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

Form 10-K

(Mark One)

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

For the fiscal year ended December 31, 2006

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

For the transition period from to

Commission file number: 001-14649

Trex Company, Inc.
(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

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

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

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

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

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

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

The aggregate market value of the registrant's voting stock held by non-affiliates of the registrant at June 30, 2006, which is the last business day of the registrant's most recently completed second fiscal quarter, was approximately $307,000,000 based on the closing price of such stock on the New York Stock Exchange on such date.

The number of shares of the registrant's common stock outstanding on March 15, 2007 was 15,098,761.

DOCUMENTS INCORPORATED BY REFERENCE

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

Document	Part of 10-K into which incorporated
Proxy Statement relating to Registrant's 2007 Annual Meeting of Stockholders	Part III

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NOTE ON FORWARD-LOOKING STATEMENTS

This report, including the information it incorporates by reference, contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. We intend our forward-looking statements to be covered by the safe harbor provisions for forward-looking statements in these sections. All statements regarding our expected financial position and operating results, our business strategy, our financing plans, forecasted demographic and economic trends relating to our industry and similar matters are forward-looking statements. These statements can sometimes be identified by our use of forward-looking words such as “may,” “will,” “anticipate,” “estimate,” “expect” or “intend.” We cannot promise you that our expectations in such forward-looking statements will turn out to be correct. Our actual results could be materially different from our expectations because of various factors, including the factors discussed under “Item 1A. Risk Factors” in this report.

PART I

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

Item 1. Business

General

Trex Company, Inc., which we sometimes refer to as the "company" in this report, is the country's largest manufacturer of wood-alternative decking, railing and fencing products, which are marketed under the brand name Trex®. Our products provide attractive appearance and the workability of wood without many of wood's on-going maintenance requirements and functional disadvantages. We use a proprietary manufacturing process supported by patented technology that combines waste wood fibers and reclaimed polyethylene. Our products are used primarily for residential and commercial decking and railing. We promote Trex products among consumers, home builders and contractors as a premium alternative to wood decking, railing and fencing products.

The large majority of our business is in decking and railing. In 2006, we introduced our first fencing product, Trex Seclusions®, in limited test markets. In 2007, we intend to expand distribution of Seclusions in additional markets. Because sales of this product were minimal for 2006 and are expected to be minimal for 2007, we will focus the majority of the discussion under Item 1 on our decking and railing business.

We seek to achieve sales by converting demand for wood decking and railing products into demand for Trex products. Industry studies estimate that the wood segment of the decking and railing market represented approximately 86% of the market, as measured by linear feet of lumber, and 74% of the market, as measured by wholesale market value, at December 31, 2005. We intend to continue to develop and promote Trex as the premium outdoor living brand and to focus on the professionally-installed and "do-it-yourself" market segments.

At December 31, 2006, we sold our products through 99 wholesale distribution locations, which in turn sold our products to approximately 3,545 retail lumber outlets across the United States and Canada. In June 2004, we began selling our products through Home Depot stores. Approximately 1,100 Home Depot stores currently stock certain Trex products, and all of our products are available through special order in all Home Depot stores. In 2007, certain Trex products will also be stocked in selected Lowe's stores, and all of our products will be available through special order in all Lowe's stores.

Decking and Railing Market Overview

The decking and railing market is part of the substantial home improvement and repair market. According to Harvard University's Joint Center for Housing Studies, expenditures for residential and rental improvements and repairs totaled approximately $280 billion in 2005, and grew at a compound annual growth rate of 5.9% over the period 2001-2005.

The primary market for the company is residential decking and railing and, to a lesser extent, commercial decking and railing. An industry study estimates that annual factory sales in 2005 of residential decking and railing totaled approximately $5.1 billion, or approximately 4.0 billion linear feet of lumber. The estimate includes sales of deck surface and railing products and excludes sales of products used for a deck's substructure, such as joists, stringers, beams and columns. For the four-year period ended December 31, 2004, an industry study estimates that factory sales of residential decking and railing, as measured by linear feet of lumber, increased at a compound annual growth rate of approximately 5%. For the same period, this study estimates that factory sales of non-wood decking and railing products to the residential market increased at an annual rate of

over 30%. A separate study estimates that in 2005, overall volume of residential decking and railing at the manufacturer level grew 5%, while factory sales of non-wood decking and railing products grew 18%.

The growth in demand for residential decking reflects the increasing popularity of decks as a means of extending living areas and providing outdoor recreation and entertainment spaces. Residential decking purchases include the installation of new and replacement decks for existing homes, construction of decks for new homes and repair of existing decks. An industry study estimates that more than 4.5 million decks were built in 2005 and forecasts that deck construction will grow at an annual rate of approximately 3% through 2009. We expect that deck repair, modernization and replacement will increase as existing decks age.

An industry study indicates that approximately 87% of decks are built for existing homes as new additions or to replace older decks, while the remaining decks are installed on new homes. During periods of economic uncertainty, when spending on discretionary items is reduced, many homeowners forego the purchase of new homes and choose to improve their existing residences. Adding a deck has become one of the most popular home improvement projects. Construction of a deck is a relatively low-cost means of adding living space, and industry studies indicate that decking improvements generally return a significant percentage of their cost at the time of resale. We believe that, because residential deck construction is not primarily tied to new home activity, the residential decking and railing market historically has not experienced the high level of cyclicality common to businesses in the new home construction and building materials industries.

Approximately 78% of the lumber used in wood decks and railing is pressure-treated lumber, generally pine and fir, which is treated with chemicals to create resistance to insect infestation and decay. The balance of the wood-decking segment is primarily divided between redwood and cedar products. The 100% plastic decking and railing products segment utilizes polyethylene, fiberglass and polyvinyl chloride, or PVC, as raw materials. Wood/plastic composites are produced from a combination of waste wood fiber and polyethylene, polypropylene or PVC. Growing consumer awareness of the product attributes of non-wood decking alternatives and the decline in lumber quality and quantity have contributed to increased sales of wood/plastic composites and 100% plastic lumber for decking. The primary chemical compound used to treat wood historically was Chromated Copper Arsenate, or CCA, which is a pesticide registered with the Environmental Protection Agency. Manufacturers agreed to eliminate the use of CCA in residential treated lumber by December 2003. Since that time, manufacturers have begun to use primarily Alkaline Copper Quaternary and Copper Boron Azole chemical compounds as a treatment for wood. We believe that the continued publicity relating to CCA and the limited history upon which manufacturers can base claims for the efficacy and safety of the new compounds will contribute to increases in sales of wood/plastic composites and 100% plastic lumber for decking by raising consumer awareness of the use of active chemicals in pressure-treated lumber.

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

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

Privacy Fencing Market Overview

The privacy fencing market is part of the $6.2 billion fencing market that includes wood (privacy, post and rail, split rail), chain link, ornamental metal, concrete, block, brick and stone fencing. An industry study estimates that factory sales of the total fencing market increased at a compound annual growth rate of approximately 6% over the past 10 years.

The market for Trex Seclusions® is privacy fencing. Privacy fencing is typically made from wood, vinyl or masonry and, to a lesser extent, metal. Manufacturers of fencing products sell to distributors and/or directly to installers. Lumberyards and home centers carry wood and vinyl fencing products to sell to contractors and homeowners. Homebuilders subcontract the installation of fencing to contractors.

Wood fencing products generally do not have consumer brands, although vinyl fencing companies have had some success in branding products to the trade. Pricing for wood fencing is similar to that of wood decking, as described above. Vinyl fencing is priced based on color, quality of the profiles, and decorative options.

Growth Strategies

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

- Innovation: Bring to the market new products which address unmet consumer and trade professional needs. Provide a compelling value proposition through ease of installation, low maintenance, long-term durability and superior aesthetics.
- Brand: Continue to build preference and commitment for the Trex brand with both consumer and trade professional. Deliver on the brand's promise of superior quality, functionality, aesthetics and overall performance in the outdoor living space.
- Channels: Achieve comprehensive market segment and geographic coverage for Trex products by increasing the number of stocking dealers and retailers, thereby making our products available wherever our customers choose to buy their decking, railing, and fencing products.
- Quality: Continuously advance the quality of all operational and business processes, with the goal of achieving superior product quality and service levels, thereby giving our company a sustainable competitive advantage.
- Cost: Through capital investments and process engineering, continuously seek to lower the all-in cost to manufacture Trex products. Investments in plastic recycling capabilities will allow us to expand our ability to use a wider breadth of waste streams and as a result lower our raw material costs. We plan to concentrate on improving the productivity of our production process, from raw materials preparation through extrusion into finishing and packaging.

Products

We manufacture our products in a proprietary process that combines waste wood fibers and reclaimed polyethylene. Our decking, railing and fencing products are provided in a wide selection of popular sizes and lengths and also available with several finishes and numerous colors.

We have four decking product lines: (1) Trex Contours™ has both a deep, wood grain surface and our entry-level price point; (2) Trex Origins™ features a smooth surface; (3) Trex Accents® offers a smooth surface on one side and subtle wood grain on the other; and (4) Trex Brasilia® replicates the look of tropical hardwoods with subtle color variations.

We have two railing product lines: Trex Designer Series Railing®, and Trex Artisan Series Railing®. Our Designer Series Railing system consists of a decorative top and bottom rail, refined balusters, our Trex RailPost™, and post caps and skirts. In addition to its styling benefits for consumers, this railing is fast and easy to construct for contractors that use our TrexExpress™ assembly tool and system. The Designer railing is available in our smooth Trex Origins finish and color palette, as well as in the Trex Brasilia finish and colors. In 2005, we launched our newest railing line, Trex Artisan Series Railing. The styling and warm, white finish of this railing line makes it appropriate for use with Trex decking products as well as other decking materials, which we

believe will expand the sales prospects of our railing business. This railing line is manufactured with Fibrex® material, which is a patented technology that we license from Andersen Corporation. We believe that this technology may enable us to develop other new product lines.

In 2006, we introduced our first fencing line. Trex Seclusions® consists of structural posts, bottom rail, interlocking pickets, top rail and decorative post caps. This system has been well received by fencing installers and provides the homeowner a unique combination of low maintenance, durability and premium aesthetics designed to complement the outdoor living experience provided by Trex decking and railing products.

These products, which permit us to provide comprehensive product offerings in the decking, railing and fencing categories, afford expanded options to consumers, who can now design much of their outdoor living space using Trex products.

Trex products offer a number of significant aesthetic advantages over wood. While eliminating many of wood's major functional disadvantages, which include warping, splitting and other damage from moisture. Our products require no staining, are resistant to moisture damage, provide a splinter-free surface and need no chemical treatment against rot or insect infestation. These features eliminate most of the on-going maintenance requirements for a wood deck and make Trex products less costly than wood over the life of the deck. Like wood, Trex products are slip-resistant, even when wet, can be painted or stained and are less vulnerable to damage from ultraviolet rays. Special characteristics, including resistance to splitting, the ability to bend, and ease and consistency of machining and finishing, facilitate deck, railing and fencing installation, reduce contractor call-backs and afford customers a wide range of design options. Trex products do not have the tensile strength of wood and, as a result, are not used as primary structural members in posts, beams or columns used in a deck's substructure.

We have received product building code listings from the major U.S. and Canadian building code listing agencies for both our decking and railing systems. Our listings facilitate the acquisition of building permits by deck builders and promote consumer and industry acceptance of our products as an alternative to wood in decking. In addition, Trex Seclusions privacy fencing has passed the Miami/Dade County wind load testing, a widely regarded standard for assessing a fencing product's performance under extreme environmental conditions.

Sales and Marketing

We have a dedicated sales team of 72 professionals that works with all levels of our distribution system in the "pull through" sales of our products. We expect to expand our sales force as needed to further these efforts.

We have invested approximately $61 million during the last three years to develop Trex as a recognized brand name in the residential and commercial decking and railing market. Our sales growth in the decking and railing market will largely depend on our success in converting demand for wood into demand for Trex products and on our long-term success in preserving our market share advantage over our many alternative decking and railing product competitors.

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

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

Distribution

In 2006, we generated substantially all of our net sales through our wholesale distribution network by selling Trex products to 18 wholesale companies operating from 99 distribution locations. Our distributors in turn marketed our products to approximately 3,545 retail lumber outlets across the United States and Canada. Although our dealers sell to both homeowners and contractors, they primarily direct their sales at professional contractors, remodelers and homebuilders. In June 2004, we also began selling our products through Home Depot stores. Approximately 1,100 Home Depot stores currently stock certain Trex products, and all of our products are available through special order in all Home Depot stores. In 2007, certain Trex products will also be stocked in selected Lowe's stores, and all of our products will be available through special order in all Lowe's stores.

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

Under our agreement with each wholesale distributor, we appoint the distributor on a non-exclusive basis to distribute Trex products within a specified area. The distributor generally purchases our products at prices in effect at the time we ship the product to the distributor. The distributor is required to maintain specified minimum inventories of our products. Upon the expiration of the initial one-year term, the wholesale distributor agreement is automatically renewed for additional one-year terms unless either party provides notice of termination at least 30 days before the expiration of any renewal term. Either party may terminate the agreement at any time upon 30 days' notice, while we may also terminate the agreement immediately upon the occurrence of specified events.

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

Of our 2006 gross sales, approximately 75% were made to the following five wholesale distributors: Boise Cascade Corporation, Parksite Plunkett-Webster, Oregon Pacific Corporation, Capital Lumber Company and Snavely Forest Products. In 2005, our gross sales to three of the five foregoing distributors exceeded 10% of our gross sales. In 2006, our gross sales to four of the five foregoing distributors exceeded 10% of our gross sales. Each of the foregoing distributors has multiple locations for the sale of Trex products. Each distributor agreement permits the parties either to add additional locations or remove certain locations without terminating the agreement.

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

Retail Lumber Dealers. Of the approximately 25,000 retail outlets in the United States that sell lumber, approximately 5,000 are independent lumber yards that emphasize sales to contractors. Although there is demand for our products from both the "do-it-yourself" homeowner and contractor, our sales efforts historically have emphasized the contractor-installed market. Contractor-installed decks generally are larger installations with professional craftsmanship. Our retail dealers generally provide sales personnel trained in Trex products, contractor training, inventory commitment and point-of-sale display support.

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

Home Depot and Lowe's. In April 2004, we entered into an agreement with Home Depot to sell our decking products through certain Home Depot stores. By the end of 2006, certain Trex products were stocked in approximately 1,100 Home Depot stores, and all of our products were available through special order at all Home Depot stores. In 2007, certain Trex products will also be stocked in selected Lowe's stores, and all of our products will be available through special order in all Lowe's stores. Although Home Depot and Lowe's serve the contractor market, the largest part of their sales are to "do-it-yourself" homeowner customers that shop for their materials at Home Depot and Lowe's stores rather than at retail lumber dealers. We believe that brand exposure through Home Depot and Lowe's distribution promotes consumer acceptance and generates sales to contractors that purchase from independent dealers.

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

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

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

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

Manufacturing Process

Our products are manufactured at three sites. Our Winchester, Virginia site has floor space of approximately 265,000 square feet and had approximately $270 million of installed revenue-generating capacity at December 31, 2006. Our Fernley, Nevada site has floor space of approximately 250,000 square feet and had approximately $145 million of installed revenue-generating capacity at December 31, 2006. Our Olive Branch, Mississippi site has floor space of approximately 200,000 square feet and had approximately $62 million of installed revenue-generating capacity at December 31, 2006.

Our total annual production capacity at December 31, 2006 was approximately $477 million sales value of finished product. At December 31, 2006, our construction in process totaled approximately $31.3 million. The construction in process consisted primarily of funds expended to complete production lines in various stages of construction at our manufacturing sites, and to provide process and productivity improvements. When the current construction in process is completed, we estimate that our three sites will be capable of producing a total of approximately $520 million sales value of finished product annually.

Trex products are primarily manufactured from waste wood fiber and reclaimed polyethylene, which we sometimes refer to as "PE material" in this report. The composition of Trex is approximately 50% waste wood fiber and 50% PE material. We use waste wood fiber purchased from woodworking factories, mills, pallet and flooring recyclers. We recover PE material from a variety of sources, including distribution and shopping centers and retail chains.

Our primary manufacturing process involves mixing wood particles with plastic, heating and finally extruding, or forcing, the highly viscous and abrasive material through a profile die. We have many proprietary and skill-based advantages in this process.

Production of a non-wood decking alternative such as ours requires significant capital investment, special process know-how and time to develop. We and our predecessor operations have invested more than $225 million and 15 years in expansion of our manufacturing capacity, manufacturing process improvements, new product development and product enhancements. As a result of these investments, production line rates have increased more than 400% since 1992. We also have broadened the range of raw materials that we can use to produce a consistent and high-quality finished product. We have obtained and continue to seek patents with respect to our manufacturing process. We have centralized our research and development operations in the Trex Technical Center, a 30,000-square foot building adjacent to our Winchester, Virginia manufacturing facilities. In connection with our building code listings, we maintain a quality control testing program that is monitored by an independent inspection agency.

In 2005, we initiated company-wide training and implementation of Six Sigma practices and in 2006 began implementation of Standard Lean Manufacturing methodology within our plant operations. We have incorporated the use of these tools at the executive level in the planning and execution of those projects that are most important to the success of the company, as well as begun implementation and use at the operational level within our plants.

Suppliers

The production of most of our products requires the supply of waste wood fiber and PE material. We purchased $15.9 million of waste wood fiber and $103.0 million of PE material in 2006, and $12.0 million of waste wood fiber and $85.0 million of PE material in 2005.

We fulfill our requirements for raw materials under both purchase orders and supply contracts. In 2006, we purchased approximately 66% of our PE material requirements and approximately 58% of our waste wood fiber requirements under purchase orders. Purchase orders specify the prices we pay based on then-current market prices and do not involve long-term supply commitments. We are also party to supply contracts that obligate us to purchase waste wood fiber and PE material for terms that range from one to eight years. The prices under these contracts are generally reset annually.

Our supply contracts have not had any material adverse effect on our business. In our past three years, the amounts we have been obligated to purchase under our PE material supply contracts and the minimum amounts we have been required to purchase under our wood supply contracts, with the exception of the Winchester site, generally have been less than the amounts of these materials we have needed for production. In 2006, our total commitments for wood supplies for one of our manufacturing sites exceeded its requirements. The company sold the excess material to third parties at a loss which was not material. To meet all of our production requirements, we have obtained additional PE material and waste wood fiber materials by using purchase orders and by purchasing waste wood fiber in excess of the minimum commitments under our supply contracts.

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

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

One supplier accounted for 36% of our 2006 waste wood fiber purchases. Based on our discussions with waste wood fiber suppliers and our analysis of industry data, we believe that, if our contracts with this or with other current suppliers were terminated, we would be able to obtain adequate supplies of waste wood fiber at an acceptable cost from our other current suppliers or from new suppliers.

PE Material. The PE material we consumed in 2006 was primarily composed of recovered plastic bags and plastic film. Approximately two billion pounds of polyethylene resin are used in the manufacture of plastic bags and stretch film in the United States each year. We will continue to seek to meet our future needs for plastic from expansion of our existing supply sources and the development of new sources, including post-industrial waste and plastic coatings. We believe our use of multiple sources provides us with a cost advantage and facilitates an environmentally responsible approach to our procurement of PE material.

Our ability to source and use a wide variety of PE material is important to our cost strategy. We maintain this ability through the continued expansion of our plastic reprocessing operations in combination with the advancement of our proprietary material preparation and extrusion processes. In 2006 we began upgrading our capabilities in both areas. We are making significant investments in new processes to cost effectively clean contaminants from our plastic streams, as well as upgrades to our material preparation and extrusion steps, making them considerably more robust in their ability to convert waste plastic into high quality finished goods.

We own 35% of a joint venture, called Denplax S.A., which operates a plant in El Ejido, Spain. Our joint venture partners are a local Spanish company responsible for public environmental programs in southern Spain and an Italian equipment manufacturer. The plant is designed to recycle waste polyethylene generated primarily from agricultural and post-consumer sources. The plant delivered approximately 6% of the total PE material we purchased during 2006. We have agreed to purchase up to 27,200 metric tons of the plant's production in each year if the production meets material specifications.

To facilitate our PE material processing operations, we have constructed our own plastic reprocessing plant on our manufacturing site in Winchester, Virginia. We completed this plant and put it into service in 2003. In 2006, we added a second reprocessing plant in Winchester, Virginia.

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

No supplier provided 10% or more of the PE material we purchased in 2006.

Competition

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

Our primary competition consists of wood products, which industry sources estimate accounted for approximately 86% of 2005 decking and railing sales, as measured by linear feet of lumber. These sources estimate that approximately 78% of the lumber used in wooden decks is pressure-treated lumber. Southern yellow pine and fir have a porosity that readily allows the chemicals used in the pressure treating process to be absorbed. The same porosity makes southern yellow pine susceptible to taking on moisture, which causes the lumber to warp, crack, splinter and expel fasteners. The primary chemical compound used to treat wood against moisture and insect resistance historically was Chromated Copper Arsenate, or CCA. Since CCA contains arsenic, a carcinogen, lumber manufacturers agreed to eliminate the use of CCA in residential treated lumber by December 2003. Since that time, manufacturers have begun to use primarily Alkaline Copper Quaternary, or ACQ, and Copper Boron Azole, or CBA. Producing pressure-treated wood with these new classes of chemicals generally increases the cost of manufacturing by 15% to 20%, and these products have a limited history upon which manufacturers can base claims of efficacy and safety. In addition, industry studies indicate that ACQ,

which contains three times the quantity of copper in CCA, is more corrosive than CCA to screws and other fasteners typically used in building decks and similar projects. Therefore, the use of ACQ requires special components, which increases the cost of installation.

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

Industry studies indicate that we have the leading market share of the wood/plastic composite segment of the decking and railing market. We estimate that wood/plastic composites and plastic accounted for approximately 19% of 2005 decking and railing sales, as measured by wholesale market value. Our principal competitors in the wood/plastic composite decking and railing market include Advanced Environmental Recycling Technologies, Inc., Fiber Composites, LLC, Tamko Building Products, Inc., Timbertech Limited, and Universal Forest Products, Inc.

We also compete with decking products made from 100% plastic lumber that utilizes polyethylene, fiberglass and PVC as raw materials. Although there are several companies in the United States that manufacture 100% plastic lumber, industry studies estimate that this segment accounted for only approximately 1% of 2005 decking sales, as measured by wholesale market value. We believe a number of factors have limited the success of 100% plastic lumber manufacturers, including poor product aesthetics and physical properties not considered suitable for decking, such as higher thermal expansion and contraction and poor slip resistance.

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

We believe that the principal competitive factors in the decking and railing market include product quality, price, aesthetics, maintenance cost, distribution and brand strength. We believe we compete favorably with respect to these factors. We believe that our products offer aesthetic and cost advantages over the life of a deck when compared to other types of decking and railing materials. Although a contractor-installed deck built with Trex products in 2006 using a pressure-treated wood substructure generally costs more than a deck made entirely from pressure-treated wood, Trex products eliminate most of the on-going maintenance required for a pressure-treated deck and are, therefore, less costly over the life of the deck. We believe that our manufacturing process and utilization of relatively low-cost raw material sources provide us with a competitive cost advantage relative to other wood/plastic composite and 100% plastic decking products. The scale of our operations also confers cost efficiencies in manufacturing, sales and marketing.

Government Regulation

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

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

Intellectual Property

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

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

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

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

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

Employees

At December 31, 2006, we had 909 full-time employees, of whom 710 were employed in our manufacturing operations. Our employees are not covered by collective bargaining agreements. We believe that our relationships with our employees are good.

Executive Officers and Directors

The table below sets forth information concerning our executive officers and directors as of February 28, 2007:

Name	Age	Positions with Company
Anthony J. Cavanna	67	Chairman and Chief Executive Officer
Andrew U. Ferrari	60	President and Chief Operating Officer; Director
Harold F. Monahan	61	Executive Vice President and General Manager
Paul D. Fletcher	47	Senior Vice President and Chief Financial Officer
William F. Andrews	75	Director
Paul A. Brunner	71	Director
Jay M. Gratz	54	Director
William H. Martin, III	76	Director
Frank H. Merlotti, Jr.	56	Director
Patricia B. Robinson	54	Director

Anthony J. Cavanna has served as a director of the company since September 1998 and as the Chairman and Chief Executive Officer of the company since August 2005. From December 2003 through August 2005, Mr. Cavanna was retired. Before his retirement, Mr. Cavanna served as Executive Vice President and Chief Financial Officer of the company from September 1998 through December 2003, and of TREX Company, LLC, which was the company's wholly owned subsidiary until December 31, 2002, from August 1996 through December 2002. From 1962 to August 1996, Mr. Cavanna held a variety of positions with Mobil Chemical, including Group Vice President, Vice President-Planning and Finance, Vice President of Mobil Chemical and General Manager of its Films Division Worldwide, President and General Manager of Mobil Plastics Europe and Vice President–Planning and Supply of the Films Division. Mr. Cavanna currently serves as a director of Ultralife Batteries Co., Inc. and is a member of its Audit and Finance Committee and Compensation Committee. Mr. Cavanna received a B.S. degree in chemical engineering from Villanova University and an M.S. degree in chemical engineering from the Polytechnic Institute of Brooklyn.

Andrew U. Ferrari has served as a director of the company since September 1998 and as President and Chief Operating Officer of the company since August 2005. From March 2003 through August 2005, Mr. Ferrari was a marketing and business development consultant. Mr. Ferrari served as Executive Vice President of Marketing and Business Development of the company from October 2001 through March 2003, and of TREX Company, LLC from October 2001 through December 2002. He served as Executive Vice President of Sales and Marketing of the company from September 1998 to October 2001 and of TREX Company, LLC from August 1996 to October 2001. From 1989 to 1996, Mr. Ferrari held various positions with Mobil Chemical, including Director of Sales and Marketing of the Composite Products Division, New Business Manager, and Marketing Director of the Consumer Products Division. Mr. Ferrari received a B.A. degree in economics from Whitman College and an M.B.A. degree from Columbia University.

Harold F. Monahan has served as Executive Vice President, Materials and Engineering, since December 2006. He served as Executive Vice President and General Manager from May 2003 through November 2006. He served as Senior Vice President and General Manager of the company from March 2002 through May 2003, and of TREX Company, LLC from March 2002 through December 2002. From October 2000 to March 2002, Mr. Monahan served as Senior Vice President for Manufacturing and Distribution of the company and TREX Company, LLC. From 1999 to 2000, he served as Operations Manager for North American Operations of ExxonMobil Corporation, an energy company. Prior to the merger of Exxon Corporation and Mobil Oil Company in 1999, Mr. Monahan served as Logistics, Business Development and Product Exchange Manager for North American Operations of Mobil from 1997 to 1999, where he was responsible for the distribution of Mobil's petroleum products throughout North America, including surface, subsurface and water borne transportation. From 1971 to 1997, Mr. Monahan served in a variety of other positions with Mobil, including Manager of U.S. Domestic Plant Operations, Asset Manager of Domestic U.S. Operations, and Surface Transportations Manager

for Domestic U.S. Operations. Mr. Monahan served as an officer in the U.S. Marine Corps, and received a B.S. degree in economics from St. Norbert College and pursued graduate studies at various institutions.

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

William F. Andrews has served as a director of the company since April 1999. Mr. Andrews has served as Chairman of Corrections Corporation of America since August 2000, as Chairman of Katy Industries, Inc., a manufacturer of maintenance and electrical products, since October 2001, and as Chairman of the Singer Sewing Company, a manufacturer of sewing machines, since 2004. Mr. Andrews has been a Principal of Kohlberg & Company, a venture capital firm, since 1994, and served as Chairman of Allied Aerospace Company from 2000 to 2006. Prior to 2002, he served in various positions, including Chairman of Scovill Fasteners Inc.; Chairman of Northwestern Steel and Wire Company; Chairman of Schrader-Bridgeport International, Inc.; Chairman, President and Chief Executive Officer of Scovill Manufacturing Co., where he worked for over 28 years; Chairman and Chief Executive Officer of Amdura Corporation; Chairman of Utica Corporation; and Chairman, President and Chief Executive Officer of Singer Sewing Company. Mr. Andrews also serves as a director of Black Box Corporation and O'Charley's Restaurants. Mr. Andrews received a B.S. degree in business administration from the University of Maryland and an M.B.A degree in marketing from Seton Hall University.

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

Jay M. Gratz has served as a director of the company since February 2007. Mr. Gratz has served as Executive Vice President and Chief Financial Officer of Ryerson Inc., a metals processor and distributor, since 1999. Mr. Gratz has served as President of Ryerson Coil Processing Division since November 2001. Mr. Gratz served as Vice President and Chief Financial Officer of Inland Steel Industries from 1994 through 1998 and served in various other positions, including Vice President of Finance, within the company since 1975. Mr. Gratz serves as a director on the Boards of various domestic and international entities affiliated with Ryerson, Inc. Mr. Gratz is a Certified Public Accountant. He received a B.A. degree in economics from State University of New York in Buffalo and a Masters degree in management from Northwestern University Kellogg Graduate School of Management.

William H. Martin, III has served as a director of the company since April 1999. Mr. Martin served as Chairman of Martin Industries, Inc., a manufacturer and producer of gas space heaters, gas logs and pre-engineered fireplaces, from 1994 through 2003 and as a director of Martin Industries from 1974 to 1994. From 1987 to 1993, Mr. Martin served as Executive Assistant to the Rector of Trinity Church in New York City. From 1971 to 1987, he served as President and Chief Executive Officer of Martin Industries. Since 1993,

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Mr. Martin has been managing private investments and serving as a director of Aluma-Form, Inc., a manufacturer of components for electric utilities, and on the boards of several not-for-profit organizations. Mr. Martin is a graduate of Vanderbilt University.

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

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

Web Sites and Additional Information

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

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

Item 1A. Risk Factors

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

To grow, we will have to increase market acceptance of our products, as well as develop new products and applications.

Our ability to grow will depend largely on our success in converting the current demand for wood in decking, railing and fencing applications into a demand for Trex products. Industry studies estimate that wood products accounted for approximately 86% of the 2005 decking and railing market, as measured by linear feet of lumber. To increase our market share, we must overcome:

- the low consumer awareness of non-wood decking, railing and fencing alternatives in general and Trex brand products in particular;

- the resistance of many consumers and contractors to change from well-established wood products;
- the greater initial expense of installing Trex decking, railing and fencing;
- the established relationships existing between suppliers of wood decking, railing and fencing products and contractors and homebuilders; and
- the increased competition from wood/plastic composite manufacturers.

Substantially all of our sales result from one material.

In 2007, we will derive substantially all of our revenues from sales of Trex Wood-Polymer® lumber. Although we have developed new products and applications since 1996, and we intend to continue this development, our product line is currently based almost exclusively on the composite formula and manufacturing process for Trex Wood-Polymer lumber. If we should experience any problems, real or perceived, with product quality or acceptance of Trex Wood-Polymer lumber, our lack of product diversification could have a significant adverse impact on our net sales levels.

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

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

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

The production of Trex Wood-Polymer requires substantial amounts of waste wood fiber and PE material. Our business could suffer from the termination of significant sources of raw materials, the payment of higher prices for raw materials or the failure to obtain sufficient additional raw materials to meet planned increases in production capacity. In 2006, one supplier accounted for 36% of our waste wood fiber purchases. Our ability to obtain adequate supplies of PE material depends on our success in developing new sources that meet the minimum quality requirements, entering into long-term arrangements with suppliers and managing the collection of supplies from geographically dispersed distribution centers and off-shore resources. We obtain some of our raw materials under supply contracts at prices established annually based on then-current market prices or under purchase orders based on market rates in effect when the orders become effective. These supply arrangements subject us to risks associated with fluctuations in raw materials prices. In recent periods, our operating results have been adversely affected by significant increases in the prices we pay for PE material.

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

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

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

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

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

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

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

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

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

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

Our strategy of using recycled plastic and waste wood to create a competitive cost advantage involves significant risks.

Our business strategy is to create a substantial cost advantage over our competitors. To achieve such a cost advantage we must recycle plastic and process waste wood on a cost-effective basis and efficiently convert these materials into high-quality finished goods. This strategy involves significant risks, including the risks that:

- Our profitability may be materially diminished. The intrinsic variability of our raw material sources can result in considerable reduction in our operating rates and yields, which may more than offset any savings we realize from the low purchase price of the materials.
- We may not produce a sustainable return on investment. Because our production model requires backward integration in plastic recycling operations, as well as customized solutions for material preparation, compounding and extrusion, our model is significantly more capital intensive on a per-unit-basis than the models of our typical competitors. Our plants must convert our raw materials at high rates and net yields to generate the profit margins and cash flows necessary to sustain our business.
- We may be limited in the markets in which we can effectively compete. Successfully expanding our business beyond decking requires applying our formulation and process technology to increasingly more

challenging applications, such as railing and fencing. The greater complexity and tighter design tolerances of such profiles requires a level of process control than is more stringent than the level involved in deck board production. Our raw materials and process technology may not permit us to develop new applications on a cost-effective basis.

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

Our recent growth has placed significant demands on our management, systems and other resources. Our net sales increased to $337.0 million in 2006 from $116.9 million in 2001. The number of dealer and retail outlets selling Trex products has increased to approximately 4,650 at December 31, 2006 from approximately 2,600 at December 31, 2000, and we expect further increases in the future. To support our geographic expansion, we began production in 2005 at a third manufacturing site in Olive Branch, Mississippi. As part of our growth, we will have to attract, train, incentivize and retain skilled employees. If we fail to do so, or otherwise are unable to manage our growth effectively, our inability to do so could have a material adverse effect on the quality of our products and on our ability to expand our net sales.

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

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

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

At December 31, 2006, our construction in process totaled approximately $31.3 million, with an estimated cost to complete of approximately $22.0 to $26.0 million. The construction in process consisted primarily of funds expended to complete production lines in various stages of construction at our manufacturing sites, and to provide process and productivity improvements. Some of these assets may become impaired due to obsolescence or other factors before we can put them into service. Our operating results would be adversely affected if we fail to deploy productively our construction in process, and our net income would be reduced if our assets become impaired and we are required to write down the value of those assets in our financial statements.

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

We estimate that our capital expenditures in 2007 will be in the range of $20 to $30 million. We expect to use our capital expenditures in 2007 to complete production lines in various stages of construction at our manufacturing sites, and to provide process and productivity improvements. Our failure to generate or obtain sufficient funds to meet our capital requirements could have a material adverse effect on our ability to match production with the demand for our products. It may be necessary to obtain financing for our capital requirements through bank borrowings or the issuance of debt or equity securities. We may not be able to obtain all of the required financing on terms we will find acceptable.

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

At December 31, 2006, our total indebtedness was $104.6 million and included our real estate loans, senior notes, variable rate promissory note and interest rate swaps. Our ability to make scheduled principal and interest

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

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

Our total gross sales to our five largest wholesale distributors accounted for approximately 75% of our gross sales in 2006. Our contracts with these distributors are terminable by the distributors upon 30 days' notice at any time during the contract term. A contract termination or significant decrease or interruption in business from any of our five largest distributors or any other significant distributor could cause a short-term disruption of our operations and adversely affect our operating results.

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

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

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

Our success depends, in part, on our ability to protect our important intellectual property rights. The steps we have taken may not be adequate to deter misappropriation or unauthorized use of our proprietary information or to enable us to detect unauthorized use and take appropriate steps to enforce our intellectual property rights. We have obtained and continue to seek patents with respect to our manufacturing process and products. We or our predecessor company have been required in lawsuits to establish that our production processes and products do not infringe the patents of others. We also rely on a combination of trade secret, nondisclosure and other contractual arrangements, and copyright and trademark laws to protect our proprietary rights. We enter into confidentiality agreements with our employees and limit access to and distribution of our proprietary information, and if it is necessary to disclose proprietary information to third parties for business reasons, we require that such third parties sign a confidentiality agreement prior to any disclosure. However, these confidentiality agreements cannot guarantee there will not be disclosure or misappropriation of such proprietary information.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We lease our corporate headquarters in Winchester, Virginia, which consists of approximately 40,000 square feet of office space, under a lease that expires in May 2011. In anticipation of relocating our corporate headquarters to Dulles, Virginia, we entered into a lease agreement, which expires in 2019. The Dulles lease

agreement provides for our initial occupancy of approximately 50,000 square feet of office space, which will increase during the lease term to approximately 75,000 square feet. We reconsidered our decision to relocate our corporate headquarters and decided not to move. We are currently seeking to sublet the Dulles, Virginia office space. For a description of accounting matters related to the Dulles lease agreement, see note 12 to our consolidated financial statements appearing elsewhere in this report.

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

We lease a total of approximately 970,000 square feet of storage warehouse space under leases with expiration dates ranging from 2007 to 2015. For information about these leases, see note 9 to our consolidated financial statements appearing elsewhere in this report.

