployer Plan or in respect of any Benefit Arrangement, or made any amendment to any Plan or Benefit Arrangement, which has resulted or could result in the imposition of a Lien or the posting of a bond or other security under ERISA or the Internal Revenue Code or (iii) incurred any liability under Title IV of ERISA other than a liability to the PBGC for premiums under Section 4007 of ERISA.

Section 5.12 Intellectual Property. Each of the Borrower and its

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Subsidiaries owns or possesses or holds under valid non-cancelable licenses all Patents, Trademarks, service marks, trade names, copyrights, Licenses and other intellectual property rights that are necessary for the operation of their respective properties and businesses, and neither the Borrower nor any of its Subsidiaries is in violation of any provision thereof. The Borrower and its Subsidiaries conduct their business without infringement or claim of infringement of any material license, patent, trademark, trade name, service mark, copyright, trade secret or any other intellectual property right of others and there is no infringement or, except as set forth on Schedule 5.12, claim of infringement by others of any material license, patent, trademark, trade name, service mark, copyright, trade secret or other intellectual property right of the Borrower and its Subsidiaries.

Section 5.13 No Burdensome Restrictions. No contract, lease, agreement

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or other instrument to which the Borrower or any of its Subsidiaries is a party or by which any of its property is bound or affected, no charge, corporate restriction, judgment, decree or order and no provision of applicable law or governmental regulation has had or is reasonably expected to have a Material Adverse Effect.

Section 5.14 Environmental Matters. In the ordinary course of its

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business, the Borrower conducts an ongoing review of the effect of Environmental Laws on the business, operations and properties of the Borrower and its Subsidiaries, in the course of which it identifies and evaluates associated liabilities and costs (including, without limitation, any capital or operating expenditures required for clean-up or closure of properties presently or previously owned, any capital or operating expenditures required to achieve or maintain compliance with environmental protection standards imposed by law or as a condition of any license, permit or contract, any related constraints on operating activities, including any periodic or permanent shutdown of any facility or reduction in the level of or change in the nature of operations conducted at any such facility, any costs or liabilities in connection with off-site disposal of

wastes or Hazardous Substances, and any actual or potential liabilities to third parties, including employees, and any related costs and expenses). On the basis of this review, the Borrower has reasonably concluded that such associated liabilities and costs, including the costs of compliance with Environmental Laws, are unlikely to have a material adverse effect on the business, financial condition, results of operations or prospects of the Borrower and its Consolidated Subsidiaries, considered as a whole.

ARTICLE VI  
COVENANTS

The Borrower agrees that, so long as the Bank has any commitment to make Revolving Loans or Term Loans hereunder or any Obligation remains unpaid:

Section 6.01 Information. The Borrower will deliver or cause to be  
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delivered to the Bank:

(a) Annual Financial Statements. As soon as available and in any event  
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within 90 days after the end of each fiscal year of the Borrower, a consolidated and consolidating balance sheet of each of the Borrower and Guarantor and its Consolidated Subsidiaries as of the end of such fiscal year and the related consolidated and consolidating statements of income, changes in equity and cash flows for such fiscal year, setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail and accompanied by an opinion thereon by Ernst & Young, LLP or other independent public accountants reasonably satisfactory to the Bank, which opinion shall not be qualified as to the scope of the audit and which shall state that such consolidated financial statements present fairly the consolidated financial position of each of the Borrower and Guarantor and its Consolidated Subsidiaries as of the date of such financial statements and the results of their operations for the period covered by such financial statements in conformity with generally accepted accounting principles applied on a consistent basis (except for changes in the application of which such accountants concur) and shall not contain any "going concern" or like qualification or exception or qualification arising out of the scope of the audit.

(b) Monthly Financial Statements. As soon as available and in any event  
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within 45 days after the end of each of the first three fiscal quarters of each fiscal year of each of the Borrower and Guarantor a consolidated balance sheet of each of the Borrower and Guarantor and its Consolidated Subsidiaries as of the end of such fiscal quarter (with all supporting schedules) and the related consolidated statements of income, changes in equity and cash flows of each of the Borrower and Guarantor and its Consolidated Subsidiaries for such quarter, setting forth in each case in comparative form the figures for the corresponding quarter of the previous fiscal year, all certified (subject to normal year-end audit adjustments) as to fairness of presentation, generally accepted accounting principles and consistency by the chief financial officer or chief accounting officer of each of the Borrower and Guarantor.

(c) Officer's Certificate. Simultaneously with the delivery of each set of  
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financial statements referred to in subsections (a) and (b) above, a certificate of the chief financial officer or chief accounting officer of the Borrower, (i) if applicable, setting forth in reasonable detail the

calculations required to establish whether the Borrower was in compliance with the requirements of Sections 6.17 through 6.19, on the date of such financial statements, (ii) setting forth in reasonable detail the business outlook and performance of the Borrower and its Consolidated Subsidiaries as of the date of such certificate, (iii) stating whether there exists on the date of such certificate any Default and, if any Default then exists, setting forth the details thereof and the action which the Borrower is taking or proposes to take with respect thereto, and (iv) stating whether, since the date of the most recent previous delivery of financial statements pursuant to subsections (a) and (b) of this Section, there has been any material adverse change in the condition (financial or otherwise), results of operations, properties, assets, business or prospects of the Borrower or of the Borrower and its Consolidated Subsidiaries, considered as a whole, and, if so, the nature of such material adverse change.

(d) Accountant's Certificate. Simultaneously with the delivery of each set

of financial statements referred to in subsection (a) above, a statement of the firm of independent public accountants which reported on such statements (x) whether anything has come to their attention to cause them to believe that any Default existed on the date of such statements and (y) confirming the calculations set forth in the officer's certificate delivered simultaneously therewith pursuant to subsection (c) above.

(e) Default. Forthwith upon the occurrence of any Default, a certificate

of the chief financial officer or chief accounting officer of the Borrower setting forth the details thereof and the action which the Borrower is taking or proposes to take with respect thereto.

(f) Litigation. As soon as reasonably practicable after obtaining

knowledge of the commencement of, or of a material threat of the commencement of, an action, suit, proceeding or investigation against the Borrower or any of its Subsidiaries which could materially adversely affect the condition (financial or otherwise), results of operations, properties, assets, business or prospects of the Borrower and its Consolidated Subsidiaries, considered as a whole, or could otherwise have a Material Adverse Effect or which in any manner questions the validity of this Agreement or any of the other transactions contemplated hereby or thereby, an explanation of the nature of such pending or threatened action, suit, proceeding or investigation and such additional information as may be reasonably requested by the Bank.

(g) Auditors' Management Letters. Promptly upon receipt thereof, copies of

each report submitted to either of the Borrower or the Guarantor or any of their respective Consolidated Subsidiaries by independent public accountants in connection with any annual, interim or special audit made by them of the books of either of the Borrower or the Guarantor or any of their respective Consolidated Subsidiaries including, without limitation, each report submitted to either of the Borrower or the Guarantor or any of their respective Consolidated Subsidiaries concerning its accounting practices and systems and any final comment letter submitted by such accountants to management in connection with the annual audit of either of the Borrower or the Guarantor and their respective Consolidated Subsidiaries.

(h) [Intentionally Deleted.]

(i) ERISA Matters. If and when any member of the ERISA Group (i) gives or

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is required to give notice to the PBGC of any "reportable event" (as defined in Section 4043 of ERISA) with respect to any Plan which might constitute grounds for a termination of such Plan under Title IV of ERISA, or knows that the plan administrator of any Plan has given or is required to give notice of any such reportable event, a copy of the notice of such reportable event given or required to be given to the PBGC; (ii) receives notice of complete or partial withdrawal liability under Title IV of ERISA or notice that any Multiemployer Plan is in reorganization, is insolvent or has been terminated, a copy of such notice; (iii) receives notice from the PBGC under Title IV of ERISA of an intent to terminate, impose liability (other than for premiums under Section 4007 of ERISA) in respect of, or appoint a trustee to administer any Plan, a copy of such notice; (iv) applies for a waiver of the minimum funding standard under Section 412 of the Internal Revenue Code, a copy of such application; (v) gives notice of intent to terminate any Plan under Section 4041(c) of ERISA, a copy of such notice and other information filed with the PBGC; (vi) gives notice of withdrawal from any Plan pursuant to Section 4063 of ERISA, a copy of such notice; or (vii) fails to make any payment or contribution to any Plan or Multiemployer Plan or in respect of any Benefit Arrangement or makes any amendment to any Plan or Benefit Arrangement which has resulted or could reasonably be expected to result in the imposition of a Lien or the posting of a bond or other security, a certificate of the chief financial officer or the chief accounting officer of the Borrower setting forth details as to such occurrence and action, if any, which the Borrower or applicable member of the ERISA Group is required or proposes to take.

(j) Environmental Matters. Promptly, upon receipt of any complaint, order,

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citation, notice or other written communication from any Person with respect to, or upon the Borrower's obtaining knowledge of, (A) the existence or alleged existence of a violation of any applicable Environmental Law in connection with any property now or previously owned, leased or operated by the Borrower or any of its Subsidiaries, (B) any release on such property or any part thereof in a quantity that is reportable under any applicable Environmental Law and (C) any pending or threatened proceeding for the termination, suspension or non-renewal of any permit required under any applicable Environmental Law, in each such case under clause (A), (B) or (C) in which there is a reasonable likelihood of an adverse decision or determination which could result in a Material Adverse Effect.

(k) Other Information. From time to time such additional financial or

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other information regarding the condition (financial or otherwise), results of operations, properties, assets, business or prospects of the Borrower, the Guarantor or any of their respective Subsidiaries as the Bank may reasonably request.

Section 6.02 Payment of Obligations. The Borrower will pay and discharge,

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and will cause each of its Subsidiaries to pay and discharge, as the same shall become due and payable, (i) all their respective obligations and liabilities, including all claims or demands of materialmen, mechanics, carriers, warehousemen, landlords and other like persons which, in any such case, if unpaid, might by law give rise to a Lien upon any of their properties or assets and (ii) all lawful taxes, assessments and charges or levies made upon their properties or assets, by any governmental body, agency or official, except where any of the items in clause (i) or (ii) of this Section 6.02 may be diligently contested in good faith by appropriate proceedings and the

Borrower or such Subsidiary shall have set aside on its books, if required under generally accepted accounting principles, appropriate reserves for the accrual of any such items.

Section 6.03 Maintenance of Property; Insurance.  
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(a) Maintenance of Properties. The Borrower will keep, and will cause  
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each of its Subsidiaries to keep, all property useful and necessary in their respective businesses in good working order and condition, subject to ordinary wear and tear.

(b) Insurance. The Borrower will maintain, and will cause each of its  
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Subsidiaries to maintain, insurance with financially sound and responsible companies in such amounts (and with such risk retentions) and against such risks as is usually carried by owners of similar businesses and properties in the same general areas in which the Borrower and its Subsidiaries operate. The Borrower will deliver to the Bank upon request from time to time full information as to the insurance carried.

Section 6.04 Conduct of Business and Maintenance of Existence. The  
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Borrower will continue, and will cause each of its Subsidiaries to continue, to engage in business of the same general type as now conducted by the Borrower and its Subsidiaries, and will preserve, renew and keep in full force and effect, and will cause each of its Subsidiaries to preserve, renew and keep in full force and effect, their respective corporate existence and their respective rights, privileges and franchises necessary or desirable in the normal conduct of business.

Section 6.05 Compliance with Laws. The Borrower will comply, and  
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will cause each of its Subsidiaries to comply, with all applicable laws, ordinances, rules, regulations, and requirements of governmental authorities (including, without limitation, Environmental Laws, ERISA and the rules and regulations thereunder) except (i) where the necessity of compliance therewith is contested in good faith by appropriate proceedings or (ii) where noncompliance could not reasonably be expected to have a Material Adverse Effect.

Section 6.06 Accounting: Inspection of Property, Books and Records.  
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Each of the Borrower and the Guarantor will keep, and will cause each of its Subsidiaries to keep, proper books of record and account in which full, true and correct entries in conformity with generally accepted accounting principles shall be made of all dealings and transactions in relation to their respective businesses and activities, will maintain, and will cause each of their respective Subsidiaries to maintain, their respective fiscal reporting periods on the present basis and will permit, and will cause each of their respective Subsidiaries to permit, representatives of the Bank to visit and inspect any of their respective properties, to examine and make copies from any of their respective books and records and to discuss their respective affairs, finances and accounts with their officers, employees and independent public accountants, all at such reasonable times and as often as may reasonably be desired, but in no event less than one year since the most recent examination, unless a Default has occurred. Notwithstanding the above, each of the Borrower and the Guarantor shall be permitted to make adjustments to its books of record and accounts as may be required or as may be requested by an audit or outside review, so long as the purpose of such adjustment is to bring said books or accounts into conformity with generally accepted accounting principles.

Section 6.07 Intentionally Deleted.  
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Section 6.08 Intentionally Deleted.  
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Section 6.09 Restriction on Liens. The Borrower will not, and will not  
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permit any of its Subsidiaries to, create, incur, assume or suffer to exist any Lien upon or with respect to any Accounts, Inventory or proceeds thereof, or sell any Accounts, Inventory or proceeds thereof subject to an understanding or agreement, contingent or otherwise, to repurchase such Accounts, Inventory or proceeds thereof (including sales of accounts receivable or notes with recourse to the Borrower or any of its Subsidiaries) or assign any right to receive income, or file or permit the filing of any financing statement under the Uniform Commercial Code as in effect in any applicable jurisdiction or any other similar notice of Lien under any similar recording or notice statute; provided that the provisions of this Section 6.09 shall not prevent the creation, incurrence, assumption or existence of the following (with such Liens described below being herein referred to as "Permitted Liens"):

(i) Liens created by the Loan Documents;

(ii) Liens for taxes not yet due or Liens for taxes being contested in good faith and by appropriate proceedings for which adequate reserves (in the good faith judgment of the management of the Borrower) have been established; and

(iii) Liens imposed by law securing the charges, claims, demands or levies of carriers, warehousemen, mechanics and other like persons which were incurred in the ordinary course of business which (A) do not in the aggregate materially detract from the value of the property or assets subject to such Lien or materially impair the use thereof in the operation of the business of the Borrower or any Subsidiary or (B) are being contested in good faith by appropriate proceedings, which proceedings have the effect of preventing the forfeiture or sale of the property or assets subject to such lien.

Section 6.10 Limitation on Guarantees. Neither the Borrower nor any of  
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its Subsidiaries shall Guarantee any Debt of any Person or Persons in excess of \$250,000.00 in the aggregate at any time.

Section 6.11 [Intentionally Deleted].  
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Section 6.12 Consolidations, Mergers and Sales of Assets. Neither the  
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Borrower nor any Subsidiary will (i) consolidate or merge with or into any other Person or (ii) sell, lease or otherwise transfer, directly or indirectly, all or substantially all of the assets of the Borrower or such Subsidiary to any other Person or Persons; provided that so long as no Default shall have occurred after  
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giving effect thereto, (A) a Subsidiary may merge into the Borrower if the Borrower is the surviving entity, and (B) the Borrower or any Subsidiary may merge into or consolidate with another Person if the Borrower or such Subsidiary, as the case may be, is the entity surviving such merger or consolidation.

Section 6.13 Investments: Asset Acquisitions.  
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(a) Investments. Neither the Borrower nor any Subsidiary will hold, make  
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or acquire any Investment in any Person, except:

(i) the Borrower and any Subsidiary may invest in cash and Cash  
Equivalents;

(ii) the Borrower and any Subsidiary may acquire and hold receivables  
owing to them, if created or acquired in the ordinary course of business  
and payable or dischargeable in accordance with customary trade terms;

(iii) the Borrower and any Subsidiary may acquire and own investments  
(including Debt obligations) received in connection with the bankruptcy or  
reorganization of suppliers and customers and in settlement of delinquent  
obligations of, and other disputes with, customers and suppliers arising in  
the ordinary course of business;

(iv) the Borrower and any Subsidiary may make loans and advances to  
any employees in the ordinary course of business, provided such loans and  
advances do not exceed at any time, in the aggregate, \$250,000; and

(v) any Acquisition permitted by Section 6.13(b).

(b) Acquisitions. The Borrower will not, and will not permit any of its  
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Subsidiaries to, enter into any Acquisition transaction except:

(i) the Borrower and any Subsidiary may acquire assets in the  
ordinary course of business for fair consideration;

(ii) the Borrower and any Subsidiary may enter into any Acquisition  
transaction with respect to which the purchase price consists of capital  
stock of the acquiring Person; and

(iii) the Borrower and any Subsidiary may enter into any other  
Acquisition transaction, but only to the extent (A) the purchase price  
(including any assumption of liabilities in connection therewith, but  
excluding any portion of the purchase price for any such Acquisition  
consisting of capital stock or other securities of the purchaser) of all  
such Acquisitions occurring during the Revolving Credit Period does not  
exceed \$17,000,000 and (B) after giving effect on a pro forma basis to such  
Acquisition (including but not limited to any Debt to be incurred or  
assumed by the purchaser in connection therewith), no Default would exist  
hereunder.

Section 6.14 Payments, etc. The Borrower will not, and will not permit  
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any of its Subsidiaries to, make any distribution, dividend, payment or delivery  
of property or cash to its members as such, or redeem, retire, purchase or  
otherwise acquire, directly or indirectly, for a consideration, any membership  
or other interests or shares of any class of its capital stock now or



hereafter outstanding (or any warrants for or options or stock appreciation rights in respect of any of such shares), or set aside any funds for any of the foregoing purposes, or permit any of its Subsidiaries to purchase or otherwise acquire for consideration any membership interest in the Borrower or any shares of capital stock or other interest in any other Subsidiary, as the case may be, now or hereafter outstanding (or any options or warrants or stock appreciation rights issued by such Person with respect to its capital stock), except that:

(i) any Subsidiary of the Borrower may pay dividends to the Borrower; and

(ii) the Borrower may pay any other dividends or distributions if, after giving effect on a pro forma basis to such payment (A) no Default would exist, and (B) the ratio of Total Consolidated Debt to Total Consolidated Capitalization, as a percentage, would not exceed 50%.

Section 6.15 Use of Proceeds. The proceeds of the Revolving Loans made

under this Agreement will be used by the Borrower for permanent working capital financing of the Borrower's accounts receivable and inventory and/or other general corporate purposes. The proceeds of the Term Loans made under this Agreement will be used by the Borrower to purchase equipment and/or other general corporate purposes. No such use of the proceeds for general corporate purposes will be, directly or indirectly, for the purpose, whether immediate, incidental or ultimate, of buying or carrying any "margin stock" within the meaning of Regulation U.

Section 6.16 Transactions with Other Persons. The Borrower will not,

and will not permit any of its Subsidiaries to, enter into any agreement with any Person whereby any of them shall agree to any restriction on the right of the Borrower or any of its Subsidiaries to amend or waive any of the provisions of this Agreement or any other Loan Document.

Section 6.17 Limitations on Debt. The Borrower will not at any time

permit the ratio of Total Consolidated Debt to Total Consolidated Capitalization, as a percentage, to exceed fifty percent (50%).

Section 6.18 Fixed Charge Coverage Ratio. The Borrower will not, as of

the end of any fiscal quarter on or after the end of the fiscal quarter ending March 31, 1999, permit the Fixed Charge Coverage Ratio to be less than 2.5:1.0.

Section 6.19 Limitation on Operating Leases. The Borrower will not, and

will not cause any Subsidiary to, enter into any operating lease at any time if the pro forma Fixed Charge Coverage Ratio after giving effect to such operating lease during the most recent period used to determine compliance under Section 6.18 would be less than 2.5:1.0.

Section 6.20 Year 2000 Compatibility. The Borrower and its Subsidiaries

shall take all action necessary to assure that the computer based systems of the Borrower and its Subsidiaries are able to operate and effectively process data including dates on or after January 1, 2000. At the request of the Bank, the Borrower shall provide the Bank reasonable assurance

reasonably acceptable to the Bank of the year 2000 compatibility of the Borrower and its Subsidiaries.

Section 6.21 Deposit Accounts. To facilitate the administration of the  
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Loans, the Borrower shall maintain its principal operating deposit accounts with the Bank.

Section 6.22 Independence of Covenants. All covenants contained herein  
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shall be given independent effect so that if a particular action or condition is not permitted by any of such covenants, the fact that such action or condition would be permitted by an exception to, or otherwise be within the limitations of another covenant shall not avoid the occurrence of a Default if such action is taken or condition exists.

ARTICLE VII  
DEFAULTS

Section 7.01 Events of Default. If one or more of the following events  
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("Events of Default") shall have occurred and be continuing:

(i) the Borrower shall fail to pay, within 5 days after the date when due, any principal, interest, fee, or any other amount payable hereunder or under the Notes;

(ii) the Borrower shall fail to observe or perform any covenant contained in Article V (other than those contained in Sections 6.01 through 6.03);

(iii) the Borrower or Guarantor shall fail to observe or perform any covenant or agreement contained in this Agreement (other than those covered by clauses (i) or (ii) above) for 30 days after notice thereof has been given to the Borrower by the Bank;

(iv) any representation, warranty, certification or statement made by the Borrower or Guarantor in this Agreement or in any certificate, financial statement or other document delivered pursuant hereto or thereto shall prove to have been incorrect in any material respect when made;

(v) the Borrower or any Subsidiary shall fail to make any payment or perform any collateralization obligation in respect of any Material Financial Obligations when due or within any applicable grace period;

(vi) any event or condition shall occur which results in the acceleration of the maturity of any Material Debt of the Borrower or any Subsidiary or enables (or, with the giving of notice or lapse of time or both, would enable) the holder of such Material Debt or any Person acting on such holder's behalf to accelerate the maturity thereof;

(vii) the Borrower, the Guarantor or any Subsidiary shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or

hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or shall take any corporate action to authorize any of the foregoing;

(viii) an involuntary case or other proceeding shall be commenced against the Borrower, the Guarantor or any Subsidiary seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 90 days; or an order for relief shall be entered against the Borrower, the Guarantor or any Subsidiary under the federal Bankruptcy laws as now or hereafter in effect;

(ix) any member of the ERISA Group shall fail to pay when due an amount or amounts aggregating in excess of \$25,000 which it shall have become liable to pay under Title IV of ERISA; or notice of intent to terminate a Material Plan shall be filed under Title IV of ERISA by any member of the ERISA Group, any plan administrator or any combination of the foregoing; or the PBGC shall institute proceedings under Title IV of ERISA to terminate, to impose liability (other than for premiums under Section 4007 of ERISA) in respect of, or to cause a trustee to be appointed to administer any Material Plan; or a condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that any Material Plan must be terminated; or there shall occur a complete or partial withdrawal from, or default, within the meaning of Section 4219(c)(5) of ERISA, with respect to, one or more Multiemployer Plans which could reasonably be expected to cause one or more members of the ERISA Group to incur a current payment obligation in excess of \$25,000;

(x) one or more judgments or orders for the payment of money in excess of \$25,000 in the aggregate shall be rendered against the Borrower or any Subsidiary of the Borrower and such judgments or orders shall continue unsatisfied and unstayed for a period of 30 days; or

(xi) a Change of Control shall have occurred;

then, and in every such event, while such event is continuing, the Bank may (A) by notice to the Borrower terminate the Commitment and it shall thereupon terminate, and (B) by notice to the Borrower declare the Loans (together with accrued interest thereon) to be, and the Loans shall thereupon become, immediately due and payable without presentment, demand, protest or other notice of any kind (except as set forth in clause (A) above), all of which are hereby waived by the Borrower; provided that in the case of any Default or any Event of

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Default specified in clause 7.1(vii) or 7.1(viii) above with respect to the Borrower, without any notice to the Borrower or any other act by the Bank, the commitment to make Revolving Loans and Term Loans shall thereupon terminate and the Loans (together with accrued interest and accrued and unpaid fees

thereon) shall become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower. In addition to any rights now or hereafter granted under applicable law or otherwise, and not by way of limitation of any such rights, upon the occurrence of an Event of Default, the Bank is authorized at any time and from time to time, without presentment, demand, protest or other notice of any kind (all of which rights being hereby expressly waived), to set-off and to appropriate and apply any and all deposits and any other indebtedness at any time held or owing by the Bank to or for the credit or the account of the Borrower against obligations and liabilities of the Borrower to the Bank hereunder, under the Notes, or the other Loan Documents.

ARTICLE VIII  
CHANGE IN CIRCUMSTANCES

Section 8.01 [Intentionally Deleted].  
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Section 8.02 Illegality. If, on or after the date of this Agreement, the  
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adoption of any applicable law, rule or regulation, or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by the Bank with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency shall make it unlawful or impossible for the Bank to make, maintain or fund Loans and the Bank shall so notify the Borrower, until the Bank notifies the Borrower that the circumstances giving rise to such suspension no longer exist, each Loan then outstanding which bears interest at the LIBOR Market Index-Based Rate shall be converted immediately to a Base Rate Loan and all new Loans shall be Base Rate Loans.

Section 8.03 [Intentionally Deleted].  
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Section 8.04 Base Rate Loans Substituted for Affected LIBOR Market  
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Index-Based Loans. Upon the occurrence of any event or condition set forth in  
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Section 8.02, each Loan then outstanding which bears interest at the LIBOR Market Index-Based Rate shall be converted immediately to a Base Rate Loan and all new Loans shall be Base Rate Loans. If the Bank notifies the Borrower that the circumstances giving rise to such change in interest rate no longer apply, the principal amount of each such Base Rate Loan shall cease immediately to constitute a Base Rate Loan and shall thereafter bear interest in accordance with Section 2.05(a).

ARTICLE IX  
MISCELLANEOUS

Section 9.01 Notices. Unless otherwise specified herein, all notices,  
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requests and other communications to a party hereunder shall be in writing (including bank wire, telex, facsimile transmission or similar writing) and shall be given to such party: (i) at its address, facsimile

number or telex number set forth on the signature pages hereof, or (ii) at such other address, facsimile number or telex number as such party may hereafter specify for the purpose of communication hereunder by notice to the other party hereto. Each such notice, request or other communication shall be effective (i) if given by telex, when such telex is transmitted to the telex number specified in this Section and the appropriate answer back is received, (ii) if given by facsimile transmission, when transmitted to the facsimile number specified in this Section and confirmation of receipt is received, (iii) if given by mail, 72 hours after such communication is deposited in the mails, certified mail, return receipt requested, with appropriate first class postage prepaid, addressed as specified in this Section or (iv) if given by any other means, when delivered at the address specified in this Section 9.01. Rejection or refusal to accept, or the inability to deliver because of a changed address of which no notice was given shall not affect the validity of notice given in accordance with this Section.

Section 9.02 No Waivers. No failure by either party to exercise, no

course of dealing with respect to, and no delay in exercising any right, power or privilege hereunder or under the Notes shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies provided herein shall be cumulative and not exclusive of any rights or remedies provided by law.

Section 9.03 Expenses. The Borrower shall pay (i) all reasonable

out-of-pocket expenses of the Bank, including reasonable fees and disbursements of special and local counsel for the Bank, in connection with the preparation and administration of this Agreement and the other Loan Documents, any waiver or consent thereunder or any amendment thereof or any Default or alleged Default thereunder and (ii) if an Event of Default occurs, all reasonable out-of-pocket expenses incurred by the Bank, including (without duplication) the reasonable fees and disbursements of outside counsel, in connection with such Event of Default and collection, bankruptcy, insolvency and other enforcement proceedings resulting therefrom.

Section 9.04 Amendments and Waivers. Any provision of this Agreement or

the Notes may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by the Borrower and the Bank.

Section 9.05 Successors and Assigns. The provisions of this Agreement

shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that the Borrower may not assign or otherwise transfer any of its rights under this Agreement without the prior written consent of the Bank; provided, however, the Borrower may assign or otherwise transfer any of its rights under this Agreement to the Guarantor without the prior written consent of the Bank if (i) no Default has occurred and is continuing, (ii) there has not occurred a material adverse change in the financial condition of the Guarantor and (iii) the Borrower and the Guarantor have taken such action and executed such documents as the Bank may reasonably require to effect such assignment, reflecting the changing roles of the Borrower and Guarantor and the continuing liability of the Borrower and Guarantor with respect to the Obligations.

Section 9.06 Governing Law. This Agreement and the Notes shall be

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governed by and construed in accordance with the laws of the Commonwealth of Virginia.

Section 9.07 Arbitration: Submission to Jurisdiction.  
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(a) Upon demand of any party hereto, whether made before or after institution of any judicial proceeding, any claim or controversy arising out of, or relating to the Loan Documents between the parties hereto (a "Dispute") shall be resolved by binding arbitration conducted under and governed by the Commercial Financial Disputes Arbitration Rules (the "Arbitration Rules") of the American Arbitration Association (the "AAA") and the Federal Arbitration Act. Disputes may include, without limitation, tort claims, counterclaims, disputes as to whether a matter is subject to arbitration, claims brought as class actions, or claims arising from documents executed in the future. A judgment upon the award may be entered in any court having jurisdiction. Notwithstanding the foregoing, this arbitration provision does not apply to disputes under or related to swap agreements.

(b) All arbitration hearings shall be conducted in the city in which the office of the Bank set forth on the signature page hereof is located. A hearing shall begin within 90 days of demand for arbitration and all hearings shall be concluded within 120 days of demand for arbitration. These time limitations may not be extended unless a party shows cause for extension and then for no more than a total of 60 days. The expedited procedures set forth in Rule 51 et seq. of the Arbitration Rules shall be applicable to claims of less than \$1,000,000. Arbitrators shall be licensed attorneys selected from the Commercial Financial Dispute Arbitration Panel of the AAA. The parties do not waive applicable Federal or state substantive law except as provided herein.

(c) Notwithstanding the preceding binding arbitration provisions, the parties agree to preserve, without diminution, certain remedies that any party may exercise before or after an arbitration proceeding is brought. The parties shall have the right to proceed in any court of proper jurisdiction or by self-help to exercise or prosecute the following remedies, as applicable: (i) all rights to foreclose against any real or personal property or other security by exercising a power of sale or under applicable law by judicial foreclosure including a proceeding to confirm the sale; (ii) all rights of self-help including peaceful occupation of real property and collection of rents, set-off, and peaceful possession of personal property; (iii) obtaining provisional or ancillary remedies including injunctive relief, sequestration, garnishment, attachment, appointment of receiver and filing an involuntary bankruptcy proceeding; and (iv) when applicable, a judgment by confession of judgment. Any claim or controversy with regard to the parties' entitlement to such remedies is a Dispute.

(d) Each party agrees that it shall not have a remedy of punitive or exemplary damages against the other in any Dispute and hereby waives any right or claim to punitive or exemplary damages it may have now or which may arise in the future in connection with any Dispute, whether the Dispute is resolved by arbitration or judicially.

(e) The parties acknowledge that by agreeing to binding arbitration they have irrevocably waived any right they may have to a jury trial with regard to a Dispute.

Section 9.08 Counterparts; Integration; Effectiveness. This Agreement

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may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. Each of this Agreement, the Notes and the other Loan Documents shall be deemed to incorporate the other of said documents by reference and all of said documents shall constitute the entire agreement and understanding among the parties hereto and supersede any and all prior agreements and understandings, oral or written, relating to the subject matter hereof. This Agreement shall become effective upon receipt by the Bank of counterparts hereof signed by each of the parties hereto.