The equipment and machinery we use in our operations consist principally of plastic and wood conveying and processing equipment. We own all of our manufacturing equipment. At December 31, 2006, we operated approximately 46 wood trailers and approximately 95 forklift trucks under operating leases. We also owned an additional 98 wood trailers and eight forklift trucks.

We regularly evaluate the capacity of our various facilities and equipment and make capital investments to expand capacity where necessary. In 2006, we spent a total of $27.7 million on capital expenditures, primarily for process improvements and capacity expansion at our Winchester and Fernley manufacturing locations, and buildings, machinery and equipment at our Olive Branch site. We estimate that our capital expenditures in 2007 will be in the range of $20 to $30 million. We expect to use these expenditures principally to make process and productivity improvements and to add manufacturing capacity at our existing sites.

Item 3. Legal Proceedings

Commencing on July 8, 2005, two lawsuits, both of which sought certification as a class action, were filed in the United States District Court for the Western District of Virginia naming as defendants the company, Robert G. Matheny, a director and the former Chairman and Chief Executive Officer of the company, and Paul D. Fletcher, Senior Vice President and Chief Financial Officer of the company. Following agreement by the plaintiffs and the defendants that the two lawsuits should be consolidated, the plaintiffs filed a consolidated class action complaint. The complaints principally alleged that the company, Mr. Matheny and Mr. Fletcher violated Sections 10(b) and 20(a) of and Rule 10b-5 under the Securities Exchange Act of 1934 by, among other things, making false and misleading public statements concerning the company’s operating and financial results and expectations. The complaints also alleged that certain directors of the company sold shares of the company’s common stock at artificially inflated prices. The plaintiffs sought unspecified compensatory damages. The company believed that the lawsuits were without merit and vigorously defended against them. On February 28, 2006, the company filed a motion to have the Consolidated Class Action Complaint dismissed with prejudice for failure to state a claim. On October 6, 2006, the District Court granted the company’s Motion to Dismiss the claim. On November 2, 2006, the plaintiffs filed a Notice of Appeal with the Fourth Circuit Court of Appeals. On January 3, 2007, the plaintiffs filed an Agreement of Voluntary Dismissal of their Appeal. Two separate derivative lawsuits were filed in the United States District Court for the Western District of Virginia naming as defendants Mr. Matheny, Mr. Fletcher, and each of the directors of the company. The filed complaints were based upon the same factual allegations as the complaints in the class action lawsuits, and alleged that the

directors and Mr. Fletcher breached their fiduciary duties by permitting the company to issue false and misleading public statements concerning the company's operating and financial results, and also alleged that directors of the company sold shares of the Company's common stock at artificially inflated prices. On December 22, 2005, the two derivative actions were consolidated. On February 19, 2007, the plaintiffs signed a Stipulation of Dismissal dismissing the derivative lawsuits, and on March 26, 2007, the court issued the Order of Dismissal.

On December 5, 2001, Ron Nystrom commenced an action against the company in the United States District Court for the Eastern District of Virginia, Norfolk Division, alleging that the company's decking products infringed his patent. The company denied any liability and filed a counterclaim against the plaintiff for declaratory judgment and antitrust violations based upon patent misuse. The company sought a ruling that the plaintiff's patent is invalid, that the company does not infringe the patent, and that the company is entitled to monetary damages against the plaintiff. On October 17, 2002, the District Court issued a final judgment finding that the company does not infringe any of the plaintiff's patent claims and holding that certain of the plaintiff's patent claims are invalid. The plaintiff appealed this decision to the United States Court of Appeals for the Federal Circuit. On June 28, 2004, the Court of Appeals reversed the District Court's grant of summary judgment to the company, and remanded the case to the district court for further proceedings. The company sought a rehearing of the decision by the Court of Appeals, which, on September 14, 2005, withdrew its prior decision and affirmed the District Court's grant of summary judgment to the company with respect to non-infringement. On January 25, 2006, the District Court issued a judgment dismissing plaintiff's case against the company. The plaintiff filed a petition for writ of certiorari in the United States Supreme Court on January 30, 2006, and a notice of appeal of the District Court's judgment to the United States Court of Appeals for the Federal Circuit on February 22, 2006. On April 3, 2006, the United States Supreme Court denied the plaintiff's writ of certiorari. On October 4, 2006, the Court of Appeals affirmed the District Court's judgment dismissing plaintiff's action against the company.

In connection with the foregoing patent litigation, on April 12, 2002, the company filed suit in the United States District Court, Eastern District of Virginia, Alexandria Division, against ExxonMobil Corporation. The suit sought to enforce a provision in the company's 1996 purchase agreement with Mobil Oil Corporation, pursuant to which the company acquired substantially all of the assets and assumed some of the liabilities of the Composite Products Division of Mobil Oil Corporation, the predecessor of ExxonMobil Corporation. In that agreement, Mobil agreed to indemnify the company for any losses, including reasonable legal fees, incurred by the company as a result of a patent infringement claim by Mr. Nystrom. ExxonMobil denied liability to indemnify the company for such losses. On December 10, 2002, the District Court entered summary judgment in favor of the company and ordered ExxonMobil to indemnify the company for all losses, including reasonable legal fees, arising out of the patent infringement claim by Mr. Nystrom and the company's lawsuit against ExxonMobil. On May 21, 2003, the District Court entered an order staying final determination of total damages due to the company pending resolution of the Nystrom appeal. On February 2, 2004, the District Court issued another order continuing the stay pending the resolution of the Nystrom appeal. On March 22, 2007, the company and ExxonMobil agreed to settle the lawsuit, with ExxonMobil reimbursing the company for a portion of its attorneys fees incurred in connection with the Nystrom litigation and the lawsuit against ExxonMobil.

On October 16, 2006, Ron Nystrom commenced another lawsuit against the company, and included Home Depot, Inc. and Snavely Forest Products, Inc. as defendants as well. Mr. Nystrom alleges that the company's Accents product and other new products introduced subsequent to the commencement of the first action infringe his patent. The company believes that this claim is without merit, and is barred by the Judgment in the preceding action. The company has also asserted against Exxon-Mobil Corporation an indemnity claim pursuant to the 1996 purchase agreement referred to above. As part of the settlement with ExxonMobil referred to above, the company and ExxonMobil have agreed to each bear a certain proportion of the cost of defense of the second Nystrom lawsuit.

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

There were no matters submitted to our security holders in the fourth quarter of 2006.

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PART II

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

Market for Common Stock

Our common stock has been listed on the New York Stock Exchange, or NYSE, under the symbol "TWP" since April 8, 1999. The table below shows the reported high and low sale prices of our common stock for each quarter during 2005 and 2006 as reported by the New York Stock Exchange:

2006	High	Low
First Quarter	$32.10	$24.17
Second Quarter	31.41	24.79
Third Quarter	28.35	23.64
Fourth Quarter	26.42	20.52

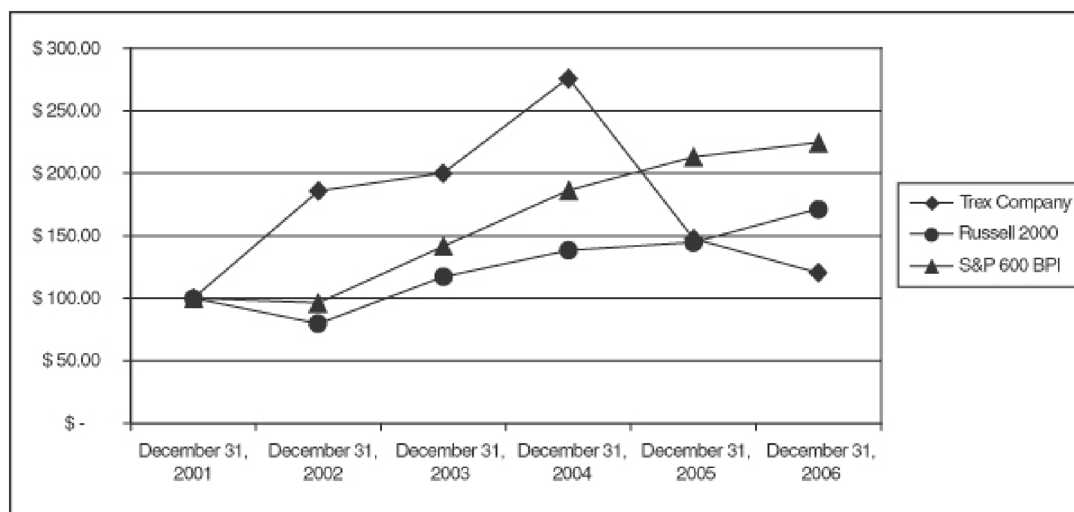
2005	High	Low
First Quarter	$52.31	$44.20
Second Quarter	44.62	24.75
Third Quarter	29.70	23.10
Fourth Quarter	29.48	20.02

Stockholder Return Performance Graph

The following graph and table show the cumulative total stockholder return on Trex Company's common stock for the last five fiscal years compared to the Russell 2000 Index and the Standard and Poor's 600 Building Products Index. The graph assumes $100 was invested on December 31, 2001 in (1) Trex Company common stock, (2) the Russell 2000 Index and (3) the S&P 600 Building Products Index, and assumes reinvestment of dividends and market capitalization weighting as of December 31, 2002, 2003, 2004, 2005, and 2006.

Comparison of Cumulative Total Return

Among Trex Company, Inc., Russell 2000 Index, and S&P 600 Building Products Index



	December 31, 2001	December 31, 2002	December 31, 2003	December 31, 2004	December 31, 2005	December 31, 2006
Trex Company	$ 100.00	$ 185.89	$ 200.00	$ 276.15	$ 147.71	$ 120.54
Russell 2000	$ 100.00	$ 79.52	$ 117.09	$ 138.55	$ 144.86	$ 171.47
S&P 600 BPI	$ 100.00	$ 96.36	$ 141.66	$ 186.26	$ 213.09	$ 224.61

Other Stockholder Matters

As of March 15, 2007, there were approximately 250 holders of record of our common stock.

In 2006, we submitted to the NYSE in a timely manner the annual certification that our Chief Executive Officer was not aware of any violation by us of the NYSE corporate governance listing standards.

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

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Item 6. Selected Financial Data

The following table presents selected financial data as of December 31, 2002, 2003, 2004, 2005 and 2006 and for each of the years in the five-year period ended December 31, 2006.

- The selected financial data as of December 31, 2005 and 2006 and for each of the years in the three-year period ended December 31, 2005 are derived from our audited consolidated financial statements appearing elsewhere in this report.
- The selected financial data as of December 31, 2002, 2003 and 2004 and for the years ended December 31, 2002 and 2003 are derived from our financial statements which have been audited.

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

	Year Ended December 31,				
	2002	2003	2004	2005	2006
	(In thousands, except share and per share data)				
Statement of Operations Data:					
Net sales	$ 167,079	$ 191,008	$ 253,628	$ 294,133	$ 336,956
Cost of sales	90,479	107,110	150,793	213,897	257,671
Gross profit	76,600	83,898	102,835	80,236	79,285
Selling, general and administrative expenses	42,150	46,829	56,351	77,378	73,223
Income from operations	34,450	37,069	46,484	2,585	6,062
Interest expense, net	7,782	3,560	3,064	2,626	3,011
Income before income taxes	26,668	33,509	43,420	232	3,051
Provision (benefit) for income taxes	9,891	12,429	15,933	(2,019)	708
Net income	$ 16,777	$ 21,080	$ 27,487	$ 2,251	$ 2,343
Basic earnings per share	$ 1.18	$ 1.45	$ 1.88	$ 0.15	$ 0.16
Basic weighted average shares outstanding	14,166,307	14,522,092	14,636,959	14,769,799	14,829,832
Diluted earnings per share	$ 1.16	$ 1.43	$ 1.85	$ 0.15	$ 0.16
Diluted weighted average shares outstanding	14,481,234	14,727,838	14,834,718	14,879,661	14,892,966
Cash Flow Data:					
Cash provided by (used in) operating activities	$ 52,964	$ 5,617	$ 45,265	$ 11,234	$ (4,038)
Cash used in investing activities	(6,192)	(17,727)	(56,319)	(29,374)	(27,743)
Cash provided by (used in) financing activities	(31,879)	5,379	26,859	(4,432)	31,058
Other Data (unaudited):					
EBITDA (1)	$ 44,039	$ 49,608	$ 60,197	$ 18,997	$ 26,324
Balance Sheet Data:					
Cash and cash equivalents and restricted cash	$ 14,893	$ 8,162	$ 44,926	$ 1,395	$ 672
Working capital	24,134	49,728	78,910	40,061	29,559
Total assets	183,556	210,391	286,772	285,714	352,317
Total debt	55,196	54,376	78,497	73,606	104,637
Total stockholders' equity	98,775	127,297	159,937	164,708	169,415

(1) EBITDA represents net income before interest, income taxes, depreciation and amortization. EBITDA is not a measurement of financial performance under accounting principles generally accepted in the United States, or GAAP. The company has included data with respect to EBITDA because management evaluates and projects the performance of the company's business using several measures, including EBITDA. Management considers EBITDA to be an important supplemental indicator of the company's operating performance, particularly as compared to the operating performance of the company's competitors, because this measure eliminates many differences among companies in capitalization and tax structures, capital investment cycles and ages of related assets, as well as some recurring non-cash and non-operating

charges to net income or loss. For these reasons, management believes that EBITDA provides important supplemental information to investors regarding the operating performance of the company and facilitates comparisons by investors between the operating performance of the company and the operating performance of its competitors. Management believes that consideration of EBITDA should be supplemental, because EBITDA has limitations as an analytical financial measure. These limitations include the following:

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

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

	Year Ended December 31,				
	2002	2003	2004	2005	2006
			(In thousands)		
Net income	$16,777	$21,080	$27,487	$ 2,251	$ 2,343
Plus interest expense, net	7,782	3,560	3,064	2,626	3,011
Plus income tax provision (benefit)	9,891	12,429	15,933	(2,019)	708
Plus depreciation and amortization	9,589	12,539	13,713	16,139	20,262
EBITDA	$44,039	$49,608	$60,197	$18,997	$26,324

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

This Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. We intend our forward-looking statements to be covered by the safe harbor provisions for forward-looking statements in these sections. All statements regarding our expected financial position and operating results, our business strategy, our financing plans, forecasted demographic and economic trends relating to our industry and similar matters are forward-looking statements. These statements can sometimes be identified by our use of forward-looking words such as "may," "will," "anticipate," "estimate," "expect" or "intend." We cannot promise you that our expectations in such forward-looking statements will turn out to be correct. Our actual results could be materially different from our expectations because of various factors, including the factors discussed under "Item 1A. Risk Factors" in this report.

Overview

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

In the last three years, the company has expanded its product offerings by introducing the Trex Accents® and Trex Brasilia® decking product lines and the new Trex Designer Series Railing® and Trex Artisan Series Railing® products. Sales of the Trex Accents product, which was launched in the fourth quarter of 2003, accounted for approximately 67% of total gross sales in the year ended December 31, 2006. Sales of the Trex Brasilia, Trex Designer Series Railing and Trex Artisan Series Railing products accounted for approximately 17% of total gross sales in the year ended December 31, 2006. Because these new products have a higher price per unit, the introduction of the products into the sales mix had a positive effect on total revenue. The company expects that the demand for the Trex Brasilia, Trex Designer Series Railing and Trex Artisan Series Railing products will grow as a result of expanded marketing and merchandising efforts. In 2006, the company introduced a fencing product, Trex Seclusions®, in limited test markets. Sales of Trex Seclusions were not significant in 2006. The company expects demand for Trex Seclusions to grow as fencing wholesalers and installers become more familiar with the product.

The management of raw material costs, the strengthening of manufacturing performance and the enhancement of product quality constitute some of the company's principal operating objectives. In 2005, manufacturing unit costs increased primarily because of higher costs for reclaimed polyethylene, or "PE material," and lower manufacturing plant utilization resulting, in part, from the temporary suspension of operations of some production lines. In 2006, manufacturing unit costs have been negatively affected by continued increases in the cost of PE material and incremental costs associated with the company's quality initiatives. In 2006, the company's PE material costs increased 19% over 2005. The company expects that new PE material sourcing and processing initiatives will be necessary for it to effectively manage its costs of PE material and improve manufacturing performance in future periods. The company continues to focus on product quality initiatives to enhance the appearance of the entire product line. These initiatives emphasize color consistency and other product specifications. Each manufacturing plant has added personnel to its inspection functions and finished goods packaging has been redesigned to minimize damage to the product in transit. These initiatives have contributed to higher manufacturing costs by reducing manufacturing efficiencies, as well as increasing labor and raw material costs.

Net Sales. Net sales consists of sales and freight, net of returns and discounts. The level of net sales is principally affected by sales volume and the prices paid for Trex. The company's branding and product differentiation strategy enables it to command premium prices over wood and to maintain price stability for Trex. To ensure adequate availability of product to meet anticipated seasonal consumer demand, the company has historically provided its distributors and dealers incentives to build inventory levels before the start of the prime deck-building season. These incentives include prompt payment discounts or extended payment terms. In addition, the company from time to time may offer price discounts on specified products and other incentives based on increases in distributor purchases as part of specific promotional programs.

There is no product return rights granted to the company's distributors except those granted pursuant to the warranty provisions of the company's agreement with its distributors. Under such warranty provisions, the company warrants that its products will be free from defects in workmanship and materials and will conform to the company's standard specifications for its products in effect at the time of the shipment. If there is such a defect in any of its products, the company has an obligation under its warranty to replace the products. On some occasions, the Company will voluntarily replace products for distributors as a matter of distributor relations, even though the company does not have a legal obligation to do so. Product returns were not material to net sales in fiscal year 2004, 2005 or 2006.

Under the company's limited warranty with consumers, the company warrants that its products will be free from material defects in workmanship and material and will not check, split, splinter, rot or suffer structural damage from termites or fungal decay. If there is such a defect in any of its products, the company has an obligation either to replace the defective product or refund the purchase price, in either case without any payment for labor to replace the defective product or freight. Actual warranty costs have not been material during fiscal year 2004, 2005 or 2006. On some occasions, the Company will voluntarily replace a product or refund a portion of the purchase price to consumers as a matter of consumer relations, even though the company does not have a legal obligation to do so. The company considers on a case-by-case basis each situation in which it may effect such a discretionary replacement or refund.

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

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

Critical Accounting Policies, Estimates and Risks and Uncertainties

Our significant accounting policies are described in note 2 to our consolidated financial statements appearing elsewhere in this report. Critical accounting policies include the areas where we have made what we consider to be particularly difficult, subjective or complex judgments in making estimates, and where these estimates can significantly affect our financial results under different assumptions and conditions. We prepare our financial statements in conformity with accounting principles generally accepted in the United States. As a

result, we are required to make estimates, judgments and assumptions that we believe are reasonable based upon the information available. These estimates, judgments and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the periods presented. Actual results could be different from these estimates.

Inventories. The company accounts for its inventories at the lower of cost (last-in, first-out, or "LIFO") or market value. The company believes that its current inventory of finished goods will be saleable in the ordinary course of business and, accordingly, has not established significant reserves for estimated slow moving products or obsolescence. The company has written down the estimated portion of PE material and other raw materials that are not consumable to its estimated market value. At December 31, 2006, the excess of the replacement cost of inventory over the LIFO value of inventory was approximately $26.1 million. The company cannot estimate at this time the effect of future reductions, if any, in inventory levels on its future operating results. The company currently anticipates that inventory levels in 2007 will be consistent with inventory levels in 2006.

Property, Plant and Equipment. At December 31, 2006, the company's construction in process totaled approximately $31.3 million. The construction in process consisted primarily of funds expended to complete production lines in various stages of construction at our manufacturing sites, and to provide process and productivity improvements. Pursuant to Statement of Financial Accounting Standards, or SFAS, No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," whenever events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable, the company compares the carrying values of its long-lived assets, including construction in process, against the estimated undiscounted cash flows relating to those assets. Actual results could differ from those estimates. In such event, the carrying value and the estimated useful lives of the company's long-lived assets could be reduced in the future.

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

Contingencies and Other Liabilities. In anticipation of relocating the company's corporate headquarters, we entered into a lease agreement in July 2005. We reconsidered and decided not to move our headquarters. We began paying rent under the lease on January 1, 2006. As of December 31, 2006, minimum payments remaining under the lease over the fiscal years ending December 31, 2007, 2008, 2009, 2010 and 2011 are $1.1 million, $1.5 million, $1.6 million, $1.6 million and $1.6 million, respectively, and $18.7 million thereafter. We are currently negotiating a sublease agreement for a portion of the office space, and are currently attempting to sublet the remaining office space. Based on current market conditions, we estimate that the present value of the estimated future sublease rentals, net of transaction costs, will be less than the remaining minimum lease payment obligations under our lease for the office space. Accordingly, pursuant to Financial Accounting Standards Board Statement No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*, we recorded a charge of $0.7 million in selling, general and administrative expenses in the quarter ended December 31, 2006. The charge reflected a reduction in estimated future sublease income from previous estimates as a result of a change in our assumptions regarding both the commencement dates and rental rates of anticipated subleases. We paid $0.7 million in lease payments and recognized $2.5 million of total expense related to the lease in the year December 31, 2006 and have a $1.8 million liability recorded at December 31, 2006. The change in our estimate related to the assumptions regarding anticipated sublease income accounted for $0.9 million of the expense in the year ended December 31, 2006.

Our assumptions in estimating future sublease income included consideration of vacancy rates, rental rates and the timing of future sublease income. Vacancy rates in the area where the property is located have remained consistent at approximately 10% during 2006, while rental rates have increased marginally. Management

believes that the rental rate on the proposed sublease agreement is an indicator of current market rates in the area. However, the anticipated delivery of a significant amount of new office space in the area over the next 18 months may have a negative effect on vacancy and rental rates. The inability to sublet the remaining office space or unfavorable changes to key management assumptions used in the estimate of the future sublease income may result in additional charges in future periods.

The company is subject, from time to time, to various lawsuits and other claims related to patent infringement, product liability and other matters. The company is required to assess the likelihood of any adverse judgments or outcomes to these matters as well as potential ranges of probable losses. The company makes a determination of the amount of reserves required, if any, for these contingencies after an analysis of each lawsuit and claim. The required reserves may change in the future as a result of new developments in any such matter or changes in approach, such as a change in settlement strategy in dealing with a particular matter. In the opinion of management, adequate provision has been made for any probable losses as of December 31, 2006. The company's provisions for probable losses have not materially affected the company's operating results in any annual period presented in this report.

Revenue Recognition. The company recognizes revenue when title is transferred to customers, which is generally upon shipment of the product to the customer from the company's manufacturing facilities. Pursuant to Emerging Issues Task Force Issue 00-10, "Accounting for Shipping and Handling Fees and Costs," the company records all shipping and handling fees in net sales and records all of the related costs in cost of sales. The company offers several programs to dealers and distributors, including cash rebates, sales incentives and cooperative advertising. The company accounts for these programs as either reductions to sales or as selling, general and administrative expenses in accordance with EITF Issue 01-09, "Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)." The company classifies cash rebates as a reduction in revenue. Cash rebates are recorded in the period in which the related revenue is recognized. Sales incentives are accrued based upon estimates of the amounts that will be earned by customers. Cooperative advertising costs are classified in selling, general and administrative expenses and are accrued as the related advertising expenditures are incurred.

Valuation of Deferred Tax Assets. The company provides for valuation allowances against its deferred tax assets in accordance with the requirements of SFAS No. 109, "Accounting for Income Taxes." At December 31, 2006, the company had a valuation allowance of $2.2 million related primarily to uncertainty regarding the recoverability of certain state tax credit carryforwards and incentives. The company has considered all available evidence, including its historical levels of taxable income, the future reversal of existing taxable temporary differences, estimated future taxable income for each applicable state, and the expiration period of tax credit carryforwards in determining the need for a valuation allowance. Based upon this analysis, management determined that it is more likely than not that certain state tax credit carryforwards will expire unused and, accordingly, recorded a valuation allowance for such credit carryforwards. It is possible that the facts underlying the company's estimates and assumptions may not materialize in future periods, which may require the company to record additional deferred tax valuation allowances, or to reduce previously recorded valuation allowances.

Results of Operations

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

	Year Ended December 31,		
	2004	2005	2006
Net sales	100.0%	100.0%	100.0%
Cost of sales	59.5	72.7	76.5
Gross profit	40.5	27.3	23.5
Selling, general and administrative expenses	22.2	26.3	21.7
Income from operations	18.3	1.0	1.8
Interest expense, net	1.2	0.9	0.9
Income before taxes and extraordinary item	17.1	0.1	0.9
Provision (benefit) for income taxes	6.3	(0.7)	0.2
Net income	10.8%	0.8%	0.7%

2006 Compared to 2005

Net Sales. Net sales in 2006 increased 14.6% to $337.0 million from $294.1 million in 2005. The increase in net sales was primarily attributable to an increase in price per unit and, to a lesser extent, a 5.3% growth in sales volume as a result of an increase in demand from dealers and distributors. The increase in price per unit resulted from a price increase, effective January 2006, of 4% and a price increase, effective May 2006, of 7%, as well as from increased sales of the higher unit priced products. The effect of the price increases was partially offset by a 4% sales price discount offered on certain products in the 2006 third quarter. The company offered various sales incentives to its distributor customers during both 2005 and 2006. The company has historically utilized an annual early buy sales program to create an incentive for distributors and dealers to commit to purchase Trex products before the start of the decking season. The company's early buy program in 2005 and 2006 included extended payment terms for purchases in the first four months of each year. The payment options provided in the 2005 early buy program included prompt payment discounts from 1.0% to 2.0% or extended payment terms from 45 to 90 days. The payment options provided in the 2006 early buy program included prompt payment discounts from 0.5% to 2.0% or extended payment terms from 30 to 90 days. In addition, in the fourth quarter of 2006, the company granted extended payment terms of up to 150 days on shipments in the fourth quarter to encourage distributors to start stocking inventory for the upcoming decking season. Similar incentives were not offered in the fourth quarter of 2005.

Gross Profit. Gross profit decreased 1.2% to $79.3 million in 2006 from $80.2 million in 2005. The decrease was primarily attributable to the higher unit manufacturing costs, which resulted from a 19% increase in the cost per pound of PE material, an additional $11.7 million in labor and packaging expenses incurred as a result of product quality initiatives, an increase in freight costs and lower production yields. The negative effect of these factors was offset in part by 8.8% higher average sales prices per unit. Gross profit as a percentage of net sales decreased to 23.5% in 2006 from 27.3% in 2005. The overall reduction in gross margin was primarily attributable to the negative 9.2% effect of the forgoing factors, which was partially offset by the positive 5.8% effect of increased sales prices and sales of higher margin products.

Selling, General and Administrative Expenses. Selling, general and administrative expenses decreased 5.4% to $73.2 million in 2006 from $77.4 million in 2005. The lower selling, general and administrative expenses resulted principally from a decrease of $6.4 million in branding expenses, a decrease of $1.0 million in professional fees and a decrease of $0.8 million in personnel-related expenses, including salaries, benefit and hiring costs. Selling, general and administrative expenses in 2005 also included the write-off of $1.0 million

in equipment which the company disposed of during 2005 in connection with its retooling of some of its production lines. The effect of these factors was offset in part by a $2.5 million increase in expenses related to the lease for unused office space the company is attempting to sublet, a $2.3 million increase in consumer relations expenses and a $0.3 million increase in market research expenses. For additional information regarding the lease, see Note 12 to the consolidated financial statements appearing elsewhere in this report. As a percentage of net sales, selling, general and administrative expenses decreased to 21.7% in 2006 from 26.3% in 2005.

Interest Expense. Net interest expense increased to $3.0 million in 2006 from $2.6 million in 2005. The increase in net interest expense resulted primarily from a decrease in interest capitalized on construction in process. The company capitalized $1.8 million and $2.5 million of interest on construction in process in 2006 and 2005, respectively.

Provision for Income Taxes. The provision for income taxes increased to $0.7 million in 2006 from a benefit of $2.0 million in 2005. The effective rate was approximately 23.2% in 2006 compared to a benefit of approximately 870.3% in 2005. The effective rate for 2006 differed from the expected statutory rates due primarily to the recognition of certain federal and state tax credits and incentives. The 2005 income tax benefit differed from the expected tax provision determined by applying the expected statutory rates due primarily to the recognition of certain federal and state tax credits and incentives for which the company determined that it qualified for in 2005. The state tax benefit resulted from the expansion of the company's operations into Mississippi as well as the recognition of other state tax credits and incentives for which the company filed amended tax returns for prior years.

2005 Compared to 2004

Net Sales. Net sales increased 16.0% to $294.1 million in 2005 from $253.6 million in 2004. The increase in net sales was primarily attributable to an increase in price per unit and, to a lesser extent, a 3% growth in sales volume as a result of an increase in demand from dealers and distributors. The increase in price per unit resulted from a price increase, effective on April 1, 2005, of 8% on decking and railing products and from increased sales of higher unit priced products. The company offered various sales incentives to its distributor customers during both 2004 and 2005. The company has historically utilized an annual early buy sales program to create an incentive for distributors and dealers to commit to purchase Trex products before the start of the decking season. The company's early buy program in 2004 and 2005 included extended payment terms for purchases in the first four months of each year. The payment options provided in the 2004 early buy program included prompt payment discounts from 0.5% to 3.0% or extended payment terms from 30 to 90 days. The payment options provided in the 2005 early buy program included prompt payment discounts from 1.0% to 2.0% or extended payment terms from 45 to 90 days. In addition, in the fourth quarter of 2004, the company granted extended payment terms of up to 120 days on shipments in the fourth quarter to support new product introductions and to encourage distributors to start stocking inventory for the upcoming decking season. These incentives were not offered in the fourth quarter of 2005.

Gross Profit. Gross profit decreased 22.0% to $80.2 million in 2005 from $102.8 million in 2004. The decrease was primarily attributable to higher unit manufacturing costs, which resulted principally from the increased cost of raw materials, particularly PE material. Gross profit as a percentage of net sales, or gross margin, decreased to 27.3% in 2005 from 40.5% in 2004. The increased cost of PE material resulted in a decrease in gross margin of approximately 9.8% from 2004. Gross margin was also adversely affected by a decrease in production rates due to product quality initiatives and lower capacity utilization and the associated decrease in absorption of fixed manufacturing expenses which contributed to an 8.3% decrease in gross margin. At December 31, 2005, as part of its product quality initiatives, the company wrote down certain finished goods inventory by $0.8 million to the estimated market value. These initiatives also resulted in $0.7 million of incremental labor and packaging costs in 2005. In addition, the company separately wrote down $0.7 million of PE material and other raw materials to the estimated market value. During 2004, the company wrote down $0.1 million of finished goods inventory to the estimated market value. The negative effect of the foregoing factors on gross margin in 2005 was offset, in part, by the positive impact on gross margin of 7.6% from increased sales prices and increased sales of higher margin priced products.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased 37.3% to $77.4 million in 2005 from $56.4 million in 2004. The higher selling, general and administrative expenses resulted principally from increases of $7.6 million in sales and marketing costs, $6.6 million in corporate personnel expenses, $4.8 million in consumer relations expenses, $2.7 million in professional expenses and $2.0 million in hiring and relocation expenses. The increased sales and marketing costs consisted primarily of branding costs, which include expenses of promotion, advertising, public relations, sales literature, trade shows and cooperative advertising. Selling, general and administrative expenses in 2005 also included the write-off of $1.0 million in equipment that the company disposed of during 2005 in connection with the retooling of certain production lines. The increase in the foregoing components of selling, general and administrative expenses was partially offset by a decrease of $2.9 million in profit sharing and management bonus expenses, as a result of decreased profitability in 2005. Selling, general and administrative expenses as a percentage of net sales increased to 26.3% in 2005 from 22.2% in 2004.

Interest Expense. Net interest expense decreased to $2.6 million in 2005 from $3.1 million in 2004. The decrease was primarily attributable to an increase in the amount of interest capitalized on construction in process and a reduction in interest expense on the company’s senior notes. The reduced senior note interest expense reflected a decrease in outstanding borrowings following the company’s payment in June 2005 of the first of five scheduled $8.0 million principal payments. The company capitalized $2.5 million of interest in 2005 and $1.3 million of interest in 2004. These effects were offset in part by additional interest expense related to the $25.0 million variable rate promissory note that the company issued in December 2004. Total interest under the promissory note totaled $0.9 million in 2005.

Provision for Income Taxes. The provision for income taxes decreased to $(2.0) million in 2005 (net benefit) from $15.9 million in 2004 (net expense). The provision reflected a benefit of approximately 870.3% in 2005 compared to tax expense of approximately 36.7% in 2004. The change in the 2005 effective rate was primarily due to the impact of state taxes. For 2005, the tax provision consisted of federal tax expense of approximately $0.4 million, which was offset by a state tax benefit of $2.4 million. The state tax benefit resulted from the expansion of the company’s operations into Mississippi and the recognition of certain other state tax credits and incentives. At December 31, 2005 and 2004, the company had income tax refunds receivable of $8.2 million and $0.3 million, respectively. The increase in the income tax receivable resulted from the amendment of certain prior year tax returns and from the overpayment of taxes during early 2005 that resulted from lower than estimated taxable income.

Liquidity and Capital Resources

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

Sources and Uses of Cash. The company’s cash provided by (used in) operating activities was $45.3 million in 2004, $11.2 million in 2005 and $(4.0) million in 2006. In 2004, the effects on cash flows of a higher net sales volume and increases in accounts payable and accrued expenses were offset, in part, by increases in receivables. In 2005 (compared to 2004), the effects on cash flows of a higher sales volume and lower receivables were more than offset by lower profitability and increases in inventories and income taxes receivable. In 2006 (compared to 2005), the effects on cash flows of higher receivables and increases in inventories were partially offset by increases in accounts payable. Net income in 2006 increased $0.1 million from 2005, as the effect of higher sales volume and lower selling, general and administrative expenses were offset by higher unit manufacturing expenses. Noncash charges, including depreciation and amortization, increased $3.4 million from $19.1 million in 2005 to $22.5 million in 2006. Accounts receivable increased $5.7 million from $12.4 million at December 31, 2005 to $18.1 million at December 31, 2006, compared to a decrease of $9.6 million from $22.0 million at December 31, 2004 to $12.4 million at December 31, 2005. The higher accounts receivable balance at December 31, 2006 resulted from the extended payment terms offered to customers in the fourth quarter of 2006 to provide incentive to meet early season demand. The days of sales outstanding increased from 25 at December 31, 2005 to 51 at December 31, 2006. The reduced use of cash in 2005 to support accounts

receivable was attributable, in part, to the effect of a higher than historical level of accounts receivable at December 31, 2004. The higher accounts receivable balance at December 31, 2004 resulted from the extended payment terms offered to customers in the fourth quarter of 2004 to facilitate the introduction on a national basis of the Trex Brasilia® line of decking products and to provide additional incentives to customers to meet early season demand. The company did not offer this type of program in the fourth quarter of 2005. The company's total inventories, including raw materials and finished goods, increased $54.5 million from $56.9 million at December 31, 2005 to $111.4 million at December 31, 2006 compared to an increase of $12.5 million from $44.4 million at December 31, 2004 to $56.9 million at December 31, 2005. Raw materials inventories increased $10.1 million from $18.1 million at December 31, 2005 to $28.2 million at December 31, 2006 compared to an increase of $6.3 million from $11.8 million at December 31, 2004 to $18.1 million at December 31, 2005. Raw material inventories increased in 2006 primarily in anticipation of the company's new PE reprocessing capabilities. Finished goods inventories increased $44.4 million from $38.8 million at December 31, 2005 to $83.2 million at December 31, 2006 compared to an increase of $6.2 million from $32.6 million at December 31, 2004 to $38.8 million at December 31, 2005. The company's finished goods inventories increased in 2006 primarily as a result of achieving lower sales volume than expected and due to the impact of the company's expanded product offering, which requires the company to maintain more inventory items at each of its manufacturing locations. Accounts payable increased $24.7 million from $15.6 million at December 31, 2005 to $40.3 million at December 31, 2006. Accounts payable increased due to a higher level of production activity and capital expenditures in the fourth quarter of 2006 compared to the fourth quarter of 2005.

The company's cash used in investing activities totaled $56.3 million in 2004, $29.4 million in 2005 and $27.7 million in 2006 and primarily related to expenditures for the purchase of property, plant and equipment, in 2004 and 2005, the expenditures supported expansion of the company's manufacturing capacity, mainly at the Olive Branch facility. In 2006, expenditures related primarily to the purchase of PE reprocessing and manufacturing equipment and information technology equipment.

The company's cash provided by (used in) financing activities was $26.9 million in 2004, $(4.4) million in 2005 and $31.1 million in 2006. In 2004, the company received $25.0 million in proceeds from borrowings, as described below, which were used to fund a portion of the construction and equipment costs associated with its Olive Branch site. At December 31, 2006, there were $44.1 million of borrowings outstanding under the company's revolving credit facility compared to $4.1 million at December 31, 2005. The increase in borrowings was necessary to support the increase in inventories and accounts receivable at December 31, 2006.

Indebtedness. At December 31, 2006, the company's indebtedness totaled $104.6 million and the annualized overall weighted average interest rate of such indebtedness was approximately 7.1%.

On June 19, 2002, the company refinanced indebtedness outstanding under a senior bank credit facility and various real estate loans. The company refinanced this indebtedness with the proceeds from its sale of $40.0 million principal amount of senior notes due June 19, 2009 and borrowings under new real estate loans having a principal amount of $12.6 million. In connection with the refinancing, the company replaced its existing revolving credit facility with a $20.0 million revolving credit facility. The senior notes, which were privately placed with institutional investors, accrue interest at an annual rate of 8.32%. Five principal payments of $8.0 million annually to retire the notes began in June 2005.

On September 30, 2004, the company amended its $20.0 million revolving credit facility and certain real estate loans. The amendment extended the maturity date of the revolving credit facility to September 30, 2007 and the maturity date of the real estate loans to September 30, 2009. The revolving credit facility and real estate loans accrue interest at annual rates equal to the specified London Interbank Offered Rate, or LIBOR, plus specified margins. The specified margins are determined based on the company's ratio of total consolidated debt to consolidated earnings before interest, taxes, depreciation and amortization, as computed under the credit facility. The amendment reduced the margins for the credit facility to a range of 1.25% to 1.75% and for the real estate loans to a range of 1.50% to 2.50%.

On December 16, 2004, the company borrowed, under a variable rate promissory note, $25.0 million of the proceeds from the sale of variable rate demand environmental improvement revenue bonds issued by the Mississippi Business Finance Corporation, a Mississippi public corporation. The bonds restricted the company's use of the proceeds to financing all or a portion of the costs of the acquisition, construction and equipping of solid waste disposal facilities to be used in connection with the company's new manufacturing facility, which is located in Olive Branch, Mississippi. The bonds are special, limited obligations of the issuer and, unless sooner paid pursuant to redemption or other specified principal payment event, will mature on December 1, 2029. Under its loan agreement with the bond issuer, the company is obligated to make payments sufficient to pay the principal of, premium, if any, and interest on the bonds when due. The company's obligation to make these payments will be satisfied to the extent of payments made to the trustee of the bonds under a $25.3 million letter of credit opened for the company's account. The company is obligated under a reimbursement agreement to reimburse the letter of credit bank for drawings made under the letter of credit and to make other specified payments. Interest on the bonds will initially be paid each month at a variable rate established on a weekly basis. The variable rate on the bonds was 4.00% on December 31, 2006. The note interest rate is based on auction rates and is reset every seven days. The reimbursement agreement contains affirmative covenants and negative covenants which, among other things, restrict the company's ability to incur additional indebtedness and liens, engage in any consolidation, merger or sale of assets outside the ordinary course of business, and make specified investments, loans or advances. The company's obligations under the reimbursement agreement are secured by a first priority security interest in specified assets relating to the third manufacturing site and facility.

On January 19, 2006, the company entered into amendments to its revolving credit facility agreement and bond reimbursement agreement. Among other things, the amendments:

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

On November 9, 2006, the company entered into amendments to its revolving credit facility agreement and bond reimbursement agreement. Among other things, the amendments:

- increased the principal amount of the revolving credit commitment under the credit facility for the period through June 30, 2007 from $20.0 million to $70.0 million; and
- provided that the ratio of the company's total consolidated debt to consolidated EBITDA, as prescribed under the revolving credit facility, be amended for the four-quarter periods ended December 31, 2006 and March 31, 2007.

On February 12, 2007, the company entered into amendments to its revolving credit facility agreement and bond reimbursement agreement. Among other things, the amendments, which were effective as of December 31, 2006:

- increased the principal amount of the revolving credit commitment under the credit facility for the period from February 1, 2007 through June 30, 2007 from $70.0 million to $100.0 million, after which date the revolving credit commitment will be reduced to $20.0 million; and

- provided that the ratios of total consolidated debt to consolidated EBITDA and consolidated EBITDA to fixed charges, as prescribed under the revolving credit facility, be amended for the four quarter-periods ended December 31, 2006 and March 31, 2007.

As a part of the amendments, the company, on March 16, 2007, secured its obligations under the revolving credit facility agreement and under its outstanding senior notes, which have a principal amount of $24 million, with a lien on the company's accounts receivable and inventory. These obligations were unsecured before the amendments.

The company's ability to borrow under the revolving credit facility is tied to a borrowing base that consists of certain receivables and inventories. At December 31, 2006, the borrowing base was $50.7 million and $44.1 million of borrowings were outstanding under the facility.

As a result of the company's seasonal business trends, its working capital borrowing needs peak in March and April of each year and decline substantially by the end of the second quarter. The company's current borrowing capacity under its revolving credit facility will be contractually reduced to $20.0 million at June 30, 2007 from $100.0 million at March 31, 2007 and the facility will expire on September 30, 2007. The company currently expects to seek to renew its revolving credit facility before the expiration date.

Interest Payment Obligations. The company uses interest rate swap contracts to manage its exposure to fluctuations in the interest rates of its real estate loans. At December 31, 2006, the company had limited its interest rate exposure at an annual effective rate of approximately 9.0% on its entire $11.5 million principal amount of real estate loans.

The company financed its purchase of its Winchester, Virginia site in June 1998 with a ten-year term loan. Pursuant to amended terms adopted on September 30, 2004, the loan will be payable in full on September 30, 2009. Under an interest rate swap agreement, the company pays interest on this loan at an annual effective rate of 9.12% at December 31, 2006.

The company financed its purchase of the Trex technical center in November 1998, in part, with the proceeds of a ten-year term loan. Pursuant to amended terms adopted on September 30, 2004, the loan will be payable in full on September 30, 2009. Under an interest rate swap agreement, the company pays interest on this loan at an annual effective rate of 8.8% at December 31, 2006.

In connection with its acquisition of its Fernley, Nevada site in September 1999, the company obtained a 15-year term loan. Under an interest rate swap agreement, interest on this loan is payable at an annual effective rate of 7.90% at December 31, 2006.

In connection with its acquisition of a site adjacent to its original Winchester, Virginia site in August 2000, the company obtained a 15-year term loan. Pursuant to amended terms adopted on September 30, 2004, the loan will be payable in full on September 30, 2009. Under an interest rate swap agreement, the company pays interest on this loan at an annual effective rate of 10.10% at December 31, 2006.

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

Debt Covenants. To remain in compliance with its credit facility, senior note and bond loan document covenants, the company must maintain specified financial ratios based on its levels of debt, capital, net worth, fixed charges, and earnings (excluding extraordinary gains and extraordinary non-cash losses) before interest, taxes, depreciation and amortization. At December 31, 2006, after giving effect to covenant amendments described above, the company was in compliance with these covenants. The foregoing debt agreements contain cross-default provisions.

The company's ability to make scheduled principal and interest payments on its real estate loans, senior notes and variable rate promissory note, borrow under its revolving credit facility and maintain compliance with the related financial covenants will depend primarily on its ability to generate substantial cash flow from operations. The generation of operating cash flow is subject to the risks of the company's business, some of which are discussed in this report under "Item 1A. Risk Factors."

Contractual Obligations. The following tables show, as of December 31, 2006, the company's contractual obligations and commercial commitments, which consist primarily of long-term debt, operating leases and letters of credit (in thousands):

Contractual Obligations
Payments Due by Period

	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Long-term debt	$ 60,505	$ 9,115	$ 23,345	$ 1,144	$ 26,901
Operating leases	49,324	7,020	11,200	9,142	21,962
Total contractual cash obligations	$ 109,829	$ 16,135	$ 34,545	$ 10,286	$ 48,863

The amount shown for contractual obligations does not include amounts that the company is obligated to purchase under raw material supply contracts. The waste wood and PE material supply contracts generally provide that the company is obligated to purchase all of the waste wood or PE material a supplier provides, if the waste wood or PE material meets certain specifications. The amount of waste wood and PE material the company is required to purchase under these contracts varies with the production of its suppliers and, accordingly, is not fixed or determinable. For information about these contractual cash obligations, see notes 6, 9 and 12 to the company's consolidated financial statements appearing elsewhere in this report.

Other Commercial Commitments
Payments Due by Period

	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Letters of credit	$335	$ 335	$ —	$ —	—
Total commercial commitments	$335	$ 335	$ —	$ —	—

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

Capital Requirements. The company made capital expenditures of $34.1 million in 2004, $49.9 million in 2005 and $27.7 million in 2006, primarily to expand its manufacturing capacity. The company currently estimates that its capital expenditures in 2007 will be in the range of $20 to $30 million. Capital expenditures in 2007 are expected to be used to make process and productivity improvements, and to increase capacity at the company's three existing manufacturing sites. The company expects that it will continue to make significant capital expenditures in 2008 and subsequent years to meet an anticipated increase in the demand for Trex.

As of December 31, 2006, the company had a total of approximately $0.7 million of cash and cash equivalents. The company believes that cash on hand, cash flow from operations and borrowings expected to be available under the company's revolving credit facility or under other arrangements, as discussed below, will provide sufficient cash to enable the company to fund its planned capital expenditures, make scheduled principal and interest payments, meet its other cash requirements and maintain compliance with the terms of its financing agreements for at least the next 12 months. Significant capital expenditures will likely be required to expand the production capabilities of the company's manufacturing sites to provide increased capacity to meet the

company's expected growth in demand for its products. The amount and timing of these investments will depend on the anticipated demand for Trex, the production obtained from its existing sites, the availability of funds and other factors. The actual amount and timing of the company's future capital requirements may differ materially from the company's estimate depending on the demand for Trex and new market developments and opportunities.

The company funded its aggregate capital expenditures of $111.7 million for the three-year period ended December 31, 2006 from a combination of cash flow from operations and proceeds from financing activities, including borrowings under various loan and revolving credit facilities. The company currently expects that it will fund its future capital expenditures and other cash needs primarily with cash from operations and with borrowings under its revolving credit facility and other financing arrangements. To meet its anticipated cash requirements for at least the next 12 months, the company expects that it will need to obtain borrowings of up to $100.0 million primarily to fund its seasonal working capital requirements under its revolving credit facility or under alternative financing arrangements. The company will seek to renew its revolving credit facility before the facility expires on September 30, 2007 and, in connection with the renewal, expects to seek an increase in the maximum facility commitment level from the $20.0 million maximum commitment level that will be in effect at the expiration date. If the company is unable to increase the facility commitment to up to approximately $100.0 million, or if the company is able to obtain the additional required financing on more attractive terms from other sources, the company will seek to enter into arrangements for such alternative financing in lieu of, or in addition to, the new facility. As of the date of this report, the company had no commitment to renew its revolving credit facility or for any other financing arrangements. There can be no assurance as to whether, or as to the terms on which, the company will be able to obtain such financing.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The company's major market risk exposure is to changing interest rates. The company's policy is to manage interest rates through the use of a combination of fixed-rate and floating-rate debt. The company uses interest rate swap contracts to manage its exposure to fluctuations in the interest rates on its floating-rate mortgage debt, all of which is based on LIBOR, and on its $25.0 million variable rate promissory note. The interest on the variable rate promissory note is based on auction rates and is reset every seven days. At December 31, 2006, the company had limited its interest rate exposure at an annual effective rate of approximately 9.00% on its $11.5 million of floating-rate mortgage debt. At December 31, 2006, the company had limited its interest rate exposure at an annual effective rate of approximately 3.12% for seven years on $10.0 million principal amount of its variable rate promissory note and at an annual effective rate of approximately 2.95% for five years on an additional $10.0 million principal amount of this note. For additional information about the company's management of its interest rate risk, see note 6 to the company's consolidated financial statements appearing elsewhere in this report.

Changes in interest rates affect the fair value of the company's fixed-rate debt. The fair value of the company's long-term fixed-rate debt at December 31, 2006 was approximately $24.3 million. Based on balances outstanding at December 31, 2006, a 1% change in interest rates would change the fair value of the company's long-term fixed-rate debt by $0.3 million at December 31, 2006. The foregoing sensitivity analysis provides only a limited view as of a specific date regarding the sensitivity of some of the company's financial instruments to market risk. The actual impact of changes in market interest rates on the financial instruments may differ significantly from the impact shown in this sensitivity analysis.

The company has purchase agreements for PE material under which it has market risk related to foreign currency fluctuations between the U.S. dollar and the euro. At current purchase levels, such exposure is not material. In addition, the company had a euro-denominated note receivable of 1.3 million euros at December 31, 2006.

Item 8. Financial Statements and Supplementary Data

The financial statements listed in Item 15 and appearing on pages F-2 through F-24 are incorporated by reference in this Item 8 and are filed as part of this report.

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

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer, who is our principal executive officer, and our Senior Vice President and Chief Financial Officer, who is our principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of December 31, 2006. Based upon this evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that, as a result of the material weaknesses in our internal control over financial reporting as of December 31, 2006 described below under "Management's Report on Internal Control Over Financial Reporting," our disclosure controls and procedures were not effective as of December 31, 2006. We are continuing to remediate these material weaknesses as described below under "Remediation of Material Weaknesses in Internal Control Over Financial Reporting."

Management's Report on Internal Control Over Financial Reporting

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

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

We assessed the Company's internal control over financial reporting as of December 31, 2006, based on criteria for effective internal control over financial reporting established in "Internal Control-Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO Framework"). Based on this assessment, management identified two material weaknesses (as defined by the Public Company Accounting Oversight Board) as of December 31, 2006, as follows:

- The Company lacked a sufficient complement of personnel with knowledge of the Company's financial reporting processes and adequate technical expertise in the application of U.S. generally accepted accounting principles and experience in resolving non-routine or complex accounting matters. As a result, errors occurred in the accounting for certain transactions. Management's review of these

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transactions and the related account analyses and reconciliations were not sufficient to detect the errors. The errors related to the Company's inventory, property, plant and equipment, accounts payable, cost of sales, selling, general and administrative expenses and income taxes. These errors resulted in a number of post-closing adjustments that were recorded during the preparation of the 2006 consolidated financial statements.

- The Company did not have appropriate controls to properly account for activity related to the purchase and receipt of goods and services and the related liabilities. In addition, the Company's related monitoring process is not sufficient to identify the resulting errors on a timely basis. The errors were primarily due to the recording of inventory, property, plant and equipment, cost of sales and selling, general and administrative expenses at the time of receipt of the goods or services and again at the time the related invoices were received, resulting in an overstatement of assets, liabilities and expenses. These errors resulted in a number of post-closing adjustments that were recorded during the preparation of the 2006 consolidated financial statements.

Until these deficiencies are remediated, there is more than a remote likelihood that a material misstatement to the annual or interim consolidated financial statements could occur and not be prevented or detected by the Company's controls in a timely manner. Management has determined that, because of these material weaknesses, the Company did not maintain effective internal control over financial reporting as of December 31, 2006 based on the criteria specified in the COSO Framework.

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

TREX COMPANY, INC.

April 2, 2007 By: /S/ ANTHONY J. CAVANNA

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

April 2, 2007 By: /S/ PAUL D. FLETCHER

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

Remediation of Material Weaknesses in Internal Control over Financial Reporting

In 2005, we experienced a number of challenging business issues, including those related to the opening of a new manufacturing facility, new product introductions, turnover in accounting, finance and information technology personnel, and a contemplated relocation of our corporate headquarters. As a result, for certain periods of time we did not have a sufficient complement of qualified staff to ensure that our financial statement close processes resulted in reported results that were complete and accurate. During 2005 we added members to our accounting, finance and information technology staff and implemented additional levels of review in our financial statement close processes to begin to address these challenges.

In 2006 and into 2007, we added additional accounting, finance and information technology staff members at our headquarters and plant locations and implemented a series of new internal control procedures to improve the effectiveness of our transaction processing and our financial statement close processes. In addition to these enhancements, we have provided training regarding effective review and approval procedures to the appropriate personnel. The additional personnel and process enhancements contributed to the discovery in late 2006 and early 2007 of additional errors related to prior interim periods in 2006 that resulted in management's determination that restatement of those prior periods' financial statements was warranted. While the impact of

the enhancements to the internal controls over financial reporting has been positive, as discussed above, management's assessment for 2006 indicates that additional resources, training and experience are necessary for certain of these controls to operate effectively. Management is taking steps to secure additional resources and training for its staff in the affected areas. In addition, management has determined that further enhancements to the purchasing, receiving and accounts payable processes are necessary and we have embarked on a plan to enhance our controls over these processes during 2007.

The Company believes that these corrective actions will remediate the material weaknesses identified above by December 31, 2007. We are continuing to closely monitor the effectiveness of our processes, procedures and controls, and will make any further changes as management determines appropriate.

Changes in Internal Control Over Financial Reporting

Other than the matters described in this Item 9A under "Remediation of Material Weaknesses in Internal Control Over Financial Reporting," during the fourth quarter ended December 31, 2006, there have been no changes in our internal control over financial reporting that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

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

Board of Directors and Shareholders of Trex Company, Inc.

We have audited management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, that Trex Company, Inc. ("Trex") did not maintain effective internal control over financial reporting as of December 31, 2006, because of the effect of the material weaknesses described below, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria"). Trex's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of Trex's internal control over financial reporting based on our audit.

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

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

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

A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. The following material weaknesses have been identified and included in management's assessment:

- The Company lacked a sufficient complement of personnel with knowledge of the Company's financial reporting processes and adequate technical expertise in the application of U.S. generally accepted accounting principles and experience in resolving non-routine or complex accounting matters. As a result, errors occurred in the accounting for certain transactions. Management's review of these transactions and the related account analyses and reconciliations were not sufficient to detect the errors. The errors related to the Company's inventory, property, plant and equipment, accounts payable, cost of sales, selling, general and administrative expenses and income taxes. These errors resulted in a number of post-closing adjustments that were recorded during the preparation of the 2006 consolidated financial statements.

- The Company did not have appropriate controls to properly account for activity related to the purchase and receipt of goods and services and the related liabilities. In addition, the Company's related monitoring process is not sufficient to identify the resulting errors on a timely basis. The errors were primarily due to the recording of inventory, property, plant and equipment, cost of sales and selling, general and administrative expenses at the time of receipt of the goods or services and again at the time the related invoices were received, resulting in an overstatement of assets, liabilities and expenses. These errors resulted in a number of post-closing adjustments that were recorded during the preparation of the 2006 consolidated financial statements.

Until these deficiencies are remediated, there is more than a remote likelihood that a material misstatement to the annual or interim consolidated financial statements could occur and not be prevented or detected by the Company's controls in a timely manner. These material weaknesses were considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2006 consolidated financial statements, and this report does not affect our report dated April 2, 2007 on those financial statements.

In our opinion, management's assessment that Trex did not maintain effective internal control over financial reporting as of December 31, 2006, is fairly stated, in all material respects, based on the COSO control criteria. Also, in our opinion, because of the effect of the material weaknesses described above on the achievement of the objectives of the control criteria, Trex did not maintain effective internal control over financial reporting as of December 31, 2006, based on the COSO control criteria.

/s/ ERNST & YOUNG LLP

McLean, Virginia
April 2, 2007

Item 9B. Other Information

Security Agreement

As the company previously reported on a Current Report on Form 8-K filed with the SEC on February 16, 2007 and discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Indebtedness," the company entered into amendments to its revolving credit facility agreement and bond reimbursement agreement on February 12, 2007. The amendments also required the company, on or before March 16, 2007, to secure its obligations under the revolving credit facility agreement and under its outstanding notes, which have a principal amount of $24 million, with a lien on the company's accounts and inventory. On March 16, 2007, the company entered into an amendment of its revolving credit facility agreement, a security agreement and intercreditor and collateral agency agreement to satisfy those requirements.

Change in Control Severance Agreements

On April 2, 2007, the company entered into change in control severance agreements with Anthony J. Cavanna, the company's chief executive officer; Andrew U. Ferrari; the company's president and chief operating officer; Harold F. Monahan, the company's executive vice president and general manager; and Paul D. Fletcher, the company's senior vice president and chief financial officer (the "Covered Executives"); and certain other key employees of the company. The initial terms of the agreements continue through December 31, 2007, but will automatically extend for additional one-year terms unless the company provides six months' prior notice of its intent to terminate the agreements.

Pursuant to these agreements if, within the period beginning 90 days before and ending two years after a "change in control" of the company, a Covered Executive's employment is terminated by the company (other than a termination for cause or by reason of death or disability) or if the Covered Executive terminates his employment in certain circumstances defined in the agreement which constitute "Good Reason," the Covered Executive will receive:

- a lump sum severance payment of one and one-half times (two and one-half times for Mr. Cavanna) (a) the Covered Executive's annual base salary (in effect immediately prior to the change in control or termination, whichever is greater) and (b) the greater of (1) the Covered Executive's target annual cash bonus (for the year in which the change in control occurs or the year of the termination, whichever is greater) or (2) the Covered Executive's actual annual cash bonus for the last fiscal year immediately prior to termination of employment;
- continuation of group health and dental insurance, and group life insurance, on the same terms and conditions as though the Covered Executive had remained an active employee, for the longer of 18 months (30 months for Mr. Cavanna) or until coverage is obtained from a new employer; and
- accelerated vesting of all outstanding long-term incentive awards, including, but not limited to, stock options, stock appreciation rights, restricted shares, and performance shares (at the targeted payment level).

In addition, the agreement with Mr. Cavanna provides for a gross-up payment if he is subject to excise taxes on payments made under his agreement pursuant to Section 4999 of the Internal Revenue Code. The Covered Executives other than Mr. Cavanna are not provided with an excise tax gross-up. If payments made to one of the Covered Executives would cause him to become subject to an excise tax, the company will reduce his payment to the extent necessary to avoid the application of such excise tax, and the Covered Executive will have the option to elect which components of the severance payment are so reduced.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information responsive to this Item 10 is incorporated herein by reference to the company's definitive proxy statement for its 2007 annual meeting of stockholders.

Item 11. Executive Compensation

Information responsive to this Item 11 is incorporated herein by reference to the company's definitive proxy statement for its 2007 annual meeting of stockholders.

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

Information responsive to this Item 12 is incorporated herein by reference to the company's definitive proxy statement for its 2007 annual meeting of stockholders.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information responsive to this Item 13 is incorporated herein by reference to the company's definitive proxy statement for its 2007 annual meeting of stockholders.

Item 14. Principal Accountant Fees and Services

Information responsive to this Item 14 is incorporated herein by reference to the company's definitive proxy statement for its 2007 annual meeting of stockholders.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a)(1) The following consolidated financial statements of the company appear on pages F-2 through F-24 of this report and are incorporated by reference in Part II, Item 8:

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Consolidated Financial Statements	
Consolidated Balance Sheets as of December 31, 2005 and 2006	F-3
Consolidated Statements of Operations for the three years ended December 31, 2006	F-4
Consolidated Statements of Stockholders' Equity and Comprehensive Income for the three years ended December 31, 2006	F-5
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(a)(2) All schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions, or are inapplicable or not material and therefore have been omitted.

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

Exhibit Number	Exhibit Description
3.1	Restated Certificate of Incorporation of Trex Company, Inc. (the "Company"). Filed as Exhibit 3.1 to the Company's Registration Statement on Form S-1 (No. 333-63287) and incorporated herein by reference.
3.2	Amended and Restated By-Laws of the Company. Filed as Exhibit 99.2 to the Company's Current Report on Form 8-K filed February 27, 2007 and incorporated herein by reference.
4.1	Specimen certificate representing the Company's common stock. Filed as Exhibit 4.1 to the Company's Registration Statement on Form S-1 (No. 333-63287) and incorporated herein by reference.
10.1	Description of Non-Employee Director Compensation. Filed herewith.
10.2	Description of Management Compensatory Plans and Arrangements. Filed herewith.
10.3	Trex Company, Inc. 2005 Stock Incentive Plan. Filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2005 and incorporated herein by reference.
10.4	Trex Company, Inc. Amended and Restated 1999 Incentive Plan for Outside Directors, as amended. Filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2006 and incorporated herein by reference.
10.5	Form of Trex Company, Inc. 2005 Stock Incentive Plan Non-Incentive Stock Option Agreement. Filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2005 and incorporated herein by reference.

Exhibit Number	Exhibit Description
10.6	Form of Trex Company, Inc. 2005 Stock Incentive Plan Stock Appreciation Rights Agreement. Filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2005 and incorporated herein by reference.
10.7	Form of Trex Company, Inc. 2005 Stock Incentive Plan Performance Award Agreement. Filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2005 and incorporated herein by reference.
10.8	Form of Trex Company, Inc. 2005 Stock Incentive Plan Restricted Stock Agreement, as amended. Filed herewith.
10.9	Form of Trex Company, Inc. Amended and Restated 1999 Incentive Plan for Outside Directors Non-Incentive Stock Option Agreement for Directors. Filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2006 and incorporated herein by reference.
10.10	Form of Trex Company, Inc. Amended and Restated 1999 Incentive Plan for Outside Directors Stock Appreciation Rights Agreement. Filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2006 and incorporated herein by reference.
10.11	Form of Lock-Up Agreement, dated as of December 20, 2005. Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 21, 2005 and incorporated herein by reference.
10.12	Form of Distributor Agreement of TREX Company, LLC. Filed as Exhibit 10.5 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001 and incorporated herein by reference.
10.13	Deed of Lease, dated June 15, 2000, between TREX Company, LLC and Space, LLC. Filed as Exhibit 10.16 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000 and incorporated herein by reference.
10.14	Note Purchase Agreement, dated as of June 19, 2002, by and among the Company, TREX Company, LLC and the Purchasers listed therein. Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 25, 2002 and incorporated herein by reference.
10.15	Credit Agreement, dated as of June 19, 2002, among TREX Company, LLC, the Company and Branch Banking and Trust Company of Virginia. Filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed on June 25, 2002 (as amended by the Company's Current Report on Form 8-K/A filed on June 28, 2002) and incorporated herein by reference.
10.16	Security Agreement, dated as of March 16, 2007, by and among the Company and Branch Banking and Trust Company, as collateral agent. Filed herewith.
10.17	Intercreditor and Collateral Agency Agreement, dated as of March 16, 2007, by and among the Noteholders named in Schedule I therein, Branch Banking and Trust Company, and Branch Banking and Trust Company, as collateral agent. Filed herewith.
10.18	Credit Line Deed of Trust, dated June 19, 2002, by and among TREX Company, LLC, as grantor, BB&T-VA Collateral Service Corporation, as trustee, and Branch Banking and Trust Company of Virginia and Branch Banking and Trust Company, as note holder. Filed as Exhibit 10.5 to the Company's Current Report on Form 8-K filed on June 25, 2002 and incorporated herein by reference.
10.19	First Amendment to Credit Agreement, dated as of August 29, 2003, by and between the Company and Branch Banking and Trust Company of Virginia. Filed as Exhibit 10.21 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005 and incorporated herein by reference.

Exhibit Number	Exhibit Description
10.20	Second Amendment to Credit Agreement, dated as of September 30, 2004, among the Company and Branch Banking and Trust Company of Virginia. Filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2004 and incorporated herein by reference.
10.21	Third Amendment to Credit Agreement, dated as of March 31, 2005, by and between the Company and Branch Banking and Trust Company of Virginia. Filed as Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2005 and incorporated herein by reference.
10.22	Fourth Amendment to Credit Agreement, dated as of July 25, 2005, by and between the Company and Branch Banking and Trust Company of Virginia. Filed as Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2005 and incorporated herein by reference.
10.23	Fifth Amendment to Credit Agreement, dated as of December 31, 2005, among the Company and Branch Banking and Trust Company of Virginia. Filed as Exhibit 10.25 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005 and incorporated herein by reference.
10.24	Sixth Amendment to Credit Agreement, dated as of November 9, 2006, among the Company and Branch Banking and Trust Company of Virginia. Filed herewith.
10.25	Seventh Amendment to Credit Agreement, dated as of December 31, 2006, among the Company and Branch Banking and Trust Company of Virginia. Filed herewith.
10.26	Eighth Amendment to Credit Agreement, dated as of March 16, 2007, among the Company and Branch Banking and Trust Company of Virginia. Filed herewith.
10.27	Promissory Note (Revolving Note), dated as of December 31, 2006, in the principal amount of $100,000,000 from the Company payable to the order of Branch Banking and Trust Company of Virginia. Filed herewith.
10.28	Loan Agreement, dated as of December 1, 2004, between the Company and Mississippi Business Finance Corporation. Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 20, 2004 and incorporated herein by reference.
10.29	Promissory Note, dated as of December 16, 2004, in the principal amount of $25,000,000 from the Company payable to the order of Mississippi Business Finance Corporation. Filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed on December 20, 2004 and incorporated herein by reference.
10.30	Reimbursement and Credit Agreement, dated as of December 1, 2004, between the Company and JPMorgan Chase Bank, N.A., as Issuing Bank and Administrative Agent. Filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed on December 20, 2004 and incorporated herein by reference.
10.31	First Amendment to Reimbursement and Credit Agreement, dated as of July 25, 2005, by and between the Company and JPMorgan Chase Bank, N.A., as Issuing Bank and Administrative Agent. Filed as Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2005 and incorporated herein by reference.
10.32	Second Amendment to Reimbursement and Credit Agreement, dated as of December 31, 2005, by and between the Company and JPMorgan Chase Bank, N.A., as Issuing Bank and Administrative Agent. Filed as Exhibit 10.30 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005 and incorporated herein by reference.
10.33	Third Amendment to Reimbursement and Credit Agreement, dated as of November 21, 2006, by and between the Company and JPMorgan Chase Bank, N.A., as Issuing Bank and Administrative Agent. Filed herewith.

Exhibit Number	Exhibit Description
10.34	Fourth Amendment to Reimbursement and Credit Agreement, dated as of December 31, 2006, by and between the Company and JPMorgan Chase Bank, N.A., as Issuing Bank and Administrative Agent. Filed herewith.
10.35	Reimbursement Note, dated as of December 1, 2004, in the principal amount of $25,308,220 from the Company payable to JPMorgan Chase Bank, N.A. Filed as Exhibit 10.4 to the Company's Current Report on Form 8-K filed on December 20, 2004 and incorporated herein by reference.
10.36	Land Deed of Trust, dated as of December 1, 2004, made by the Company to the trustee named therein for the benefit of JPMorgan Chase Bank, N.A. Filed as Exhibit 10.5 to the Company's Current Report on Form 8-K filed on December 20, 2004 and incorporated herein by reference.
10.37	Trust Indenture, dated as of December 1, 2004, between Mississippi Business Finance Corporation and J.P. Morgan Trust Company, National Association, as Trustee, including Form of Variable Rate Series 2004 Bond and Form of Fixed Rate Series 2004 Bond. Filed as Exhibit 10.6 to the Company's Current Report on Form 8-K filed on December 20, 2004 and incorporated herein by reference.
10.38	Deed of Lease, dated as of July 27, 2005, between the Company and 1 Dulles Town Center, L.L.C. Filed as Exhibit 10.34 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005 and incorporated herein by reference.*
10.39	Form of Trex Company, Inc. Fencing Agreement for Installers/Retailers. Filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2006 and incorporated herein by reference.
21	Subsidiaries of the Company. Filed herewith.
23	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm. Filed herewith.
31.1	Certification of Chief Executive Officer of the Company pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934. Filed herewith.
31.2	Certification of Senior Vice President and Chief Financial Officer of the Company pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934. Filed herewith.
32	Certifications pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. § 1350. Filed herewith.

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

TREX COMPANY, INC.

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

Board of Directors and Shareholders of Trex Company, Inc.

We have audited the accompanying consolidated balance sheets of Trex Company, Inc. as of December 31, 2005 and 2006, and the related consolidated statements of operations, changes in stockholders' equity and comprehensive income, and cash flows for each of the three years in the period ended December 31, 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Trex Company, Inc. at December 31, 2005 and 2006, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2006, in conformity with U.S. generally accepted accounting principles.

As discussed in Notes 2 and 8 to the consolidated financial statements, in 2006, the Company adopted Statement of Financial Accounting Standards No. 123(R), *Share-Based Payment*.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Trex Company, Inc.'s internal control over financial reporting as of December 31, 2006, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated April 2, 2007 expressed an unqualified opinion on management's assessment and an adverse opinion on the effectiveness of the Company's internal control over financial reporting because of the existence of material weaknesses.

/s/ ERNST & YOUNG LLP

McLean, Virginia
April 2, 2007

TREX COMPANY, INC.

CONSOLIDATED BALANCE SHEETS

	December 31,	
	2005	2006
	(in thousands)	
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 1,395	$ 672
Accounts receivable (net of allowance for doubtful accounts of $0.6 million and $1.1 million in 2005 and 2006, respectively)	12,364	18,140
Inventories	56,931	111,434
Prepaid expenses and other assets	3,750	3,201
Income taxes receivable	8,200	6,480
Deferred income taxes	1,711	3,180
Total current assets	84,351	143,107
Property, plant and equipment, net	191,083	198,525
Goodwill	6,837	6,837
Debt-related derivatives	292	359
Other assets	3,151	3,489
Total Assets	$285,714	$352,317
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts Payable	$ 15,581	$ 40,248
Accrued expenses	15,608	20,053
Line of credit	4,070	44,132
Current portion of long-term debt	9,031	9,115
Total current liabilities	44,290	113,548
Deferred income taxes	15,158	17,217
Debt-related derivatives	1,053	747
Long-term debt	60,505	51,390
Total Liabilities	121,006	182,902
Commitments and contingencies		
Stockholders' Equity:		
Preferred stock, $0.01 par value, 3,000,000 shares authorized; none issued and outstanding	—	—
Common stock, $0.01 par value, 40,000,000 shares authorized; 14,889,674 and 14,913,889 shares issued and outstanding at December 31, 2005 and 2006, respectively	149	149
Additional paid-in capital	61,901	62,986
Deferred compensation	(1,076)	—
Accumulated other comprehensive loss	(481)	(278)
Retained earnings	104,215	106,558
Total Stockholders' equity	164,708	169,415
Total Liabilities and Stockholders' equity	$285,714	$352,317

See accompanying notes to financial statements.

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TREX COMPANY, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,		
	2004	2005	2006
	(In thousands, except share and per share data)		
Net sales	$ 253,628	$ 294,133	$ 336,956
Cost of sales	150,793	213,897	257,671
Gross profit	102,835	80,236	79,285
Selling, general, and administrative expenses	56,351	77,378	73,223
Income from operations	46,484	2,858	6,062
Interest expense, net	(3,064)	(2,626)	(3,011)
Income before provision for income taxes	43,420	232	3,051
Provision (benefit) for income taxes	15,933	(2,019)	708
Net income	$ 27,487	$ 2,251	$ 2,343
Basic earnings per common share	$ 1.88	$ 0.15	$ 0.16
Basic weighted average common shares outstanding	14,636,959	14,769,799	14,829,832
Diluted earnings per common share	$ 1.85	$ 0.15	$ 0.16
Diluted weighted average common shares outstanding	14,834,718	14,879,661	14,892,966

See accompanying notes to financial statements.

TREX COMPANY, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME

	Common Stock		Additional	Deferred	Accumulated Other	Retained	
	Shares	Amount	Paid-in Capital	Compensation	Comprehensive Loss	Earnings	Total
				(Dollars in thousands)			
Balance, December 31, 2003	14,702,231	$ 147	$ 55,889	$ (1,829)	$ (1,387)	$ 74,477	$127,297
Comprehensive income:							
Net income	—	—	—	—	—	27,487	27,487
Net unrealized losses on derivatives, net of tax	—	—	—	—	(199)	—	(199)
Net derivative losses reclassified to earnings, net of tax	—	—	—	—	488	—	488
Total comprehensive income							27,776
Employee stock purchase and option plans	141,589	1	3,290	—	—	—	3,291
Tax benefit of stock options	—	—	1,003	—	—	—	1,003
Amortization of deferred compensation	—	—	—	570	—	—	570
Balance, December 31, 2004	14,843,820	148	60,182	(1,259)	(1,098)	101,964	159,937
Comprehensive income:							
Net income	—	—	—	—	—	2,251	2,251
Net unrealized losses on derivatives, net of tax	—	—	—	—	(49)	—	(49)
Net derivative losses reclassified to earnings, net of tax	—	—	—	—	666	—	666
Total comprehensive income	—	—	—	—	—	—	2,868
Employee stock purchase and option plans	47,120	1	1,201	—	—	—	1,202
Tax benefit of stock options and restricted stock	—	—	419	—	—	—	419
Restricted stock awards (grants, net of forfeitures)	17,312	—	842	(842)	—	—	—
Repurchases of common stock	(18,578)	—	(743)	—	—	—	(743)
Amortization of deferred compensation	—	—	—	1,025	—	—	1,025
Balance, December 31, 2005	14,889,674	149	61,901	(1,076)	(481)	104,215	164,708
Comprehensive income:							
Net income	—	—	—	—	—	2,343	2,343
Net unrealized losses on derivatives, net of tax	—	—	—	—	(344)	—	(344)
Net derivative losses reclassified to earnings, net of tax	—	—	—	—	547	—	547
Total comprehensive income	—	—	—	—	—	—	2,546
Reclassification of deferred compensation upon adoption of SFAS 123R	—	—	(1,076)	1,076	—	—	—
Employee stock purchase and option plans	19,131	—	411	—	—	—	411
Tax benefit of stock options and restricted stock	—	—	51	—	—	—	51
Repurchases of common stock	(14,916)	—	(435)	—	—	—	(435)
Stock-based compensation	20,000		2,134				2,134
Balance, December 31, 2006	14,913,889	$ 149	$ 62,986	$ —	$ (278)	$ 106,558	$169,415

See accompanying notes to financial statements.