Section 9.09 Confidentiality. The Bank agrees to hold all non-public

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information obtained pursuant to the requirements of this Agreement in accordance with its customary procedure for handling confidential information of this nature and in accordance with safe and sound banking practices, provided

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that nothing herein shall prevent the Bank from disclosing such information (i) to any other Person if reasonably incidental to the administration of the Loans, (ii) upon the order of any court or administrative agency, (iii) upon the request or demand of any regulatory agency or authority, (iv) which had been publicly disclosed other than as a result of a disclosure by the Bank prohibited by this Agreement, (v) in connection with any litigation to which the Bank or its subsidiaries or parent may be a party, (vi) to the extent necessary in connection with the exercise of any remedy hereunder and (vii) to the Bank's legal counsel and independent auditors.

Section 9.10 Severability; Modification. If any provision hereof is

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invalid or unenforceable in any jurisdiction, then, to the fullest extent permitted by law, (i) the other provisions hereof shall remain in full force and effect in such jurisdiction; and (ii) the invalidity or unenforceability of any provision hereof in any jurisdiction shall not affect the validity or enforceability of such provisions in any other jurisdiction.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

20 South Cameron Street  
Winchester, Virginia 22601  
Facsimile No.: (540) 678-1820

TREX COMPANY, LLC

By: /s/ Anthony J. Cavanna  
-----  
Anthony J. Cavanna, Chief Executive Officer

20 South Cameron Street  
Winchester, Virginia 22601  
Facsimile No.: (540) 678-1820

TREX COMPANY, INC.

By: /s/ Anthony J. Cavanna  
-----  
Anthony J. Cavanna, Chief Financial Officer

Commercial Banking  
201 North Loudoun Street  
Winchester, Virginia 22601  
Facsimile No.: (540) 665-6672

FIRST UNION NATIONAL BANK

By: /s/ B. Scott Arthur

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B. Scott Arthur, Vice President



Form of Notice of Borrowing

First Union National Bank  
Commercial Finance Division  
225 Water Street, 9th Floor  
Jacksonville, Florida 32202  
Attn:

\_\_\_\_\_, \_\_\_\_

Ladies and Gentlemen:

This notice shall constitute a "Notice of Borrowing" pursuant to Section 2.02(a) of the Amended and Restated Credit Agreement dated as of \_\_\_\_\_, 1999 (the "Credit Agreement") between TREX COMPANY, LLC (the "Borrower") and First Union National Bank (the "Bank"). Capitalized terms not otherwise defined herein have the meanings ascribed to them in the Credit Agreement.

The date of the Loan will be \_\_\_\_\_,

The principal amount of the Loan will be \$ \_\_\_\_\_

Transfer Instructions:

[Insert appropriate delivery instructions, which shall include bank and account number].

TREX COMPANY, LLC

By:  
Name:  
Title:

Form of Note

Roanoke, Virginia

\_\_\_\_\_, 1999

For value received, TREX COMPANY, LLC, a Delaware limited liability company (the "Borrower"), promises to pay to the order of FIRST UNION NATIONAL BANK (the "Bank") the unpaid principal amount of each Revolving Loan made by the Bank to the Borrower pursuant to the Credit Agreement referred to below on the maturity date provided for in the Credit Agreement. The Borrower promises to pay interest on the unpaid principal amount of each such Loan on the dates and at the rate or rates provided for in the Credit Agreement. All such payments of principal and interest shall be made in accordance with the provisions of the Credit Agreement.

All Loans made by the Bank and all repayments of the principal thereof shall be recorded by the Bank and, if the Bank so elects in connection with any transfer or enforcement hereof, appropriate notations to evidence the foregoing information with respect to each Revolving Loan then outstanding shall be endorsed by the Bank on the schedule attached to and made a part hereof, provided that the failure of the Bank to make any such recordation or - ----- endorsement shall not affect the obligations of the Borrower hereunder or under the Credit Agreement.

This note is the Revolving Note referred to in the Amended and Restated Credit Agreement dated as of the date hereof between the Borrower and the Bank (as the same may be amended from time to time, the "Credit Agreement"). Terms defined in the Credit Agreement are used herein with the same meanings. Reference is made to the Credit Agreement for provisions for the mandatory and optional prepayment hereof and the acceleration of the maturity hereof.

TREX COMPANY, LLC

By:  
Name:  
Title:

Form of Note

Roanoke, Virginia

\_\_\_\_\_, 1999

For value received, TREX COMPANY, LLC, a Delaware limited liability company (the "Borrower"), promises to pay to the order of FIRST UNION NATIONAL BANK (the "Bank") the unpaid principal amount of each Term Loan made by the Bank to the Borrower pursuant to the Credit Agreement referred to below on the maturity date provided for in the Credit Agreement. The Borrower promises to pay interest on the unpaid principal amount of each such Loan on the dates and at the rate or rates provided for in the Credit Agreement. All such payments of principal and interest shall be made in accordance with the provisions of the Credit Agreement.

All Loans made by the Bank and all repayments of the principal thereof shall be recorded by the Bank and, if the Bank so elects in connection with any transfer or enforcement hereof, appropriate notations to evidence the foregoing information with respect to each Term Loan then outstanding shall be endorsed by the Bank on the schedule attached to and made a part hereof, provided that the

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failure of the Bank to make any such recordation or endorsement shall not affect the obligations of the Borrower hereunder or under the Credit Agreement.

This note is the Term Note referred to in the Amended and Restated Credit Agreement dated as of the date hereof between the Borrower and the Bank (as the same may be amended from time to time, the "Credit Agreement"). Terms defined in the Credit Agreement are used herein with the same meanings. Reference is made to the Credit Agreement for provisions for the mandatory and optional prepayment hereof and the acceleration of the maturity hereof.

TREX COMPANY, LLC

By:  
Name:  
Title:

Definitions Appendix

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The definitions set forth in this Definitions Appendix are incorporated by reference into Section 1.01 of the Amended and Restated Credit Agreement dated as of \_\_\_\_\_, 1999 among TREX COMPANY, LLC, TREX COMPANY, INC. and First Union National Bank (as the same may be amended, modified or supplemented from time to time, the "Credit Agreement"). Reference in this Definitions Appendix to "this Agreement", "herein", "hereof", "hereunder" and to any Article or Section shall be interpreted to mean the Credit Agreement and the referenced Article or Section, including this Definitions Appendix.

Definitions

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"Accounts" means all "accounts" (as defined in the UCC) now owned or hereafter acquired by the Borrower, and shall also mean and include all accounts receivable, contract rights, book debts, notes, drafts and other obligations or indebtedness owing to the Borrower arising from the sale, lease or exchange of goods or other property by it and/or the performance of services by it (including, without limitation, any such obligation which might be characterized as an account, contract right or general intangible under the Uniform Commercial Code in effect in any jurisdiction) and all of the Borrower's rights in, to and under all purchase orders for goods, services or other property, and all of the Borrower's rights to any goods, services or other property represented by any of the foregoing (including returned or repossessed goods and unpaid seller's rights of rescission, replevin, reclamation and rights to stoppage in transit) and all monies due to or to become due to the Borrower under all contracts for the sale, lease or exchange of goods or other property and/or the performance of services by it (whether or not yet earned by performance on the part of the Borrower), in each case whether now in existence or hereafter arising or acquired including, without limitation, the right to receive the proceeds of said purchase orders and contracts and all collateral security and guarantees of any kind given by any Person with respect to any of the foregoing.

"Acquisition," by any Person (herein called the "Acquiror"), means any transaction involving the purchase, lease or other acquisition by such Acquiror of any or all of the capital stock or assets of another Person that, for purposes of preparing a statement of cash flows for such Acquiror prepared in accordance with GAAP, would be considered "investing activity."

"Adjusted Consolidated Net Income" means, with reference to any period, the net income (or loss) of the Borrower and its Subsidiaries for such period (taken as a cumulative whole), as determined in accordance with GAAP, after eliminating all offsetting debits and credits between the Borrower and its Subsidiaries and all other items required to be eliminated in the course of the preparation of consolidated financial statements of the Borrower and its Subsidiaries in accordance with GAAP, provided that there shall be excluded:

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- (i) the income (or loss) of any Person accrued prior to the date it becomes a Subsidiary or is merged into or consolidated with the Borrower or a Subsidiary, and the

income (or loss) of any Person, substantially all of the assets of which have been acquired in any manner, realized by such other Person prior to the date of acquisition,

(ii) the income (or loss) of any Person (other than a Subsidiary) in which the Borrower or any Subsidiary has an ownership interest, except to the extent that any such income has been actually received by the Borrower or such Subsidiary in the form of cash dividends or similar cash distributions,

(iii) the undistributed earnings of any Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Subsidiary is not at the time permitted by the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Subsidiary,

(iv) any restoration to income of any contingency reserve, except to the extent that provision for such reserve was made out of income accrued during such period,

(v) any aggregate net gain (but not any aggregate net loss) during such period arising from the sale, conversion, exchange or other disposition of capital assets (such term to include, without limitation, (A) all non-current assets and, without duplication, (B) the following, whether or not current: all fixed assets, whether tangible or intangible, all inventory sold in conjunction with the disposition of fixed assets, and all securities),

(vi) any gains resulting from any write-up of any assets (but not any loss resulting from any write-down of any assets),

(vii) any net gain from the collection of the proceeds of life insurance policies,

(viii) any gain arising from the acquisition of any security, or the extinguishment, under GAAP, of any Debt, of the Borrower or any Subsidiary,

(ix) any net income or gain (but not any loss) during such period from (A) any change in accounting principles in accordance with GAAP, (B) any prior period adjustments resulting from any change in accounting principles in accordance with GAAP, (C) any extraordinary items, or (D) any discontinued operation or the disposition thereof,

(x) any deferred credit representing the excess of equity in any Subsidiary at the date of acquisition over the cost of the investment in such Subsidiary,

(xi) in the case of a successor to the Borrower by consolidation or merger or as a transferee of its assets, any earnings of the successor corporation prior to such consolidation, merger or transfer of assets, and

(xii) any portion of such net income that cannot be freely converted into United States Dollars.

"Affiliate" means (i) any Person that directly, or indirectly through one or more intermediaries, controls the Borrower (a "Controlling Person") or (ii) any Person (other than the Borrower or a Subsidiary) which is controlled by or is under common control with a Controlling Person. As used herein, the term "control" means possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"Agreement" means this Amended and Restated Credit Agreement, as it may be amended, modified or supplemented from time to time.

"Bank" means First Union National Bank, a national banking association, and its successors and assigns.

"Base Rate" means for any day, the Prime Rate for such day adjusted by the Variance.

"Base Rate Loan" means a Loan which bears interest at the Base Rate.

"Benefit Arrangement" means at any time an employee benefit plan within the meaning of Section 3(3) of ERISA which is not a Plan or a Multiemployer Plan and which is maintained or otherwise contributed to by any member of the ERISA Group.

"Borrower" means TREX COMPANY, LLC, a Delaware limited liability company, and its successors.

"Business Day" means any day except a Saturday, Sunday or other day on which commercial banks in the Commonwealth of Virginia are authorized by law to close.

"Capital Lease" means, at any time, a lease with respect to which the lessee is required concurrently to recognize the acquisition of an asset and the incurrence of a liability in accordance with GAAP.

"Capital Lease Obligations" means, with respect to any Person and a Capital Lease, the amount of the obligation of such Person as the lessee under such Capital Lease which would, in accordance with GAAP, appear as a liability on a balance sheet of such Person.

"Cash Equivalents" means (i) direct obligations of the United States or any agency thereof, or obligations guaranteed by the United States of any agency thereof, (ii) commercial paper rated in the highest grade by a nationally recognized credit rating agency or (iii) time deposits with, including certificates of deposit issued by, any office located in the United States of any bank or trust company which is organized under the laws of the United States or any state thereof and has capital, surplus and undivided profits aggregating at least \$250,000,000; provided, in each case that such investment matures  
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within one year from the date of acquisition thereof by the Borrower.

"Change of Control" means any event or condition, a result of which is that (i) Anthony J. Cavanna, Roger A. Wittenberg, Robert G. Matheny and Andrew U. Ferrari cease, as a group, to

own beneficially, at least 25% of the voting common stock of TREX COMPANY, INC.; or (ii) TREX COMPANY, INC. ceases to own beneficially all of the membership interests in the Borrower.

"Closing Date" means the date, not later than August 1, 1999 on which the Bank determines that the conditions specified in or pursuant to Section 3.01 have been satisfied.

"Collateral Accounts" means the Cash Proceeds Account, the Operating Account and the Insurance Account.

"Consolidated Debt" means at any date the Debt of the Borrower and its Consolidated Subsidiaries, determined on a consolidated basis as of such date.

"Consolidated Income Available for Fixed Charges" means, with respect to any period, Adjusted Consolidated Net Income for such period plus all amounts deducted in the computation thereof on account of (i) Fixed Charges, (ii) charges for depreciation and amortization for such period, (iii) charges for management fees paid during such period, (iv) taxes imposed on or measured by income or excess profits, (v) the charge of approximately \$1.1 million in April 1999 relating to the extinguishment of debt of \$26.25 million, and (vi) a charge for deferred income taxes in April, 1999 of approximately \$2.6 million.

"Consolidated Net Worth" means, as of the date of determination,

(i) the total assets of the Borrower and its Subsidiaries which would be shown as assets on a consolidated balance sheet of the Borrower and its Subsidiaries as of such time prepared in accordance with GAAP, after eliminating all amounts properly attributable to minority interests, if any, in the stock and surplus of Subsidiaries, minus  
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(ii) the total liabilities of the Borrower and its Subsidiaries which would be shown as liabilities on a consolidated balance sheet of the Borrower and its Subsidiaries as of such time prepared in accordance with GAAP.

"Consolidated Subsidiary" means with respect to any Person at any date any Subsidiary of such Person or other entity the accounts of which would be consolidated with those of such Person in its consolidated financial statements if such statements were prepared as of such date in accordance with GAAP.

"Debt" of any Person means, at any date, without duplication, (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (iii) all obligations of such Person to pay the deferred purchase price of property or services (other than trade accounts payable arising in the ordinary course of business), (iv) all obligations of such Person as lessee under Capital Leases, (v) all obligations of such Person to purchase securities or other property which arise out of or in connection with the sale of the same or substantially similar securities or property, (vi) all non-contingent obligations (and, for purposes of Section 6.09 and the definitions of Material Debt and Material Financial Obligations, all contingent obligations) of such Person to reimburse

any bank or other person in respect of amounts paid under a letter of credit, bankers' acceptance or similar instrument, (vii) all obligations of others secured by a Lien on any asset of such Person, whether or not such obligation is assumed by such Person and (viii) all obligations of others Guaranteed by such Person.

"Default" means any condition or event which constitutes an Event of Default or which with the giving of notice or lapse of time or both would, unless cured or waived, become an Event of Default.

"Derivatives Obligations" of any Person means all obligations of such Person in respect of any rate swap transaction, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of the foregoing transactions) or any combination of the foregoing transactions.

"Dollars" and the sign "\$" means lawful money of the United States of America.

"Effective Date" means the date this Agreement becomes effective in accordance with Section 9.08.

"Environmental Laws" means any and all federal, state, local and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or other governmental restrictions relating to the environment or to emissions, discharges or releases of pollutants, contaminants, petroleum or petroleum products, chemicals or industrial, toxic or hazardous substances or wastes into the environment including, without limitation, ambient air, surface water, ground water, or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, petroleum or petroleum products, chemicals or industrial, toxic or hazardous substances or wastes or the clean-up or other remediation thereof.

"Equipment" means all "equipment" (as defined in the UCC) now owned or hereafter acquired by the Borrower, located in the Commonwealth of Virginia, and shall also mean and include, without limitation, all vehicles, machinery, tools, furniture, furnishings, office equipment and trade fixtures now owned or hereafter acquired by the Borrower, located in the Commonwealth of Virginia.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, or any successor statute.

"ERISA Group" means the Borrower, any Subsidiary and all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with the Borrower or any Subsidiary, are treated as a single employer under Section 414 of the Internal Revenue Code.



"Event of Default" has the meaning set forth in Section 7.01.

"Fixed Charge Coverage Ratio" means, at any time, the ratio of (i) Consolidated Income Available for Fixed Charges for the period of four consecutive fiscal quarters ending on, or most recently ended prior to, such time to (ii) Fixed Charges for such period.

"Fixed Charges" means, with respect to any period and without duplication, the sum of (i) Interest Charges for such period and (ii) Lease Rentals for such period.

"GAAP" means, generally accepted accounting principles as in effect from time to time in the United States of America.

"Guarantee" by any Person means any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing any Debt or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation (whether arising by virtue of partnership arrangements, by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (ii) entered into for the purpose of assuring in any other manner the obligee of such Debt or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); provided that the term

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Guarantee shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"Guarantor" means TREX COMPANY, INC., a Delaware corporation, and its  
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successors.

"Hazardous Substances" means any toxic, radioactive, caustic or otherwise hazardous substance, including petroleum, its derivatives, by-products and other hydrocarbons, or any substance having any constituent elements displaying any of the foregoing characteristics.

"Interest Charges" means, with respect to any period, the sum (without duplication) of the following (in each case, eliminating all offsetting debits and credits between the Borrower and its Subsidiaries and all other items required to be eliminated in the course of the preparation of consolidated financial statements of the Borrower and its Subsidiaries in accordance with GAAP); (i) all interest in respect of Debt of the Borrower and its Subsidiaries (including imputed interest on Capital Lease Obligations) deducted in determining Adjusted Consolidated Net Income for such period, together with all interest capitalized or deferred during such period, and (ii) all debt discount and expense (other than in respect of the Notes) amortized or required to be amortized in the determination of Adjusted Consolidated Net Income for such period.

"Internal Revenue Code" means the Internal Revenue Code of 1986, as amended, or any successor statute.

"Inventory" means all "inventory" (as defined in the UCC) now owned or hereafter acquired by the Borrower, wherever located, and shall also mean and include, without limitation,

all raw materials and other materials and supplies, work-in-process and finished goods and any products made or processed therefrom and all substances, if any, commingled therewith or added thereto.

"Investment" means any investment in any Person, whether by means of share purchase, capital contribution, loan, time deposit or otherwise.

"Item" means any "item" as defined in Section 4-104 of the UCC, and shall also mean and include checks, drafts, money orders or other media of payment.

"Lease Rentals" means, with respect to any period, the sum of the rental and other obligations required to be paid during such period by the Borrower or any Subsidiary as lessee under all leases of real or personal property (other than Capital Leases), excluding any amount required to be paid by the lessee (whether or not therein designated as rental or additional rental) on account of maintenance or repairs, insurance, taxes, assessments, water rates and similar charges, provided that, if at the date of determination, any such rental or

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other obligations (or portion thereof) are contingent or not otherwise definitely determinable by the terms of the related lease, the amount of such obligations (or such portion thereof) (i) shall be assumed to be equal to the amount of such obligations for the period of 12 consecutive calendar months immediately preceding the date of determination or (ii) if the related lease was not in effect during such preceding 12-month period, shall be the amount estimated by the chief financial officer or chief accounting officer of the Borrower on a reasonable basis and in good faith.

"LIBOR Market Index-Based Rate" has the meaning set forth in Section 2.05(a).

"Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset. For the purposes of this Agreement, the Borrower or any Subsidiary shall be deemed to own subject to a Lien any asset which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, Capital Lease or other title retention agreement relating to such asset.

"Loans" means the Revolving Loans and the Term Loans made pursuant to Section 2.01.

"Loan Documents" means the Credit Agreement, the Notes and the Security Agreement, collectively, and "Loan Document" means any of them.

"Material Adverse Effect" means (i) any material adverse effect upon the condition (financial or otherwise), results of operations, properties, assets, business or prospects of the Borrower or of the Borrower and its Consolidated Subsidiaries, taken as a whole; (ii) a material adverse effect on the ability of the Borrower to consummate the transactions contemplated hereby to occur on the Closing Date; (iii) a material adverse effect on the ability of the Borrower to perform its obligations under this Agreement and the Notes or (iv) a material adverse effect on the rights and remedies of the Bank under this Agreement and the Notes.

"Material Debt" means Debt (other than the Notes) of the Borrower and/or one or more of its Subsidiaries, arising in one or more related or unrelated transactions, in an aggregate principal or face amount exceeding \$250,000.

"Material Financial Obligations" means a principal or face amount of Debt and/or payment obligations in respect of Derivatives Obligations of the Borrower and/or one or more of its Subsidiaries, arising in one or more related or unrelated transactions, exceeding in the aggregate \$250,000.

"Material Plan" means at any time a Plan or Plans having aggregate Unfunded Liabilities in excess of \$25,000.

"Multiemployer Plan" means at any time an employee pension benefit plan within the meaning of Section 4001(a)(3) of ERISA to which any member of the ERISA Group is then making or accruing an obligation to make contributions or has within the preceding five plan years made contributions, including for these purposes any Person which ceased to be a member of the ERISA Group during such five year period.

"Notes" means the Revolving Note and the Term Note.

"Notice of Borrowing" means a Notice of Borrowing (as defined in Section 2.02(a)).

"Obligations" means:

(i) all principal of and interest (including, without limitation, any interest which accrues after the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency or reorganization of the Borrower, whether or not allowed or allowable as a claim in any such proceeding) on any Term Loan or Revolving Loan, fees payable or reimbursement obligation under, or any note issued pursuant to, this Agreement or any other Loan Document;

(ii) all other amounts now or hereafter payable by the Borrower and all other obligations or liabilities now existing or hereafter arising or incurred (including, without limitation, any amounts which accrue after the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency or reorganization of the Borrower, whether or not allowed or allowable as a claim in any such proceeding) on the part of the Borrower pursuant to this Agreement or any other Loan Document;

(iii) all Derivatives Obligations (including, without limitation, any amounts which accrue after the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency or reorganization of the Borrower, whether or not allowed or allowable as a claim in any such proceeding) of the Borrower to the Bank;

(iv) all other indebtedness, obligations and liabilities of the Borrower to the Bank, now existing or hereafter arising or incurred, whether or not evidenced by notes or other instruments, and whether such indebtedness, obligations and liabilities are direct or

indirect, fixed or contingent, liquidated or unliquidated, due or to become due, secured or unsecured, joint, several or joint and several, related to the Loans;

together in each case with all renewals, modifications, consolidations or extensions thereof.

"Operating Account" means the demand deposit account maintained with the Bank by the Borrower on which the Borrower draws checks to pay its operating expenses, which account is linked to the cash management services provided by the Bank to the Borrower pursuant to the Services Agreement.

"Parent" means, with respect to the Bank, any Person controlling the Bank.

"PBGC" means the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

"Perfection Certificate" means a certificate of the Borrower, substantially in the form of Exhibit A to the Security Agreement, completed and supplemented with the schedules and attachments contemplated thereby to the satisfaction of the Bank, and duly executed by the chief executive officer, president or chief financial officer of the Borrower.

"Permitted Liens" has the meaning set forth in Section 6.09.

"Person" means an individual, a corporation, a partnership, an association, a trust or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"Plan" means at any time an employee pension benefit plan (other than a Multiemployer Plan) which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Internal Revenue Code and either (i) is maintained, or contributed to, by any member of the ERISA Group for employees of any member of the ERISA Group or (ii) has at any time within the preceding five years been maintained, or contributed to, by any Person which was at such time a member of the ERISA Group for employees of any Person which was at such time a member of the ERISA Group.

"Prime Rate" means the rate announced by the Bank from time to time as its Prime Rate, as such rate may change from time to time with changes to occur on the date the Bank's Prime Rate changes. The Bank's Prime Rate is one of several interest rate bases used by the Bank. The Bank lends at rates above and below the Bank's Prime Rate, and the Borrower acknowledges that the Bank's Prime Rate is not represented or intended to be the lowest or most favorable rate of interest offered by the Bank.

"Proceeds" means all proceeds of, and all other profits, products, rents or receipts, in whatever form, arising from the collection, sale, lease, exchange, assignment, licensing or other disposition of or other realization upon or payment for the use of, Collateral (as that term is defined in the Security Agreement, including (without limitation) all claims of the Borrower against third parties for loss of, damage to or destruction of, or for proceeds payable under, or

unearned premiums with respect to, policies of insurance in respect of, any Collateral, and any condemnation or requisition payments with respect to any Collateral, in each case whether now existing or hereafter arising.

"Quarterly Date" means the first Business Day of each January, April, July and October.

"Regulation U" means Regulation U of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"Revolving Commitment" means \$10,000,000.00.

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

"Revolving Loan" means a loan made pursuant to Section 2.01(a).

"Revolving Note" means a promissory note of the Borrower, substantially in the form of Exhibit B-1 hereto, evidencing the obligation of the Borrower to repay the Revolving Loans.

"Security Agreement" means the Amended and Restated Security Agreement between the Borrower and the Bank, as it may be amended, modified or supplemented from time to time.

"Services Agreement" means the description of the Sweep Plus Service provided by the Bank to the Borrower, the terms of which are hereby incorporated in this Agreement by reference.

"Subordinated Debt" of any Person means all Debt which (i) bears interest at rates not greater than such Person shall reasonably determine to be the prevailing market rate, at the time such Subordinated Debt is issued, for interest on comparable subordinated debt issued by comparable issuers, (ii) is subordinated in right of payment to such Person's indebtedness, obligations and liabilities to the Bank under the Loan Documents pursuant to payment and subordination provisions satisfactory in form and substance to the Bank and (iii) is issued pursuant to loan documents having covenants and events of default that are satisfactory in form and substance to the Bank but that in no event are less favorable, including with respect to rights of acceleration, to the Borrower than the terms hereof.

"Subsidiary" means any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by the Borrower.

"Term Commitment" means \$7,500,000.

"Term Loan" means a loan made pursuant to Section 2.01(b).

"Term Loan Period" means the period from and including the Closing Date to but not including December 31, 1999.

"Term Note" means a promissory note of the Borrower, substantially in the form of Exhibit B-2 hereto, evidencing the obligation of the Borrower to repay the Term Loans.

"Termination Date" means July 31, 2000, as said date may be extended pursuant to Section 2.07(b).

"Total Consolidated Debt" means, as of the date of determination, the total of all Debt of the Borrower and its Subsidiaries outstanding on such date, after eliminating all offsetting debits and credits between the Borrower and its Subsidiaries and all other items required to be eliminated in the course of the preparation of consolidated financial statements of the Borrower and its Subsidiaries in accordance with GAAP.

"Total Consolidated Capitalization" means, as of any date of determination with respect to the Borrower, the sum of Total Consolidated Debt and Consolidated Net Worth.

"UCC" means the Uniform Commercial Code as in effect on the date hereof in the Commonwealth of Virginia; provided that if by reason of mandatory provisions

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of law, for matters pertaining only to the perfection or the effect of perfection or non-perfection of the Security Interest in any Collateral (as that term is defined in the Security Agreement) is governed by the Uniform Commercial Code as in effect in a jurisdiction other than Virginia, "UCC" means the Uniform Commercial Code as in effect in such other jurisdiction for purposes of the provisions hereof relating to such perfection or effect of perfection or non-perfection.

"Unfunded Liabilities" means, with respect to any Plan at any time, the amount (if any) by which (i) the value of all benefit liabilities under such Plan, determined on a plan termination basis using the assumptions prescribed by the PBGC for purposes of Section 4044 of ERISA, exceeds (ii) the fair market value of all Plan assets allocable to such liabilities under Title IV of ERISA (excluding any accrued but unpaid contributions), all determined as of the then most recent valuation date for such Plan, but only to the extent that such excess represents a potential liability of a member of the ERISA Group to the PBGC or any other Person under Title IV of ERISA.

"United States" means the United States of America, including the States and the District of Columbia, but excluding its territories and possessions.

"Variance" means a rate per annum (which may be a negative number) above or below the Base Rate which the Bank, in its sole discretion, determines is appropriate to adjust the Base Rate in order that the interest rate on the Loans converted to Base Rate Loans in accordance with Section 7.04 of this Agreement will be comparable to the LIBOR Market Index-Based Rate.

Usage

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The following rules of construction and usage shall be applicable to any instrument that is governed by this Appendix:

(a) All terms defined in this Appendix shall have the defined meanings when used in any instrument governed hereby and in any certificate or other document made or delivered pursuant thereto unless otherwise defined therein.

(b) The words "hereof", "herein", "hereunder" and words of similar import when used in an instrument refer to such instrument as a whole and not to any particular provision or subdivision thereof; references in any instrument to "Article", "Section" or another subdivision or to an attachment are, unless the context otherwise requires, to an article, section or subdivision of or an attachment to such instrument; and the term "including" means "including without limitation".

(c) The definitions contained in this Appendix are equally applicable to both the singular and plural forms of such terms and to the masculine as well as to the feminine and neuter genders of such terms.

(d) Any agreement, instrument or statute defined or referred to below or in any agreement or instrument that is governed by this Appendix means such agreement or instrument or statute as from time to time amended, modified or supplemented, including (in the case of agreements or instruments) by waiver or consent and (in the case of statutes) by succession of comparable successor statutes and includes (in the case of agreements or instruments) references to all attachments thereto and instruments incorporated therein. References to a Person are also to its permitted successors and assigns.

STANDING LOAN AGREEMENT  
(NEVADA)



STANDING LOAN AGREEMENT  
(NEVADA)

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EXHIBIT A - Property Description  
EXHIBIT B - Confidentiality Agreement

STANDING LOAN AGREEMENT  
(Nevada)

This Standing Loan Agreement ("Agreement"), dated as of September 28, 1999,  
is by and between Trex Company, LLC, a Delaware Limited Liability Company  
("Borrower") and BANK OF AMERICA, N.A. ("Bank").

Agreement

I. LOAN TERMS

1.1 Amount and Purpose.

(a) Bank shall make a loan to Borrower in the original principal amount of Six Million Seven Hundred Twenty-Eight Thousand Dollars (\$6,728,000) (the "Loan") to be used for the following purpose: refinancing certain property.

(b) The Loan will be evidenced by a promissory note (the "Note") payable to Bank in the original principal amount of the Loan secured by a Deed of Trust, Assignment of Rents and Leases, Security Agreement and Fixture Filing, (the "Deed of Trust") covering certain real property commonly described on Exhibit A, attached hereto and made a part hereof as if fully set forth (together with all improvements now or hereafter located thereon, collectively the "Property") and other collateral.

(c) Trex Company, Inc., a Delaware corporation ("Guarantor") will guaranty (the "Guaranty") Borrower's obligations under this Agreement.

This Agreement, the Note, the Deed of Trust, the Guaranty, and all other documents evidencing, securing or otherwise pertaining to the Loan will be collectively referred to as the "Loan Documents".

1.2 Intended Use of the Property. Borrower, or an affiliated entity of Borrower (the "Affiliate") shall occupy all or a substantial portion of the Property. If the Property is to be occupied by an Affiliate, all references in this Agreement to Borrower shall be understood to include such Affiliate as well as, or in lieu of, Borrower, as the context may require. For example, any covenant by Borrower to comply with laws respecting its business shall include a covenant to cause the Affiliate to comply as well. Likewise, any representation regarding Borrower's business shall also be a representation regarding the Affiliate's business, and any condition or Event of Default (as later defined) that involves Borrower's financial condition or activities shall also include the Affiliate's financial condition or activities.