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TREX COMPANY, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2004	2005	2006
		(in thousands)	
Operating Activities			
Net income	$ 27,487	$ 2,251	$ 2,343
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	13,713	16,139	20,262
Deferred income taxes	1,651	(1,583)	466
Stock-based compensation	570	1,025	2,134
Tax benefit of stock options and restricted stock	1,003	419	—
Equity method losses (income)	42	7	(119)
Other non-cash expense (income)	375	2,124	(225)
Loss (gain) on disposal of property, plant and equipment	80	967	(1)
Changes in operating assets and liabilities:			
Accounts receivable	(16,135)	9,600	(5,776)
Inventories	1,593	(12,574)	(54,503)
Prepaid expenses and other assets	(2,263)	412	549
Accounts payable	10,298	(2,205)	24,667
Accrued expenses	7,160	2,600	4,445
Income taxes receivable	(309)	(7,948)	1,720
Net cash provided by (used in) operating activities	45,265	11,234	(4,038)
Investing Activities			
Investment in Denplax	(44)	(35)	(41)
Loans to Denplax	(1,250)	(422)	—
Restricted cash	(20,959)	20,959	—
Expenditures for property, plant and equipment	(34,066)	(49,876)	(27,702)
Net cash used in investing activities	(56,319)	(29,374)	(27,743)
Financing Activities			
Financing costs	(553)	—	—
Borrowing under mortgages and notes	25,000	—	—
Principal payments under mortgages and notes	(879)	(8,961)	(9,031)
Borrowings under line of credit	1,546	24,286	107,663
Principal payments under line of credit	(1,546)	(20,216)	(67,601)
Repurchases of common stock	—	(743)	(435)
Proceeds from employee stock purchase and option plans	3,291	1,202	411
Excess tax benefits from stock-based compensation	—	—	51
Net cash provided by (used in) financing activities	26,859	(4,432)	31,058
Net increase (decrease) in cash and cash equivalents	15,805	(22,572)	(723)
Cash and cash equivalents at beginning of year	8,162	23,967	1,395
Cash and cash equivalents at end of year	$ 23,967	$ 1,395	$ 672
Supplemental disclosures of cash flow information:			
Cash paid for interest, net of capitalized interest	$ 3,193	$ 2,387	$ 2,963
Cash paid (received) for income taxes, net	$ 13,074	$ 5,079	$ (961)

See accompanying notes to financial statements.

TREX COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BUSINESS AND ORGANIZATION

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

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

Use of Estimates

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

Cash and Cash Equivalents

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

Concentrations and Credit Risk

The Company’s financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents, trade accounts receivable and interest rate swap contracts. The Company from time to time may have bank deposits in excess of insurance limits of the Federal Deposit Insurance Corporation. As of December 31, 2006, substantially all deposits are maintained in one financial institution. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to its cash and cash equivalents.

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

In the years ended December 31, 2004, 2005 and 2006, sales from certain customers accounted for 10% or more of the Company’s total gross sales. For the year ended December 31, 2004, the Company’s three significant

customers accounted for 25%, 17% and 15%, respectively, of the Company's gross sales. For the year ended December 31, 2005, the Company's three significant customers represented 22%, 18% and 15%, respectively, of the Company's gross sales. For the year ended December 31, 2006, the Company's four significant customers represented 24%, 16%, 15% and 11% respectively, of the Company's gross sales. As of December 31, 2005, three customers represented 30%, 21% and 12%, respectively, of the Company's accounts receivable balance. As of December 31, 2006, four customers represented 17%, 15%, 13% and 12 % respectively, of the Company's accounts receivable balance.

Approximately 38%, 36% and 28% of the Company's raw materials purchases for the years ended December 31, 2004, 2005 and 2006, respectively, were purchased from its four largest suppliers.

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

Inventories

Inventories are stated at the lower of cost (last-in, first-out, or "LIFO" method) or market value.

Property, Plant and Equipment

Property, plant and equipment are stated at historical cost. The costs of additions and improvements are capitalized, while maintenance and repairs are expensed as incurred. Depreciation is provided using the straight-line method over the following estimated useful lives:

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

Leasehold improvements are amortized over the shorter of the lease term or the estimated useful life of the asset. If an asset is removed from service on a temporary basis, the recognition of depreciation expense is suspended for such period of time.

Goodwill

Goodwill represents the excess of cost over net assets acquired resulting from the Company's purchase of the Mobil Composite Products Division in 1996. Each year, in accordance with Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets," the Company conducts an impairment test. For the years ended December 31, 2005 and 2006, the Company completed its annual impairment test of goodwill and noted no impairment. The Company performs the annual impairment testing of its goodwill as of October 31st in each year.

Long-Lived Assets

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

Revenue Recognition

The Company recognizes revenue when title is transferred to customers, which is generally upon shipment of the product to the customer from the Company's manufacturing facilities. The Company does not grant contractual product return rights to its customers other than pursuant to its product warranty. Product returns have not been material and, consequently, the Company does not maintain an allowance for product returns. The Company warrants certain attributes of its products. The Company has recorded a provision for estimated warranty costs, which have not been material, in the period in which the sale is recorded.

Pursuant to Emerging Issues Task Force ("EITF") Issue 00-10, "Accounting for Shipping and Handling Fees and Costs," the Company records all shipping and handling fees in sales and records all of the related costs in cost of sales. The Company offers several programs to dealers and distributors, including cash rebates, sales incentives and cooperative advertising. The Company accounts for these programs in accordance with EITF Issue 01-09, "Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)." The Company classifies cash rebates and sales incentives as a reduction in revenue. Cash rebates are recorded in the period in which the related revenue is recognized. Sales incentives are accrued based upon estimates of the amounts that will be earned by customers. Cooperative advertising costs are classified in selling, general and administrative expenses and are accrued as the related advertising expenditures are incurred.

Stock-Based Compensation

In December 2004, the Financial Accounting Standards Board ("FASB") issued SFAS No. 123R, *Share-Based Payment* ("SFAS 123R"), a revision of SFAS No. 123, *Accounting for Stock-Based Compensation*, which superseded APB Opinion No. 25, *Accounting for Stock Issued to Employees* ("APB 25"). SFAS 123R addresses the accounting for share-based payment transactions in which a company receives employee services in exchange for equity instruments of the company or liabilities that are based on the fair value of the company's equity instruments or that may be settled by the issuance of such equity instruments. This statement requires that share-based transactions be accounted for using a fair-value-based method to recognize compensation expense, and that the benefits of tax deductions in excess of recognized compensation cost (excess tax benefits) be reported as a financing cash flow rather than as an operating cash flow. The Company adopted this standard on January 1, 2006 using the modified prospective method. Accordingly, results for prior periods have not been restated.

Prior to the adoption of SFAS 123R, the Company's employee stock-based compensation was accounted for in accordance with APB 25, under which no compensation expense had been recorded for stock options because the exercise price of employee stock options equaled the market price of the underlying stock on the date of grant. The following table illustrates the effect on the Company's net income and earnings per share as if the Company had applied the fair value recognition provisions of SFAS No. 123 to employee stock-based compensation during 2004 and 2005 (dollars in thousands, except per share data):

	Years Ended December 31,	
	2004	**2005**
Net income, as reported	$ 27,487	$ 2,251
Less: employee stock-based compensation related to stock options determined under fair value based method, net of related tax effects	(1,235)	(4,273)
Net income (loss), pro forma	$ 26,252	$ (2,022)
Basic earnings per share, as reported	$ 1.88	$ 0.15
Basic earnings (loss) per share, pro forma	$ 1.79	$ (0.14)
Diluted earnings per share, as reported	$ 1.85	$ 0.15
Diluted earnings (loss) per share, pro forma	$ 1.77	$ (0.14)

The fair value of each stock option is estimated on the date of grant using a Black Scholes option-pricing model. The weighted-average grant date fair value of options granted in the years ended December 31, 2004 and 2005 were $15.37 and $16.96, respectively. The following assumptions were used in calculating the pro forma stock-based compensation expense related to stock options:

	Years Ended December 31,	
	2004	2005
Dividend yield	0%	0%
Average risk-free interest rate	3.3%	4.0%
Expected term (years)	5	5
Volatility	40%	35%

In December 2005, the Compensation Committee of the Board of Directors approved the immediate and full acceleration of the vesting of each outstanding otherwise unvested stock option that had an exercise price greater than $25.92. The acceleration was effective as of December 19, 2005. The acceleration applied to stock option awards for 247,898 shares of common stock from 2002 through 2005. Because the accelerated options each had an exercise price in excess of the then current market value of the common stock based on the closing price of $25.92 per share reported on the New York Stock Exchange on December 19, 2005, the Company did not record any incremental compensation expense under APB 25. The acceleration will minimize the future compensation expense that the Company would otherwise have recognized in its consolidated statement of operations with respect to those options pursuant to SFAS No. 123R. Future expense related to options granted as of December 31, 2005 under SFAS 123R of approximately $2.6 million was eliminated as a result of the accelerated vesting.

Income Taxes

The Company accounts for income taxes and the related accounts under SFAS No. 109, “Accounting for Income Taxes.” Deferred tax liabilities and assets are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted rates expected to be in effect during the year in which the differences reverse. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion, or all, of the deferred tax asset will not be realized. Management periodically assesses the likelihood that the Company will be able to recover its deferred tax assets and reflects any changes in estimates in the valuation allowance.

Research and Development Costs

Research and development costs are expensed as incurred. For the years ended December 31, 2004, 2005 and 2006, research and development costs were $2.7 million, $3.6 million and $4.2 million, respectively, and have been included in selling, general and administrative expenses in the accompanying financial statements.

Advertising Costs

The Company expenses its branding and advertising communication costs as incurred. Significant advertising production costs are deferred and recognized as expense over the period that the related advertisement is used, beginning with the first publication or airing of the advertisement and ending with the earlier of the last publication or airing of the advertisement within a fiscal year or the end of the fiscal year. As of December 31, 2005, $0.1 million was included in prepaid expenses for production costs. As of December 31, 2006, $1.5 million was included in prepaid expenses and other assets for advertising production costs for advertisements that will be used in the year ending December 31, 2007.

For the years ended December 31, 2004, 2005 and 2006, branding expenses, including advertising expenses as described above, were $17.2 million, $24.9 million and $18.5 million, respectively.

Fair Value of Financial Instruments

The Company considers the recorded value of its financial assets and liabilities, consisting primarily of cash and cash equivalents, accounts receivable, accounts payable, accrued expenses and other current liabilities, real estate loans, and promissory note to approximate the fair value of the respective assets and liabilities at December 31, 2005 and 2006. The fair value of the Company's senior notes at December 31, 2006 was estimated at $24.3 million.

Derivative Instruments

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

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

The effective portion of the gain or loss on the derivative instrument is reported as a component of accumulated other comprehensive income (loss) and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. The remaining gain or loss on the derivative instrument in excess of the cumulative change in the present value of future cash flows of the hedged item, if any, is recognized in current earnings during the period of change. Such amounts recognized in current earnings have not been material. The Company estimates that of the $0.3 million included in accumulated other comprehensive loss at December 31, 2006, the amount to be reclassified into earnings over the next twelve months will not be material.

Reclassifications

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

Investment in Denplax

During 2000, the Company formed a joint venture, Denplax, with a Spanish environmental company and an Italian equipment manufacturer to operate a plant in Spain designed to recycle waste polyethylene. Denplax qualifies as a variable interest entity under FASB Interpretation No. 46, "Consolidation of Variable Interest Entities, an Interpretation of Accounting Research Bulletin No. 51" (the "Interpretation"). The Company adopted the Interpretation during the first quarter of 2004. The adoption of the Interpretation did not have a material impact on the Company's financial position or results of operations. Denplax was financed with initial equity contributions from the Company and the other partners and debt financing. The Company is not contingently liable for any of Denplax's obligations. The Company does not control Denplax and records its proportional 35% share of Denplax's operating results using the equity method. Under a separate supply agreement, the Company has agreed to purchase up to 27,200 metric tons of the Denplax plant's production per year, if the production meets certain material specifications. In the years ended December 31, 2004, 2005 and 2006, the Company purchased 14,424 metric tons for approximately $3.2 million, 13,275 metric tons for approximately $2.8 million, and approximately 16,552 metric tons for approximately $4.2 million, respectively, excluding freight costs. In each such year, the Company's purchases accounted for substantially all of the Denplax plant's production. During the years ended December 31, 2004, 2005 and 2006, the Company made additional investments in Denplax of approximately $44,000, $35,000 and $41,000, respectively. The carrying amount of the Company's investment in Denplax at December 31, 2006 was approximately $1.2 million. In addition the Company had outstanding loans due from Denplax totaling approximately $1.7 million and $1.8 million at December 31, 2005 and 2006, respectively.

New Accounting Standards

In November 2004, the FASB issued SFAS No. 151, *Inventory Costs, an Amendment of ARB No. 43, Chapter 4.* SFAS No. 151 amends Accounting Research Bulletin 43, Chapter 4, to clarify that abnormal amounts of idle facility expense, freight, handling costs and wasted materials (spoilage) should be recognized as current period charges. It also requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. SFAS No. 151 is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The adoption of SFAS No. 151 did not have a material impact on the Company's results of operations or financial position.

In June 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109* ("FIN 48"). This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. This interpretation is effective for fiscal years beginning after December 15, 2006, but earlier adoption is permitted. The Company is evaluating the effect that the adoption of FIN 48 will have on its results of operations or financial position.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 with earlier application encouraged. The Company is evaluating the effect that the adoption of SFAS No. 157 will have on its results of operations or financial position.

3. INVENTORIES

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

	2005	2006
Finished goods	$ 38,779	$ 83,224
Raw materials	18,152	28,210
	$ 56,931	$ 111,434

At December 31, 2005 and 2006, the excess of the replacement cost of inventory over the LIFO value of inventory was approximately $24.7 million and $26.1 million, respectively.

4. PROPERTY, PLANT AND EQUIPMENT

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

	2005	2006
Building and improvements	$ 49,104	$ 49,811
Machinery and equipment	165,530	183,540
Furniture and equipment	2,254	2,472
Forklifts and tractors	3,874	3,972
Computer equipment	7,859	9,346
Construction in process	24,473	31,263
Land	8,857	8,857
	261,951	289,261
Accumulated depreciation	(70,868)	(90,736)
	$191,083	$198,525

The Company had construction in process as of December 31, 2006 of approximately $31.3 million. The Company expects that the construction in process will be completed and put into service in the years ending December 31, 2007 and 2008.

Depreciation expense for the years ended December 31, 2004, 2005 and 2006 totaled $13.7 million, $16.1 million and $20.3 million, respectively.

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

5. ACCRUED EXPENSES

Accrued expenses consist of the following (in thousands):

	2005	2006
Accrued compensation and benefits	$ 4,552	$ 4,491
Accrued sales and marketing costs	4,181	4,242
Accrued customer relations costs	1,808	3,632
Accrued rent obligations	488	2,421
Accrued manufacturing expenses	1,854	2,394
Accrued freight	661	481
Accrued professional and legal costs	686	461
Accrued interest	349	624
Other	1,029	1,307
Total	$ 15,608	$ 20,053

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

6. DEBT

2002 Refinancing

On June 19, 2002, the Company refinanced indebtedness outstanding under a senior bank credit facility and various real estate loans. The Company refinanced this indebtedness with the proceeds from its sale of senior notes in the aggregate principal amount of $40.0 million and borrowings under new real estate loans. The senior notes accrue interest at an annual rate of 8.32%. Five principal payments of $8.0 million annually to retire the notes began in June 2005. In connection with the refinancing, the Company replaced its existing revolving credit facility with a $20.0 million revolving credit facility with a new lender.

The Company capitalized $1.4 million of financing costs relating to the foregoing refinancing. The deferred financing costs are amortized over the terms of the various debt instruments.

Real Estate Loans

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

In May 2000, the Company financed its purchase of a manufacturing facility through borrowings under its revolving credit facility. In August 2000, the Company refinanced the borrowings with a 15-year term loan in the original principal amount of $5.9 million. Pursuant to terms of the September 30, 2004 refinancing described below, the loan provides for monthly payments of principal and interest and will be payable in full on September 30, 2009. Under an interest rate swap agreement, interest on this loan is payable at an annual effective rate of 10.10% at December 31, 2006.

In September 1999, the Company refinanced two loans incurred in connection with the site acquisition and construction of a manufacturing facility with a 15-year term loan in the original principal amount of approximately $6.7 million. The loan provides for monthly payments of principal and interest over the 15-year amortization schedule. Under an interest rate swap agreement, interest on this loan is payable at an annual effective rate of 7.90% at December 31, 2006.

In 1998, the Company borrowed $4.8 million under two loans to fund, in part, the acquisition of the site for a manufacturing facility and the site of its research and development facility. The loans provided for monthly payments of principal and interest over a 15-year amortization schedule, with all remaining principal due on the tenth anniversary of the loan dates. Pursuant to terms of the September 30, 2004 refinancing described below, the loans will be payable in full on September 30, 2009. Under interest rate swap agreements, interest on these loans is payable at annual effective rates of 9.12% and 8.80%, respectively, at December 31, 2006.

2004 Refinancing

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

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

Promissory Note

On December 16, 2004, the Company borrowed, under a variable rate promissory note, $25.0 million of the proceeds from the sale of variable rate demand environmental improvement revenue bonds issued by the Mississippi Business Finance Corporation, a Mississippi public corporation. The bonds restricted the Company’s use of the proceeds to financing all or a portion of the costs of the acquisition, construction and equipping of solid waste disposal facilities to be used in connection with the Company’s new manufacturing facility, which is located in Olive Branch, Mississippi. The bonds are special, limited obligations of the issuer and, unless sooner paid pursuant to redemption or other specified principal payment event, will mature on December 1, 2029. Under its loan agreement with the bond issuer, the Company is obligated to make payments sufficient to pay the principal of, premium, if any, and interest on the bonds when due. The Company’s obligation to make these payments will be satisfied to the extent of payments made to the trustee of the bonds under a $25.3 million letter of credit opened for the Company’s account. The Company is obligated under a reimbursement agreement to reimburse the letter of credit bank for drawings made under the letter of credit and to make other specified payments. Interest on the bonds will initially be paid each month at a variable rate established on a weekly basis. The variable rate on the bonds was 4.00% on December 31, 2006. The interest rate is based on auction rates and is reset every seven days. The reimbursement agreement contains certain financial and non-financial covenants.

The Company's obligations under the reimbursement agreement are secured by a first priority security interest in specified assets relating to the third manufacturing site and facility.

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

Amendments to Debt Agreements

On January 19, 2006, the Company entered into amendments to the Company's bond reimbursement agreement and credit facility agreement. Among other things, the amendments, which were effective as of December 31, 2005, increased the principal amount of the revolving credit commitment under the credit facility agreement for the period from January 1, 2006 through June 30, 2006 from $20.0 million to $30.0 million and increased by 1.0% the maximum interest rate margins potentially applicable to revolving loans and real estate loans under the agreement.

On November 9, 2006, the Company entered into amendments to the Company's bond reimbursement agreement and credit facility agreement. Among other things, the amendments increased the principal amount of the revolving credit commitment under the credit facility agreement for the period from January 1, 2006 through June 30, 2006 from $20.0 million to $70.0 million. The amendments also included adjusted financial covenants under both agreements at December 31, 2006 and at March 31, 2007.

On February 12, 2007, the Company entered into amendments to the Company's bond reimbursement agreement and credit facility agreement. Among other things, the amendments, which were effective as of December 31, 2006, increased the principal amount of the revolving credit commitment under the credit facility agreement for the period through June 30, 2007 from $70.0 million to $100.0 million. The amendments also included adjusted financial covenants under both agreements at December 31, 2006 and at March 31, 2007. The amendments also required the Company to secure its obligations under the revolving credit facility agreement and under its outstanding notes with a lien on the Company's accounts and inventory. On March 16, 2007, the Company entered into an amendment to its revolving credit facility agreement, a security agreement and intercreditor and collateral agency agreement to satisfy those requirements.

Amounts drawn under the revolving credit facility are subject to a borrowing base consisting of accounts receivable and finished goods inventories. At December 31, 2006, $44.1 million was outstanding under the revolving credit facility and the borrowing base totaled approximately $50.7 million. As of December 31, 2006, the Company had issued letters of credit under the revolving credit facility that totaled $0.3 million and expire in 2007.

To remain in compliance with its credit facility, senior notes and bond loan document covenants, the Company must maintain specified financial ratios based on its levels of debt, capital, net worth, fixed charges and earnings (excluding extraordinary gains and extraordinary non-cash losses) before interest, taxes, depreciation and amortization. At December 31, 2006, after giving effect to the foregoing amendments, the Company was in compliance with these covenants. The foregoing debt agreements also contain cross-default provisions.

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

	2005	2006
Real estate loan, due September 30, 2009	$ 2,416	$ 2,171
Real estate loan, due September 30, 2009	681	616
Real estate loan, due September 30, 2009	4,593	4,269
Real estate loan, due September 30, 2014	4,846	4,449
Senior notes	32,000	24,000
Promissory note	25,000	25,000
	69,536	60,505
Less current portion	(9,031)	(9,115)
Long-term debt	$60,505	$51,390

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

Years ending December 31,	
2007	$ 9,115
2008	9,254
2009	14,091
2010	549
2011	595
Thereafter	26,901
	$ 60,505

During the years ended December 31, 2004, 2005 and 2006, the Company capitalized approximately $1.3 million, $2.2 million and $1.8 million of interest, respectively.

Interest Rate Swaps

The Company uses interest rate swap contracts to manage its exposure to fluctuations in the interest rates under its real estate loans and variable rate promissory note. At December 31, 2006, the Company had limited its interest rate exposure at an annual effective rate of approximately 9.0% on the principal amount of real estate loans, which totaled approximating $11.5 million. The agreements effectively entitle the Company to receive from (pay to) the bank the amount, if any, by which the Company's interest payments on its $2.2 million, $0.6 million, $4.4 million and $4.3 million LIBOR-based floating-rate real estate loans exceed (fall below) 9.12%, 8.80%, 7.90% and 10.10%, respectively, based on the credit spread in effect at December 31, 2006. In January 2005, the Company entered into interest rate swap agreements that limited its interest rate exposure at an annual effective rate of 3.12% for seven years on $10.0 million principal amount of its $25.0 million variable rate promissory note and at an annual effective rate of 2.95% for five years on an additional $10.0 million principal amount of such note. Payments received (made) as a result of the agreements are recognized as a reduction of (increase to) interest expense on the variable rate debt. The Company has evaluated and documented these interest rate swap agreements as cash flow hedges of variable rate debt, in which any changes in fair values of the derivatives are recorded in other comprehensive income, net of taxes. Any hedge ineffectiveness is reported in current earnings. Such amounts have not been material. The Company did not incur a premium or other fee for its interest rate swap agreements.

7. STOCKHOLDERS' EQUITY

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

	Year Ended December 31,		
	2004	2005	2006
Numerator:			
Net income	$ 27,487	$ 2,251	$ 2,343
Denominator:			
Basic weighted average shares outstanding	14,636,959	14,769,799	14,829,832
Effect of dilutive securities:			
Stock options	108,828	50,532	21,529
Restricted stock	88,931	59,330	41,605
Diluted weighted average shares outstanding	14,834,718	14,879,661	14,892,966
Basic earnings per share	$ 1.88	$ 0.15	$ 0.16
Diluted earnings per share	$ 1.85	$ 0.15	$ 0.16

8. STOCK-BASED COMPENSATION

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

On April 21, 2005, the Company adopted the 2005 Stock Incentive Plan (the "2005 Plan"). The 2005 Plan superseded the 1999 Plan and authorizes, among other awards, the granting of options, restricted stock, restricted stock units, stock appreciation rights ("SARs") and unrestricted stock. The aggregate number of shares of stock available for issuance under the 2005 Plan is 2,150,000 shares. The exercise price per share of each option, and the grant price of each SAR, granted under the 2005 Plan may not be less than 100% of the fair market value of the common stock on the grant date. The Compensation Committee of the Board of Directors determines the terms of awards under the 2005 Plan. At December 31, 2006, 594,766 shares of common stock were reserved for issuance under the 2005 Plan in connection with future awards.

Stock Options and Stock Appreciation Rights

The 2005 Plan authorizes the grant of stock options and SARs. Stock options are granted with an exercise price and SARs are granted with a grant price equal to the closing market price of the Company's common stock on the date of grant. These awards have ten-year contractual terms and vest based on the terms of the individual awards. The options are generally forfeitable upon termination of an option holder's service as an employee or director. The Company recognizes compensation cost on a straight-line basis over the vesting period for the award.

As a result of its adoption of SFAS 123R, the Company recognized share-based compensation expense for stock options and SARs of approximately $1.1 million for the year ended December 31, 2006. This expense was included in "Selling, general and administrative expenses" in the accompanying consolidated statements of operations. As stock-based compensation expense recognized in the consolidated statements of operations for the year ended December 31, 2006 is based on awards ultimately expected to vest, such expense has been reduced for estimated forfeitures as required by SFAS 123R. The Company's income before income taxes and net income for the year ended December 31, 2006 were $1.1 million and $0.7 million, respectively, lower than if the Company had continued to account for stock options and SARs under APB 25. Basic and diluted earnings per share for the year ended December 31, 2006 decreased $0.05 and $0.05 per share, respectively, as a result of the adoption of SFAS 123R. As of December 31, 2006, there was $1.6 million of unrecognized compensation cost related to stock options and SARs expected to be recognized over a weighted-average period of approximately 2.1 years. The total fair value of stock options vested during the years ended December 31, 2004, 2005 and 2006 was $3.3 million, $6.8 million and $0.3 million, respectively. In the year ended December 31, 2006, the Company also reflected $0.1 million of excess tax benefits as a financing cash flow in the accompanying consolidated statements of cash flows.

The fair value of each stock option award and SAR is estimated on the date of grant using a Black-Scholes option-pricing model. For stock options and SARs issued in the year ended December 31, 2006, the assumptions shown in the following table were used:

	Year Ended December 31, 2006
Dividend yield	0%
Average risk-free interest rate	4.4-5.1%
Expected term (years)	5
Volatility	40-41%

Expected Volatility. Volatility is a measure of the amount by which a financial variable such as a share price has fluctuated (historical volatility) or is expected to fluctuate (expected volatility) during a period. The Company has used the historical volatility over the average expected term of the options granted as the expected volatility.

Risk-Free Interest Rate. This is the U.S. Treasury rate having a term that most closely resembles the expected term of the option.

Expected Term. The expected term is the period of time that the options granted are expected to remain unexercised. Options granted during 2006 had a maximum term of ten years. The Company used historical exercise behavior with further consideration given to the class of employees to whom the equity awards were granted to estimate the expected term of the option.

The forfeiture rate is the estimated percentage of equity awards granted that are expected to be forfeited or canceled before becoming fully vested. The Company estimates forfeitures based on historical experience with further consideration given to the class of employees to whom the equity awards were granted.

The weighted-average grant date fair value of stock options and SARs granted during the year ended December 31, 2006 was $10.28.

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

	Options	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Life	Aggregate Instrinsic Value as of December 31, 2006
Outstanding at December 31, 2005	718,762	$ 34.98		
Granted	679	$ 28.80		
Exercised	(1,374)	$ 19.19		
Canceled	(130,661)	$ 34.15		
Outstanding at December 31, 2006	587,406	$ 35.19	6.4	$ 363,267
Vested and expected to vest at December 31, 2006	587,406	$ 35.19	6.4	$ 363,267
Exercisable at December 31, 2006	586,727	$ 35.20	6.4	$ 363,267

At December 31, 2006, the price range of options outstanding was as follows:

	Options Outstanding	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (Years)	Options Exercisable	Weighted-Average Exercise Price
$ 0.00 - 19.99	32,730	$ 17.30	4.4	32,730	$ 17.30
20.00 - 29.99	178,015	$ 24.10	4.8	177,336	$ 24.08
30.00 - 39.99	192,921	$ 36.75	6.5	192,921	$ 36.75
40.00 and over	183,740	$ 47.51	8.1	183,740	$ 47.51
	587,406	$ 35.19	6.4	586,727	$ 35.20

SAR activity under the 2005 Plan is as follows:

	SARs	Weighted-Average Grant Price Per Share
Outstanding at December 31, 2005	—	$ —
Granted	300,360	$ 24.21
Outstanding at December 31, 2006	300,360	$ 24.21
Vested and expected to vest at December 31, 2006	243,760	$ 23.42
Exercisable at December 31, 2006	14,625	$ 24.67

Performance Share Awards

In the years ended December 31, 2005 and December 31, 2006, the Company granted performance share awards (“PSAs”) to certain of the Company’s officers and other employees under the 2005 Plan. The PSAs consist of a right to receive shares of the Company’s common stock if the Company meets specified performance criteria over a three-year performance period.

If specified performance objectives are satisfied for the three-year performance periods ending in the years ending on December 31, 2007 and 2008, the estimated number of shares to be earned is 42,623 and 85,431, respectively, although a maximum number of 63,935 and 128,147 shares, respectively, may be earned depending on the extent to which such performance objectives are satisfied. Prior to January 1, 2006, PSAs were accounted for under APB 25 by charging a portion of compensation expense during each accounting period based on the probable number of shares to be issued. Beginning January 1, 2006, all PSAs are accounted for in accordance with the provisions of SFAS 123R. The fair value of the PSAs is determined based on the closing price of the Company’s shares on the date of grant. In the year ended December 31, 2005, 57,037 PSAs were granted at $46.71 per share. In the year ended December 31, 2006, 101,830 PSAs were granted from $24.17 to $28.84 per share. No compensation expense was recognized related to PSAs during the years ended December 31, 2005 and December 31, 2006. At December 31, 2006, there was approximately $3.8 million of total unrecognized compensation expense related to PSAs. As of December 31, 2006, no expense has been recognized regarding such PSAs as the performance objectives are not probable of achievement at such date.

Performance share awards activity under the 2005 Plan is as follows:

	Performance Share Awards	Weighted-Average Grant Price Per Share
Nonvested at December 31, 2005	33,874	$ 46.71
Granted	101,830	$ 24.51
Forfeited	(11,000)	$ 26.53
Nonvested at December 31, 2006	124,704	$ 30.36

Restricted Stock

The fair value of the restricted stock is determined based on the closing price of the Company’s shares on the grant date. Shares of restricted stock vest based on the terms of the awards. In the years ended December 31, 2002, 2005 and 2006, 120,000, 18,944 and 20,000 restricted shares were granted at $23.77, $46.15 and $26.65 per share, respectively. In the years ended December 31, 2004, 2005 and 2006, $1.0 million, $0.9 million and $0.6 million of compensation expense, respectively, was recognized related to restricted stock awards. At December 31, 2006, there was $0.6 million of total compensation expense related to unvested restricted stock remaining to be recognized over a weighted-average period of approximately 2.6 years. Compensation expense related to restricted stock is included in “Selling, general and administrative expenses” in the accompanying consolidated statements of operations.

Restricted stock activity under the 2005 Plan is as follows:

	Restricted Stock	Weighted-Average Grant Price Per Share
Nonvested at December 31, 2005	90,948	$ 26.46
Granted	20,000	$ 26.65
Vested	(44,427)	$ 26.00
Forfeited	(210)	$ 46.15
Nonvested at December 31, 2006	66,311	$ 26.77

Employee Stock Purchase Plan

The Company has an employee stock purchase plan ("ESPP") that permits eligible employees to purchase shares of common stock of the Company at a purchase price which is the lesser of 85% of the market price on the first day of the calendar quarter or 85% of the market price on the last day of the calendar quarter. Eligible employees may elect to participate in the plan by authorizing payroll deductions from 1% to 15% of gross compensation for each payroll period. On the last day of each quarter, each participant's contribution account is used to purchase the maximum number of whole shares of common stock determined by dividing the contribution account's balance by the purchase price. The aggregate number of shares of common stock that may be purchased under the plan is 300,000. Through December 31, 2006, employees had purchased approximately 81,496 shares under the plan. In the year ended December 31, 2006, compensation expense of $0.1 million was recognized related to the discount on ESPP purchases. Compensation expense related to ESPP purchases is included in "Selling, general and administrative expenses" in the accompanying consolidated statements of operations.

9. LEASES

The Company leases office space (also see Note 12), storage warehouses and certain office and plant equipment under various operating leases. Minimum annual payments under these non-cancelable leases as of December 31, 2006 were as follows (in thousands):

Year ending December 31,	
2007	$ 7,020
2008	6,056
2009	5,144
2010	5,004
2011	4,138
Thereafter	21,962
	$ 49,324

For the years ended December 31, 2004, 2005 and 2006, the Company recognized rental expenses of approximately $5.8 million, $8.3 million and $13.7 million, respectively.

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10. EMPLOYEE BENEFIT PLANS

The Company has a 401(k) Profit Sharing Plan and a Money Purchase Pension Plan for the benefit of all employees who meet certain eligibility requirements. These plans cover substantially all of the Company's full- time employees. The plan documents provide for the Company to make defined contributions as well as matching and other discretionary contributions, as determined by the Board of Directors. The Company's contributions totaled $0.3 million, $0.3 million and $0.4 million for the years ended December 31, 2004, 2005 and 2006, respectively, for the 401(k) Profit Sharing Plan and $0.8 million, $1.0 million and $1.3 million for the years ended December 31, 2004, 2005 and 2006, respectively, for the Money Purchase Pension Plan.

11. INCOME TAXES

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

	Year Ended December 31,		
	2004	2005	2006
Federal income taxes (benefit)			
Current	$13,411	$ 634	$ —
Deferred	1,493	(263)	803
State income taxes (benefit)			
Current	871	(1,070)	242
Deferred	158	(1,320)	(337)
Total provision (benefit)	$15,933	$(2,019)	$ 708

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

	Year Ended December 31,		
	2004	2005	2006
U.S. federal statutory taxes	$15,197	$ 81	$ 1,037
State and local taxes, net of U.S. federal benefit	659	(709)	80
State tax credits	—	(2,571)	(1,129)
Research and development credits	—	(204)	(201)
Non-deductible expenses	77	108	94
Increase in valuation allowance	—	1,354	875
Other	—	(78)	(48)
	$15,933	$(2,019)	$ 708

Deferred tax assets and liabilities as of December 31, 2005 and 2006 consist of the following (in thousands):

	As of December 31,	
	2005	2006
Deferred tax assets:		
Inventories	$ 2,100	$ 2,677
Stock-based compensation	500	864
Accruals not currently deductible and other	1,511	2,346
State tax credit carryforwards	2,571	3,700
Valuation allowance	(1,354)	(2,229)
	$ 5,328	$ 7,358
Deferred tax liabilities:		
Depreciation and other	$(18,775)	$(21,395)
Net deferred tax liability	$(13,447)	$(14,037)

The valuation allowance as of December 31, 2006 of $2.2 million is primarily attributable to the uncertainty related to the realizability of certain state tax credit carryforwards. Such state tax credits totaled $3.7 million at December 31, 2006 and begin expiring in the year ending December 31, 2008. The Company has considered all available evidence, including its historical levels of taxable income, the future reversal of existing taxable temporary differences, estimated future taxable income for each applicable state, and the expiration period of tax credit carryforwards, in determining the need for a valuation allowance. Based upon this analysis, management determined that it is more likely than not that certain state tax credit carryfowards will expire unused and, accordingly, recorded a valuation allowance for such credit carryforwards.