1.3 Documentation. At the closing of this transaction, Borrower will deliver the following documents and other items, executed and acknowledged as appropriate, all in form and substance satisfactory to Bank:

(a) this Agreement;

- (b) the Note;
- (c) the Deed of Trust;
- (d) UCC-1 Financing Statements;
- (e) Guaranty;
- (f) the indemnity (referred to in Article IV) along with a completed Bank form Environmental Questionnaire and Disclosure Statement;
- (g) an ALTA survey of the Property acceptable to Bank if necessary for the issuance of the title policy described below;
- (h) an ALTA title insurance policy insuring Bank that the Deed of Trust constitutes a valid and enforceable lien on the Property subject and subordinate only to such liens or other matters as Bank has approved in writing;
- (i) evidence of the casualty and other insurance coverage required under this Agreement;
- (j) evidence of Borrower's due formation and good standing, as well as due authorization and execution of the Loan Documents; and
- (k) such other documents and assurances as Bank may reasonably require.

1.4 Disbursement of Loan Proceeds. Upon the satisfaction of all the conditions precedent set forth in this Agreement, Bank will disburse the Loan proceeds through escrow to pay any debts presently encumbering the Property, with the balance after payment of applicable reasonable costs and expenses to the Borrower.

1.5 Repayment. Repayment of the Loan shall be made in accordance with the terms of the Note executed by Borrower to the order of Bank.

II. COVENANTS OF THE BORROWER

Borrower promises to keep each of the following covenants:

2.1 Compliance with Law. Borrower shall comply with all existing and future laws, regulations, orders, building restrictions and requirements of, and all agreements with and commitments to, all governmental, judicial or legal authorities having jurisdiction over the Property and Borrower's business.

2.2 Site Visits.

(a) Bank and its agents and representatives shall have the right at any reasonable time to enter and visit the Property (i) for the purposes of performing an appraisal, (ii) inspecting the Property, (iii) taking soil or groundwater samples, and (iv)

conducting tests, among other things, to investigate for the presence of Hazardous Substances, as defined in Article IV. Bank shall also have the right to examine, copy and audit its books, records, accounting data and other documents of Borrower which relate to the Property. In each instance the Bank shall give Borrower reasonable notice before entering the Property. Bank shall make an effort to avoid interfering with Borrower's use of the Property when exercising any of the rights granted in this Section 2.2. Prior to any visit, Bank shall enter into (if it has not already done so) a confidentiality agreement, if requested by Borrower, in the form attached hereto as Exhibit B.

(b) Bank is under no duty to visit or observe the Property, or to examine any books or records. Any site visit, observation or examination by Bank shall be solely for the purpose of protecting Bank's security and preserving Bank's rights under the Loan Documents. Bank owes no duty of care to protect Borrower or any other party against, or to inform Borrower or any other party of, any adverse condition affecting the Property, including any defects in the design or construction of any improvements on the Property or the presence of any Hazardous Substances on the Property.

2.3 Insurance. Borrower shall maintain the following insurance coverage:

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(a) All risk property damage insurance on the Property, with a policy limit equal to the greater of the outstanding loan balance and the full replacement cost of improvements and personal property, including tenant improvements, if any. The policy shall include a replacement cost endorsement, a stipulated value or agreed amount endorsement (deleting any co-insurance requirement) and a business interruption endorsement in the amount of 12 months, principal and interest payments, taxes and insurance premiums. This policy shall also include a lender's loss payable endorsement (438 BFU) in favor of Bank.

(b) Comprehensive General Liability coverage with such limits as Bank may require. This policy shall include an additional insured endorsement in favor of Bank. Coverage shall be written on an occurrence basis, not claims made.

(c) Such other insurance as Bank may require, which may include flood insurance, if located in a designated flood zone.

All policies of insurance reasonably required by Bank must be issued by companies approved by Bank and otherwise be acceptable to Bank as to amounts, forms, risk coverages and deductibles. In addition, each policy (except workers, compensation or liability) must provide Bank at least thirty (30) days, prior notice of cancellation, non-renewal or modification. If Borrower fails to keep any such coverage in effect while the Loan is outstanding, Bank may, but shall not be obligated to, procure such coverage at Borrower's expense. Borrower shall reimburse Bank, on demand, for all premiums advanced by Bank, which advances shall be considered to be additional loans to Borrower secured by the Deed of Trust and shall bear interest at the default rate provided in the Note until paid including all unpaid and accrued interest thereon.

2.4 Payment of Expenses. Borrower shall pay all reasonable costs and

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expenses incurred by Bank in connection with the making, disbursement and administration of the Loan, as well as any revisions, extensions, renewals or "workouts" of the Loan, and in the

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exercise of any of Bank's rights or remedies under this Agreement. Such costs and expenses include title insurance, recording and escrow charges, fees for appraisal, reasonable legal fees and expenses of Bank's counsel and any other reasonable fees and costs for services. Borrower acknowledges that the Loan fee does not include amounts payable by Borrower under this section. All such sums incurred by Bank and not immediately reimbursed by Borrower, upon notice of same, shall be considered an additional loan to Borrower and shall bear interest at the default rate provided in the Note and secured by the Deed of Trust until paid including all unpaid and accrued interest.

2.5 Financial and Other Information. Borrower shall provide Bank, within

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(120) days of the end of each fiscal year, its and each Guarantor's annual report (10-K) and compliance certificate. Borrower also shall provide to Bank, within 45 days of the end of each quarter, copies of Borrower's and each Guarantor's quarterly report (10-Q). Within 120 days of the Borrower's fiscal year end, Borrower shall also provide Bank with its consolidated/consolidating annual financial statement, which shall be audited and shall include Guarantor's financial information. On request, Borrower shall promptly provide Bank with any other financial or other information concerning its and each Guarantor's affairs and properties as Bank may reasonably request.

2.6 Notices. Borrower shall promptly notify Bank in writing of:

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(a) any notice that the Property or Borrower's business fails in any material respect to comply with any applicable law, regulation or court order; and

(b) any material adverse change in the physical condition of the Property or Borrower's or any Guarantor's financial condition or operations or other circumstance that materially adversely affects Borrower's intended use of the Property or Borrower's ability to repay the Loan.

2.7 Indemnity. Borrower agrees to indemnify and hold Bank harmless from

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and against all liabilities, claims, actions, damages, costs and expenses (including all legal fees and expenses of Bank's counsel including without limitation Bank's in-house counsel) arising out of or resulting from the ownership, operation, or use of the Property, whether such claims are based on theories of derivative liability, comparative negligence or otherwise. Notwithstanding anything to the contrary in any other Loan Document, the provisions of this Section 2.7 shall not be secured by the Deed of Trust, and shall survive the termination of this Agreement, repayment of the Loan or foreclosure of the Deed of Trust or proceedings in lieu thereof.

2.8 Preservation of Rights; Maintenance of Properties. Borrower shall

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preserve all rights, privileges and franchises desirable for the conduct of Borrower's business. Borrower shall maintain all its properties in good condition.

2.9 Negative Covenants. Without Bank's prior written consent, which

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consent shall not be unreasonably withheld, conditioned, or delayed, Borrower shall not:

(a) engage in any business activities substantially different from borrower's present business;

(b) liquidate or dissolve Borrower's business;

(c) enter into any consolidation, merger, pool, joint venture, syndicate or other combination in excess of Ten Million and 00/100 Dollars (\$10,000,000) (except that a merger between Borrower and Guarantor shall be allowed subject to the provisions of Section 19 of the Note); or

(d) lease or dispose of all or a substantial part of Borrower's business or Borrower's assets.

2.10 Performance of Acts. Upon request by Bank, Borrower shall perform all

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reasonable acts which may be necessary or advisable to perfect any lien or security interest provided for in this Agreement or to carry out the intent of this Agreement. After closing of the Loan, Bank shall be responsible for the filing costs of any necessary filing to perfect any such lien or security interest, except to the extent same are a result of a default or breach by Borrower under the Loan Documents.

2.11 Consolidated Debt to Consolidated Capitalization. The Borrower and

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any of its subsidiaries (but excluding its parent), on a consolidated basis as reported in its public filings, shall not at any time during any four (4) fiscal quarters, permit its ratio of Total Consolidated Debt to Total Consolidated Capitalization to exceed 0.50 to 1.0. Total Consolidated Debt means the total of all debt of the Borrower and its subsidiaries (but excluding its parent), including, without duplication, (a) all indebtedness for borrowed money; (b) all obligations issued, undertaken or assumed as the deferred purchase price of property or services (other than trade payables entered into in the ordinary course of business pursuant to ordinary terms); (c) all reimbursement obligations with respect to surety bonds, letters of credit, bankers' acceptances and similar instruments (in each case, to the extent material or non-contingent); (d) all obligations evidenced by notes, bonds, debentures or similar instruments, including obligations so evidenced incurred in connection with the acquisition of property, assets or businesses; (e) all indebtedness created or arising under any conditional sale or other title retention agreement, or incurred as financing, in either case with respect to property acquired by the person (even though the rights and remedies of the seller or bank under such agreement in the event of default are limited to repossession or sale of such property); (f) all capital lease obligations; (g) all net obligations with respect to interest rate contracts; and (h) all guaranty obligations in respect of indebtedness or obligations of others of the kinds referred to in clauses (a) through (g) above. "Total Consolidated Capitalization" is defined as the sum of Total Consolidated Debt and Consolidated Net Worth. "Consolidated Net Worth" means members' equity as determined in accordance with generally accepted accounting principles. Compliance with the foregoing shall be established via delivery to Bank quarterly of such financial information as is necessary to evidence same to the satisfaction of Bank.

2.12 Fixed Charge Ratio. Borrower shall maintain an Fixed Charge Ratio of

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at least 2.5:1.0 beginning September 30, 1999. "Fixed Charge Ratio" means the ratio of Consolidated Income Available for Fixed Charges (EBITDA) divided by Interest Charges and Lease Charges. "Consolidated Income Available for Fixed Charges (EBITDA)" means the sum of (a) the net income (or net loss) plus (b) all

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amounts treated as expenses for depreciation and interest and the amortization of intangibles of any kind to the extent

included in the determination of such net income (or loss), plus (c) all accrued  
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taxes on or measured by income to the extent included in the determination of  
such net income (or loss), plus (d) non charges in the amount of \$3,700,000  
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through the quarter ending June 30, 2000; provided, however, that net income (or  
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loss) shall be computed for these purposes without giving effect to  
extraordinary losses or extraordinary gains. Interest Charges means the interest  
payments under the Loan. Lease Charges means the payment obligations of Borrower  
as lessee, tenant or license under leases or licenses to which Borrower is a  
party. Compliance with the foregoing shall be established via delivery to Bank  
quarterly of such financial information as is necessary to evidence same to the  
satisfaction of Bank. The foregoing ratio shall be calculated and maintained on  
a rolling four-quarter basis during the term of the Loan.

### III. PARTIAL RECONVEYANCE

Bank agrees that it will cause the trustee under the Deed of Trust to  
release a portion or portions of the real property encumbered by the Deed of  
Trust (the "Released Property") upon the occurrence of the following:

- (a) Bank receives a written request from Borrower to release the  
Released Property;
- (b) Borrower causes all Guarantors to reaffirm their guarantees and  
consent to such a reconveyance;
- (c) Borrower provides to Bank a survey reasonably acceptable to Bank  
of the "Remainder Property" (being the real property to remain encumbered by the  
Deed of Trust and not to be released) and legal descriptions for the Released  
Property and the Remainder Property acceptable to Bank;
- (d) Borrower provides to Bank a zoning letter from the applicable  
governmental authorities evidencing that the Remainder Property has sufficient  
parking and other entitlements for the buildings built on such property, as  
required by all Requirements (as defined in Section 5.2);
- (e) Borrower provides to Bank evidence that the Remainder Property is  
comprised of a separate tax parcel or parcels and a separate legal parcel or  
parcels (created by recordation of a commercial subdivision map or other legal  
means) that comply with NRS Chapter 278;
- (f) Borrower provides evidence that all utilities are provided and  
separately metered which are necessary to develop, occupy and operate the  
Remainder Property, including written assurances from such utility companies as  
Bank may reasonably require;
- (g) If applicable, Borrower shall have caused to be recorded a  
reciprocal easement agreement (which agreement shall have been consented to by  
all parties having an interest in the real property encumbered by the Deed of  
Trust) in form acceptable to Bank establishing, among other things, the rights  
and obligations of property owners and tenants with respect to the use,  
maintenance, repair, marketing, management, and sharing



of costs, of the utilities, buildings, easements, signs, pylons, parking and common area of such property;

(h) Borrower pays all fees (including reasonable attorney's fees), costs, charges for title insurance endorsements reasonably requested by Bank in conjunction with such reconveyance (including endorsements insuring the continued priority of the Deed of Trust on the Remainder Property, continued access to public streets, and such other matters as Bank requests), and other sums owing to Bank and the Deed of Trust trustee incurred in conjunction with the partial release;

(i) The release of the Released Property shall not cause the Borrower to be in default under any Loan Documents; and

(j) The ratio of the total committed amount of the Loan to the prospective market value to a single purchaser of the Remainder Property shall not exceed eighty percent (80%) (the "Maximum Loan-to-Value Ratio"). For purposes of this Section, Bank shall determine the prospective market value of the Property using a methodology which (a) conforms to then-current regulatory requirements and Bank's normal and customary appraisal practices, (b) is considered by Bank to be appropriate under the circumstances, (c) takes into account current market conditions, and (d) is based on an appraisal from an appraiser which is on the Bank's approved list of appraisers, all as reasonably determined by Bank.

#### IV. HAZARDOUS SUBSTANCES

As an express condition precedent to the Agreement and the funding of the Loan, Borrower shall execute and deliver to Bank a Secured Indemnity Agreement relating to hazardous substances on Bank's form (the "Indemnity").

Notwithstanding any provision in the Deed of Trust or any other Loan Document, the provisions of this Article IV shall survive termination of this Agreement and repayment of the Loan, and shall also survive after any acquisition by Bank of the Property or any part of it by foreclosure or any other means.

#### V. REPRESENTATIONS AND WARRANTIES

Borrower promises that each representation and warranty set forth below is true, accurate and correct as of the date of this Agreement and will be true as of the date of any request for disbursement of Loan proceeds.

5.1 Authority. Borrower is authorized to execute, deliver and perform its obligations under each of the Loan Documents.

5.2 Compliance. Borrower is familiar and has complied with all of the Requirements (defined as all laws, regulations, orders, ordinances, policies, standards, reports, building codes, covenants, restrictions and requirements that apply or pertain to, and all agreements with and commitments to all governmental, judicial or legal authorities having jurisdiction over, the Property), as well as all other applicable laws, regulations and ordinances, including without limitation, Equal Opportunity For Individuals With

Disabilities Act (ADA), 42 U.S.C. 12101 and the regulations promulgated and set forth at 28 CFR 36.401 et. seq. Borrower has properly obtained all permits, licenses and approvals necessary to own, occupy and operate the Property in accordance with all Requirements, including those pertaining to zoning, and Borrower has delivered true and correct copies of them to Bank.

5.3 Enforceability. Borrower is authorized to execute, deliver and  
-----  
perform under the Loan Documents. Those documents are valid and binding obligations of Borrower.

5.4 Borrower Not a "Foreign Person". Borrower is not a "foreign person"  
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within the meaning of Section 1445(f)(3) of the Internal Revenue Code of 1986, as amended from time to time.

5.5 No Claims. There are no claims, actions, proceedings or  
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investigations pending against Borrower, or affecting the Property, except for those previously disclosed by Borrower to Bank in writing. To the best of Borrower's knowledge, there has been no threat of any such claim, action, proceeding or investigation, except for those previously disclosed by Borrower to Bank in writing.

5.6 Accuracy. All reports, documents, instruments, information and forms  
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of evidence which have been delivered to Bank concerning the Loan or required by the Loan Documents are accurate, correct and sufficiently complete to give Bank true and accurate knowledge of their subject matter. None of them contains any misrepresentation or omission.

5.7 Taxes. Borrower has filed all required state, federal and local  
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income tax returns and has paid all taxes which are due and payable. Borrower knows of no basis for any additional assessment of taxes.

5.8 Year 2000. On the basis of a comprehensive review and assessment of  
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Borrower's systems and equipment and inquiry made of Borrower's material suppliers, vendors and customers, Borrower's management is of the reasonable view that the "Year 2000 problem" (that is, the inability of computers, as well as embedded microchips in non-computing devices, to perform properly date-sensitive functions with respect to certain dates prior to and after December 31, 1999), including costs of remediation, will not result in a material adverse change in the operations, business, properties, condition (financial or otherwise) of Borrower. Borrower has developed reasonable feasible contingency plans adequate to ensure uninterrupted and unimpaired business operation in the event of failure of its own or a third party's systems or equipment due to the Year 2000 problem, including those of vendors, customers, and suppliers, as well as a general failure of, or interruption in, its communications and delivery infrastructure. As relates to Bank, Borrower acknowledges receipt of a copy of Bank's "Year 2000 Preparedness at Bank of America" disclosure dated July 22, 1999. Bank acknowledges a copy of Borrower's Year 2000 disclosure as provided in Borrower's 10Q Statement and that same demonstrates to Bank's satisfaction the Borrower's compliance with the first two sentences of this paragraph. As relates to Bank, Borrower acknowledges receipt of a copy of Bank's "Year 2000 Preparedness at Bank of America" disclosure dated July 22, 1999.

VI. DEFAULT AND REMEDIES

6.1 Events of Default. Borrower will be in default under this Agreement

upon the occurrence of any one or more of the following events (some or all collectively, "Events of Default"; any one singly, an "Event of Default"):

- (a) Borrower fails to make any payment of principal or interest under the Note within thirty (30) days after written notice from Bank that same is due, or fails to make any payment demanded by Bank under this Agreement within thirty (30) days of such demand; or
- (b) Borrower fails to comply with any covenant contained in this Agreement other than those referred to in this Section 6.1, and does not either cure that failure within thirty (30) days after written notice from Bank, or, if the default cannot be cured in thirty days, within a reasonable time as agreed by Bank, but in no event more than ninety (90) days after the initial written notice from Bank; or
- (c) An assignment for the benefit of creditors is made by, or any bankruptcy, reorganization, receivership, moratorium or other debtor-relief proceedings are commenced by or against, Borrower or any Guarantor and same is not dismissed within 60 days thereof; or
- (d) Borrower or any Guarantor becomes insolvent, dissolves or liquidates; or
- (e) Any representation or warranty made or given in any of the Loan Documents proves to be false or misleading in any material respect; or
- (f) Any Guarantor revokes its Guaranty or any Guaranty becomes ineffective for any reason; or
- (g) Under any of the Loan Documents, an Event of Default (as defined therein) occurs; or
- (h) Bank fails to have an enforceable first lien on the Property given as security for the Loan (except for prior liens approved by Bank in writing); or
- (i) Borrower, any Guarantor or any person affiliated with Borrower or any Guarantor, within 30 days of written notice from Bank, fails to meet the conditions of, or fails to perform any obligation under, any other agreement Borrower has with Bank or any affiliate of Bank. For the purposes of this section, "affiliated with" means in control of, controlled by or under common control with; or
- (j) There is a material adverse change in Borrower's or any Guarantor's financial condition, or event or condition that materially impairs Borrower's intended use of the Property or Borrower's or any Guarantor's ability to repay the Loan and same is not remedied to Bank's reasonable satisfaction within 30 days of written notice thereof to Borrower from Bank.

6.2 Remedies. If an Event of Default occurs under this Agreement:

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(a) Bank may exercise any right or remedy which it has under any of the Loan Documents, or which is otherwise available at law or in equity or by statute, and all of Bank's rights and remedies shall be cumulative. All of Borrower's obligations under the Loan Documents shall become immediately due and payable without notice of default, presentment or demand for payment, protest or notice of nonpayment or dishonor, or other notices or demands of any kind or character, all at Bank's option, exercisable in its sole discretion.

(b) Bank shall have the right in its sole discretion to enter the Property and take possession of it, whether in person, by agent or by court-appointed receiver, collect rents and otherwise protect its collateral. If Bank exercises any of the rights or remedies provided in this clause (b), that exercise shall not make Bank, or cause Bank to be deemed to be, a partner or joint venturer of Borrower. All sums which are expended by Bank in preserving its collateral shall be considered an additional loan to Borrower bearing interest at the default rate provided in the Note and secured by the Deed of Trust.

(c) Bank's failure to exercise its rights under this Section 6.2 shall not constitute a waiver of any default or Event of Default or future default or Event of Default.

6.3 Concurrent Notice and Cure Periods. All notice and cure periods

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provided in this Agreement or in any Loan Document shall run concurrently with any notice or cure periods provided by law. Without limiting the foregoing, Bank shall be entitled to exercise its remedies under the Deed of Trust if any event occurs which, with the giving of notice or the passage of time, or both, would constitute an Event of Default under this Agreement or would entitle Bank to accelerate the indebtedness evidenced by the Note. Furthermore, the recording and mailing to Borrower of a notice of breach and election to sell shall constitute notice of such failure to perform pursuant to this Agreement, the Deed of Trust or any other Loan Document.

VII. ARBITRATION

7.1 Arbitration.

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(a) This paragraph concerns the resolution of any controversies or claims between the Borrower and the Bank, including, but not limited to, those that arise from:

(i) This Agreement (including any renewals, extensions, or modifications of this Agreement);

(ii) Any document, agreement, or procedure related to or delivered in connection with this Agreement;

(iii) Any violation of this Agreement; or

(iv) Any claims for damages resulting from any business conducted between the Borrower and the Bank, including claims for injury to persons, property, or business interests (torts).

(b) At the request of the Borrower or the Bank, any such controversies or claims will be settled by arbitration in accordance with the United States Arbitration Act. The United States Arbitration Act will apply even though this Agreement provides that it is governed by Nevada law.

(c) Arbitration proceedings will be administered by the American Arbitration Association and will be subject to its commercial rules of arbitration. The arbitration will be conducted within Lyon County, Nevada.

(d) For purposes of the application of the statute of limitations, the filing of an arbitration pursuant to this paragraph is the equivalent of the filing of a lawsuit, and any claim or controversy which may be arbitrated under this paragraph is subject to any applicable statute of limitations. The arbitrators will have the authority to decide whether any such claim or controversy is barred by the statute of limitations and, if so, to dismiss the arbitration on that basis.

(e) If there is a dispute as to whether an issue is arbitrable, the arbitrators will have the authority to resolve any such dispute.

(f) The decision that results from an arbitration proceeding may be submitted to any authorized court of law to be confirmed and enforced.

(g) This provision does not limit the right of the Borrower or the Bank to:

(i) exercise self-help remedies such as setoff;

(ii) foreclose against or sell any real or personal property collateral; or

(iii) act in a court of law, before, during or after the arbitration proceeding to obtain:

(A) an interim remedy; and/or

(B) additional or supplementary remedies.

(h) The pursuit of, or a successful action for interim, additional or supplementary remedies, or the filing of a court action, does not constitute a waiver of the right of the Borrower or the Bank, including the suing party, to submit the controversy or claim to arbitration if the other party contests the lawsuit.

(i) If the Bank forecloses against any real property securing this Agreement, the Bank has the option to exercise the power of sale under the deed of trust or mortgage, or to proceed by judicial foreclosure.

#### VIII. MISCELLANEOUS PROVISIONS

8.1 No Waiver; Consents. Each waiver by Bank must be in writing, and no  
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waiver shall be construed as a continuing waiver. No waiver shall be implied from any

delay or failure by Bank to take action on account of any default of Borrower. Consent by Bank to any act or omission by Borrower shall not be construed as a consent to any other or subsequent act or omission.

8.2 No Third Parties Benefitted. This Agreement is made and entered into

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for the sole protection and benefit of Bank and Borrower and their successors and assigns. No trust fund is created by this Agreement and no other persons or entities shall have any right or action under this Agreement or any right to the Loan funds.

8.3 Joint and Several Liability. If Borrower consists of more than one

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person or entity, each shall be jointly and severally liable to Bank for the faithful performance of this Agreement.

8.4 Notices. All notices required under this Agreement shall be

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personally delivered or sent by first class mail, postage prepaid, to the addresses set forth on the signature page of this Agreement, or to such other addresses as the Bank and the Borrower may specify from time to time in writing.

8.5 Attorneys' Fees. In the event of a lawsuit or arbitration proceeding,

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the prevailing party is entitled to recover costs and reasonable attorneys' fees incurred in connection with the lawsuit or arbitration proceeding, as determined by the court or arbitrator.

8.6 Intentionally Omitted

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8.7 Applicable Law. This Agreement is governed by the laws of the State

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of Nevada, without regard to the choice of law rules of that State.

8.8 Heirs, Successors and Assigns. The terms of this Agreement shall bind

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and benefit the heirs, legal representatives, successors and assigns of the parties; provided, however, that Borrower may not assign this Agreement without the prior written consent of Bank. Bank shall have the right to transfer the Loan to any other persons or entities without the consent of Borrower. Bank shall notify Borrower if it transfers the Loan of the name and address of the transferee. Any transferee of the Loan, by accepting the Loan, shall be bound by the confidentiality agreement as set forth in Exhibit B and if requested by Bank or Borrower, shall enter into a Confidentiality Agreement in the form of Exhibit B. Bank shall also obtain a confidentiality agreement in the form of Exhibit B from each potential transferee of the Loan or purchaser of an interest in the Loan before disclosing any Confidential Information (as defined in Exhibit B) to such party. Without the consent of or notice to Borrower, Bank may disclose to any prospective purchaser of any securities issued by Bank, and to any prospective or actual purchaser of any interest in the Loan or any other loans made by Bank to Borrower, any financial or other information relating to Borrower, the Loan or the Property.

8.9 Severability. The invalidity or unenforceability of any one or more

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provisions of this Agreement shall in no way affect any other provision.

8.10 Interpretation. The language of this Agreement shall be construed as

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a whole according to its fair meaning, and not strictly for or against any party. The word

"include(s)" means "include(s), without limitation", and the word "including" means "including, but not limited to." Whenever Borrower is obligated to pay or reimburse Bank for any attorneys' fees, those fees shall include the allocated costs for services of in-house counsel.

8.11 Amendments. This Agreement may not be modified or amended except by a written agreement signed by the parties.

8.12 Time of Essence. Time is of the essence in the performance of this Agreement by Borrower.

8.13 Integration and Relation to Loan Commitment. The Loan Documents fully state all of the terms and conditions of the parties' agreement regarding the matters mentioned in or incidental to this Agreement. The Loan Documents supersede all oral negotiations and prior writing concerning the subject matter of the Loan Documents, including Bank's loan commitment to Borrower.

8.14 Counterparts. This Agreement may be executed in as many counterparts as necessary or convenient, and by the different parties on separate counterparts each of which, when so executed, shall be deemed an original, but all such counterparts shall constitute but one and the same agreement.

8.15 Language of Agreement. The language of this Agreement shall be construed as a whole according to its fair meaning, and not strictly for or against any party.

8.16 Headings. Article and paragraph headings are for reference only and shall not affect the interpretation or meaning of any provisions of this Agreement.

8.17 Information Sharing Notice. Bank is made up of a number of companies, all working together to serve Borrower. One of Bank's most important goals is to make it easier for Borrower to manage its money by offering Borrower a wide selection of services. To further this goal Bank may share information about Borrower's accounts with one of Bank's affiliates (subject to the terms of the Confidentiality Agreement set forth in Exhibit B). The information Bank may share within Bank's company comes from three sources: (i) information Bank may have regarding Borrower's accounts with Bank; (ii) information Bank may receive from Borrower applications, and (iii) information from outside sources such as credit bureaus. Borrower has the right to direct Bank not to share information from its applications and outside sources. If Borrower does not want Bank to share this information among Bank's companies, Borrower may send a written request to:

Bank of America  
Attn: Data Integrity  
P.O. Box 27025  
Richmond, VA 23261-7025

with a copy to:

Bank of America  
P.O. Box 20000

Reno, Nevada 89520-0025  
Attn: Mark McVeigh,  
mail code NV2-117-02-12

To complete the request, Borrower should type or print its name, address,  
phone number, account number(s) and social security number on its written  
request.

Dated as of: September 28, 1999.

Trex Company, LLC,  
a Delaware Limited Liability Company

BANK OF AMERICA, N.A.

By: /s/ Anthony J. Cavanna  
-----  
Anthony J. Cavanna  
Executive VP and CFO

By: /s/ Mark McVeigh  
-----  
Mark McVeigh, Vice President

Borrower Address:  
  
20 South Cameron Street  
Suite 200  
Winchester, Virginia 22601

Bank Address:  
BANK OF AMERICA, N.A.  
P.O. Box 20000  
Reno, Nevada 89520-0025  
Attn: Mark McVeigh,  
mail code NV2-117-02-12

Borrower: Trex Company, LLC, a Delaware Limited Liability Company  
Loan No.: \_\_\_\_\_



Loan No: \_\_\_\_\_

## PROMISSORY NOTE SECURED BY DEED OF TRUST

\$6,728,000                      September 28, 1999                      Reno, Nevada

Maturity Date: September 30, 2014  
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1. FOR VALUE RECEIVED, Trex Company, LLC, a Delaware Limited Liability Company ("Borrower") promises to pay to the order of BANK OF AMERICA, N.A. (the "Bank") at Bank's Headquarters in Reno, Nevada, or at such other place as Bank from time to time may designate, the principal sum of SIX MILLION SEVEN HUNDRED TWENTY-EIGHT AND 00/100 Dollars (\$6,728,000) (the "Maximum Loan Amount"), or so much of that sum as may be advanced under this promissory note ("Note"), plus interest as specified in this Note. This Note evidences a loan ("Loan") from Bank to Borrower.

2. This Note is secured by a Deed of Trust, Assignment of Rents and Leases, Security Agreement and Fixture Filing ("Deed of Trust") covering certain real and personal property, as therein described (the "Property"). It may also be secured by other collateral. This Note and the Deed of Trust are two of several Loan Documents, as defined and designated in a Standing Loan Agreement ("Loan Agreement") between Bank and Borrower of even date herewith. Some or all of the Loan Documents, including the Loan Agreement, contain provisions for the acceleration of the maturity of this Note.