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

12. COMMITMENTS AND CONTINGENCIES

Legal Matters

Commencing on July 8, 2005, two lawsuits, both of which sought certification as a class action, were filed in the United States District Court for the Western District of Virginia naming as defendants the Company, Robert G. Matheny, a director and the former Chairman and Chief Executive Officer of the Company, and Paul D. Fletcher, Senior Vice President and Chief Financial Officer of the Company. Following agreement by the plaintiffs and the defendants that the two lawsuits should be consolidated, the plaintiffs filed a consolidated class action complaint. The complaints principally alleged that the Company, Mr. Matheny and Mr. Fletcher violated Sections 10(b) and 20(a) of and Rule 10b-5 under the Securities Exchange Act of 1934 by, among other things, making false and misleading public statements concerning the Company's operating and financial results and expectations. The complaints also alleged that certain directors of the Company sold shares of the Company's common stock at artificially inflated prices. The plaintiffs sought unspecified compensatory damages. The Company believed that the lawsuits were without merit and vigorously defended against them. On February 28, 2006, the Company filed a motion to have the Consolidated Class Action Complaint dismissed with prejudice for failure to state a claim. On October 6, 2006, the District Court granted the Company's Motion to Dismiss the claim. On November 2, 2006, the plaintiffs filed a Notice of Appeal with the Fourth Circuit Court of Appeals. On January 3, 2007, the plaintiffs filed an Agreement of Voluntary Dismissal of their Appeal. Two separate derivative lawsuits were filed in the United States District Court for the Western District of Virginia naming as defendants Mr. Matheny, Mr. Fletcher, and each of the directors of the Company. The filed complaints were based upon the same factual allegations as the complaints in the class action lawsuits, and alleged that the directors and Mr. Fletcher breached their fiduciary duties by permitting the Company to issue false and misleading public statements concerning the Company's operating and financial results, and also alleged that directors of the Company sold shares of the Company's common stock at artificially inflated prices. On December 22, 2005, the two derivative actions were consolidated. On February 19, 2007, the plaintiffs signed a Stipulation of Dismissal dismissing the derivative lawsuits, and on March 26, 2007, the court issued the Order of Dismissal.

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

January 25, 2006, the District Court issued a judgment dismissing plaintiff's case against the Company. The plaintiff filed a petition for writ of certiorari in the United States Supreme Court on January 30, 2006, and a notice of appeal of the District Court's judgment to the United States Court of Appeals for the Federal Circuit on February 22, 2006. On April 3, 2006, the United States Supreme Court denied the plaintiff's writ of certiorari. On October 4, 2006, the Court of Appeals affirmed the District Court's judgment dismissing plaintiff's action against the Company.

On October 16, 2006, Ron Nystrom commenced another lawsuit against the Company, and included Home Depot, Inc. and Snavely Forest Products, Inc. as defendants as well. Mr. Nystrom alleges that the Company's Accents product and other new products introduced subsequent to the commencement of the first action infringe his patent. The Company believes that this claim is without merit, and is barred by the judgment in the preceding action.

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

Purchase Commitments

The Company fulfills requirements for raw materials under both purchase orders and supply contracts. In the year ended December 31, 2006, the Company purchased approximately 30% of its waste wood fiber requirements and approximately 68% of its PE material requirements under purchase orders, which do not involve long-term supply commitments. The Company is also party to supply contracts that require it to purchase waste wood fiber and PE material for terms that range from one to eight years. The prices under these contracts are generally reset annually. The waste wood fiber and PE material supply contracts have not had a material adverse effect on the Company's business.

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

During the years ended December 31, 2004, 2005 and 2006, the amounts that the Company has been obligated to purchase under waste wood and PE material supply contracts generally have been less than the amounts of these materials needed for production. During the year ended December 31, 2006, the Company's total commitments for waste wood for one of its facilities exceeded its requirements. The Company sold the excess material to third parties at a loss which was not material. To meet all of its production requirements, the Company obtained additional PE material and waste wood fiber materials under purchase orders.

Lease Contingency

In anticipation of relocating the Company's corporate headquarters, the Company entered into a lease agreement in July 2005. The Company reconsidered and decided not to move its headquarters. The Company began paying rents under the lease on January 1, 2006. As of December 31, 2006, minimum payments remaining under the lease over the fiscal years ending December 31, 2007, 2008, 2009, 2010 and 2011 are $1.1 million, $1.5 million, $1.6 million, $1.6 million and $1.6 million, respectively, and $18.7 million thereafter. The Company is currently negotiating a sublease agreement for a portion of the office space, and is currently attempting to sublet the remaining office space. Based on current market conditions, the Company estimates that the present value of the estimated future sublease rentals, net of transaction costs, will be less than the Company's remaining minimum lease payment obligations under its lease for the office space. Accordingly,

pursuant to FASB Statement No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*, the Company recorded a charge of $0.7 million in "Selling, general and administrative expenses" in the quarter ended December 31, 2006. The charge reflected a reduction in estimated future sublease income from previous estimates as a result of a change in the Company's assumptions regarding both the commencement dates and rental rates of anticipated subleases. The Company paid $0.7 million in lease payments and recognized $2.5 million of total expense related to the lease in the year ended December 31, 2006 and has a $1.8 million liability recorded at December 31, 2006. The change in the Company's estimate related to the assumptions regarding anticipated sublease income accounted for $0.9 million of the expense in the year ended December 31, 2006.

The Company's assumptions in estimating future sublease income included consideration of vacancy rates, rental rates and the timing of future sublease income. Vacancy rates in the area where the property is located have remained consistent at approximately 10% during 2006, while rental rates have increased marginally. Management believes that the rental rate on the Company's proposed sublease agreement is an indicator of current market rates in the area. However, the anticipated delivery of a significant amount of new office space in the area over the next 18 months may have a negative effect on vacancy and rental rates. The inability to sublet the remaining office space or unfavorable changes to key management assumptions used in the estimate of the future sublease income may result in additional charges in future periods.

13. RELATED PARTY TRANSACTIONS

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

14. SUBSEQUENT EVENTS

On March 22, 2007, the Company and ExxonMobil Corporation ("Exxon Mobil") settled a lawsuit, with ExxonMobil agreeing to reimburse the Company for a portion of its attorneys fees incurred in connection with the Nystrom litigation described in Note 12, and a lawsuit against ExxonMobil. Pursuant to the settlement agreement, the amount of the settlement due the Company is $3.25 million, which must be paid within 30 days of the date of the settlement agreement. The Company had previously expensed the attorneys fees as incurred. As of December 31, 2006, the Company had not recorded any amounts related to this settlement and the settlement amount will be recognized in the Company's statement of operations in 2007. In addition, pursuant to the settlement agreement, ExxonMobil has also agreed to bear a certain portion of the cost of defense of the second Nystrom lawsuit described in Note 12.

15. INTERIM FINANCIAL DATA (Unaudited)

	Three Months Ended							
	March 31, 2005	June 30 2005	September 30 2005	December 31 2005	March 31, 2006	June 30 2006	September 30 2006	December 31 2006
	(In thousands, except per share data)							
Net sales	89,904	82,865	77,371	43,993	105,297	121,454	78,098	32,107
Gross profit (loss)	33,521	23,413	24,438	(1,136)	25,175	35,764	22,982	(4,636)
Net income (loss)	8,618	(581)	5,083	(10,869)	4,065	7,490	4,579	(13,791)
Basic net income (loss) per share	$ 0.58	$ (0.04)	$ 0.34	$ (0.73)	$ 0.27	$ 0.50	$ 0.31	$ (0.93)
Diluted net income (loss) per share	$ 0.58	$ (0.04)	$ 0.34	$ (0.73)	$ 0.27	$ 0.50	$ 0.31	$ (0.93)

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

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EXHIBIT INDEX

Exhibit Number	Exhibit Description
3.1	Restated Certificate of Incorporation of Trex Company, Inc. (the “Company”). Filed as Exhibit 3.1 to the Company’s Registration Statement on Form S-1 (No. 333-63287) and incorporated herein by reference.
3.2	Amended and Restated By-Laws of the Company. Filed as Exhibit 99.2 to the Company’s Current Report on Form 8-K filed February 27, 2007 and incorporated herein by reference.
4.1	Specimen certificate representing the Company’s common stock. Filed as Exhibit 4.1 to the Company’s Registration Statement on Form S-1 (No. 333-63287) and incorporated herein by reference.
10.1	Description of Non-Employee Director Compensation. Filed herewith.
10.2	Description of Management Compensatory Plans and Arrangements. Filed herewith.
10.3	Trex Company, Inc. 2005 Stock Incentive Plan. Filed as Exhibit 10.1 to the Company’s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2005 and incorporated herein by reference.
10.4	Trex Company, Inc. Amended and Restated 1999 Incentive Plan for Outside Directors, as amended. Filed as Exhibit 10.1 to the Company’s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2006 and incorporated herein by reference.
10.5	Form of Trex Company, Inc. 2005 Stock Incentive Plan Non-Incentive Stock Option Agreement. Filed as Exhibit 10.1 to the Company’s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2005 and incorporated herein by reference.
10.6	Form of Trex Company, Inc. 2005 Stock Incentive Plan Stock Appreciation Rights Agreement. Filed as Exhibit 10.2 to the Company’s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2005 and incorporated herein by reference.
10.7	Form of Trex Company, Inc. 2005 Stock Incentive Plan Performance Award Agreement. Filed as Exhibit 10.3 to the Company’s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2005 and incorporated herein by reference.
10.8	Form of Trex Company, Inc. 2005 Stock Incentive Plan Restricted Stock Agreement, as amended. Filed herewith.
10.9	Form of Trex Company, Inc. Amended and Restated 1999 Incentive Plan for Outside Directors Non-Incentive Stock Option Agreement for Directors. Filed as Exhibit 10.2 to the Company’s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2006 and incorporated herein by reference.
10.10	Form of Trex Company, Inc. Amended and Restated 1999 Incentive Plan for Outside Directors Stock Appreciation Rights Agreement. Filed as Exhibit 10.3 to the Company’s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2006 and incorporated herein by reference.
10.11	Form of Lock-Up Agreement, dated as of December 20, 2005. Filed as Exhibit 10.1 to the Company’s Current Report on Form 8-K filed on December 21, 2005 and incorporated herein by reference.

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Exhibit Number	Exhibit Description
10.12	Form of Distributor Agreement of TREX Company, LLC. Filed as Exhibit 10.5 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001 and incorporated herein by reference.
10.13	Deed of Lease, dated June 15, 2000, between TREX Company, LLC and Space, LLC. Filed as Exhibit 10.16 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000 and incorporated herein by reference.
10.14	Note Purchase Agreement, dated as of June 19, 2002, by and among the Company, TREX Company, LLC and the Purchasers listed therein. Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 25, 2002 and incorporated herein by reference.
10.15	Credit Agreement, dated as of June 19, 2002, among TREX Company, LLC, the Company and Branch Banking and Trust Company of Virginia. Filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed on June 25, 2002 (as amended by the Company's Current Report on Form 8-K/A filed on June 28, 2002) and incorporated herein by reference.
10.16	Security Agreement, dated as of March 16, 2007, by and among the Company and Branch Banking and Trust Company, as collateral agent. Filed herewith.
10.17	Intercreditor and Collateral Agency Agreement, dated as of March 16, 2007, by and among the Noteholders named in Schedule I therein, Branch Banking and Trust Company, and Branch Banking and Trust Company, as collateral agent. Filed herewith.
10.18	Credit Line Deed of Trust, dated June 19, 2002, by and among TREX Company, LLC, as grantor, BB&T-VA Collateral Service Corporation, as trustee, and Branch Banking and Trust Company of Virginia and Branch Banking and Trust Company, as note holder. Filed as Exhibit 10.5 to the Company's Current Report on Form 8-K filed on June 25, 2002 and incorporated herein by reference.
10.19	First Amendment to Credit Agreement, dated as of August 29, 2003, by and between the Company and Branch Banking and Trust Company of Virginia. Filed as Exhibit 10.21 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005 and incorporated herein by reference.
10.20	Second Amendment to Credit Agreement, dated as of September 30, 2004, among the Company and Branch Banking and Trust Company of Virginia. Filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2004 and incorporated herein by reference.
10.21	Third Amendment to Credit Agreement, dated as of March 31, 2005, by and between the Company and Branch Banking and Trust Company of Virginia. Filed as Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2005 and incorporated herein by reference.
10.22	Fourth Amendment to Credit Agreement, dated as of July 25, 2005, by and between the Company and Branch Banking and Trust Company of Virginia. Filed as Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2005 and incorporated herein by reference.
10.23	Fifth Amendment to Credit Agreement, dated as of December 31, 2005, among the Company and Branch Banking and Trust Company of Virginia. Filed as Exhibit 10.25 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005 and incorporated herein by reference.
10.24	Sixth Amendment to Credit Agreement, dated as of November 9, 2006, among the Company and Branch Banking and Trust Company of Virginia. Filed herewith.
10.25	Seventh Amendment to Credit Agreement, dated as of December 31, 2006, among the Company and Branch Banking and Trust Company of Virginia. Filed herewith.

Exhibit Number	Exhibit Description
10.26	Eighth Amendment to Credit Agreement, dated as of March 16, 2007, among the Company and Branch Banking and Trust Company of Virginia. Filed herewith.
10.27	Promissory Note (Revolving Note), dated as of December 31, 2006, in the principal amount of $100,000,000 from the Company payable to the order of Branch Banking and Trust Company of Virginia. Filed herewith.
10.28	Loan Agreement, dated as of December 1, 2004, between the Company and Mississippi Business Finance Corporation. Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 20, 2004 and incorporated herein by reference.
10.29	Promissory Note, dated as of December 16, 2004, in the principal amount of $25,000,000 from the Company payable to the order of Mississippi Business Finance Corporation. Filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed on December 20, 2004 and incorporated herein by reference.
10.30	Reimbursement and Credit Agreement, dated as of December 1, 2004, between the Company and JPMorgan Chase Bank, N.A., as Issuing Bank and Administrative Agent. Filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed on December 20, 2004 and incorporated herein by reference.
10.31	First Amendment to Reimbursement and Credit Agreement, dated as of July 25, 2005, by and between the Company and JPMorgan Chase Bank, N.A., as Issuing Bank and Administrative Agent. Filed as Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2005 and incorporated herein by reference.
10.32	Second Amendment to Reimbursement and Credit Agreement, dated as of December 31, 2005, by and between the Company and JPMorgan Chase Bank, N.A., as Issuing Bank and Administrative Agent. Filed as Exhibit 10.30 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005 and incorporated herein by reference.
10.33	Third Amendment to Reimbursement and Credit Agreement, dated as of November 21, 2006, by and between the Company and JPMorgan Chase Bank, N.A., as Issuing Bank and Administrative Agent. Filed herewith.
10.34	Fourth Amendment to Reimbursement and Credit Agreement, dated as of December 31, 2006, by and between the Company and JPMorgan Chase Bank, N.A., as Issuing Bank and Administrative Agent. Filed herewith.
10.35	Reimbursement Note, dated as of December 1, 2004, in the principal amount of $25,308,220 from the Company payable to JPMorgan Chase Bank, N.A. Filed as Exhibit 10.4 to the Company's Current Report on Form 8-K filed on December 20, 2004 and incorporated herein by reference.
10.36	Land Deed of Trust, dated as of December 1, 2004, made by the Company to the trustee named therein for the benefit of JPMorgan Chase Bank, N.A. Filed as Exhibit 10.5 to the Company's Current Report on Form 8-K filed on December 20, 2004 and incorporated herein by reference.
10.37	Trust Indenture, dated as of December 1, 2004, between Mississippi Business Finance Corporation and J.P. Morgan Trust Company, National Association, as Trustee, including Form of Variable Rate Series 2004 Bond and Form of Fixed Rate Series 2004 Bond. Filed as Exhibit 10.6 to the Company's Current Report on Form 8-K filed on December 20, 2004 and incorporated herein by reference.
10.38	Deed of Lease, dated as of July 27, 2005, between the Company and 1 Dulles Town Center, L.L.C. Filed as Exhibit 10.34 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005 and incorporated herein by reference.*
10.39	Form of Trex Company, Inc. Fencing Agreement for Installers/Retailers. Filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2006 and incorporated herein by reference.

Exhibit Number	Exhibit Description
21	Subsidiaries of the Company. Filed herewith.
23	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm. Filed herewith.
31.1	Certification of Chief Executive Officer of the Company pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934. Filed herewith.
31.2	Certification of Senior Vice President and Chief Financial Officer of the Company pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934. Filed herewith.
32	Certifications pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. § 1350. Filed herewith.

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

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SIGNATURES

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

Trex Company, Inc.

Date: April 2, 2007

By: /S/ PAUL D. FLETCHER

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed as of April 2, 2007 by the following persons on behalf of the registrant and in the capacities indicated.

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

Exhibit 10.1

Trex Company, Inc.

Description of Non-Employee Director Compensation

Non-employee directors of Trex Company receive cash and stock-based compensation under the Trex Company, Inc. Amended and Restated 1999 Incentive Plan for Outside Directors, which is referred to herein as the "Outside Director Plan." The Outside Director Plan is administered by the nominating/corporate governance committee. All stock-based grants awarded as compensation to non-employee directors are issued under the Trex Company, Inc. 2005 Stock Incentive Plan, which (together with Trex Company's predecessor stock incentive plan amended and restated by the current plan) is referred to herein as the "Stock Incentive Plan." Unless and until the board of directors determines otherwise, stock-based grants under the Outside Director Plan will be made in the form of stock-settled stock appreciation rights, or "SARs."

Upon initial appointment to the board of directors, non-employee directors will receive awards of SARs valued at $28,800 (based on the Black-Scholes valuation model of Trex Company shares). For service on the board of directors, each non-employee director receives an annual retainer of $24,000, a $1,000 meeting fee for each in-person meeting attended, a $500 fee for each telephonic meeting and an annual award of SARs valued at $28,800 (based on the Black-Scholes valuation model of Trex Company shares). Each member of the audit committee (other than the chairman) receives an annual committee retainer of $6,500, each member of the compensation committee (other than the chairman) receives an annual committee retainer of $4,000, and each member of the nominating/corporate governance committee (other than the chairman) receives an annual committee retainer of $3,500. The chairman of the audit committee receives an annual committee fee of $12,500, and the chairmen of the compensation and the nominating/corporate governance committees receive an annual committee fee of $7,500. Each committee member on any of the committees, including the chairman of the committee, receives a $1,000 meeting fee for a special meeting not held in conjunction with a scheduled board of directors meeting, and a $500 fee for each telephonic meeting not held in conjunction with a telephonic board of directors meeting.

The $24,000 annual director fee and the annual committee fees are paid in the form of cash or grants of SARs (based on the Black-Scholes valuation model of Trex Company shares), or a combination of these forms of consideration, based on the percentages of the forms of consideration elected by the serving director, in four equal quarterly installments in arrears on the first business day following each quarter of the fiscal year in which the eligible director completes board or committee service. The annual grants of SARs are made on the date of the first regularly scheduled board of directors meeting after June 30 of each year. All grants of SARs vest immediately upon grant and have a term of ten years. All fees described above paid in arrears were prorated for any partial periods served.

Trex Company does not provide pensions, medical benefits or other benefit programs to directors.

Exhibit 10.2

Trex Company, Inc.

Description of Management Compensatory Plans and Arrangements

Components of Executive Compensation

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

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

Base Salary. Base salaries are the only non-variable element of Trex Company's total compensation. They reflect each executive officer's responsibilities, the impact of each executive officer's position, and the contributions each executive officer delivers to Trex Company. Salaries are determined by competitive levels in the market, based on Trex Company's peer group and the results of executive compensation surveys, for executives with comparable responsibilities and job scope, as well as Trex Company's internal equity considerations. Each year, at its February meeting, the compensation committee reviews and establishes the base salaries of Trex Company's executive officers. Salary increases, if any, are based on individual performance, market conditions and company performance. To gauge market conditions, the compensation committee evaluates the peer and market data compiled by its consultant. Base salaries are set upon review of the peer and market data provided to the compensation committee upon consideration of the executive officer's experience, tenure, performance and potential.

Annual Cash Bonuses. Trex Company pays annual cash bonuses to its Chief Executive Officer, other executive officers, and other key employees based upon the achievement of Trex Company's planned earnings per share objective, or "EPS," for the fiscal year, which is approved by the board of directors in the first quarter of the year, and individual performance. The weight of each measure differs with the officer's grade level. Individual performance targets for the Chief Executive Officer and Chief Operating Officer are developed by the compensation committee of the board of directors in February of the applicable year, and individual performance targets for the other executive officers are recommended by the Chief Executive Officer at the beginning of the applicable year.

For each fiscal year, each participant in the plan is assigned a "target bonus," which is expressed as a percentage of the participant's annual base salary. The actual amount of cash bonuses paid to a participant is determined by multiplying their target bonus by a performance percentage, which is calculated based on the extent to which the performance objective is achieved. The compensation committee has the discretion to award a bonus that exceeds the otherwise applicable maximum bonus determined as provided above. Bonus payments are conditional upon the participant's continued employment by Trex Company through the date of grant, and are pro rated for employees who have served for less than a full year.

Long-Term Incentive Compensation. Trex Company maintains a long-term executive incentive compensation plan for the benefit of its Chief Executive Officer, other executive officers, and other key

employees. Awards under the plan are in the form of equity-based awards under the Stock Incentive Plan and are made by the compensation committee. The total target long-term incentive award for each participant in the plan is expressed as a percentage of the participant's base salary. The compensation committee retains discretion to adjust the target percentage award based upon each person's current performance and anticipated future contributions to Trex Company's results, as well as the amount and terms of equity-based awards previously granted by Trex Company to such person.

Personal Benefits and Perquisites. Trex Company maintains a limited number of benefit programs available solely to Trex Company's executive officers. The personal benefits are considered to constitute a part of Trex Company's overall program and are presented in this light as part of the total compensation package approved by the compensation committee at the time of an executive officer's hiring or promotion, as part of the compensation committee's review of each executive officer's annual total compensation, and in compensation discussions with executive officers.

Other Compensatory Plans

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

Exhibit 10.8

TREX COMPANY, INC.
2005 STOCK INCENTIVE PLAN

RESTRICTED STOCK AGREEMENT

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

Grant Date: ______________

Name of Grantee: ______________

Number of Shares of Stock Covered by Grant: __________

Purchase Price per Share of Stock: $.01

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

Grantee: ____
(Signature)

Company:

Anthony J. Cavanna
Chairman and Chief Executive Officer

Attachments:

Restricted Stock Agreement

2005 Stock Incentive Plan and Prospectus

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

TREX COMPANY, INC.
2005 STOCK INCENTIVE PLAN

RESTRICTED STOCK AGREEMENT

Restricted Stock/ Nontransferability	This grant is an award of Stock in the number of shares set forth on the cover sheet, at the purchase price set forth on the cover sheet, and subject to the vesting conditions described below (the "Restricted Stock"). To the extent not yet vested, your Restricted Stock may not be transferred, assigned, pledged or hypothecated, whether by operation of law or otherwise, nor may the Restricted Stock be made subject to execution, attachment or similar process.
Issuance and Vesting	The Company will issue your Restricted Stock in your name as of the Grant Date. Your right to the Stock under this Restricted Stock grant will vest as to _____________ of the total number of shares covered by this grant, as shown on the cover sheet, on _________________________________; provided, that, you continue to provide services to the Company or a Subsidiary as an employee or a Service Provider ("Services") on each such vesting date. The resulting aggregate number of vested shares of Stock will be rounded to the nearest whole number, and you may not vest in more than the number of shares covered by this grant. No additional shares of Stock will vest after you have ceased to provide Services for any reason. Upon the vesting of the shares of Restricted Stock hereunder, the Company will issue you a share certificate for such shares, free of the legend set forth on page 5 hereof. The Purchase Price for the Restricted Stock shall be deemed to be paid at that time by your services to the Company. Notwithstanding any provision in this Agreement to the contrary, if you should incur an Involuntary Termination within a one year period following a Change in Control, the Restricted Stock shall become 100% vested at the time of your termination. "Change in Control" means the dissolution or liquidation of the Company or a merger, consolidation, or reorganization of the Company with one or more other entities in which the Company is not the surviving entity, (ii) a sale of substantially all of the assets of the Company to another person or entity, or (iii) any transaction (including without limitation a merger or reorganization in

which the Company is the surviving entity) which results in any person or entity (other than persons who are shareholders or Affiliates immediately prior to the transaction) owning 50% or more of the combined voting power of all classes of stock of the Company. “Involuntary Termination” means a termination of employment by the Company for a reason other than Cause or by you if the Company takes any action which results in a diminution in any material respect with your position (including status, offices, titles and reporting requirements), compensation, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by you.

Service Termination

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

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

Escrow

The certificates for the Restricted Stock shall be deposited in escrow with the Secretary of the Company to be held in accordance with the provisions of this paragraph. In the alternative, the Company may use the book-entry method of share recordation to indicate your share ownership and the restrictions imposed by this Agreement. If share certificates are issued, each deposited certificate shall be accompanied by a duly executed Assignment Separate from Certificate in the form attached hereto as Exhibit A. The deposited certificates shall remain in escrow until such time or times as the certificates are to be released or otherwise surrendered for cancellation as discussed below. Upon delivery of the certificates to the Company, you shall be issued an instrument of deposit acknowledging the number of shares of Stock delivered in escrow to the Secretary of the Company.

All regular cash dividends on the Stock (or other securities at the time held in escrow) shall be paid directly to you and shall not be held in escrow. However, in the event of any stock dividend, stock split,

recapitalization or other change affecting the Stock as a class effected without receipt of consideration, or in the event of a stock split, a stock dividend or a similar change in the Stock, any new, substituted or additional securities or other property which is by reason of such transaction distributed with respect to the Stock shall be immediately delivered to the Secretary of the Company to be held in escrow hereunder, but only to the extent the Stock is at the time subject to the escrow requirements hereof.

As your interest in the shares vests as described above, the certificates for such vested shares shall be released from escrow and delivered to you, at your request.

Withholding Taxes

You agree, as a condition of this grant, that you will make acceptable arrangements to pay any withholding or other taxes that may be due as a result of the vesting of Stock acquired under this grant. In the event that the Company determines that any federal, state, local or foreign tax or withholding payment is required relating to the vesting of shares arising from this grant, the Company shall have the right to require such payments from you, withhold shares that would otherwise have been issued to you under this Agreement or withhold such amounts from other payments due to you from the Company or any Affiliate.

Section 83(b) Election

Under Section 83 of the Internal Revenue Code of 1986, as amended (the "Code"), the difference between the purchase price paid for the shares of Stock and their fair market value on the date any forfeiture restrictions applicable to such shares lapse will be reportable as ordinary income at that time. You may elect to be taxed at the time the shares are acquired rather than when such shares cease to be subject to such forfeiture restrictions by filing an election under Section 83(b) of the Code with the Internal Revenue Service within thirty (30) days after the Grant Date. You will have to make a tax payment to the extent the purchase price is less than the fair market value of the shares on the Grant Date. No tax payment will have to be made to the extent the purchase price is at least equal to the fair market value of the shares on the Grant Date. The form for making this election is attached as Exhibit B hereto. Failure to make this filing within the thirty (30) day period will result in the recognition of ordinary income by you (in the event the fair market value of the shares increases after the date of purchase) as the forfeiture restrictions lapse.

YOU ACKNOWLEDGE THAT IT IS YOUR SOLE RESPONSIBILITY, AND NOT THE COMPANY'S, TO FILE A TIMELY ELECTION UNDER SECTION 83(b), EVEN IF YOU

	REQUEST THE COMPANY OR ITS REPRESENTATIVES TO MAKE THIS FILING ON YOUR BEHALF. YOU ARE RELYING SOLELY ON YOUR OWN ADVISORS WITH RESPECT TO THE DECISION AS TO WHETHER OR NOT TO FILE ANY 83(b) ELECTION.
Retention Rights	This Agreement does not give you the right to be retained by the Company in any capacity. The Company reserves the right to terminate your service with the Company at any time and for any reason.
Shareholder Rights	You shall have the right to vote the Restricted Stock and, subject to the provisions of this Agreement, to receive any dividends declared or paid on such stock. Any distributions you receive as a result of any stock split, stock dividend, combination of shares or other similar transaction shall be deemed to be a part of the Restricted Stock and subject to the same conditions and restrictions applicable thereto. The Company may in its sole discretion require any dividends paid on the Restricted Stock to be reinvested in shares of Stock, which the Company may in its sole discretion deem to be a part of the shares of Restricted Stock and subject to the same conditions and restrictions applicable thereto. Except as described in the Plan, no adjustments are made for dividends or other rights if the applicable record date occurs before your stock certificate is issued.
Adjustments	In the event of a stock split, a stock dividend or a similar change in the Stock, the number of shares covered by this grant may be adjusted (and rounded down to the nearest whole number) pursuant to the Plan. Your Restricted Stock shall be subject to the terms of the agreement of merger, liquidation or reorganization in the event the Company is subject to such corporate activity.
Legends	All certificates representing the Stock issued in connection with this grant shall, where applicable, and if issued prior to vesting, have endorsed thereon the following legend: "THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AND OPTIONS TO PURCHASE SUCH SHARES SET FORTH IN AN AGREEMENT BETWEEN THE COMPANY AND THE REGISTERED HOLDER, OR THE HOLDER'S PREDECESSOR IN INTEREST. A COPY OF SUCH AGREEMENT IS ON FILE AT THE

PRINCIPAL OFFICE OF THE COMPANY AND WILL BE FURNISHED UPON WRITTEN REQUEST TO THE SECRETARY OF THE COMPANY BY THE HOLDER OF RECORD OF THE SHARES REPRESENTED BY THIS CERTIFICATE."

Applicable Law	This Agreement will be interpreted and enforced under the laws of the State of Delaware, other than any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Agreement to the substantive law of another jurisdiction.
The Plan	The text of the Plan is incorporated in this Agreement by reference. ***Certain capitalized terms used in this Agreement are defined in the Plan, and have the meaning set forth in the Plan.***
	This Agreement and the Plan constitute the entire understanding between you and the Company regarding this grant of Restricted Stock. Any prior agreements, commitments or negotiations concerning this grant are superseded.
Consent to Electronic Delivery	The Company may choose to deliver certain statutory materials relating to the Plan in electronic form. By accepting this grant you agree that the Company may deliver the Plan prospectus and the Company's annual report to you in an electronic format. If at any time you would prefer to receive paper copies of these documents, as you are entitled to receive, the Company would be pleased to provide copies. Please contact the Director of Human Resources to request paper copies of these documents.

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

EXHIBIT A

ASSIGNMENT SEPARATE FROM CERTIFICATE

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

Dated: _____________, 200__

____
Print Name

____
Signature

Spouse Consent (if applicable)

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

____
Signature

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

EXHIBIT B

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

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

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

   Name: ____

   Address: ____

   ____

   Social Security No. : ______________________________________

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

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

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

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

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

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

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

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

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

Dated: _______________, 2006

____
Taxpayer's Signature

____
Taxpayer's Printed Name

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

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

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

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

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

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

Exhibit 10.16

SECURITY AGREEMENT

THIS SECURITY AGREEMENT is dated as of this 16th day of March, 2007, by and between **TREX COMPANY, INC.**, a Delaware corporation (the “Debtor”), and **BRANCH BANKING AND TRUST COMPANY**, a North Carolina banking corporation as successor by merger to Branch Banking and Trust Company of Virginia (the “Collateral Agent”), as collateral agent for the benefit of the Secured Parties (as defined in the Intercreditor Agreement (as hereinafter defined)).

The Debtor, TREX Company, LLC, a Delaware limited liability company (“Trex LLC”) and Branch Banking and Trust Company, a North Carolina banking corporation (“BB&T”), are parties to a Credit Agreement dated as of June 19, 2002, as amended (as currently amended and as from time to time hereafter amended, restated, supplemented or otherwise modified, the “Credit Agreement”), pursuant to which BB&T has made a $100,000,000 revolving credit facility (the “Revolving Credit Facility”) and term loans in the principal amount of $8,418,780.30 (the “Term Loans”) available to the Debtor. The Debtor, Trex LLC and the Noteholders (as defined and identified in the hereinafter defined Note Agreement) are parties to a Note Purchase Agreement dated as of June 19, 2002, as amended (as currently amended and as from time to time hereinafter amended, restated, supplemented or otherwise modified, the “Note Agreement”), pursuant to which the Debtor and Trex LLC sold Senior Secured Notes (as defined in the Note Agreement) in the aggregate principal amount of $40,000,000 to the Noteholders. Effective December 31, 2002, Trex LLC merged with and into the Debtor, with the Debtor being the surviving entity.

The Debtor and the Collateral Agent entered into a Security Agreement dated as of June 19, 2002 (the “Original Security Agreement”) under and pursuant to the terms and provisions of the Credit Agreement and the Note Agreement. Under the Security Agreement, the Debtor granted a security interest in various collateral described therein to the Collateral Agent for the benefit of the Secured Parties (as defined in the Original Security Agreement). In compliance with the terms and provisions of the Credit Agreement and Section 22 of the Note Agreement, on November 1, 2004, BB&T and the Noteholders agreed to release the security interests granted under the Original Security Agreement and such security interests were released.

BB&T has now required the Debtor to regrant certain of the security interests created under and pursuant to the Original Security Agreement. Pursuant to Section 22 of the Note Agreement, the Noteholders have also required the Debtor to regrant certain of the security interests created under and pursuant to the Original Security Agreement. In connection with the regrant of such security interests, the Collateral Agent has entered into an Intercreditor and Collateral Agency Agreement dated of even date herewith by and among the Collateral Agent and certain Secured Parties identified and defined therein (as from time to time amended, restated, supplemented or otherwise modified, the “Intercreditor Agreement”).

Accordingly, for and in consideration of good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Debtor and the Collateral Agent hereby agree as follows:

SECTION 1 – DEFINITIONS

The following terms shall have the following respective meanings:

“Accounts” means all of the Debtor’s now owned or hereafter acquired or arising “accounts,” as defined in the UCC, including any rights to payment for the sale or lease of Goods or rendition of services, whether or not they have been earned by performance.

"Chattel Paper" means all of the Debtor's now owned or hereafter acquired "chattel paper," as defined in the UCC, including electronic chattel paper.

"Collateral" has the meaning set forth in Section 2.

"Collection Account" has the meaning set forth in Section 6.3.

"Dispute" has the meaning set forth in Section 10.4.

"Documents" means all "documents," as defined in the UCC, including bills of lading, warehouse receipts or other documents of title, now owned or hereafter acquired by Debtor.

"Event of Default" and "Default" have the respective meanings assigned thereto in the Intercreditor Agreement.

"Goods" means all "goods," as defined in the UCC, now owned or hereafter acquired by the Debtor, wherever located.

"Intercreditor Agreement" has the meaning set forth in the introductory paragraphs of this Agreement.

"Inventory" means all of the Debtor's now owned or hereafter acquired "inventory," as defined in the UCC, including all Goods, wherever located, to be furnished under any contract of service or held for sale or lease, all raw materials, work-in-process, finished goods, and other materials of any kind, nature or description which are used or consumed in the Debtor's business.

"Lease" has the meaning set forth in Section 4.4 hereof.

"Obligations" has the meaning set forth in Section 3.

"Permitted Liens" means "Permitted Liens" under the Credit Agreement and the Liens permitted under Section 10.3 of the Note Agreement.

"Proprietary Rights" means all of the Debtor's now owned or hereafter arising or acquired: licenses, franchises, permits, patents, patent rights, copyrights, works which are the subject matter of copyrights, trademarks, service marks, trade names, trade styles, patent, trademark and service mark applications, and all licenses and rights related to any of the foregoing, and all other rights under any of the foregoing, all extensions, renewals, reissues, divisions, continuations, and continuations-in-part of any of the foregoing, and all rights to sue for past, present and future infringement of any of the foregoing.

"Secured Party" and "Secured Parties" have the meanings assigned thereto in the Intercreditor Agreement.

"Secured Obligations" has the meaning assigned thereto in the Intercreditor Agreement.

"Supporting Obligations" means all supporting obligations as such term is defined in the UCC.

"UCC" means the Uniform Commercial Code, as in effect from time to time, of the Commonwealth of Virginia or of any other state the laws of which are required as a result thereof to be applied in connection with the issue of perfection of security interests.

"Uniform Commercial Code jurisdiction" means any jurisdiction that has adopted "Revised Article 9" of the UCC on or after July 1, 2001.

All other capitalized terms used but not otherwise defined herein have the meanings given to them in the Credit Agreement. All other undefined terms contained in this Security Agreement, unless the context indicates otherwise, have the meanings provided for by the UCC to the extent the same are used or defined therein.

SECTION 2 – GRANT OF SECURITY INTEREST

The Debtor hereby grants to the Collateral Agent for the ratable benefit of the Secured Parties a continuing security interest in, lien on, assignment of and right of set-off against, all of the following property and assets of the Debtor, whether now owned or hereafter acquired or arising, regardless of where located:

(i) all Accounts;

(ii) all Inventory;

(iii) all Chattel Paper to the extent that such Chattel Paper constitutes proceeds of any of the Accounts or Inventory;

(iv) all Documents to the extent such Documents constitute proceeds of any of the Accounts or Inventory;

(v) all Supporting Obligations to the extent such Supporting Obligations constitute proceeds of any of the Accounts;

(vi) the Collection Account;

(vii) all books and records related to or referring to any of the foregoing, including books, records, account ledgers, data processing records, and computer software; and

(viii) all proceeds of any of the foregoing, including, but not limited to, proceeds of any insurance policies (whether or not such policy shall contain an endorsement in favor of the Collateral Agent or any Secured Party), claims against third parties, and condemnation or requisition payments with respect to all or any of the foregoing.

All of the foregoing is herein collectively referred to as the "Collateral."

SECTION 3 – OBLIGATIONS SECURED

The security interests granted to the Collateral Agent herein for the ratable benefit of the Secured Parties shall secure: (a) the payment and performance of the Secured Obligations; and (b) all reasonable costs and expenses, including, without limitation, reasonable attorneys' fees incurred by the Collateral Agent or the Secured Parties, or any of them, for taxes and/or insurance relating to, or maintenance or preservation of, the Collateral or any part thereof or incurred by the Collateral Agent or any of the Secured Parties, or any of them, arising from or in connection with the modification, workout, collection or enforcement of any of Secured Obligations, including, without limitation, any such collection or enforcement of the Obligations by any action or participation in, or in connection with a case or proceeding under, Chapter 7 or Chapter 11 of the U.S. Bankruptcy Code or any successor statute (collectively, the "Obligations").

SECTION 4 – REPRESENTATIONS

The Debtor represents and warrants to the Collateral Agent and to each of the Secured Parties (which representations and warranties will survive the execution of the Revolving Note, the making of the Revolving Loans and the purchase of the Notes by the purchasers identified in the Note Agreement) that:

4.1 Ownership of Collateral. The Debtor now owns or will become the owner of the Collateral in which it has granted the Collateral Agent a security interest hereunder and has the unrestricted right to grant the Collateral Agent a security interest therein.

4.2 Location of Records. The chief executive office of the Debtor and the principal office where the Debtor maintains its books and records relating to the Collateral is located at the address listed next to the Debtor's name on Schedule 4.2 attached hereto and by this reference incorporated herein. The Debtor will not change the location of its chief executive office or the location of the principal office in which it maintains its books and records without giving the Collateral Agent and each of the Secured Parties at least thirty (30) days' prior written notice and, unless prior to such change, the Debtor shall have taken all action reasonably necessary or desirable or that the Collateral Agent may reasonably request, to preserve, perfect, confirm and protect in the manner and to the extent provided for in this Security Agreement the security interests granted hereby.

4.3 Accounts. (a) Each existing Account represents, and each future Account will represent, a bona fide sale and delivery of Inventory by the Debtor, or rendition of services by the Debtor, in the ordinary course of the Debtor's business; (b) each existing Account is, and each future Account will be, for a liquidated amount payable by the Account Debtor thereon on the terms set forth in the invoice therefor, without any offset, deduction, defense, or counterclaim except those known to the Debtor and disclosed to the Collateral Agent pursuant to this Security

Agreement; (c) no payment will be received with respect to any Account, and no credit, discount, or extension, or agreement therefor will be granted on any Account, except as reported to the Collateral Agent in Borrowing Base Certificates delivered in accordance with the Credit Agreement; and (d) all Inventory described in any invoice representing a sale of Goods will have been delivered to the Account Debtor and all services of the Debtor described in each invoice will have been performed.

4.4 Inventory. As of the date hereof, the Inventory is maintained at the locations specified on Schedule 4.4 attached hereto and by this reference incorporated herein. Except for Inventory (i) in transit to manufacturing plants or warehouses owned or leased by the Debtor or to customers in the ordinary course of business, and (ii) finished goods Inventory consigned to either Home Depot U.S.A., Inc., a Delaware corporation ("The Home Depot"), or Lowe's Companies, Inc., a North Carolina corporation ("Lowe's"), the Debtor does not store and will not store any Inventory on any real property which is not owned by the Debtor in fee simple or subject to a lease of real property under which the Debtor is the lessee (each such lease, a "Lease"). The Debtor will not permit any Inventory having an aggregate value of $500,000 or greater to be maintained or stored in any location other than those listed on Schedule 4.4 without giving the Collateral Agent at least thirty (30) days' prior written notice and, unless prior to such change, the Debtor shall have taken all action reasonably necessary or desirable or that the Collateral Agent may reasonably request, to preserve, perfect, confirm and protect in the manner and to the extent provided for in this Security Agreement the security interests granted hereby. Without limiting the foregoing, the Debtor represents that all of its finished goods Inventory (other than finished goods Inventory in transit) is, and covenants that all of its finished goods Inventory will be, located (a) on premises owned by the Debtor in fee simple, (b) on premises leased by the Debtor, provided that the Collateral Agent has received an executed landlord waiver from the landlord of such premises in form and substance satisfactory to the Collateral Agent if the Inventory located thereon on or after May 16, 2007 has an aggregate value of $500,000 or greater, (c) in a warehouse or with a bailee, provided that the Collateral Agent has received an executed bailee letter from the applicable Person in form and substance satisfactory to the Collateral Agent if the Inventory located thereon on or after May 16, 2007 has an aggregate value of $500,000 or greater, (d) in The Home Depot distribution centers pursuant to a written consignment agreement between the Debtor and The Home Depot, provided that the Collateral Agent shall have received an executed consignee agreement from The Home Depot in form and substance satisfactory to the Collateral Agent if the Inventory located therein has an aggregate value of $1,000,000 or greater, or (e) in Lowe's distribution centers pursuant to a written consignment agreement between the Debtor and Lowe's, provided that the Collateral Agent shall have received an executed consignee agreement from Lowe's in form and substance satisfactory to the Collateral Agent if the Inventory located therein has an aggregate value of $1,000,000 or greater. Notwithstanding the foregoing, the failure of the Collateral Agent to have received an executed landlord lien waiver referred to in clause (b) of this Section 4.4 for a particular location, an executed bailee letter referred to in clause (c) of this Section 4.4 for a particular warehouse or an executed bailee letter referred to in clause (c) of this Section 4.4 from a particular bailee shall not be a default hereunder (or a Default or an Event of Default); instead, none of the Inventory located at such leased location, in such warehouse or with such bailee shall be Eligible Inventory. Furthermore, notwithstanding the foregoing, the failure of the Collateral Agent to have received one or both of the consignee agreements referred to in clauses (d) and (e)

of this Section 4.4 shall not be a default hereunder (or a Default or an Event of Default); instead, as further provided in Section 2.01(c)iii. of the Credit Agreement, any consigned Inventory with a value equal to or greater than $1,000,000 which is held by a consignee that has not executed and delivered to the Collateral Agent such a consignee agreement shall not be Eligible Inventory.

4.5 Authorization, Execution, Delivery and Enforceability. (a) The execution, delivery and performance by the Debtor of this Security Agreement, the landlord lien waivers required by Section 4.4 of this Security Agreement, the consignee agreement between the Collateral Agent and The Home Depot (in the form attached as Exhibit K-1 to that certain Eighth Amendment to Credit Agreement dated as of even date hereof (the "Eighth Amendment") between the Debtor and Branch Banking and Trust Company), the consignment agreement between the Collateral Agent and Lowe's (in the form attached as Exhibit K-2 to the Eighth Amendment), and the Intercreditor Agreement are within its corporate powers, have been duly authorized by all necessary corporate action, require no action by or in respect of, or filing with, any governmental body, agency or official and do not contravene or constitute (with or without the giving of notice or lapse of time or both) a default under any provision of applicable law or of the organizational documents of the Debtor or any Subsidiary or of any agreement, judgment, injunction, order, decree or other instrument binding upon or affecting the Debtor or any Subsidiary or result in the creation or imposition of any Lien on any asset of the Debtor or any of its Subsidiaries other than a Lien in favor of the Collateral Agent as provided in this Security Agreement.

(b) This Security Agreement and the Intercreditor Agreement constitute, and the landlord lien waivers required by Section 4.4 of this Security Agreement and the two consignee agreements described in Section 4.4 of this Security Agreement when executed and delivered by the Debtor will constitute, the valid and binding agreements of the Debtor, enforceable against the Debtor in accordance with their respective terms, except as such enforceability may be limited by bankruptcy, insolvency or similar laws affecting creditors' rights generally and by equitable principles of general applicability (regardless of whether such enforceability is considered in a proceeding in equity or at law).

4.6 Documents and Chattel Paper. All Documents and Chattel Paper are and will be owned by the Debtor, free and clear of all Liens other than Permitted Liens. If the Debtor retains possession of any Chattel Paper with the Collateral Agent's consent, such Chattel Paper shall be marked with the following legend: "This writing and the obligations evidenced or secured hereby are subject to the security interest of Branch Banking and Trust Company, as Collateral Agent, for the benefit of the Secured Parties under and pursuant to Intercreditor and Collateral Agency Agreement dated as of March 16, 2007."

4.7 [Reserved].

4.8 Prior Encumbrances. There are no existing mortgages, pledges, liens or other encumbrances of any kind upon, or any security interests in, any of the Collateral, except for Permitted Liens. The Debtor will defend the Collateral against all claims and demands of all Persons at any time claiming any interest therein, except for claims and demands relating to Permitted Liens.

4.9 Financing Statements. Except for financing statements specified on Schedule 4.9 attached hereto and by this reference incorporated herein, no financing statement under the UCC of any state which names the Debtor or any of its trade names or divisions as debtor is on file in any state or other jurisdiction, and the Debtor has not signed or authorized any financing statement to be filed and the Debtor has not signed any security agreement authorizing any secured party thereunder to file any financing statements, except financing statements filed to perfect Permitted Liens.

4.10 Organizational Information. The jurisdiction of incorporation, the organizational identification number and the Federal Employer Identification Number of the Debtor are specified next to the Debtor's name on Schedule 4.10 attached hereto and by this reference incorporated herein. The Debtor has only one state of organization.

SECTION 5 – COVENANTS

Until all of the Obligations have been finally and indefeasibly paid and satisfied in full and the Revolving Commitment terminated, the Debtor covenants and agrees that:

5.1 Perfection and Protection of Security Interest. (a) The Debtor shall, at its expense, perform all steps reasonably requested by the Collateral Agent at any time to perfect, maintain, protect, and enforce the Collateral Agent's Liens, including: (i) filing financing or continuation statements, and amendments thereof, in form and substance reasonably satisfactory to the Collateral Agent; (ii) when any Event of Default has occurred and is continuing, transferring Inventory to warehouses or other locations designated by the Collateral Agent; (iii) placing notations on the Debtor's books of account to disclose the Collateral Agent's security interest; and (iv) taking such other steps as are deemed reasonably necessary or desirable by the Collateral Agent to maintain and protect the Collateral Agent's Liens. Notwithstanding the foregoing, unless any Event of Default shall have occurred and be continuing, the Debtor shall not be required to take any action to perfect the Collateral Agent's Liens in electronic Chattel Paper in an aggregate amount of less than $100,000. The Debtor agrees that a carbon, photographic, photostatic, or other reproduction of this Security Agreement or of a financing statement is sufficient as a financing statement.

(b) Upon the Collateral Agent's request, the Debtor shall deliver to the Collateral Agent all Collateral consisting of negotiable or non-negotiable Documents and Chattel Paper promptly after the Debtor receives the same.

(c) Subject to Section 5.1(a) hereof, the Debtor shall take all steps necessary to grant the Collateral Agent control of all electronic Chattel Paper in accordance with the UCC.

(d) The Debtor hereby irrevocably authorizes the Collateral Agent at any time and from time to time to file in any filing office in any Uniform Commercial Code jurisdiction any initial financing statements and amendments thereto that contain any information required by part 5 of Article 9 of the UCC of the State of Delaware for the sufficiency or filing office acceptance of any financing statement or amendment, including whether the Debtor is an organization, the type of organization and any organizational identification number issued to the Debtor. The Debtor agrees to furnish any such information to the Collateral Agent promptly

upon request, and to pay on demand all fees, costs and expenses associated with all such filings. The Debtor also ratifies its authorization for the Collateral Agent to have filed in any Uniform Commercial Code jurisdiction any like initial financing statements or amendments thereto if filed prior to the date hereof.

(e) Upon the Collateral Agent's request, but not more frequently than once during each calendar year, the Debtor shall provide to the Collateral Agent a certificate of good standing from its state of incorporation or organization.

(f) Without limiting the prohibitions on mergers involving the Debtor contained in the Credit Agreement and the Note Agreement, the Debtor will not change its name, operate under any assumed name, change its structure, reincorporate or reorganize itself, or change its jurisdiction of incorporation without giving the Collateral Agent at least thirty (30) days' prior written notice and, unless prior to such change, the Debtor shall have taken all action reasonably necessary or desirable or that the Collateral Agent may reasonably request, to preserve, perfect, confirm and protect in the manner and to the extent provided for in this Security Agreement the security interests granted hereby.

(g) The Debtor acknowledges that it is not authorized to file any financing statement or amendment or termination statement with respect to any financing statement without the prior written consent of the Collateral Agent and agrees that it will not do so without the prior written consent of the Collateral Agent, subject to the Debtor's rights under Section 9-509(d)(2) of the UCC.

(h) The Debtor shall not, except in connection with any Permitted Lien, enter into any contract or agreement that restricts or prohibits the grant of a security interest in Accounts, Chattel Paper or the proceeds of the foregoing to the Collateral Agent.

5.2 Accounts. (a) The Debtor shall not re-date any invoice, provided that the Debtor shall have the right, in the exercise of its reasonable business judgment, to re-date invoices that in the aggregate do not exceed at any one time $100,000. The Debtor shall not make sales on extended terms dating beyond that customary in the Debtor's business (which customary terms include customer incentive terms) or extend or modify any Account except in the ordinary course of business.

(b) The Debtor shall not accept any note or other instrument (except a check or other instrument for the immediate payment of money) with respect to any Account without providing to the Collateral Agent prompt written notice thereof. Any such instrument shall be considered as evidence of proceeds of the Account and not payment thereof and the Debtor will promptly deliver such instrument to the Collateral Agent, endorsed without recourse by the Debtor to the Collateral Agent in a manner reasonably satisfactory in form and substance to the Collateral Agent.

(c) The Debtor shall notify the Collateral Agent promptly of all disputes and claims in excess of $250,000 with any Account Debtor, and agrees to settle, contest, or adjust such dispute or claim at no expense to the Collateral Agent. No discount, credit or allowance shall be granted to any such Account Debtor without the Collateral Agent's prior written

consent, except for discounts, credits and allowances made or given in the ordinary course of the Debtor's business when no Event of Default exists hereunder. The Debtor shall send the Collateral Agent a copy of each credit memorandum in excess of $250,000 as soon as issued, and the Debtor shall promptly report that credit on Borrowing Base Certificates submitted by it.

(d) If an Account Debtor returns any Inventory to the Debtor when no Event of Default exists, then the Debtor shall promptly determine the reason for such return and shall issue a credit memorandum to the Account Debtor in the appropriate amount. The Debtor shall immediately report to the Collateral Agent any return involving an amount in excess of $250,000. Each such report shall indicate the reasons for the return and the locations and condition of the returned Inventory. In the event any Account Debtor returns Inventory to the Debtor when any Event of Default exists, the Debtor, upon the request of the Collateral Agent, shall: (i) hold the returned Inventory in trust for the Collateral Agent; (ii) segregate all returned Inventory from all of its other property; (iii) dispose of the returned Inventory solely according to the Collateral Agent's written instructions; and (iv) not issue any credits or allowances with respect thereto without the Collateral Agent's prior written consent. All returned Inventory shall be subject to the Collateral Agent's Liens thereon. Whenever any Inventory is returned, the related Account shall be deemed ineligible to the extent of the amount owing by the Account Debtor with respect to such returned Inventory and such returned Inventory shall not be Eligible Inventory.

5.3 Inventory. (a) The Debtor will keep its Inventory in good and marketable condition, except for damaged or defective Goods arising in the ordinary course of the Debtor's business. The Debtor will not, without the prior written consent of the Collateral Agent, acquire or accept any Inventory on consignment or approval. The Debtor agrees that all Inventory produced by the Debtor in the United States of America will be produced in accordance with the Federal Fair Labor Standards Act of 1938, as amended, and all rules, regulations, and orders thereunder. The Debtor will conduct a physical count of the Inventory at least once during each of its fiscal years, and after and during the continuation of any Event of Default, at such other times as the Collateral Agent requests. The Debtor will maintain a perpetual inventory reporting system at all times. The Debtor will not, without the Collateral Agent's written consent, sell any Inventory on a bill-and-hold, guaranteed sale, sale and return, sale on approval, consignment, or other repurchase or return basis, other than the sale of finished goods Inventory to The Home Depot and Lowe's on consignment in accordance with the consignment agreements and all other documents related to the consignment arrangements between the Debtor and each of The Home Depot and Lowe's, true and complete copies of which on the date hereof have been provided to the Collateral Agent (collectively, the "Consignment Agreements"). The Debtor agrees that it (i) shall provide the Collateral Agent a copy of any material amendment, restatement, replacement, supplement or other modification of or to either of the Consignment Agreements not later than twenty (20) days after the effective date of any such amendment, restatement, replacement, supplement or other modification, (ii) shall immediately notify the Collateral Agent in writing of the occurrence of any default or event of default under or with respect to, or the termination of, either of the Consignment Agreements, (iii) shall file and continuously maintain without any lapse in filing appropriate financing statements appropriately completed for filing under the Uniform Commercial Code of each jurisdiction in which the filing of a financing statement may be required, or reasonably requested

by the Collateral Agent, naming each of The Home Depot and Lowe's as debtor, the Debtor as secured party and the Collateral Agent as assignee with respect to the Inventory that has been sold to each of The Home Depot and Lowe's on consignment, (iv) shall deliver to the Collateral Agent copies of reports, and updates of such reports as the Collateral Agent shall reasonably request, from an independent search service reasonably satisfactory to the Collateral Agent listing all effective financing statements that name The Home Depot as debtor that are filed in Delaware, together with copies of such financing statements filed in Delaware, and the Debtor shall deliver to the Collateral Agent copies of all notices that the Debtor has sent to secured parties of record disclosed by such reports that have filed financing statements covering inventory of The Home Depot manufactured by the Debtor, which notices shall be in form and substance satisfactory to the Collateral Agent, (v) shall deliver to the Collateral Agent copies of reports, and updates of such reports as the Collateral Agent shall reasonably request, from an independent search service reasonably satisfactory to the Collateral Agent listing all effective financing statements that name Lowe's as debtor that are filed in North Carolina, together with copies of such financing statements filed in North Carolina, and the Debtor shall deliver to the Collateral Agent copies of all notices that the Debtor has sent to secured parties of record disclosed by such reports that have filed financing statements covering inventory of Lowe's manufactured by the Debtor, which notices shall be in form and substance satisfactory to the Collateral Agent, (vi) upon request of the Collateral Agent, shall deliver to the Collateral Agent all reports, lists, certificates and other papers required to be delivered by The Home Depot under the consignment agreement between the Debtor and The Home Depot and (vii) upon request of the Collateral Agent, shall deliver to the Collateral Agent all reports, lists, certificates and other papers required to be delivered by Lowe's under the consignment agreement between the Debtor and Lowe's.

(b) In connection with all Inventory financed by a letter of credit with a face amount in excess of $150,000, the Debtor will, at the Collateral Agent's request, instruct all suppliers, carriers, forwarders, customs brokers, warehouses or others receiving or holding cash, checks, Inventory or Documents in which the Collateral Agent holds a security interest to deliver them to the Collateral Agent and/or subject to the Collateral Agent's order, and if they shall come into the Debtor's possession, to deliver them, upon request, to the Collateral Agent in their original form. The Debtor shall also, at the Collateral Agent's request, designate the Collateral Agent as the consignee on all negotiable and non-negotiable Documents.

5.4 [Reserved].

5.5 [Reserved].

5.6 Maintenance of Records. The Debtor will keep and maintain, at its own cost and expense, in a manner consistent with past practice, complete and current records of the Collateral owned by it, including, but not limited to, a record of all shipments received, deliveries made, contracts performed, payments received, credits granted thereon and other dealings therewith. The Debtor shall timely provide the Collateral Agent with all such collateral reports as are required by the Credit Agreement and the Note Agreement, and all such additional reports as the Collateral Agent shall reasonably require. These reports shall be in the form previously provided to the Collateral Agent for its review or in form and detail as is reasonably satisfactory to the Collateral Agent. The Debtor will use all reasonable efforts to protect its

records and books pertaining to any Collateral against fire, theft, loss or any other manner of destruction or loss. Such protection will consist of such protective means and devices as from time to time reasonably deemed necessary by the Collateral Agent. If the Debtor maintains its records of Accounts on a computer, it will maintain backup copies of such records, updated at reasonable intervals.

5.7 **Inspection and Delivery of Collateral, Books and Records**. The Collateral Agent or the Secured Parties, or any of them, or their respective agents, may at any reasonable time and from time to time and, if no Event of Default has occurred, upon reasonable prior notice, inspect the Collateral, and the books and records of the Debtor pertaining thereto. With the frequency and as provided in the Credit Agreement if no Event of Default has occurred and is continuing (there being no limitation on the frequency if any Event of Default has occurred and is continuing), the Debtor shall, at its own expense and cost, deliver or make available, at the Collateral Agent's election, books and records pertaining to the Accounts (including Chattel Paper) to the Collateral Agent, or any designated agent of the Collateral Agent, at such time and place as the Collateral Agent may reasonably request.

5.8 **Expenses**. The Debtor shall be liable for, and agrees to pay the Collateral Agent on demand, any and all reasonable expenses incurred or paid by the Collateral Agent or the Secured Parties, or any of them, in protecting or enforcing their respective rights under this Security Agreement, including, without limitation, reasonable attorneys' fees, whether incurred in collecting specific Accounts or otherwise. If the Debtor shall fail, in violation of the terms of the Credit Agreement or the Note Agreement, to discharge taxes, liens, security interests or other encumbrances on the Collateral, other than Permitted Liens, or to repair any damage to the Collateral, or to maintain or preserve the Collateral or to maintain adequate insurance on the Collateral, in each case within twenty (20) days after written notice from the Collateral Agent, the Collateral Agent may, at its option, discharge such taxes, liens, security interests or other encumbrances on or in the Collateral, pay for the repair or damage to the Collateral, pay for the maintenance and preservation of the Collateral, and/or pay for insurance on the Collateral. The Debtor agrees to reimburse the Collateral Agent on demand for any payments so made and, until such reimbursement, to pay interest thereon at a fluctuating rate of interest equal to the Default Rate applicable to the Revolving Loans from the date of the payment until reimbursement therefor, which reimbursement and interest shall be a part of the Obligations. Any payment made or other action taken by the Collateral Agent under this Section 5.8 shall be without prejudice to any right to assert an Event of Default hereunder and to proceed thereafter as herein provided.

5.9 **Insurance**. The Debtor will continuously insure the Collateral with a responsible company or companies reasonably satisfactory to the Collateral Agent against fire (with extended coverage) in the full insurable value of the Collateral, and against such other casualties and in such amounts and with such deductibles as are usually carried by owners of similar businesses and properties in the same general areas in which the Debtor operates. The insurance policy (or policies) shall have attached thereto a standard loss payable clause, without contribution, in favor of the Collateral Agent as agent for the Secured Parties as its interest may appear, and shall otherwise be in form reasonably acceptable to the Collateral Agent, and the Debtor will cause such policy (or policies) to provide that it (they) may not be canceled without thirty (30) days' prior written notice to the Collateral Agent. The Debtor will deliver to the Collateral Agent as agent for the Secured Parties evidence of the renewal or continuation of insurance at least ten (10) days before the expiration of the existing insurance.

5.10 Damage or Loss and Replacement. (a) The Debtor shall promptly notify the Collateral Agent of any fire, theft, water damage, vandalism or other damage to or loss of any Inventory to the extent that the uninsured portion of such damaged or lost Inventory is in excess of $250,000. In the case of any loss, damage to or destruction of the Inventory or any part thereof, the Debtor, whether or not the insurance proceeds, if any, received on account of such damage or destruction shall be sufficient for that purpose, at the Debtor's cost and expense, will promptly repair or replace the Inventory so lost, damaged or destroyed.

(b) In the event that the Debtor or the Collateral Agent shall receive any proceeds of insurance with respect to Inventory, provided no Default or Event of Default then exists, (a) the Debtor shall pay to the Collateral Agent, or the Collateral Agent shall retain, as applicable, an amount of such proceeds equal to the balance then outstanding under the Revolving Credit Loan Obligations, which amount the Collateral Agent shall promptly pay to BB&T for application to the Revolving Credit Loan Obligations, and the Debtor shall be entitled to retain, or the Collateral Agent shall pay to the Debtor, as applicable, any such excess insurance proceeds or (b) if there is no balance then outstanding under the Revolving Credit Loan Obligations, then the Debtor shall be entitled to retain, or the Collateral Agent shall pay to the Debtor, as applicable, all such proceeds of insurance with respect to Inventory.

5.11 Further Assurances. Subject to the provisions of Section 5.1(a) hereof, the Debtor will from time to time, at the sole expense of the Debtor, promptly execute, deliver, file and record (as appropriate) all further instruments and documents, and take all further action as the Collateral Agent or the Secured Parties, or any of them, may reasonably deem necessary or prudent in order to perfect, continue and protect the security interests granted hereby or to enable the Collateral Agent or the Secured Parties, or any of them, to exercise and enforce its rights and remedies hereunder with respect to the Collateral or any part thereof.

SECTION 6 – SALES AND COLLECTIONS

6.1 Processing and Sales of Inventory. So long as no Event of Default shall have occurred and be continuing, the Debtor shall have the right in the regular course of its business to process and sell the Inventory. The security interests granted hereunder to the Collateral Agent as agent for the Secured Parties shall attach to all proceeds of all sales, leases, or other dispositions of the Inventory.

6.2 Inventory Controls. Upon the occurrence and during the continuation of any Event of Default, the Collateral Agent or its agents may secure all entrances to those parts of the premises of the Debtor in which any Inventory is stored and keep such entrances locked or otherwise sealed or institute such other control measures with respect to the movement of Inventory as the Collateral Agent may deem necessary or prudent, subject to the rights of third parties under the Leases.

6.3 Collection of Accounts. The Collateral Agent as agent for the Secured Parties hereby authorizes the Debtor to collect and dispose of the proceeds of the Accounts, which

authority the Collateral Agent may curtail or terminate at any time following the occurrence and during the continuance of any Event of Default. After such authority has been curtailed or terminated, the Debtor shall, upon receipt of all checks, drafts, cash, and other remittances in payment of or on account of the Accounts, deposit the same in a special account designated by the Collateral Agent, over which account the Collateral Agent as agent for the Secured Parties alone shall have the power of withdrawal (the "Collection Account"). The remittance of the proceeds of such Accounts shall not, however, constitute payment or liquidation of such Accounts until the Collateral Agent as agent for the Secured Parties shall receive good funds for such proceeds.

For purposes of computing interest, the Collateral Agent shall treat deposited checks, drafts and other items as collected in accordance with the Collateral Agent's normal availability schedule, but in doing so the Collateral Agent is not agreeing that such funds have in fact been paid, nor is the Collateral Agent as agent for the Secured Parties waiving any right it may have to charge back returned items to the Debtor and to collect interest on such charged-back items. Funds placed in the Collection Account shall be held by the Collateral Agent as agent for the Secured Parties as security for the Obligations. These proceeds shall be deposited in precisely the form received, except for the endorsement of the Debtor where necessary to permit collection of items, which endorsement the Debtor agrees to make, and which endorsement the Collateral Agent is also hereby authorized to make on behalf of the Debtor. Pending such deposit, the Debtor agrees that it will not commingle any such checks, drafts, cash or other remittances with any funds or other property of the Debtor but will hold them separate and apart therefrom, and upon an express trust for the Collateral Agent until deposit thereof is made in the Collection Account. The Collateral Agent as agent for the Secured Parties will from time to time apply the funds on deposit in the Collection Account against the Obligations in such order of application as is required by the Intercreditor Agreement.

SECTION 7 – POWER OF ATTORNEY

Effective upon the occurrence and during the continuance of any Event of Default, the Debtor hereby appoints the Collateral Agent and the Collateral Agent's designee as the Debtor's attorney-in-fact, with full power of substitution: (a) to endorse the Debtor's name on any checks, notes, acceptances, money orders, or other forms of payment or security constituting Collateral that come into the Collateral Agent's or any Secured Party's possession; (b) to sign the Debtor's name on any invoice, bill of lading, warehouse receipt or other negotiable or non-negotiable Document constituting Collateral, on drafts against customers, on assignments of Accounts, on notices of assignment, financing statements and other public records and to file any such financing statements by electronic means with or without a signature as authorized or required by applicable law or filing procedure; (c) to execute loss claims and other applications for payment of benefits under any insurance policy covering any of the Collateral in the name of the Debtor or the Collateral Agent, to receive all monies and endorse drafts, checks, and other instruments for the payment of any proceeds of any insurance covering any of the Collateral, (d) to notify the post office authorities to change the address for delivery of the Debtor's mail to an address designated by the Collateral Agent and to receive, open and dispose of all mail addressed to the Debtor; (e) to send requests for verification of Accounts to customers or Account Debtors; (f) to complete in the Debtor's name or the Collateral Agent's name, any order, sale or transaction, obtain the necessary Documents in connection therewith, and collect the proceeds thereof; (g) to

clear Inventory through customs in the Debtor's name, the Collateral Agent's name or the name of the Collateral Agent's designee, and to sign and deliver to customs officials powers of attorney in the Debtor's name for such purpose; (h) to the extent that the Debtor's authorization given in Section 5.1(d) of this Security Agreement is not sufficient (which authorization in Section 5.1(d) is effective, and which powers under Section 5.1(d) may be exercised by the Collateral Agent, before the occurrence of an Event of Default), to file such financing statements with respect to this Security Agreement, with or without the Debtor's signature, or to file a photocopy of this Security Agreement in substitution for a financing statement, as the Collateral Agent may deem appropriate and to execute in the Debtor's name such financing statements and amendments thereto and continuation statements which may require the Debtor's signature; and (i) to do all things necessary to carry out the terms of this Security Agreement. The Collateral Agent shall not be obligated to do any of the acts or exercise any of the powers hereinabove authorized, but, if the Collateral Agent elects to do any such act or exercise any such power, unless the Collateral Agent is guilty of gross negligence or willful misconduct in the exercise of such power, it shall not be accountable to the Debtor for more than it actually receives as a result of such exercise of power, and, in any event, none of the Collateral Agent or any of the Secured Parties, nor any of their respective attorneys, will be liable for any acts or omissions or for any error of judgment or mistake of fact or law except for their gross negligence or willful misconduct. This appointment shall be deemed a power coupled with an interest, shall be irrevocable, and shall not terminate until the Obligations have been fully satisfied, the Credit Agreement has been terminated and the Notes (as defined in the Note Agreement) have been paid in full under the Note Agreement. The Debtor hereby ratifies and approves all acts of such attorney-in-fact.

SECTION 8 – NO LIABILITY

(a) The Debtor assumes all responsibility and liability arising from or relating to the use, sale, license or other disposition of the Collateral. The Obligations shall not be affected by any failure of the Collateral Agent or any of the Secured Parties to take any steps to perfect the Collateral Agent's Liens or to collect or realize upon the Collateral, nor shall loss of or damage to the Collateral release the Debtor from any of the Obligations. Following the occurrence and during the continuation of any Event of Default, the Collateral Agent may (but shall not be required to), without notice to or consent from the Debtor, sue upon or otherwise collect, extend the time for payment of, modify or amend the terms of, compromise or settle for cash, credit, or otherwise upon any terms, grant other indulgences, extensions, renewals, compositions, or releases, and take or omit to take any other action with respect to the Collateral, any security therefor, any agreement relating thereto, any insurance applicable thereto, or any Person liable directly or indirectly in connection with any of the foregoing, without discharging or otherwise affecting the liability of the Debtor for the Obligations, or any other agreement now or hereafter existing between the Collateral Agent and/or any Secured Party and the Debtor.

(b) It is expressly agreed by the Debtor that, anything herein to the contrary notwithstanding, the Debtor shall remain liable under each of its contracts and each of its licenses to observe and perform all the conditions and obligations to be observed and performed by it thereunder. None of the Collateral Agent or any of the Secured Parties shall have any obligation or liability under any contract or license by reason of or arising out of this Security Agreement or the granting herein of a Lien thereon or the receipt by the Collateral Agent or any Secured Party of any payment relating to any contract or license pursuant hereto. None of the Collateral

Agent or any Secured Party shall be required or obligated in any manner to perform or fulfill any of the obligations of the Debtor under or pursuant to any contract or license, or to make any payment, or to make any inquiry as to the nature or the sufficiency of any payment received by it or the sufficiency of any performance by any party under any contract or license, or to present or file any claims, or to take any action to collect or enforce any performance or the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times.

(c) The Collateral Agent may at any time after any Event of Default shall have occurred and be continuing (or if any rights of set-off (other than set-offs against an Account arising under the contract giving rise to the same Account) or contra accounts may be asserted with respect to the following), without prior notice to the Debtor, notify Account Debtors, and other Persons obligated on the Collateral that the Collateral Agent has a security interest therein, and that payments shall be made directly to the Collateral Agent, for the benefit of the Secured Parties. Upon the request of the Collateral Agent, the Debtor shall so notify Account Debtors, and other Persons obligated on Collateral. Once any such notice has been given to any Account Debtor or other Person obligated on the Collateral, the Debtor shall not give any contrary instructions to such Account Debtor or other Person without the Collateral Agent's prior written consent.

(d) After the occurrence and during the continuance of any Event of Default, the Collateral Agent may at any time in the Collateral Agent's own name or in the name of the Debtor communicate with Account Debtors and parties to contracts and agreements to which the Debtor is a party to verify with such Persons, to the Collateral Agent's satisfaction, the existence, amount and terms of Accounts, contracts and agreements and Chattel Paper. If any Event of Default shall have occurred and be continuing, the Debtor, at its own expense, shall cause the independent certified public accountants then engaged by the Debtor to prepare and deliver to the Collateral Agent and each of the Secured Parties at any time and from time to time promptly upon the Collateral Agent's request the following reports with respect to the Debtor: (i) a reconciliation of all Accounts; (ii) an aging of all Accounts; (iii) trial balances; and (iv) a test verification of such Accounts as the Collateral Agent may request. The Debtor, at its own expense, shall deliver to the Collateral Agent the results of each physical verification, if any, which the Debtor may in its discretion have made, or caused any other Person to have made on its behalf, of all or any portion of its Inventory.

(e) The Collateral Agent shall use reasonable care with respect to the Collateral in its possession or under its control. The Collateral Agent shall not have any other duty as to any Collateral in its possession or control or in the possession or control of any agent or nominee of the Collateral Agent, or any income thereon or as to the preservation of rights against prior parties or any other rights pertaining thereto.

SECTION 9 – <u>DEFAULT AND REMEDIES</u>

(a) In addition to all other rights and remedies granted to it under this Security Agreement, the Credit Agreement, the other Loan Documents, the Note Agreement, and under any other instrument or agreement securing, evidencing or relating to any of the Obligations, upon the occurrence and during the continuance of any Event of Default, the Collateral Agent, as agent for the Secured

Parties, may, subject to the provisions of the Intercreditor Agreement, exercise all rights and remedies of a secured party under the UCC. Without limiting the generality of the foregoing, the Debtor expressly agrees that in any such event the Collateral Agent, without demand of performance or other demand, advertisement or notice of any kind (except the notice specified below of time and place of public or private sale) to or upon the Debtor or any other Person (all and each of which demands, advertisements and notices are hereby expressly waived to the maximum extent permitted by the UCC and other applicable law), may forthwith enter upon the premises of the Debtor where any Collateral is located through self-help, without judicial process, without first obtaining a final judgment or giving the Debtor or any other Person notice and opportunity for a hearing on the Collateral Agent's claim or action and may collect, receive, assemble, process, appropriate and realize upon the Collateral, or any part thereof, and may forthwith sell, lease, license, assign, give an option or options to purchase, or sell or otherwise dispose of and deliver the Collateral (or contract to do so), or any part thereof, in one or more parcels at a public or private sale or sales, at any exchange at such prices as it may deem acceptable, for cash or on credit or for future delivery without assumption of any credit risk. The Collateral Agent shall have the right upon any such public sale or sales and, to the extent permitted by law, upon any such private sale or sales, to purchase for the benefit of the Collateral Agent and the Secured Parties the whole or any part of the Collateral so sold, free of any right or equity of redemption, which equity of redemption the Debtor hereby releases. Such sales may be adjourned and continued from time to time with or without notice. The Collateral Agent shall have the right to conduct such sales on the Debtor's premises or elsewhere and shall have the right to use the Debtor's premises without charge for such time or times as the Collateral Agent deems necessary or advisable. Expenses of retaking, holding, preparing for sale, selling and the like shall include the reasonable attorneys' fees and legal expenses of the Collateral Agent and the Secured Parties, and each of them.