3. This Note shall bear interest as follows:

(a) The unpaid principal balance of this Note from day to day outstanding which is not past due, shall bear interest at a fluctuating rate of interest equal to the LIBOR Daily Rate plus one percent (1.0%) per annum. The "LIBOR Daily Rate" shall mean a fluctuating rate of interest equal to the one month rate of interest (rounded upwards, if necessary to the nearest 1/100 of 1%) appearing on Telerate Page 3750 (or any successor page) as the one month London interbank offered rate for deposits in U.S. Dollars at approximately 11:00 a.m. (London time) on the second preceding Business Day, as adjusted from time to time in Lender's sole discretion for then applicable reserve requirements, deposit insurance assessment rates and other regulatory costs. If for any reason such rate is not available, the term "LIBOR Daily Rate" shall mean the fluctuating rate of interest equal to the one month rate of interest (rounded upwards, if necessary to the nearest 1/100 of 1%) appearing on Reuters Screen LIBO Page as the one month London interbank offered rate for deposits in U.S. Dollars at approximately 11:00 a.m. (London time) on the second preceding Business Day, as adjusted from time to time in Lender's sole discretion for then applicable reserve requirements, deposit insurance assessment rates and other regulatory costs; provided, however, if more than one rate is specified on Reuters Screen LIBO Page, the applicable rate shall be the arithmetic mean of all such rates. "Telerate Page 3750" means the British Bankers Association Libor Rates (determined as of 11:00 a.m. London time) that are published by Bridge Information Systems, Inc. "Business Day" or "Banking Day" means a day on which Lender is open for the conduct of substantially all of its banking business (excluding Saturdays and Sundays) and a day on which commercial banks are open for international business (including dealings in U.S. Dollar deposits in London, England). Interest shall be computed for the actual number of days which have elapsed, on the basis of a 360-day year.

(b) If Lender reasonably determines that no adequate basis exists for determining the LIBOR Daily Rate or that the LIBOR Daily Rate will not adequately and fairly reflect the cost to Lender of funding the Loan, or that any applicable law or regulation or compliance therewith by Lender prohibits or restricts or makes impossible the charging of interest based on the LIBOR Daily Rate and Lender so notifies Borrower, then until Lender notifies Borrower that the circumstances giving rise to such suspension no longer exist, interest shall accrue and be payable on the unpaid principal balance of this Note from the date Lender so notifies Borrower until the Maturity Date of this Note (whether by acceleration, declaration, extension or otherwise) at a fluctuating rate of interest equal to the Reference Rate of Lender minus twenty-five one-hundredths of one percent (0.25%) per annum. The Reference Rate is the rate of interest publicly announced from time to time by the Bank as its Reference Rate. The Reference Rate is set by the Bank based on various factors, including the Bank's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans. The Bank may price loans to its customers at, above or below the Reference Rate. Any change in the Reference Rate shall take effect at the opening of business on the day specified in the public announcement of a change in the Bank's Reference Rate. The rate of interest determined under this paragraph 3(b) shall be referred to as the "Reference-Based Rate".  
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(c) Each prepayment of any portion of the Note bearing interest at the LIBOR Daily Rate, whether voluntary, by reason of acceleration or otherwise, will be accompanied by the amount of accrued interest on the amount prepaid and a prepayment fee as described below. A "prepayment", for the purposes of this paragraph, is a payment of an amount on a date earlier than the scheduled payment date for such amount as required by this Note. The prepayment fee shall be equal to the amount (if any) by which:

- (i) the additional interest which would have been payable during the interest period on the amount prepaid had it not been prepaid, exceeds
- (ii) the interest which would have been recoverable by the Bank by placing the amount prepaid on deposit in the domestic certificate of deposit market, the eurodollar deposit market, or other appropriate money market selected by the Bank, for a period starting on the date on which it was prepaid and ending on the last day of the interest period for such portion (or the scheduled payment date for the amount prepaid, if earlier).

(d) The rate of interest determined under this paragraph 3 shall be referred to as the "Note Rate".  
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4. Commencing on November 1, 1999 and on the 1/st/ day of each month thereafter payments of principal and interest shall be due and payable in an amount sufficient to fully amortize the outstanding principal balance of this Note over a fifteen (15) year amortization period at a rate equal to the Note Rate in effect under paragraph 3 above. The monthly installments of principal and interest shall be recast by Bank on October 1 of each year thereafter to an amount sufficient to fully amortize the then outstanding principal balance of this Note over the remaining term of the fifteen (15) year amortization period at a rate equal to the Note Rate then in effect under paragraph 3 above. In the event the monthly payment hereunder is not sufficient to pay the accrued interest on the outstanding principal balance of this Note calculated in accordance with paragraph 3 above, Borrower shall be required to immediately pay to Bank the amount of the deficiency. All payments hereunder shall be

applied first to accrued unpaid interest, then to principal. Interest shall be calculated on the basis of a 360-day year and actual days elapsed, which results in more interest than if a 365-day year were used.

5. All principal and accrued and unpaid interest shall be due and payable no later than September 30, 2014.

6. Bank shall not be required to make any advance if that would cause the outstanding principal of this Note to exceed the Maximum Loan Amount.

7. Borrower may prepay some or all of the principal under this Note, without penalty or premium, except that a premium or penalty may apply as provided in Section 3 in the event the LIBOR Daily rate applies.

8. If Borrower fails to make any payment required hereunder within fifteen (15) days after it becomes due and payable, a late charge of five percent (5.0%) of each overdue payment may be charged for the purpose of defraying the expenses incident to handling said delinquent payments and as an inducement to Borrower to make timely payment. Acceptance of a scheduled payment fifteen (15) days after its due date shall not waive any appropriate late charge, nor shall it constitute a waiver of any event of default under any Loan Document.

9. Upon the occurrence and during the continuance of any Event of Default hereunder, the outstanding principal balance of this Note will, at the option of Bank, bear interest at an annual rate of three percent (3.0%) in excess of the Note Rate (the "Default Rate").

10. From and after maturity of this Note, whether by acceleration or otherwise, all sums then due and payable under this Note, including all principal and all accrued and unpaid interest, shall bear interest until paid in full at the Default Rate.

11. If any of the following "Events of Default" occur, any obligation of the holder to make advances under this Note shall terminate, and at the holder's option, exercisable in its sole discretion, all sums of principal and interest under this Note shall become immediately due and payable without notice of default, presentment or demand for payment, protest or notice of nonpayment or dishonor, or other notices or demands of any kind or character:

(a) Borrower fails within fifteen (15) days of demand by Bank to perform any obligation under this Note to pay principal or interest when due; or

(b) Borrower fails within fifteen (15) days of demand by Bank to perform any other obligation under this Note to pay money when due; or

(c) Under any of the Loan Documents, an Event of Default (as defined in that document) occurs, except as provided in Section 12 below.

12. It shall be an "Event of Default" under this Note if Borrower becomes the subject of any bankruptcy or other voluntary or involuntary proceeding, in or out of court, for the adjustment of debtor-creditor relationships ("Insolvency Proceeding") (provided, however, that in the event of an involuntary Insolvency Proceeding, it shall not be an Event of Default unless same is not dismissed within sixty (60) days of the filing of same). If an Insolvency Proceeding happens, any obligation of the holder to make advances under this Note and the Loan Agreement shall terminate. Upon an Event

of Default all sums of principal and interest under this Note shall automatically become immediately due and payable without notice of default, presentment or demand for payment, protest or notice of nonpayment or dishonor, or other notices or demands of any kind or character.

13. All amounts payable under this Note are payable in lawful money of the United States during normal business hours on a Banking Day, as defined above in Section 3. Checks constitute payment only when collected.

14. If any lawsuit or arbitration is commenced which arises out of or relates to this Note, the Loan Documents or the Loan, the prevailing party shall be entitled to recover from each other party such sums as the court or arbitrator may adjudge to be reasonable attorneys' fees in the action or arbitration, in addition to costs and expenses otherwise allowed by law. In all other situations, including any matter arising out of or relating to any Insolvency Proceeding, Borrower agrees to pay all of Bank's costs and expenses, including attorneys' fees, which may be incurred in enforcing or protecting Bank's rights or interests. From the time(s) incurred until paid in full to Bank, all such sums shall bear interest at the Default Rate.

15. Intentionally omitted.  
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16. This Note is governed by the laws of the State of Nevada, without regard to the choice of law rules of that State.

17. Borrower agrees that the holder of this Note may accept additional or substitute security for this Note, or release any security or any party liable for this Note, or extend or renew this Note, all without notice to Borrower and without affecting the liability of Borrower.

18. If Bank delays in exercising or fails to exercise any of its rights under this Note, that delay or failure shall not constitute a waiver of any of Bank's rights, or of any breach, default or failure of condition of or under this Note. No waiver by Bank of any of its rights, or of any such breach, default or failure of conditions shall be effective, unless the waiver is expressly stated in a writing signed by Bank. All of Bank's remedies in connection with this Note or under applicable law shall be cumulative, and Bank's exercise of any one or more of those remedies shall not constitute an election of remedies.

19. This Note inures to and binds the heirs, legal representatives, successors and assigns of Borrower and Bank; provided, however, that Borrower may not assign this Note or any Loan funds, or assign or delegate any of its rights or obligations, without the prior written consent of Bank in each instance. Notwithstanding the foregoing, Borrower shall be entitled to assign this Note to the surviving entity resulting from the consolidation or merger ("Merger") of Borrower and Guarantor (as defined in the Loan Agreement), provided and subject to the following:

1) if requested by Bank, the surviving entity enters into a modification or new loan documents (using the same documents as evidence the Loan) to confirm the assumption by such surviving entity of the Loan, and any other entity which survives the merger guarantees the Loan using the same guaranty form;

2) there has been no material adverse change in either Borrower or Guarantor prior to the Merger;

3) there is no "Event of Default" under any Loan documents prior to such Merger;

4) Borrower pays all fees (including reasonable attorney's fees not to exceed \$5,000) and costs of Bank in connection with the review and documentation of Bank's consent to such Merger and the assumption by the surviving entity of the Loan, and the charges for title insurance endorsements reasonably requested by Bank in conjunction with such Merger(including endorsements insuring the continued priority of the Deed of Trust); and

5) Borrower provides Bank no more than 120 days and not less than 90 days prior notice of the Merger.

20. Bank in its sole discretion may transfer this Note, and may sell or assign participations or other interests in all or part of the Loan, on the terms and subject to the conditions of the Loan Documents (including the confidentiality provisions of Loan Agreement Section 8.8), all without notice to or the consent of Borrower. Also without notice to or the consent of Borrower, Bank may disclose to any actual or prospective purchaser of any securities issued or to be issued by Bank, and to any actual or prospective purchaser or assignee of any participation or other interest in this Note, the Loan or any other loans made by Bank to Borrower (whether evidenced by this Note or otherwise), any financial or other information, data or material in Bank's possession relating to Borrower, the Loan or the Property, including any improvements on it provided such party first signs a confidentiality agreement in the form of Exhibit B to the Loan Agreement. If Bank so requests, Borrower shall sign and deliver a new note to be issued in exchange for this Note.

21. As used in this Note, the terms "Bank," "holder" and "holder of this Note" are interchangeable. As used in this Note, the word "include(s)" means "include(s), without limitation," and the word "including" means "including, but not limited to."

Borrower:  
  
Trex Company, LLC,  
a Delaware Limited Liability Company

Mail Address:  
  
20 South Cameron Street, Suite 200  
Winchester, Virginia 22601

By: /s/ Anthony J. Cavanna  
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Anthony J. Cavanna  
Executive V.P. & CFO  
print name and title

PAYMENT GUARANTY  
(Commercial Real Estate)

This Payment Guaranty ("Guaranty") is made as of September 28, 1999 by TREX COMPANY, INC., a Delaware corporation ("Guarantor") in favor of BANK OF AMERICA, N.A. (the "Bank").

Factual Background

A. Guarantor is executing this Guaranty to induce Bank to make a loan (defined in Section 2 as the "Loan") to Trex Company, LLC, a Delaware Limited Liability Company ("Borrower") in the principal amount of Six Million Seven Hundred Twenty-Eight Thousand Dollars (\$6,728,000). The Loan is being made under a standing loan agreement (the "Loan Agreement") entered into as of the date hereof between Bank and Borrower.

B. The Loan is evidenced by a promissory note (the "Note") made payable to Bank in the principal amount of the Loan. The Note is or is to be secured by a Deed of Trust, Assignment of Rents and Leases, Security Agreement and Fixture Filing (the "Deed of Trust") covering certain property, as therein described (all collectively, the "Property"). The Note may also be secured by other collateral, as more fully explained in the Loan Agreement. In connection with the Loan, Borrower is signing an Secured Indemnity Agreement (the "Borrower's Indemnity").

C. This Guaranty is one of several Loan Documents, as defined and designated in the Loan Agreement. The Loan Documents also include the Loan Agreement, the Note, the Deed of Trust and certain other specified instruments and agreements.

Guaranty

1. Guaranty of Loan. Guarantor unconditionally guarantees to Bank the full payment of the Loan, and unconditionally agrees to pay Bank the full amount of the Loan. This is a guaranty of payment, not of collection. If Borrower defaults in the payment when due of the Loan or any part of it, Guarantor shall in lawful money of the United States pay to Bank or order, on demand, all sums due and owing on the Loan, including all interest, charges, fees and other sums, costs and expenses.

2. Loan. In this Guaranty, the term "Loan" is broadly defined to mean and include all primary, secondary, direct, indirect, fixed and contingent obligations of Borrower to pay principal, interest, prepayment charges, late charges, loan fees and any other fees, charges, sums, costs and expenses which may be owing at any time under the Note or the other Loan Documents, as any or all of them may from time to time be modified, amended, extended or renewed. For purposes of this Guaranty, the Loan includes any and all such obligations which may arise in connection with (a) the Borrower's Indemnity, (b) any set aside letters, (c) any advances made before recording of any of the Deed of Trust, and (d) any interest rate swaps or other transactions between Borrower and Bank which may afford interest rate protection to all or part of the Loan. If the amount outstanding under the Loan is determined by a court of competent jurisdiction, that determination shall be conclusive and binding on Guarantor, regardless of whether Guarantor was a party to the proceeding in which the determination was made or not.

3. Rights of Bank. Guarantor authorizes Bank to perform any or all of the following acts at any time in its sole discretion, all without notice to Guarantor and without affecting Guarantor's obligations under the Guaranty:

(a) Bank may alter any terms of the Loan or any part of it, including renewing, compromising, extending or accelerating, or otherwise changing the time for payment of, or increasing or decreasing the rate of interest on, the Loan or any part of it.

(b) Bank may take and hold security for the Loan or this Guaranty, accept additional or substituted security for either, and subordinate, exchange, enforce, waive, release, compromise, fail to perfect and sell or otherwise dispose of any such security.

(c) Bank may direct the order and manner of any sale of all or any part of any security now or later to be held for the Loan or this Guaranty, and Bank may also bid at any such sale.

(d) Bank may apply any payments or recoveries from Borrower, Guarantor or any other source, and any proceeds of any security, to Borrower's obligations under the Loan Documents in such manner, order and priority as Bank may elect, whether or not those obligations are guaranteed by this Guaranty or secured at the time of the application.

(e) Bank may release Borrower of its liability for the Loan or any part of it.

(f) Bank may substitute, add or release any one or more guarantors or endorsers.

(g) In addition to the Loan, Bank may extend other credit to Borrower, and may take and hold security for the credit so extended, all without affecting Guarantor's liability under this Guaranty.

4. Guaranty to be Absolute. Guarantor expressly agrees that until the

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Loan is paid and performed in full and each and every term, covenant and condition of this Guaranty is fully performed, Guarantor shall not be released by or because of:

(a) Any act or event which might otherwise discharge, reduce, limit or modify Guarantor's obligations under this Guaranty;

(b) Any waiver, extension, modification, forbearance, delay or other act or omission of Bank, or its failure to proceed promptly or otherwise as against Borrower, Guarantor or any security;

(c) Any action, omission or circumstance which might increase the likelihood that Guarantor may be called upon to perform under this Guaranty or which might affect the rights or remedies of Guarantor as against Borrower; or

(d) Any dealings occurring at any time between Borrower and Bank, whether relating to the Loan or otherwise.

Guarantor hereby expressly waives and surrenders any defense to its liability under this Guaranty based upon any of the foregoing acts, omissions, agreements, waivers or matters. It is the purpose and intent of this Guaranty that the obligations of Guarantor under it shall be absolute and unconditional under any and all circumstances.

5. Guarantor's Waivers. Guarantor waives:

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(a) Any right it may have to require Bank to proceed against Borrower, proceed against or exhaust any security held by Bank, or pursue any other remedy in Bank's power to pursue;

(b) Any defense based on any claim that Guarantor's obligations exceed or are more burdensome than those of Borrower;

(c) Any defense based on: (i) any legal disability of Borrower, (ii) any discharge, modification, impairment or limitation of the liability of Borrower to Bank from any cause, whether consented to by Bank or arising by operation of law or from any bankruptcy or other voluntary or involuntary proceeding, in or out of court, for the adjustment of debtor-creditor relationships ("Insolvency Proceeding") and (iii) any rejection or disaffirmance

of the Loan, or any part of it, or any security held for it, in any such Insolvency Proceeding;

(d) Any defense based on any action taken or omitted by Bank in any Insolvency Proceeding involving Borrower, including any election to have Bank's claim allowed as being secured, partially secured or unsecured, any extension of credit by Bank to Borrower in any Insolvency Proceeding, and the taking and holding by Bank of any security for any such extension of credit;

(e) All presentments, demands for performance, notices of nonperformance, protests, notices of protest, notices of dishonor, notices of acceptance of this Guaranty and of the existence, creation, or incurring of new or additional indebtedness, and demands and notices of every kind except for any demand or notice by Bank to Guarantor expressly provided for in Section 1;

(f) Any defense based on or arising out of any defense that Borrower may have to the payment or performance of the Loan or any part of it; and

(g) To the extent permitted in paragraph 40.495(4) of the Nevada Revised Statutes ("NRS"), the benefits of the one-action rule under NRS Section

40.430, and to the extent permitted by NRS 104.3605, discharge under NRS 104.3605(9).

6. Waivers of Subrogation and Other Rights.

(a) Upon a default by Borrower, Bank in its sole discretion, without prior notice to or consent of Guarantor, may elect to: (i) foreclose either judicially or nonjudicially against any real or personal property security it may hold for the Loan, (ii) accept a transfer of any such security in lieu of foreclosure, (iii) compromise or adjust the Loan or any part of it or make any other accommodation with Borrower or Guarantor, or (iv) exercise any other remedy against Borrower or any security. No such action by Bank shall release or limit the liability of Guarantor, who shall remain liable under this Guaranty after the action, even if the effect of the action is to deprive Guarantor of any subrogation rights, rights of indemnity, or other rights to collect reimbursement from Borrower for any sums paid to Bank, whether contractual or arising by operation of law or otherwise. Guarantor expressly agrees that under no circumstances shall it be deemed to have any right, title, interest or claim in or to any real or personal property to be held by Bank or any third party after any foreclosure or transfer in lieu of foreclosure of any security for the Loan.

(b) Regardless of whether Guarantor may have made any payments to Bank, Guarantor forever waives: (i) all rights of subrogation, all rights of indemnity, and any other rights to collect reimbursement from Borrower for any sums paid to Bank, whether contractual or arising by operation of law (including the United States Bankruptcy Code or any successor or similar statute) or otherwise, (ii) all rights to enforce any remedy that Bank may have against Borrower, and (iii) all rights to participate in any security now or later to be held by Bank for the Loan.

7. Revival and Reinstatement. If Bank is required to pay, return or

restore to Borrower or any other person any amounts previously paid on the Loan because of any Insolvency Proceeding of



Borrower, any stop notice or any other reason, the obligations of Guarantor shall be reinstated and revived and the rights of Bank shall continue with regard to such amounts, all as though they had never been paid.

8. Information Regarding Borrower and the Property. Before signing this

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Guaranty, Guarantor investigated the financial condition and business operations of Borrower, the present and former condition, uses and ownership of the Property, and such other matters as Guarantor deemed appropriate to assure itself of Borrower's ability to discharge its obligations under the Loan Documents. Guarantor assumes full responsibility for that due diligence, as well as for keeping informed of all matters which may affect Borrower's ability to pay and perform its obligations to Bank. Bank has no duty to disclose to Guarantor any information which Bank may have or receive about Borrower's financial condition or business operations, the condition or uses of the Property, or any other circumstances bearing on Borrower's ability to perform.

9. Subordination. Any rights of Guarantor, whether now existing or later

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arising, to receive payment on account of any indebtedness (including interest) owed to it by Borrower or any subsequent owner of the Property, or to withdraw capital invested by it in Borrower, or to receive distributions from Borrower, shall at all times be subordinate as to lien and time of payment and in all other respects to the full and prior repayment to Bank of the Loan. Guarantor shall not be entitled to enforce or receive payment of any sums hereby subordinated until the Loan has been paid and performed in full and any such sums received in violation of this Guaranty shall be received by Guarantor in trust for Bank. The foregoing notwithstanding, Guarantor is not prohibited from receiving (a) such reasonable management fees or reasonable salary from Borrower as Bank may find acceptable from time to time, and (b) distributions from Borrower in an amount equal to any income taxes imposed on Guarantor which are attributable to Borrower's income from the Property.

10. Financial Information. Guarantor shall keep true and correct

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financial books and records, using generally accepted accounting principles consistently applied, or such other accounting principles as Bank in its reasonable judgment may find acceptable from time to time. Within one hundred and twenty (120) days after the end of each fiscal year, Guarantor shall deliver to Bank its annual report (10-K's) and compliance certificate. Within 45 days of each fiscal quarter, Guarantor shall provide to Bank its quarterly reports (10-Q's). Guarantor shall also promptly deliver to Bank all quarterly balance sheets and income statements if they become available or if Bank requests them. Guarantor shall promptly provide Bank with any additional financial information that Guarantor may obtain, upon Bank's reasonable request.

11. Guarantor's Representations and Warranties. Guarantor represents and

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warrants that:

(a) All financial statements and other financial information furnished or to be furnished to Bank are or will be true and correct and do or will fairly represent the financial condition of Guarantor (including all contingent liabilities);

(b) All financial statements were or will be prepared in accordance with generally accepted accounting principles, or such other accounting principles as may be acceptable to Bank at the time of their preparation, consistently applied; and

(c) There has been no material adverse change in Guarantor's financial condition since the dates of the statements most recently furnished to Bank.

12. Events of Default. Bank may declare Guarantor to be in default under

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this Guaranty upon the occurrence of any of the following events ("Events of Default"):  
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- (a) Guarantor fails, within thirty (30) days after written notice from Bank, to perform any of its obligations under this Guaranty; or
- (b) Guarantor revokes this Guaranty or this Guaranty becomes ineffective for any reason; or
- (c) Any representation or warranty made or given by Guarantor to Bank proves to be false or misleading in any material respect; or
- (d) Guarantor becomes insolvent or the subject of any Insolvency Proceeding and same is not dismissed within sixty (60) days thereof; or
- (e) Guarantor dissolves or liquidates (sells all or substantially all of its assets).

13. Arbitration.

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(a) This paragraph concerns the resolution of any controversies or claims among the parties, including, but not limited to, those that arise from:

- (i) This Guaranty (including any modifications of this Guaranty);
- (ii) Any document, agreement, or procedure related to or delivered in connection with this Guaranty; or
- (iii) Any violation of this Guaranty.

(b) At the request of either party, any such controversies or claims will be settled by arbitration in accordance with the United States Arbitration Act. The United States Arbitration Act will apply even though this Agreement provides that it is governed by Nevada law.

(c) Arbitration proceedings will be administered by the American Arbitration Association and will be subject to its commercial rules of arbitration. The arbitration will be conducted within Clark County, Nevada.

(d) For purposes of the application of the statute of limitations, the filing of an arbitration pursuant to this paragraph is the equivalent of the filing of a lawsuit, and any claim or controversy which may be arbitrated under this paragraph is subject to any applicable statute of limitations. The arbitrators will have the authority to decide whether any such claim or controversy is barred by the statute of limitations and, if so, to dismiss the arbitration on that basis.

(e) If there is a dispute as to whether an issue is arbitrable, the arbitrators will have the authority to resolve any such dispute.

(f) The decision that results from an arbitration proceeding may be submitted to any authorized court of law to be confirmed and enforced.

(g) This provision does not limit the right of the Guarantor or the Bank to:

- (i) exercise self-help remedies such as setoff;
- (ii) foreclose against or sell any real or personal property collateral; or

(iii) act in a court of law, before, during or after the arbitration proceeding to obtain:

- (A) an interim remedy; and/or
- (B) additional or supplementary remedies.

(h) The pursuit of, or a successful action for interim, additional or supplementary remedies, or the filing of a court action, does not constitute a waiver of the right of the Borrower or the Guarantor, including the suing party, to submit the controversy or claim to arbitration if the other party contests the lawsuit.

(i) If the Bank forecloses against any real property securing this Guaranty, the Bank has the option to exercise the power of sale under the deed of trust or mortgage, or to proceed by judicial foreclosure.

14. Authorization; No Violation. Guarantor is authorized to execute,

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deliver and perform under this Guaranty, which is a valid and binding obligation of Guarantor. No provision or obligation of Guarantor contained in this Guaranty violates any applicable law, regulation or ordinance, or any order or ruling of any court or governmental agency. No such provision or obligation conflicts with, or constitutes a breach or default under, any agreement to which Guarantor is a party.

15. Additional and Independent Obligations. Guarantor's obligations under

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this Guaranty are in addition to its obligations under any other existing or future guaranties, each of which shall remain in full force and effect until it is expressly modified or released in a writing signed by Bank. Guarantor's obligations under this Guaranty are independent of those of Borrower on the Loan. Bank may bring a separate action or commence a separate arbitration proceeding against Guarantor without first proceeding against Borrower, any other person or any security that Bank may hold, and without pursuing any other remedy. Bank's rights under this Guaranty shall not be exhausted by any action by Bank until the Loan has been paid and performed in full.

16. No Waiver; Consents; Cumulative Remedies. Each waiver by Bank must be

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in writing, and no waiver shall be construed as a continuing waiver. No waiver shall be implied from Bank's delay in exercising or failure to exercise any right or remedy against Borrower, Guarantor or any security. Consent by Bank to any act or omission by Borrower or Guarantor shall not be construed as a consent to any other or subsequent act or omission, or as a waiver of the requirement for Bank's consent to be obtained in any future or other instance. All remedies of Bank against Borrower and Guarantor are cumulative.

17. No Release. Guarantor shall not be released from its obligations

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under this Guaranty except by a writing signed by Bank.

18. Heirs, Successors and Assigns; Participations. The terms of this

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Guaranty shall bind and benefit the heirs, legal representatives, successors and assigns of Bank and Guarantor; provided, however, that Guarantor may not assign this Guaranty, or assign or delegate any of its rights or obligations under this Guaranty, without the prior written consent of Bank in each instance. Bank in its sole discretion may sell or assign participations or other interests in the Loan and this Guaranty, in whole or in part, all without notice to or the consent of Guarantor and without affecting Guarantor's obligations under this Guaranty. Also without notice to or the consent of Guarantor, Bank may disclose any and all information in its possession concerning Guarantor, this Guaranty and any security for this Guaranty to any actual or

prospective purchaser of any securities issued or to be issued by Bank, and to any actual or prospective purchaser or assignee of any participation or other interest in the Loan and this Guaranty.

19. Notices. All notices given under this Guaranty must be in writing and

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shall be effectively served upon delivery, or if mailed, upon the first to occur of receipt or the expiration of forty-eight hours after deposit in certified United States mail, postage prepaid, sent to the party at its address given at the end of this Guaranty. Those addresses may be changed by Bank or Guarantor by written notice to the other party. Service of any notice on any one Guarantor signing this Guaranty shall be effective service on Guarantor for all purposes.

20. Rules of Construction. In this Guaranty, the word "Borrower" includes

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both the named Borrower and any other person who at any time assumes or otherwise becomes primarily liable for all or any part of the obligations of the named Borrower on the Loan. The word "person" includes any individual, company,

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trust or other legal entity of any kind. If this Guaranty is executed by more than one person, the word "Guarantor" includes all such persons. The word

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"include(s)" means "include(s), without limitation," and the word "including"

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means "including, but not limited to." When the context and construction so

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require, all words used in the singular shall be deemed to have been used in the plural and vice versa. No listing of specific instances, items or matters in any way limits the scope or generality of any language of this Guaranty. All headings appearing in this Guaranty are for convenience only and shall be disregarded in construing this Guaranty.

21. Governing Law. This Guaranty shall be governed by, and construed in

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accordance with, the laws of the State of Nevada.

22. Costs and Expenses. If any lawsuit or arbitration is commenced which

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arises out of, or which relates to this Guaranty, the Loan Documents or the Loan, the prevailing party shall be entitled to recover from each other party such sums as the court or arbitrator may adjudge to be reasonable attorneys' fees (including allocated costs for services of in-house counsel) in the action or proceeding, in addition to costs and expenses otherwise allowed by law. In all other situations, including any Insolvency Proceeding, Guarantor agrees to pay all of Bank's costs and expenses, including attorneys, fees (including allocated costs for services of Bank's in-house counsel) which may be incurred in any effort to collect or enforce the Loan or any part of it or any term of this Guaranty. From the time(s) incurred until paid in full to Bank, all sums shall bear interest at the Default Rate, as defined in the Note.

23. Consideration. Guarantor acknowledges that it expects to benefit from

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Bank's extension of the Loan to Borrower because of its relationship to Borrower, and that it is executing this Guaranty in consideration of that anticipated benefit.

24. Integration; Modifications. This Guaranty (a) integrates all the

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terms and conditions mentioned in or incidental to this Guaranty, (b) supersedes all oral negotiations and prior writings with respect to its subject matter, and (c) is intended by Guarantor and Bank as the final expression of the agreement with respect to the terms and conditions set forth in this Guaranty and as the complete and exclusive statement of the terms agreed to by Guarantor and Bank. No representation, understanding, promise or condition shall be enforceable against any party unless it is contained in this Guaranty. This Guaranty may not be modified except in a writing signed by both Bank and Guarantor.

25. Miscellaneous. The death or legal incapacity of any Guarantor shall

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not terminate the obligations of such Guarantor or any other Guarantor under this Guaranty, including its obligations with regard to future advances under the Loan Documents. The liability of all persons who are in any manner obligated under this Guaranty shall be joint and several. The illegality or unenforceability of one or more provisions of this Guaranty shall not affect any other provision. Any Guarantor who is married agrees

that Bank may look to all of his or her community property and separate property to satisfy his or her obligations under this Guaranty. Time is of the essence in the performance of this Guaranty by Guarantor.

Guarantor:	Address Where Notices to Guarantor are to be Sent:
TREX COMPANY, INC., a Delaware corporation	20 South Cameron Street, Suite 200 Winchester, Virginia 22601

By: /s/ Robert Matheny  
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      Robert Matheny  
      President  
      Print Name and Title

Address Where Notices to  
Bank are to be Sent:  
BANK OF AMERICA, N.A.  
P.O. Box 20000  
Reno, Nevada 89520-0025  
Attn: Mark McVeigh, mail code NV2-117-02-12



THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION DERIVED FROM FINANCIAL STATEMENTS INCLUDED IN TREX COMPANY INC.'S QUARTERLY REPORT ON FORM 10-Q FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1999 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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9-MOS	DEC-31-1999	
	JAN-01-1999	
	SEP-30-1999	312
		0
		4,256
		0
		3,155
		8,128
		53,512
		0
		70,311
		8,211
		10,887
		0
		0
		141
		48,223
70,311		62,095
		62,095
		27,554
		27,554
		14,855
		0
		1,331
		18,418
		6,674
		11,744
		0
		(1,056)
		0
		10,688
		0.85
		0.85