(b) After the occurrence and during the continuance of any Event of Default, the Debtor further agrees, at the Collateral Agent's request, to assemble the Collateral and make it available to the Collateral Agent at a place or places designated by the Collateral Agent which are reasonably convenient to the Collateral Agent and the Debtor, whether at the Debtor's premises or elsewhere. Until the Collateral Agent is able to effect a sale, lease, or other disposition of Collateral, the Collateral Agent shall have the right to hold or use Collateral, or any part thereof, to the extent that it deems appropriate for the purpose of preserving the Collateral or its value or for any other purpose deemed appropriate by the Collateral Agent. The Collateral Agent shall have no obligation to the Debtor to maintain or preserve the rights of the Debtor as against third parties with respect to Collateral while Collateral is in the possession of the Collateral Agent. The Collateral Agent may, if it so elects, seek the appointment of a receiver or keeper to take possession of Collateral and to enforce any of the Collateral Agent's remedies (for the benefit of the Collateral Agent and the Secured Parties), with respect to such appointment without prior notice or hearing as to such appointment. The Collateral Agent shall apply the net proceeds of any such collection, recovery, receipt, appropriation, realization or sale to the Obligations in such order of application as is required by the Intercreditor Agreement, and only after so paying over such net proceeds, and after the payment by the Collateral Agent of any other amount required by any provision of law, need the Collateral Agent account for the surplus, if any, to the Debtor. To the maximum extent permitted by applicable law, the Debtor waives all claims, damages, and

demands against the Collateral Agent and each Secured Party arising out of the repossession, retention or sale of the Collateral except such as arise solely out of the gross negligence or willful misconduct of the Collateral Agent or any Secured Party as finally determined by a court of competent jurisdiction. The Collateral Agent will give the Debtor reasonable notice of the time and place of any public sale of the Collateral or any part thereof or of the time after which any private sale or any other intended disposition thereof is to be made. The Debtor and the Collateral Agent agree that the requirements of reasonable notice shall be met if such notice is given to the Debtor at the address of the Debtor specified in Section 10.2 of this Security Agreement (or such other address that the Debtor may provide to the Collateral Agent in writing) at least ten (10) days before the time of the sale or disposition, but nothing contained herein shall be construed to mean that any other notice or a shorter period of time does not constitute reasonable notice for the sale of the Collateral or any part thereof. The Debtor shall remain liable for any deficiency if the proceeds of any sale or disposition of the Collateral are insufficient to pay all Obligations, including any attorneys' fees or other expenses incurred by the Collateral Agent or any Secured Party to collect such deficiency.

(c) After the occurrence and during the continuance of any Event of Default, the Collateral Agent shall have the right to enter upon the premises of the Debtor at any time for the purpose of reducing to possession the Accounts (including Chattel Paper) and all cash or non-cash proceeds thereof, for the purpose of taking possession of and using the current version of the Debtor's accounts receivable computer software, and/or for the purpose of inspecting the Inventory and inspecting and/or auditing the books, records and procedures of the Debtor. The Collateral Agent may deduct its expenses in collecting the Accounts from the proceeds applicable to the Obligations. Such expenses shall include, without limitation, the costs of posting transactions to the books of the Debtor and performing such other bookkeeping and accounting tasks as the Collateral Agent may deem appropriate to collect any Account.

(d) Except as otherwise specifically provided herein, the Debtor hereby waives presentment, demand, protest or any notice (to the maximum extent permitted by applicable law) of any kind in connection with this Security Agreement or any Collateral.

(e) For the purpose of enabling the Collateral Agent to exercise rights and remedies under this Section 9 (including, without limiting the terms of this Section, in order to take possession of, hold, preserve, process, assemble, prepare for sale, market for sale, sell or otherwise dispose of Collateral) at such time as the Collateral Agent shall be lawfully entitled to exercise such rights and remedies, the Debtor hereby grants to the Collateral Agent, for the benefit of the Collateral Agent and the Secured Parties, an irrevocable, nonexclusive license (exercisable without payment of royalty or other compensation to the Debtor) to use, license or sublicense any Proprietary Rights now owned or hereafter acquired by the Debtor, and wherever the same may be located, and including in such license access to all media in which any of the licensed items may be recorded or stored and to all computer software and programs used for the compilation or printout thereof.

SECTION 10 – <u>MISCELLANEOUS</u>

10.1 <u>Cumulative Rights and No Waiver</u>. Each and every right granted to the Collateral Agent and the Secured Parties, and each of them, hereunder or under any other document delivered under or in connection with the Credit Agreement or the Note

Agreement, or allowed it by law or equity, shall be cumulative and may be exercised from time to time. No failure on the part of the Collateral Agent or the Secured Parties, or any of them, to exercise, and no delay in exercising any right, shall operate as a waiver thereof, nor shall any single or partial exercise by the Collateral Agent or the Secured Parties, or any of them, of any right preclude any other or future exercise thereof or the exercise of any other right.

10.2 Notices.

(a) Method of Communication. Unless otherwise specified herein, all notices, requests and other communications to a party hereunder shall be in writing (including facsimile transmission) and shall be given to such party: (a) at its address or facsimile number set forth below, or (b) at such other address or facsimile 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 facsimile transmission, when transmitted to the facsimile number specified in this Section and confirmation of receipt is received, (ii) 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 (iii) if given by any other means, when delivered at the address specified in this Section 10.2. 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.

(b) Addresses for Notices. All notices to any party shall be sent to it at the following addresses, or any other address as to which all other parties are notified in writing.

If to the Debtor:	Trex Company, Inc. 160 Exeter Drive Winchester, Virginia 22603-8605 Attention: Chief Financial Officer Telecopy No.: (703) 542-6889
With copies to:	Trex Company, Inc. 160 Exeter Drive Winchester, Virginia 22603-8605 Attention: William R. Gupp, Esquire Telecopy No.: (703) 542-6889 and Kevin G. Gralley, Esquire Hogan & Hartson L.L.P. 111 South Calvert Street, Suite 1600 Baltimore, Maryland 21202 Telecopy No.: (410) 539-6981

If to the Collateral Agent:	Branch Banking & Trust Company 115 N. Cameron Street Winchester, Virginia 22601 Attention: David Chandler Telecopy No.: (540) 665-4227
With copies to:	Thomas E. duB. Fauls, Esquire Troutman Sanders LLP 1001 Haxall Point, 14th Floor Richmond, Virginia 23219 Telecopy No.: (804) 697-1339

10.3 **Applicable Law**. This Security Agreement shall be construed in accordance with and governed by the laws of the Commonwealth of Virginia, except as otherwise required by mandatory provisions of law and except to the extent that remedies provided by the laws of any jurisdiction other than Virginia are governed by the laws of such jurisdiction.

10.4 **Arbitration; Submission to Jurisdiction; Waiver of Jury Trial.**

(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 this Security Agreement or any other 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 of Richmond, Virginia. 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, setoff and peaceful possession of personal property; and (iii) obtaining provisional or ancillary remedies, including injunctive relief, sequestration, garnishment, attachment, appointment of receiver and filing an involuntary bankruptcy proceeding. 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) **TO THE FULLEST EXTENT PERMITTED BY LAW, THE PARTIES HERETO HEREBY IRREVOCABLY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL WITH RESPECT TO ANY DISPUTE**.

10.5 Severability; Modification. If any provision hereof is invalid or unenforceable in any jurisdictions, then, to the fullest extent permitted by law, (a) the other provisions hereof shall remain in full force and effect in such jurisdiction; and (b) 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. No modification, amendment or waiver of any provision of this Security Agreement, nor consent to any departure by the Debtor therefrom, shall in any event be effective unless the same shall be in writing, made in accordance with the Intercreditor Agreement, and signed by the Collateral Agent and the Debtor, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand upon the Debtor in any case shall entitle the Debtor to any other or further notice or demand in the same or similar circumstances.

10.6 Execution in Counterparts. This Security Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the Debtor and the Collateral Agent have caused this Security Agreement to be duly executed by their duly authorized officers, all as of the date first above written.

TREX COMPANY, INC.

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

BRANCH BANKING AND TRUST COMPANY, as Collateral Agent for the Secured Parties herein

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

Exhibit 10.17

INTERCREDITOR AND COLLATERAL AGENCY AGREEMENT

DATED AS OF MARCH 16, 2007

BY AND AMONG

THE NOTEHOLDERS NAMED IN SCHEDULE I HERETO,

BRANCH BANKING AND TRUST COMPANY,

AND

BRANCH BANKING AND TRUST COMPANY, AS COLLATERAL AGENT

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Exhibit 10.17

INTERCREDITOR AND COLLATERAL AGENCY AGREEMENT

THIS INTERCREDITOR AND COLLATERAL AGENCY AGREEMENT dated as of March 16, 2007 (this "*Agreement*") is among (1) the Noteholders named in Schedule I hereto (collectively, the "*Noteholders*"), (2) Branch Banking and Trust Company, a North Carolina banking corporation as successor by merger to Branch Banking and Trust Company of Virginia, as lender (*"BB&T"*), (3) the Additional Creditors (as described below) (the Noteholders, BB&T and the Additional Creditors are collectively referred to as the "*Secured Parties*"), and (4) Branch Banking and Trust Company, as collateral agent for the Secured Parties (together with its permitted successors and assigns, the "*Collateral Agent*") and acknowledged and agreed to by Trex Company, Inc., a Delaware corporation, as successor by merger to TREX Company, LLC, a Delaware limited liability company (the "*Company*"). Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned thereto in **§1** below.

R E C I T A L S:

A. Under and pursuant to the Credit Agreement dated as of June 19, 2002, as amended (as currently amended and as from time to time hereafter amended, restated, supplemented or otherwise modified, the "*Credit Agreement*") among the Company and BB&T, BB&T has made available to the Company Revolving Loans (as defined therein) up to an aggregate principal amount of $100,000,000, together with a letter of credit subfacility (collectively, the "*Revolving Debt*") and together with other credit facilities.

B. Under and pursuant to the Note Purchase Agreement dated as of June 19, 2002, among the Company and each of the Noteholders, the Company has issued $40,000,000 in aggregate principal amount of the Company's 8.32% Senior Secured Notes, Due June 19, 2009 (collectively, the "*Notes*") (such Note Purchase Agreement, as the same may from time to time be further amended, restated, supplemented or otherwise modified, the "*Note Agreement*").

C. The Company and the Collateral Agent entered into a Security Agreement dated as of June 19, 2002 (the *"Original Security Agreement"*) under and pursuant to the terms and provisions of the Credit Agreement and the Note Agreement. Under the Security Agreement, the Company granted a security interest in various collateral described therein to the Collateral Agent for the benefit of the "Secured Parties" defined therein. In compliance with the terms and provisions of the Credit Agreement and Section 22 of the Note Agreement, on or about September 30, 2004, BB&T and the Noteholders agreed to release the liens of the Original Security Agreement and such liens were released. BB&T has now required the Company to regrant certain of the security interests pledged under and pursuant to the Original Security Agreement and the Company and the Collateral Agent have executed and delivered that certain Security Agreement dated as of March 16, 2007 (the *"Security Agreement"*). Pursuant to Section 22 of the Note Agreement, the Noteholders have required the pledge of the security interests described in the Security Agreement for the benefit of the "Secured Parties" as defined therein and have required the execution and delivery of this Agreement.

D. The obligations of the Company under the Note Agreement are secured by the Collateral Documents described below.

E. The obligations of the Company under the Credit Agreement which related to the Revolving Debt also are secured by the Collateral Documents described below.

F. The Company contemplates that from time to time after the date hereof, the Company may, subject to the terms and conditions of the Note Agreement and the Credit Agreement, incur additional Funded Debt (as defined in the Note Agreement) or Debt issued under a Qualified Replacement Credit Agreement (as defined in the Note Agreement and herein the "Qualified Replacement Credit Agreement") (collectively, the *"Additional Funded Debt"*) under agreements evidencing such Additional Funded Debt (the *"Additional Facilities"*) which the Company desires to secure by the Collateral. Such Additional Funded Debt shall be permitted to be secured by the Collateral if the obligees of such Additional Funded Debt (the *"Additional Creditors"*) execute and deliver a joinder agreement hereto and become a party to this Agreement pursuant to the requirements of **§3.5** hereof.

G. Notwithstanding the time or order of attachment or perfection or any provisions to the contrary in any of the Collateral Documents or the fact that a portion of the Secured Obligations are secured by the same Collateral Documents, the Secured Parties desire that the Secured Obligations shall be secured on a senior *pari passu* basis by the Collateral.

H. The Secured Parties desire to appoint Branch Banking and Trust Company as Collateral Agent to act on behalf of the Secured Parties regarding the Collateral**,** all as more fully provided herein.

I. The Secured Parties and the Collateral Agent desire to enter into this Agreement to provide, among other things, for (i) the appointment, duties and responsibilities of the Collateral Agent, (ii) the respective priorities, rights and interests of the parties in and to the Collateral, (iii) the orderly administration of the Collateral, (iv) the coordination of any enforcement by the parties of their respective rights under the Note Agreement, the Credit Agreement, the Additional Facility Documents, and the Collateral Documents and (v) the allocation of payments, if any, made under the Collateral Documents and any Material Subsidiary Guaranty, all upon the terms and subject to the conditions set forth in this Agreement.

J. Pursuant to the requirements of the Note Agreement and the Credit Agreement, the Company has requested and the parties hereto have agreed to enter into this Agreement.

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties hereto hereby agree as follows:

SECTION 1 DEFINITIONS.

The following terms shall have the meanings assigned to them below in this **§1** or in the provisions of this Agreement referred to below:

"Additional Creditors" shall have the meaning assigned thereto in the Recitals hereof.

"*Additional Facilities*" shall have the meaning assigned thereto in the Recitals hereof.

"*Additional Facility Documents*" shall mean all outstanding Additional Facilities (including the Qualified Replacement Credit Agreement, if any), the Additional Facility Notes, the Security Documents and all other mortgages, security agreements, documents, certificates and instruments relating to, arising out of, or in any way connected therewith or any of the transactions contemplated thereby.

"*Additional Facility Notes*" shall mean the obligations of the Company which are evidenced by the promissory notes issued under the Additional Facilities.

"*Additional Funded Debt*" shall have the meaning assigned thereto in the Recitals hereof.

"*Affiliate*" means any Person which, directly or indirectly, controls, is controlled by or is under common control with another Person. For purposes of the foregoing, "*control*," "controlled by" and "under common control with" with respect to any Person shall mean the possession, directly or indirectly, of the power (i) to vote 10% or more of the securities having ordinary voting power of the election of directors of such Person, or (ii) to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or by contract or otherwise.

"*Bankruptcy Proceeding*" shall mean, with respect to any Person, a general assignment of such Person for the benefit of its creditors, or the institution by or against such Person of any proceeding seeking relief as debtor, or seeking to adjudicate such Person as bankrupt or insolvent, or seeking reorganization, arrangement, adjustment or composition of such Person or its debts, under any law relating to bankruptcy, insolvency, reorganization or relief of debtors, or seeking appointment of a receiver, trustee, custodian or other similar official for such Person or for any substantial part of its property.

"*Cash Equivalent Investments*" shall mean, (a) direct obligations of the United States Government or any agencies thereof and obligations guaranteed by the United States Government, in each case having remaining terms to maturity of not more than thirty days; and (b) certificates of deposit, time deposits and acceptances, including Eurodollar deposits, having remaining terms to maturity of not more than sixty days issued by a United States bank which has a combined capital and surplus of at least $750,000,000 and whose long-term certificates of deposit are rated "A" or better by Standard & Poor's Ratings Service or "A2" or better by Moody's Investors Service, Inc.

"*Collateral*" shall mean the "Collateral" as defined in the Security Agreement and as more fully described in **Exhibit A** hereto.

"*Collateral Documents*" shall mean the "Revolving Credit Loan Collateral Documents" as defined in the Credit Agreement, which secure the Revolving Credit Loan Obligations (as defined in the Credit Agreement) of the Company under the Credit Agreement and the "Collateral Documents" as defined in the Note Agreement, which secure the obligations of the Company under the Note Agreement and the Notes. For purposes of clarifying the usage of the term "Collateral Documents" in the Note

Agreement, any reference to the term "Security Agreement" in the definition of "Collateral Documents" shall be deemed, automatically and without any further action on the part of any party to this Agreement, to mean and refer to the "Security Agreement" as defined in this Agreement.

"*Company*" shall have the meaning assigned thereto in the Recitals hereof.

"*Credit Agreement*" shall have the meaning assigned thereto in the Recitals hereof.

"*Default*" shall mean an Event of Default or an event or condition which with notice or lapse of time or both would constitute an Event of Default.

"*Event of Default*" shall mean any "Event of Default" as defined in the Note Agreement, the Credit Agreement or any Additional Facility Documents.

"Letter of Credit Collateral Account" shall have the meaning assigned thereto in **§6.10** hereto.

"*Lien*" means any mortgage, deed of trust, pledge, security interest, assignment, deposit arrangement, charge, encumbrance or other lien (statutory or otherwise).

"*Make-Whole Amount*" shall have the meaning assigned thereto in the Note Agreement.

"*Material Subsidiary Guaranty*" shall have the meaning assigned thereto in the Note Agreement.

"*Note Agreement*" shall have the meaning assigned thereto in the Recitals hereof.

"*Noteholders*" shall have the meaning assigned thereto in the Recitals hereof.

"*Notes*" shall have the meaning assigned thereto in the Recitals hereof.

"*Person*" shall mean an individual, partnership, limited liability company, corporation, trust, unincorporated organization or any other entity whatsoever, or any government or agency or political subdivision thereof.

"*Pro Rata Share*" shall mean, in respect of any Secured Party as of any date of determination, the proportion which the amount of the Secured Obligations then owing to such Secured Party bears to the aggregate amount of Secured Obligations then owing to all Secured Parties.

"*Required Secured Parties*" shall mean Secured Parties holding more than 75% of the sum of (a) the unused Revolving Commitment (as defined in the Credit Agreement) for so long as the Revolving Commitment is in effect or, if applicable, the unused revolving commitment of the Additional Creditors under the Qualified Replacement Credit Agreement plus (b) the unpaid principal amount of the Revolving and Noteholder Debt plus (c) without duplication with respect to the amounts described in clause (a), the outstanding principal amount of the Additional Funded Debt.

“*Revolving and Noteholder Debt*” shall mean the Secured Obligations consisting of (a) all unpaid principal of the Revolving Loans (as defined in the Credit Agreement) (including therein the unpaid amount of any drawings under any letters of credit issued under the Credit Agreement and, without duplication, the undrawn portion of the face amount of any such letters of credit), (b) all accrued and unpaid interest and breakage costs thereon, (c) all outstanding principal of the Notes, (d) all accrued and unpaid interest and premium (including without limitation Make-Whole Amount) on the Notes and (e) all fees, commissions, indemnities and other amounts (without duplication of any Revolving and Noteholder Debt) owing to the Revolving and Noteholder Debt Secured Parties.

“*Revolving and Noteholder Debt Secured Parties*” shall mean those Secured Parties which hold Revolving and Noteholder Debt.

“*Revolving Debt*” shall have the meaning assigned thereto in the Recitals hereof.

“*Secured Obligations*” shall mean all of the following, whether now or hereafter existing or arising, and whether due or to become due, absolute or contingent, liquidated or unliquidated, determined or undetermined: (a) the Revolving Credit Loan Obligations (as defined in the Credit Agreement), including without limitation all principal in respect of the Revolving Debt (including unpaid reimbursement obligations relating to any drawings under letters of credit issued under the Credit Agreement and, without duplication, the undrawn portion of the face amount of any such letters of credit, and all principal of fees payable under or in connection with such letters of credit and/or the Revolving Debt) and all interest accrued thereon, (b) the indebtedness, liabilities and other obligations of the Company to the Noteholders under the Note Agreement and the Notes, including without limitation all principal in respect of the Notes and all interest accrued thereon and all premiums thereon, and all fees due under the Note Agreement and the Notes, (c) the indebtedness, obligations and liabilities of the Company to the Additional Creditors under the Additional Facilities and (d) the indebtedness, obligations and liabilities of the Company to the Collateral Agent or any Secured Party secured pursuant to clause (b) of Section 3 of the Security Agreement. Without limitation of the foregoing, it is understood and agreed that in no event shall any indebtedness, liabilities and other obligations of the Company relating to the Real Estate Term Loans 1, 2 and 3 (as defined in the Credit Agreement) be included in this definition of “Secured Obligations.”

“*Secured Party*” shall have the meaning assigned thereto in the introductory paragraph hereof.

“*Security Agreement*” shall mean the Security Agreement dated the date hereof from the Company to the Collateral Agent as the same shall be amended from time to time in accordance with the terms and provisions hereof and thereof.

“*Senior Preferential Payment*” shall mean any payments, or proceeds of the Collateral, from the Company or any other source with respect to the Secured Obligations (including from the exercise of any set-off), cumulatively, but without duplication, which are:

(a) received by a Secured Party within 90 days prior to (1) the commencement of a Bankruptcy Proceeding with respect to the Company or (2) the acceleration of the Notes or the obligations under the Credit Agreement, and which payment reduces the amount of the Secured Obligations owed to such Secured Party below the amount owed to such Secured Party as of the 90th day prior to such commencement or acceleration,

(b) received by a Secured Party (1) within 90 days prior to the occurrence of any Event of Default which has not been waived or cured within 30 days after the occurrence thereof and which payment reduces the amount of the Secured Obligations owed to such Secured Party below the amount owed to such Secured Party as of the 90th day prior to the occurrence of such Event of Default or (2) within 30 days after the occurrence of such Event of Default, or

(c) received by a Secured Party after the occurrence of a Special Event of Default except as provided in **§6.11(b)**.

"*Special Event of Default*" shall mean (a) the commencement of a Bankruptcy Proceeding with respect to the Company, (b) any other Event of Default which has not been waived or cured within 30 days after the occurrence thereof, or (c) the acceleration of the Notes or the obligations under the Credit Agreement or under any Additional Facility Documents.

"*Special Trust Account*" shall mean that certain restricted account maintained by the Collateral Agent for the purpose of receiving and holding Senior Preferential Payments.

"*Specified Amount*" shall mean as to any Secured Party the aggregate amount of the Secured Obligations owed to such Secured Party.

"Term Debt" shall mean the Real Estate Term Loan Obligations (as defined in the Credit Agreement).

"*Winchester Collateral*" shall mean the real property and improvements described on **Exhibit B** hereto.

SECTION 2 PRIORITY OF LIENS.

Section 2.1. *Pari Passu Liens of the Secured Parties*. All Liens now or hereafter existing in favor of the Collateral Agent, any Secured Party or any other Person on any Collateral to secure the Secured Obligations shall be pari passu at all times, regardless of the fact that a portion of the Secured Obligations are secured by the same Collateral Documents, the time or order of attachment or perfection, any provisions to the contrary in any of the Collateral Documents or any other circumstances whatsoever.

Section 2.2. *Liens of Secured Parties in respect of Winchester Collateral*. All Liens now or hereafter existing in favor of BB&T or any other Person on the Winchester Collateral shall be to secure the Term Debt only in all respects and at all times, notwithstanding any provisions to the contrary in any of the Collateral Documents or any other circumstances whatsoever.

Section 2.3. *Nonavoidability of Liens*. The priorities specified in **§2.1** hereof are expressly conditioned upon the nonavoidability and perfection of the Lien to which another Lien is made *pari passu* and, if the Lien to which another Lien is made *pari passu* is not perfected or is avoidable, for any reason, then the relative priority agreements provided for in **§2.1** hereof shall not be effective as to the particular Collateral which is the subject of the unperfected or avoidable lien.

SECTION 3 RELATIONSHIPS AMONG SECURED PARTIES.

Section 3.1. *Restrictions on Actions*. Each Secured Party agrees that, so long as any Secured Obligations are outstanding or any Secured Party has any commitment to extend credit in respect thereof pursuant to the terms of the Credit Agreement, the provisions of this Agreement shall provide the exclusive method by which any Secured Party may exercise rights and remedies with respect to the Collateral under the Collateral Documents and under applicable law relating to the rights and remedies of secured creditors. Therefore, each Secured Party shall, for the mutual benefit of all Secured Parties, except as permitted under this Agreement:

(a) refrain from taking or filing any action, judicial or otherwise, to enforce any rights or pursue any remedy under the Collateral Documents, except for delivering notices hereunder;

(b) refrain from (1) selling any Secured Obligations to the Company or any Affiliate of the Company and (2) accepting any guaranty of, or any other security for, the Secured Obligations from the Company or any Affiliate of the Company or any other Person, except any guaranty or security granted to the Collateral Agent for the benefit of all Secured Parties in the relative priorities set forth herein; and

(c) refrain from exercising any rights or remedies with respect to the Collateral under the Collateral Documents, or under applicable law relating to the rights and remedies of secured creditors, which have or may have arisen or which may arise as a result of a Default or Event of Default or otherwise;

provided, however, that nothing contained in subsections (a) through (c) above shall prevent any Secured Party from exercising or enforcing any other right or remedy available to any Secured Party under the Note Agreement, the Notes, the Credit Agreement, the other Loan Documents (as defined in the Credit Agreement), or the Additional Facility Documents, as the case may be, including, without limitation, accelerating the maturity of the Secured Obligations, terminating any commitments to lend additional money to the Company under the Credit Agreement (or, if applicable, under any Qualified Replacement Credit Agreement) in accordance with the terms thereof, imposing a default rate of interest in accordance with the Credit Agreement, the Note Agreement or the Additional Facility Documents, as applicable, raising any defenses in any action in which it has been made a party defendant or has been joined as a third party, except that the Collateral Agent may, but shall not be obligated to, direct and control any defense directly relating to the Collateral or any one or more of the Collateral Documents, which shall be governed by the provisions of this Agreement. NOTWITHSTANDING THE FOREGOING, NO SECURED PARTY SHALL EXERCISE, OR ATTEMPT TO EXERCISE, ANY RIGHT OF SET-OFF, BANKER'S LIEN, OR THE LIKE, AGAINST ANY DEPOSIT ACCOUNT OR PROPERTY OF THE COMPANY OR ANY OF ITS SUBSIDIARIES HELD OR MAINTAINED BY THE SECURED PARTY WITHOUT THE PRIOR WRITTEN CONSENT OF THE COLLATERAL AGENT AND THE REQUIRED SECURED PARTIES.

Section 3.2. *Representations and Warranties*. (a) Each of the Secured Parties represents and warrants to the other parties hereto that:

(1) It (i) is either (x) a corporation duly organized, existing and in good standing under the laws of the jurisdiction of its incorporation or (y) a national banking association duly incorporated and existing under the laws of the United States of America or a state-licensed branch of a foreign bank, and (ii) has all requisite power (corporate or otherwise) to own its property and conduct its business as now conducted and as presently contemplated.

(2) The execution, delivery and performance by such Secured Party of this Agreement has been authorized by all necessary proceedings (corporate or otherwise) and does not and will not contravene any provision of law, its charter or by-laws or any amendment thereof, or of any indenture, agreement, instrument or undertaking binding upon such Secured Party.

(3) The execution, delivery and performance by such Secured Party of this Agreement will result in a valid and legally binding obligation of such Secured Party enforceable in accordance with its terms.

(b) The Collateral Agent hereby represents and warrants as of the date hereof that:

(1) Collateral Agent is a state banking corporation validly existing and in good standing under the laws of the State of North Carolina.

(2) Collateral Agent has full power, authority and legal right under the laws of North Carolina pertaining to its banking powers to execute, deliver, and perform this Agreement and has taken all necessary action to authorize the execution, delivery and performance by it of this Agreement.

(3) Execution, delivery and performance by the Collateral Agent of this Agreement will not contravene any law, rule or regulation of the United States or any United States governmental authority or agency regulating the Collateral Agent's banking activities or any judgment or order applicable to or binding on the Collateral Agent and will not contravene or result in any breach of, or constitute a default under, the Collateral Agent's constitutive documents or the provision of any indenture, mortgage, contract or other agreement to which it is a party or by which it or any of its properties is bound.

(4) Execution, delivery and performance by the Collateral Agent of this Agreement will not require the authorization, consent, or approval of, the giving of notice to, the filing or registration with, or the taking of any other action in respect of, any United States governmental authority or agency regulating the banking activities of the Collateral Agent.

(5) This Agreement has been duly executed and delivered by the Collateral Agent and constitutes the legal, valid, and binding agreement of the Collateral Agent, enforceable in accordance with its terms, subject to bankruptcy, insolvency, fraudulent conveyance and similar laws affecting creditors' rights generally, and general principles of equity (regardless of whether the application of such principles is considered in a proceeding in equity or at law).

Section 3.3. *Cooperation; Accountings*. Each of the parties hereto will, upon the reasonable request of another party, from time to time execute and deliver or cause to be executed and delivered such further instruments, and do and cause to be done such further acts as may be necessary or proper to carry out more effectively the provisions of this Agreement. The Secured Parties agree to provide to each other upon reasonable request a statement of all payments received in respect of Secured Obligations.

Section 3.4. *Termination of Credit Agreement and Note Agreement; Amendments to Credit Agreement or Note Agreement*. (a) Upon final payment in full of all Secured Obligations owing to any Secured Party, and, in the case of BB&T or any Additional Creditors under the Qualified Replacement Credit Agreement, after the termination of BB&T's Revolving Commitment (as defined in the Credit Agreement) or such Additional Creditors' commitment to lend under the Qualified Replacement Credit Agreement, as applicable, such Secured Party shall cease to be a party to this Agreement; *provided, however*, if all or any part of any payments to such Secured Party are invalidated or set aside or required to be paid or repaid to any Person in any Bankruptcy Proceeding or otherwise (including, without limitation, any payment required to be made by such Secured Party to one or more of the other Secured Parties pursuant to **§6.15** hereof), then this Agreement shall be renewed as of such date and shall thereafter continue in full force and effect to the extent of the Secured Obligations so invalidated, set aside, paid or repaid.

(b) The Secured Parties agree with each other that neither (i) the Noteholders in the case of the Note Agreement, (ii) BB&T in the case of the Credit Agreement, and (iii) the relevant Additional Creditors party to any Qualified Replacement Credit Agreement, if any, will effect or agree to any waiver, amendment, restatement, extension or modification to the Note Agreement, the Credit Agreement, or the Qualified Replacement Credit Agreement, if any, as the case may be, which shall have the effect of (1) increasing the aggregate principal amount of indebtedness owed (or commitments to lend) thereunder other than additional Funded Debt (as defined in the Note Agreement) which the Company is permitted to incur under the relevant terms and provisions of the Note Agreement without giving effect to any amendment thereto after the date hereof, (2) shortening the scheduled amortization of the indebtedness (excluding the Term Debt) issued thereunder from the amortization in effect as of the date hereof or (3) (A) in the case of the Note Agreement, increase the rate of interest borne by the Notes by more than 100 basis points per annum (other than the imposition of the relevant default rate of interest; *provided* that there shall be no increase in any such default rate from the rate imposed on the date hereof), (B) in the case of the Credit Agreement, increase the interest rate on the Revolving Debt by increasing any margin over the LIBOR rate (as defined in the Credit Agreement) assessed with respect to the Revolving Debt by more than 100 basis points per annum from such margins which are in effect on the date hereof, and with respect to any interest rate or percentage fee assessed with respect to the Revolving Debt determined without reference to such LIBOR rate, no increase in such interest rate or percentage fee shall be made by an amount which exceeds 100 basis points per annum from such rate or percentage fee in effect on

the date hereof (other than the imposition of the relevant default rate of interest; *provided* that there shall be no increase in any such default rate from the rate imposed on the date hereof), and (C) in the case of any Qualified Replacement Credit Agreement, increases the interest rate thereon which would result in an interest rate in excess of such rate which is or would have been permitted under clause (B) above if the Additional Funded Debt thereunder was considered to be Revolving Debt under the Credit Agreement, in each case without the prior written approval of BB&T (or, if applicable, the Additional Creditors under any Qualified Replacement Credit Agreement) and the holders of at least 66-2/3% in principal amount of the Notes at the time outstanding.

Section 3.5. *Additional Creditor*. Additional Creditors may, upon compliance with the relevant provisions of the Note Agreement, the Credit Agreement and any outstanding Additional Facility, become "*Secured Parties*" hereunder by executing and delivering to the Collateral Agent and to each of the then existing Secured Parties (a) a joinder agreement in the form attached hereto as Exhibit C and (b) a copy of the Additional Facility or Additional Facilities to which such Person is a party. Accordingly, upon the execution and delivery of any such copy of this Agreement by any such Person, such Person, shall, upon delivery thereof to the then existing Secured Parties, thereafter become a Secured Party for all purposes of this Agreement.

SECTION 4 APPOINTMENT AND AUTHORIZATION OF COLLATERAL AGENT.

(a) Each Secured Party hereby irrevocably designates and appoints Branch Banking and Trust Company as the Collateral Agent of such Secured Party under this Agreement and the Collateral Documents, and each Secured Party hereby irrevocably authorizes Branch Banking and Trust Company as the Collateral Agent for such Secured Party to execute and enter into each of the Collateral Documents and all other instruments relating to said Collateral Documents and (i) to take action on its behalf and exercise such powers and use such discretion as are expressly permitted hereunder and under the Collateral Documents and all instruments relating hereto and thereto and (ii) to exercise such powers and perform such duties as are, in each case, expressly delegated to the Collateral Agent by the terms hereof and thereof together with such other powers and discretion as are reasonably incidental hereto and thereto.

(b) Notwithstanding any provision to the contrary elsewhere in this Agreement or the Collateral Documents, the Collateral Agent shall not have any duties or responsibilities except those expressly set forth herein or therein or any fiduciary relationship with any Secured Party, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any Collateral Document or otherwise exist against the Collateral Agent.

SECTION 5 AGENCY PROVISIONS.

Section 5.1. *Delegation of Duties*. The Collateral Agent may exercise its powers and execute any of its duties under this Agreement and the Collateral Documents by or through employees, agents or attorneys-in-fact and shall be entitled to take and to rely on advice of counsel concerning all matters pertaining to such powers and duties. The Collateral Agent shall not be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care. The Collateral Agent may utilize the services of such Persons as the Collateral Agent in its sole discretion may determine, and all reasonable fees and expenses of such Persons shall be borne by the Company.

Section 5.2. *Exculpatory Provisions*. Neither the Collateral Agent nor any of the Collateral Agent's officers, directors, employees, agents, attorneys-in-fact or Affiliates shall be (a) liable for any action taken or omitted to be taken by it or such Person under or in connection with this Agreement or any Collateral Document or any Collateral (except for its or such Person's own gross negligence or willful misconduct), or (b) responsible in any manner to any of the Secured Parties for any recitals, statements, representations or warranties made by the Company, any officer thereof or any other Person contained in, or made or deemed made in connection with, the Credit Agreement, the Note Agreement, any Additional Facility Document or any Collateral Document or in any certificate, report, statement or other document referred to or provided for in, or received by the Collateral Agent under or in connection with, this Agreement, the Credit Agreement, the Note Agreement, any Additional Facility Document or any Collateral Document, or for the due execution, legality, value, validity, effectiveness, genuineness, enforceability or sufficiency of the Credit Agreement, the Note Agreement, any Additional Facility Document or any Collateral Document or any other document or instrument furnished pursuant thereto or of any of the Collateral or for any failure of the Company to perform its obligations under such documents. The Collateral Agent shall be under no obligation to the Secured Parties to ascertain or to inquire as to the observance or performance of any of the agreements contained in, statements made in, or conditions of the Credit Agreement, the Note Agreement, any Additional Facility Document or any Collateral Document or to inspect the property (including the books and records) of the Company.

Section 5.3. *Reliance by Collateral Agent*. The Collateral Agent shall be entitled to rely, and shall be fully protected and shall incur no liability in acting and relying, upon any writing, resolution, notice, consent, certificate, affidavit, letter, cablegram, telegram, telecopy, telex or teletype message, statement, order or other document or conversation reasonably believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to the Company), independent accountants and other experts selected by the Collateral Agent. Without limiting the generality of the foregoing, the Collateral Agent may treat the payee of any Revolving and Noteholder Debt or any Additional Facility Note as the registered holder thereof until it receives notice or otherwise has actual knowledge that such payee is no longer the registered holder of such Revolving and Noteholder Debt or Additional Facility Note. Notwithstanding anything to the contrary contained herein or in any Collateral Document, the Collateral Agent shall be fully justified in failing or refusing to take action under this Agreement or the Collateral Documents (including, without limitation, the exercise of any rights or remedies under, or the entering into of any agreement amending, modifying, supplementing, waiving any provision of, or the giving of consent pursuant to, any of the Collateral Documents) unless it shall first receive instructions of the Required Secured Parties as is contemplated by **§6** hereof and it shall first be indemnified to its reasonable satisfaction by the relevant Secured Parties against any and all liability and expense which may be incurred by it by reason of taking, continuing to take or refraining from taking any such action. The Collateral Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement and the Collateral Documents in accordance with the provisions of **§6.5** hereof and in accordance with written instructions of the Required Secured Parties pursuant to **§6.3** hereof, and such instructions and any action taken or failure to act pursuant thereto shall be binding upon all the relevant Secured Parties.

Section 5.4. *Knowledge or Notice of Default, Event of Default*. The Collateral Agent shall not be deemed to have actual, constructive, direct or indirect knowledge or notice of the occurrence of any Default or Event of Default unless and until the Collateral Agent has received written notice from a Secured Party or the Company referring to the Credit Agreement, the Note Agreement, the Additional Facility Documents, or the Collateral Documents, describing such Default or Event of Default and stating that it is a "notice of default" or a "notice of event of default", setting forth in reasonable detail the facts and circumstances thereof and stating that the Collateral Agent may rely on such notice without further inquiry; *provided* that if BB&T (or any Additional Creditor under a Qualified Replacement Credit Agreement) is the Collateral Agent hereunder, the Collateral Agent shall be deemed to have actual knowledge and notice of the occurrence of any Default or Event of Default (as defined in the Credit Agreement or Qualified Replacement Credit Agreement) under the Credit Agreement or Qualified Replacement Credit Agreement if BB&T (or such Additional Creditor) has actual knowledge of such Default or Event of Default or has declared an Event of Default under the Credit Agreement or Qualified Replacement Credit Agreement. The Collateral Agent shall have no obligation or duty prior to or after receiving any such notice to inquire whether a Default or Event of Default has in fact occurred and shall be entitled to rely, and shall be fully protected in so relying, on any such notice furnished to it.

Section 5.5. *Non-Reliance on Collateral Agent and Other Secured Parties*. Each Secured Party expressly acknowledges that, except as expressly set forth in this Agreement, neither the Collateral Agent nor any of the Collateral Agent's officers, directors, employees, agents, attorneys-in-fact or Affiliates has made any representations or warranties to it and that no act by the Collateral Agent hereafter taken, including any review of the affairs of the Company, shall be deemed to constitute any representation or warranty by the Collateral Agent to any Secured Party. Each Secured Party represents that it has, independently and without reliance upon the Collateral Agent or any other Secured Party, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, financial and other condition and credit-worthiness of the Company and made its own decision to enter into this Agreement, the Credit Agreement, the Note Agreement, any Additional Facility Document or any Collateral Document. Each Secured Party also represents that it will, independently and without reliance upon the Collateral Agent or any other Secured Party, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under the Credit Agreement, the Note Agreement, any Additional Facility Document or any Collateral Document and this Agreement, and to make such investigation as it deems necessary to inform itself as to the business, operations, property, financial and other condition and credit-worthiness of the Company. Except for notices, reports and other documents expressly required to be furnished to the Secured Parties by the Collateral Agent hereunder, the Collateral Agent shall not have any duty or responsibility to provide the Secured Parties with any credit or other information concerning the business, operations, property, financial and other condition or credit-worthiness of the Company which may come into the possession of the Collateral Agent or any of its officers, directors, employees, agents, attorneys-in-fact or Affiliates.

Section 5.6. *Indemnification*. The Secured Parties agree to indemnify the Collateral Agent in its capacity as such (to the extent not reimbursed by the Company, but without limiting any obligation of the Company to do so) ratably in accordance with the Secured Parties' Pro Rata Shares, against, and hold the Collateral Agent harmless from, any and all liabilities, obligations, losses, claims, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever, which may be imposed on, incurred by, or asserted against the Collateral Agent, in any way relating to or arising out of this Agreement or any Collateral Document or the transactions contemplated hereby or thereby or any action taken or omitted by the Collateral Agent in connection with any of the foregoing; *provided* that no Secured Party shall be liable to the Collateral Agent for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements to the extent they are found by a final decision of a court of competent jurisdiction to have resulted from the Collateral Agent's gross negligence or willful misconduct. The agreements in this **§5.6** shall survive the payment of the Secured Obligations.

Section 5.7. *Collateral Agent in Its Individual Capacity*. BB&T and its Affiliates may make loans to and generally engage in any kind of business with the Company as though such Person was not the Collateral Agent hereunder and without any duty to account therefor to the Secured Parties. With respect to any Revolving and Noteholder Debt issued to it and advances made by it under the Credit Agreement, if any, BB&T shall have the same rights and powers under this Agreement as any Secured Party and may exercise the same as though it were not the Collateral Agent, and the terms "Secured Party" and "Secured Parties" shall include BB&T in its individual capacity. Any Additional Creditor which succeeds BB&T as Collateral Agent shall have the same rights as BB&T under this Section 5.7 with respect to Debt issued to it and advances made by it under the Additional Facilities.

Section 5.8. *Successor Collateral Agent*.

(a) The Collateral Agent may resign at any time upon thirty days' notice to the Secured Parties and the Company and may be removed at any time, with or without cause, by the Required Secured Parties by written notice delivered to the Company, the Collateral Agent and the Secured Parties. If the Collateral Agent is also BB&T, or an Additional Creditor under the Qualified Replacement Credit Agreement, then the Noteholders may remove the Collateral Agent for a material breach of its obligations under this Agreement at any time upon a vote of the holders of 75% or more of the aggregate principal amount of outstanding Notes. After any resignation or removal hereunder of the Collateral Agent, the provisions of this **§5** shall continue to inure to its benefit as to any actions taken or omitted to be taken by it in connection with its role as Collateral Agent hereunder while it was the Collateral Agent under this Agreement and it shall be entitled to be paid promptly when due any amounts owing to it pursuant to **§5.6**.

(b) Upon receiving notice of any such resignation or removal, a successor Collateral Agent shall be appointed by the Required Secured Parties; provided, however, that such successor Collateral Agent shall be (i) a bank or trust company having a combined capital and surplus of at least $500,000,000, subject to supervision or examination by a federal or state banking authority; and (ii) authorized under the laws of the jurisdiction of its incorporation or organization to assume the functions of the Collateral Agent. If the appointment of such successor shall not have become effective (as hereafter provided) (x) within such thirty day period after the Collateral Agent's notice of resignation or (y) upon removal of the Collateral Agent, then the Collateral Agent may

assign the Liens and its duties hereunder and under the Collateral Documents to the Secured Parties, as their interests may appear, and in such case all references herein to "Collateral Agent" shall be deemed to refer to the "Required Secured Parties." Any Secured Party may petition a court of competent jurisdiction for the appointment of a successor Collateral Agent. Such court shall, after such notice as it may deem proper, appoint a successor Collateral Agent meeting the qualifications specified in this **§5.8(b).** The Secured Parties hereby consent to such petition and appointment so long as such criteria are met.

(c) The resignation or removal of a Collateral Agent shall become effective upon the execution and delivery of such documents or instruments as are necessary to transfer the rights and obligations of the Collateral Agent under the Collateral Documents, including, without limitation, the delivery and recordation of all amendments, instruments, deed of trusts, financing statements, continuation statements and other documents necessary to maintain the perfection of the security interests held by the Collateral Agent hereunder. Copies of each such document or instrument shall be delivered to all Secured Parties. Subject to the foregoing provisions of this **§5.8(c),** the appointment of a successor Collateral Agent pursuant to this **§5.8** shall become effective upon the acceptance of the appointment as Collateral Agent hereunder by a successor Collateral Agent. Upon such effective appointment, the successor Collateral Agent shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Collateral Agent and the retiring Collateral Agent shall be discharged from its rights, powers, privileges and duties under this Agreement and the other Collateral Documents; provided, however, that the provisions of this **§5** shall continue to inure to the retiring Collateral Agent's benefit as to any actions taken or omitted to be taken by it in connection with its role as Collateral Agent hereunder while it was the Collateral Agent under this Agreement.

SECTION 6 ACTIONS BY THE COLLATERAL AGENT.

Section 6.1. *Duties and Obligations*. The duties and obligations of the Collateral Agent are only those set forth in this Agreement and in the Collateral Documents.

Section 6.2. *Notification of Default*. If the Collateral Agent has been notified in a writing conforming to the requirements of **§5.4** by any Secured Party that a Default, an Event of Default or a Special Event of Default has occurred, the Collateral Agent shall furnish to the Secured Parties a copy of such written notice and may, but is under no obligation to, furnish to the Company a copy of the notice received by the Collateral Agent and a copy of the Collateral Agent's notice to the Secured Parties. The failure of any Secured Party having knowledge of the occurrence of a Default, an Event of Default or a Special Event of Default to notify the Collateral Agent or any Secured Party of such occurrence, however, does not constitute a waiver of such Default, Event of Default or Special Event of Default by the Secured Parties. Upon receipt of a notice conforming to the requirements of **§5.4** from a Secured Party of the occurrence of an Event of Default or a Special Event of Default, the Collateral Agent shall (in addition to the action required by the first sentence of this **§6.2**) promptly (and in any event no later than three Business Days after receipt of such notice) issue its Notice of Default to all Secured Parties. Such Notice of Default shall indicate the nature of such Event of Default or Special Event of Default. The Notice of Default may contain a recommendation of actions to be taken by the Secured Parties and/or request instructions from the Secured Parties and shall specify the date on which responses are due in order to be timely within **§6.4** hereof.

Section 6.3. *Exercise of Remedies*. Except as otherwise provided in **§6.5**, the Collateral Agent shall take only such actions and exercise only such remedies under the Collateral Documents as are approved in written instructions delivered to the Collateral Agent and signed by the Required Secured Parties required under **§6.4**. In the event that the Collateral Agent shall determine in good faith that taking the actions specified in such instructions is contrary to law, it may refrain (and shall be fully protected in so refraining) from taking such action and shall immediately give notice of such fact to each of the Secured Parties. In the event that instructions received by the Collateral Agent are in its good faith judgment ambiguous or conflict with other instructions received by the Collateral Agent, the Collateral Agent (a) shall promptly notify the Secured Parties of such ambiguity or conflict and request clarifying instructions, and (b) may either (1) delay taking any such action or exercising any such remedy pending the receipt of such clarifying instructions (and shall be fully protected in so delaying) or (2) take such actions as it is entitled under **§6.5**.

Section 6.4. *Instructions from Secured Parties*.

Notwithstanding anything express or implied to the contrary in any Collateral Document:

(a) remedies and other actions to be taken under the Collateral Documents or applicable law with respect to the Collateral shall be directed by the Required Secured Parties; and

(b) if any Secured Party does not respond in a timely manner to any notice (including, without limitation, a Notice of Default) from the Collateral Agent or request for instructions within the time period specified by the Collateral Agent in such notice or request for instructions (which shall be a minimum of five Business Days), the Secured Obligations held by such Secured Party which would otherwise be included in a determination of Required Secured Parties shall not be included in the determination of Required Secured Parties for purposes of such notice or request for instructions. Any action taken or not taken without the vote of such Secured Party or Secured Parties under this **§6.4** shall nevertheless be binding on such Secured Party or Secured Parties.

Section 6.5. *Emergency Actions*. If the Collateral Agent has asked the Secured Parties for instruction and if the Required Secured Parties have not yet responded to such request, the Collateral Agent shall be authorized to take, but shall not be required to take and shall in no event have any liability for the taking or the failure to take, such actions (other than any action described or permitted under **§6.7** hereof) with regard to a Default or Event of Default which the Collateral Agent, in good faith, believes to be reasonably required to promote and protect the interests of the Secured Parties and to preserve the value of the Collateral and shall give the Secured Parties appropriate notice of such action; *provided* that once instructions with respect to such request have been received by the Collateral Agent from the Required Secured Parties, the actions of the Collateral Agent shall be governed thereby and the Collateral Agent shall not take any further action which would be contrary thereto.

Section 6.6. *Changes to Collateral Documents*. Any term of the Collateral Documents may be amended, and the performance or observance by the parties to a Collateral Document of any term of such Collateral Document may be waived (either generally or in a particular instance and either retroactively or prospectively) with the written consent of the Required Secured Parties.

Section 6.7. *Release of Collateral*. The release of any Collateral by the Collateral Agent from the Lien of any Collateral Document shall be permitted with the written consent of all of the Secured Parties; *provided, however*, that if the Company or its Subsidiaries disposes of Collateral pursuant to a disposition that is permitted under both the Credit Agreement and the Note Agreement or Collateral is released as permitted under the terms of the Collateral Documents, then the written consent of the Secured Parties to the release by the Collateral Agent of such Collateral shall not be required.

Section 6.8. *Other Actions*. The Collateral Agent shall have the right to take such actions, or omit to take such actions, hereunder and under the Collateral Documents not inconsistent with the written instructions of the Required Secured Parties delivered pursuant to **§6.3** hereof or the terms of this Agreement, including actions the Collateral Agent deems necessary or appropriate to perfect or continue the perfection of the Liens on the Collateral for the benefit of the Secured Parties. Except as otherwise provided by applicable law, the Collateral Agent shall have no duty as to any Collateral, the collection or protection of the Collateral or any income therefrom (including any duty to ascertain or take action with respect to calls, conversions, exchanges, maturities, tenders or other matters relative to any Collateral, whether or not the Collateral Agent has or is deemed to have knowledge of such matters), nor as to the preservation of rights against prior parties, nor as to the preservation of rights pertaining to the Collateral beyond the safe custody of any Collateral in the Collateral Agent's actual possession.

Section 6.9. *Cooperation*. To the extent that the exercise of the rights, powers and remedies of the Collateral Agent in accordance with this Agreement requires that any action be taken by any Secured Party, such Secured Party shall take such action and cooperate with the Collateral Agent to ensure that the rights, powers and remedies of all Secured Parties are exercised in full.

Section 6.10. *Distribution of Proceeds of Collateral and Subsidiary Guaranties*.

(a) Upon any realization upon the Collateral, the Secured Parties agree that the proceeds thereof shall be applied (i) first, to the amounts owing to the Collateral Agent, solely in its capacity as Collateral Agent (or owing to the Secured Parties in such capacity if the Collateral Agent has resigned or has been removed), by the Company or the Secured Parties pursuant to this Agreement or the Collateral Documents; (ii) second, to reimburse the Secured Parties for any amounts paid under **§5.6** hereof ratably; (iii) third, ratably to the payment of all amounts of accrued and unpaid interest (other than breakage costs or any Make-Whole Amount) which constitute Secured Obligations according to the aggregate amounts of such interest then owing to each Secured Party; (iv) fourth, ratably to all amounts of principal outstanding in respect of the Secured Obligations (including therein the unpaid reimbursement obligations relating to any drawings under letters of credit issued under the Credit Agreement or any Qualified Replacement Credit Agreement and, without duplication, in the manner set forth in the following paragraph the undrawn portion of any face amount of any such letters of credit) according to the aggregate amounts of such principal then owing to each Secured Party; (v) fifth, ratably to all other Secured Obligations then owing to the Secured Parties according to the aggregate amounts of such Secured Obligations then owing to each Secured Party; and (vi) sixth, the balance, if any, shall be returned to the Company or such other Persons as are entitled thereto.

Any payment pursuant to this **§6.10** with respect to the undrawn amount of any letters of credit shall be paid to the Collateral Agent for deposit in an account (the *"Letter of Credit Collateral Account")* to be held as collateral for the Secured Obligations and disposed of as provided herein. On each date after the occurrence of a Special Event of Default on which a payment is made to a beneficiary pursuant to a draw on a letter of credit, the Collateral Agent shall distribute from the Letter of Credit Collateral Account for application to the payment of the reimbursement obligation due to BB&T or any Additional Creditors under the Qualified Replacement Credit Agreement, as applicable, with respect to such draw an amount equal to the product of (1) the amount then on deposit in the Letter of Credit Collateral Account, and (2) a fraction, the numerator of which is the amount of such draw and the denominator of which is the aggregate amount of all undrawn letters of credit with respect to the Revolving Debt (or, if applicable, revolving debt under the Qualified Replacement Credit Agreement) immediately prior to such draw. On each date on which a reduction in the aggregate amount of all undrawn letters of credit occurs other than on account of a payment made to a beneficiary pursuant to a draw on a letter of credit, then the Collateral Agent shall distribute from the Letter of Credit Collateral Account an amount equal to the product of (1) the amount then on deposit in the Letter of Credit Collateral Account, and (2) a fraction, the numerator of which is the amount of such reduction in the aggregate amount of all undrawn letters of credit and the denominator of which is the aggregate amount of all undrawn letters of credit with respect to the Revolving Debt (or, if applicable, revolving debt under the Qualified Replacement Credit Agreement), immediately prior to such reduction, which amount shall be distributed as provided in the first paragraph of this **§6.10**. At such time as the aggregate amount of all undrawn letters of credit is reduced to zero, any amount remaining in the Letter of Credit Collateral Account, after the distribution therefrom as provided above, shall be distributed as provided in the first paragraph of this **§6.10**.

(b) Upon the request of the Collateral Agent prior to any distribution under this **§6.10**, each Secured Party shall provide to the Collateral Agent certificates, in form and substance reasonably satisfactory to the Collateral Agent, setting forth the respective amounts referred to in **§6.10(a)** hereof which each such Secured Party believes it is entitled to receive.

Section 6.11. *Senior Preferential Payments and Special Trust Account*.

(a) After the receipt by each Secured Party of a Notice of Default pursuant to **§6.2** stating that a Special Event of Default has occurred, all Senior Preferential Payments other than those payments received pursuant to subsection **(b)** of this **§6.11** shall be delivered to the Collateral Agent for deposit into the Special Trust Account.

(b) If (i) such Special Event of Default is waived by BB&T, the Additional Creditors, and the Noteholders and if no other Event of Default has occurred and is continuing, (ii) such Special Event of Default is cured by the Company or by any amendment of the Credit Agreement, the Additional Facility Documents, or the Note Agreement, as the case may be, and if no other Event of Default has occurred and is continuing or (iii) any or all of the Secured Obligations have not been accelerated and the Required Secured Parties have not instructed the Collateral Agent to foreclose on a substantial portion of the Collateral, seek the appointment of a receiver, commence litigation against the Company, liquidate the Collateral, commence a Bankruptcy Proceeding against the

Company, seize Collateral, or exercise other remedies of similar character prior to the 180th day following such Special Event of Default, the Collateral Agent thereupon shall return all amounts, together with their pro rata share of any interest earned thereon, held in the Special Trust Account representing payment of any Secured Obligations to the Secured Party initially entitled thereto, and no payments thereafter received by a Secured Party shall constitute a Senior Preferential Payment by reason of such cured or waived Special Event of Default. No payment returned to a Secured Party for which such Secured Party has been obligated to make a deposit into the Special Trust Account shall thereafter ever be characterized as a Senior Preferential Payment.

(c) Each Secured Party agrees that upon the occurrence of a Special Event of Default it shall (i) promptly notify the Collateral Agent of the receipt of any Senior Preferential Payments, (ii) hold such amounts in trust for the Secured Parties and act as agent of the Secured Parties during the time any such amounts are held by it, and (iii) deliver promptly to the Collateral Agent such amounts for deposit into the Special Trust Account as soon as practicable.

(d) If the Secured Obligations have been accelerated or the Required Secured Parties have instructed the Collateral Agent to foreclose on a substantial portion of the Collateral, seek the appointment of a receiver, commence litigation against the Company, liquidate the Collateral, commence a Bankruptcy Proceeding against the Company, seize Collateral, or exercise other remedies of similar character, then all funds, together with interest earned thereon, held in the Special Trust Account and all subsequent Senior Preferential Payments shall be applied in accordance with the provisions of **§6.10** above.

Section 6.12. *Authorized Investments*. Any and all funds held by the Collateral Agent in its capacity as Collateral Agent, whether pursuant to any provision of this Agreement or any of the Collateral Documents, shall to the extent feasible within a reasonable time be invested by the Collateral Agent in Cash Equivalent Investments. Prior to making such investment or to the extent it is not feasible to invest such funds in Cash Equivalent Investments, the Collateral Agent shall hold any such funds in an interest bearing account. Any interest earned on such funds shall be disbursed to the Secured Parties in accordance with **§6.10** or **§6.11**, as applicable. The Collateral Agent shall have no duty to place funds held and invested pursuant to this **§6.12** in investments which provide a maximum return. The Collateral Agent shall not be responsible for any loss of any funds invested in accordance with this **§6.12**.

Section 6.13. *Restoration of Obligations*. For the purposes of determining the amount of outstanding Secured Obligations, if any Secured Party is required to deposit any Senior Preferential Payment in the Special Trust Account, then the obligations intended to be satisfied by such Senior Preferential Payment shall be revived, as of the date of the deposit of such amount with the Collateral Agent, in the amount of such Senior Preferential Payment and such obligation shall continue in full force and effect (and, if applicable, bear interest from such deposit date at the non-default rate as provided in the Notes or in the Credit Agreement or in the Additional Facility Documents, as the case may be) as if such Secured Party had not received such payment. All such revived obligations shall be included as Secured Obligations for purposes of allocating any payments under **§6.10** and for applying the definition of Required Secured Parties. If any such revived obligation shall not be allowed as a claim under the Bankruptcy Code due to the fact that the Senior Preferential Payment has in fact been made by the Company, the Secured Parties shall make such other equitable arrangements for the purchase and sale of participations in the Secured Obligations to effectuate the intent of this **§6.13**.

Section 6.14. *Bankruptcy, Preferences, etc*. If any payment to a Secured Party is subsequently invalidated, declared to be fraudulent or preferential or set aside and is required to be repaid to a trustee, receiver or any other party under any bankruptcy law, state or Federal law, common law or equitable cause, and such Secured Party has previously made a deposit in respect of such payment into the Special Trust Account pursuant to **§6.11**, then the Collateral Agent shall distribute to such Secured Party proceeds from the Special Trust Account in an amount equal to such deposit or so much thereof as is affected by such events and if, due to previous disbursements to the Secured Parties pursuant to **§6.11(d)**, the proceeds in the Special Trust Account are insufficient for such purpose, then each other Secured Party shall pay to such Secured Party upon demand an amount equal to a ratable portion of such disbursements of the deposit which was distributed to each such Secured Party according to the aggregate amounts so distributed to each such Secured Party.

Section 6.15. *Sharing of Proceeds*. If, despite the provisions of this Agreement, any Secured Party shall receive any payment or other recovery in excess of its portion of payments on account of the Secured Obligations to which it is then entitled in accordance with this Agreement, such Secured Party shall hold such payment or other recovery in trust for the benefit of the parties entitled thereto and promptly pay over or deliver such payment or other recovery to the Collateral Agent for application by the Collateral Agent in accordance with this Agreement.

SECTION 7 BANKRUPTCY PROCEEDINGS.

The following provisions shall apply during any Bankruptcy Proceeding of the Company:

(a) The Collateral Agent shall represent all Secured Parties in connection with all matters directly relating to the Collateral, including without limitation, use, sale or lease of Collateral, use of cash collateral, relief from the automatic stay and adequate protection. The Collateral Agent shall act on the instructions of the Required Secured Parties; provided that such instructions by the Required Secured Parties shall not treat any Secured Party differently with respect to rights in the Collateral from any other Secured Party; and provided further that if action is required prior to the time such instructions are received or if the Required Secured Parties fail to give instructions with respect to any matter, the Collateral Agent shall be authorized to act, or refrain from acting, in accordance with **§6.5** hereof.

(b) Each Secured Party shall be free to act independently on any issue not directly relating to the Collateral, including without limitation, matters relating to appointment of a trustee, conversion of a case, filing of claims, and plans of reorganization. Each Secured Party shall give prior notice to the Collateral Agent of any such action to the extent that such notice is possible. If such prior notice is not given, such Secured Party shall give prompt notice following any such action.

SECTION 8 ADDITIONAL AGREEMENTS OF SECURED PARTIES.

(a) BB&T, in its capacity as the Lender under the Credit Agreement agrees that the Secured Parties, through their authorized representatives or agents, may (to the extent BB&T has the right to restrict access to the Winchester Collateral) enter upon any real property constituting Winchester Collateral from time to time during normal business hours for the sole purpose of inspecting, repairing, removing, caring for, protecting or conducting a sale or sales of any or all of the Collateral if the Collateral Agent provides BB&T notice prior to each entry (which shall not be less than two (2) business days except in the case of emergency). BB&T further agrees that neither the Collateral Agent nor any Secured Party shall have any obligation or liability to BB&T, except, however, that the Secured Parties shall promptly repair any damage to the Winchester Collateral caused by the removal, repair, sale or inspection and the Secured Parties shall be liable for, and shall indemnify, defend and hold the Collateral Agent and BB&T harmless from the gross negligence or willful misconduct of their employees or agents in connection with such removal, repairs, sale or inspection. The Collateral Agent and the Secured Parties agree that neither the Collateral Agent nor BB&T shall have any obligation or liability to preserve, protect, manage, maintain, safekeep or otherwise have any responsibility for the Collateral beyond the safe custody of any Collateral in any such Person's actual possession.

(b) The Collateral Agent agrees to use its best efforts to give to BB&T, via certified mail, written notice prior to the exercise by the Collateral Agent of any of its rights or remedies against the Collateral at the address provided for in **§10.2** below; *provided*, *however*, that any failure to so provide such notice shall have no effect on the ability of the Collateral Agent to exercise any of its rights or remedies against the Collateral.

(c) BB&T agrees to use its best efforts to give to the Secured Parties, via certified mail, written notice prior to the exercise by BB&T of any of its rights or remedies against the Winchester Collateral at the address provided for in **§10.2** below; *provided*, *however*, that any failure to so provide such notice shall have no effect on the ability of BB&T to exercise any of its rights or remedies against the Winchester Collateral.

(d) If the Collateral Agent takes possession of the Company's books and records included in the Collateral, the Collateral Agent shall provide BB&T reasonable access to inspect and copy such books and records if BB&T provides prior notice (which shall be not less than two (2) business days except in the case of emergency) and if such access is necessary to exercise its rights and remedies in the Winchester Collateral.

(e) If the Collateral Agent or the Secured Parties receives any Winchester Collateral or any proceeds thereof or if BB&T (in its capacity as lender of the Term Debt under the Credit Agreement) receives any Collateral or any proceeds thereof in which the Secured Parties have a prior perfected security interest, such party shall (i) notify the other party in writing of the nature of such receipt, the date of the receipt and the amount thereof; (ii) deduct from the proceeds received any costs or expenses (including attorneys' fees and expenses) incurred in connection with the acquisition of such proceeds; (iii) hold the remaining amount of such proceeds in trust for the benefit of the other party until paid over to the other party; and (iv) pay the remaining amount of such proceeds or deliver the applicable Collateral to the other party hereto promptly upon receipt thereof. If at any time payment, in whole or in part, of any Collateral or proceeds of Collateral distributed hereunder is rescinded or must otherwise be

restored or returned as a preference, fraudulent conveyance or otherwise under any bankruptcy, insolvency or similar law, then each party receiving any portion of such proceeds agrees, upon demand, to return the portion of such proceeds it has received to the party responsible for restoring or returning such proceeds.

(f) References to BB&T in this Section 8 shall also refer to all Additional Creditors under the Qualified Replacement Credit Agreement if such Additional Creditors are also the holders of a Lien on the Winchester Collateral.

SECTION 9 MISCELLANEOUS.

Section 9.1. *Entire Agreement*. This Agreement represents the entire Agreement among the Collateral Agent, the Secured Parties and the Company in respect of the subject matter hereof.

Section 9.2. *Notices*. Notices hereunder shall be given to the Secured Parties at their addresses as set forth in the Note Agreement or the Credit Agreement or at such other address as may be designated by each in a written notice to the other parties hereto.

Section 9.3. *Successors and Assigns*. This Agreement shall be binding upon and inure to the benefit of the Collateral Agent and each of the Secured Parties and their respective successors and assigns, whether so expressed or not, and, in particular, shall inure to the benefit of and be enforceable by and against any future holder or holders of any Secured Obligations, and the term “Secured Party” shall include any such subsequent holder of Secured Obligations, wherever the context permits.

Section 9.4. *Consents, Amendment, Waivers*. All amendments, waivers or consents of any provision of this Agreement shall be effective only if the same shall be in writing and signed by the Collateral Agent and all of the Secured Parties.

Section 9.5. *Governing Law*. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without giving effect to any conflicts of law principles.

Section 9.6. *Counterparts*. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one Agreement, and any of the parties hereto may execute this Agreement by signing any such counterpart.

Section 9.7. *Sale of Interest*. No Secured Party will sell, transfer or otherwise dispose of any interest in the Secured Obligations unless such purchaser or transferee shall agree, in writing, to be bound by the terms of this Agreement.

Section 9.8. *Severability*. In case any one or more of the provisions contained in this Agreement shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby.

Section 9.9. *Expenses*. In the event of any litigation to enforce this Agreement, the prevailing party shall be entitled to its reasonable attorney's fees (including the allocated costs of in-house counsel).

Section 9.10. *Term of Agreement*. This Agreement shall terminate when all Secured Obligations are paid in full and such payments are not subject to any possibility of revocation or rescission and no Secured Party has any commitment to extend any additional credit constituting Secured Obligations under the terms of the Credit Agreement or any Qualified Replacement Credit Agreement, or when the Collateral Agent, BB&T (if then a Secured Party) and all of the other Secured Parties mutually agree in a writing to terminate this Agreement, whichever occurs earlier.

Section 9.11. *Obligations Several*. The obligations of the Secured Parties and the Collateral Agent hereunder are several. The failure of any Secured Party or the Collateral Agent to carry out its obligations hereunder shall not relieve any other Secured Party or the Collateral Agent of any obligation hereunder, nor shall any Secured Party or the Collateral Agent be responsible for the obligations of, or any action taken or omitted by, any other Person hereunder. Nothing contained in this Agreement shall be deemed to cause any Secured Party or the Collateral Agent to be considered a partner of or joint venturer with any other Secured Party, the Collateral Agent, the Subsidiary Guarantors or the Company.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed as of the date first above written.

BRANCH BANKING AND TRUST COMPANY, AS COLLATERAL AGENT

By: /s/ David A. Chandler
Name: DAVID A. CHANDLER
Its: SENIOR VICE PRESIDENT

TEACHERS INSURANCE AND ANNUITY ASSOCIATION OF AMERICA

By: /s/ Brian Roelate

Name: Brian Roelate

NATIONWIDE LIFE INSURANCE COMPANY

NATIONWIDE LIFE AND ANNUITY INSURANCE COMPANY

AMCO INSURANCE COMPANY

NATIONWIDE MUTUAL INSURANCE COMPANY

BY: /s/ Wayne T. Frisbee

NAME: WAYNE T. FRISBEE
AUTHORIZED SIGNATORY

GREAT WEST LIFE & ANNUITY INSURANCE COMPANY

BY: /s/ Tad Anderson
NAME: TAD ANDERSON
ITS: ASSISTANT VICE PRESIDENT, INVESTMENTS

BY: /s/ J.G. Lowery
NAME: J.G. LOWERY
ITS: ASSISTANT VICE PRESIDENT, INVESTMENTS

BRANCH BANKING AND TRUST COMPANY

BY: /s/ David A. Chandler
NAME: DAVID A. CHANDLER
ITS: SENIOR VICE PRESIDENT

THE UNDERSIGNED HEREBY ACKNOWLEDGE AND AGREE TO THE FOREGOING AGREEMENT.

TREX COMPANY, INC.

BY: /s/ Paul D. Fletcher
NAME: PAUL D. FLETCHER
ITS: CHIEF FINANCIAL OFFICER

EXHIBIT A
TO
INTERCREDITOR AGREEMENT
COLLATERAL

The collateral described in the granting clauses of the Security Agreement dated as of March 16, 2007, made by the Company in favor of the Collateral Agent to secure the Secured Obligations (as the same may from time to time be amended, restated, supplemented or otherwise modified, the "*Security Agreement*") including, without limitation:

The Company's right, title and interest in, to and under all of its personal property, wherever located and whether now existing or owned or hereafter acquired or arising, including the following property: (i) all Accounts; (ii) all Chattel Paper; and (iii) all Inventory; and all money, all products and Proceeds of any and all of the foregoing, and all Supporting Obligations of any and all of the foregoing. Notwithstanding the foregoing, except for fixtures (as provided in Section 9-313 of the UCC), such grant of a security interest shall not extend to any asset which would be real property under the law of the jurisdiction in which it is located.

Notwithstanding the foregoing, it is understood and agreed that the Collateral shall not include (a) fixtures (as defined in the UCC) located in or at the Company's Winchester, Virginia facilities excluding manufacturing equipment or production equipment located at such facility, (b) fixtures (as defined in the Uniform Commercial Code as in effect from time to time in the State of Nevada) located in or at the Company's Lyon County, Nevada facility excluding manufacturing equipment or production equipment located at such facility, or (c) any Investment Property consisting of equity interests in TREX Company, LLC or any Subsidiary or Affiliate (as defined in the Credit Agreement). Capitalized terms used in this Exhibit A and not otherwise defined in this Agreement or in this Exhibit A shall have the meanings given to such terms in the Security Agreement.

EXHIBIT B
TO
INTERCREDITOR AGREEMENT
WINCHESTER COLLATERAL

All that certain lot or parcel of land, together with the improvements thereon and appurtenances thereunto belonging, lying, situate and being in Back Creek Magisterial District, Frederick County, Virginia and the City of Winchester, Virginia, and being more particularly described as follows:

PARCEL ONE:

That certain parcel of land containing 65.7901 acres and shown on that certain plat dated September 8, 2000 and entitled "Final Plat for Lot Consolidation of the land of TREX Company, LLC, City of Winchester and Back Creek District, Frederick County, VA", and recorded in the Land Records of Frederick County, Virginia in Deed Book 976 at page 405 and in the Land Records of the City of Winchester, Virginia as Instrument Number 000002334.

TOGETHER WITH that certain twenty (20) foot drainage easement granted TREX Company, LLC by Deed of Easement dated November 16, 2000 and recorded November 27, 2000 in the Land Records of Frederick County, Virginia as Instrument Number 000012444.

Frederick County Tax Map Number 63-A-110
City of Winchester Tax Map Number 371-01-1

PARCEL TWO:

All those certain lots or parcels of land, together with the improvements thereon and appurtenances thereunto belonging, lying, situate and being in Back Creek Magisterial District, Frederick County, Virginia and the City of Winchester, Virginia, and being more particularly described as follows:

Being as shown on Sheet 5 of the plans for Route 652, State Highway Project 0652-034-224, M-501 and lying south of and adjacent to the south revised proposed right of way line (11-19-01) of Route 652, from a point approximately 60 feet opposite approximate station 28+18 (Route 652 survey centerline) to a point approximately 40 feet opposite approximate Station 29+94 (Route 652 survey centerline) containing 0.034 acre, more or less, land; and being a part of the same lands acquired from The Henkel-Harris Company, by deed dated September 12, 1997, recorded in Deed Book 887, page 1043, in the office of the Clerk of the Circuit Court of Frederick County.

For a more particular description of said land, reference is made to the photocopy of said Sheet 5, showing outlined in RED the said land, which photocopy is hereto attached and is recorded in the State Highway Plat Book 10, Page 227.

EXHIBIT C
TO
INTERCREDITOR AGREEMENT

JOINDER BY ADDITIONAL CREDITORS

The undersigned hereby acknowledges and agrees to the foregoing Agreement (capitalized terms used herein having the respective meanings assigned thereto in the Agreement) and executes and delivers this joinder to the Agreement and agrees to become a party thereto with all the rights, benefits and obligations of a Secured Party all as of the date hereof.

The undersigned have entered into the following facility with the Company [insert description of Funded Debt facility of the Company].

The undersigned's address for notices under the Agreement is as follows:

Dated: ___________

[ADDITIONAL CREDITORS]

By ______________________________

Its ______________________________

Exhibit 10.24

SIXTH AMENDMENT TO CREDIT AGREEMENT

THIS SIXTH AMENDMENT TO CREDIT AGREEMENT (this "Amendment") is dated as of and effective as of this 9th day of November, 2006, by and between **TREX COMPANY, INC.**, a Delaware corporation (sometimes hereinafter referred to herein as "Trex Inc."), and **BRANCH BANKING AND TRUST COMPANY OF VIRGINIA**, a Virginia state banking corporation (hereinafter referred to herein as the "Bank").

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

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

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

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

2. The first paragraph of Section 2.01(c)ii. of the Credit Agreement is hereby deleted in its entirety and the following paragraph is substituted in its place:

ii. "Eligible Account" means (1) for the period November 9, 2006 to and including June 30, 2007, an account receivable which is (i) for each account receivable created during the period January 1, 2007 to and including January 31, 2007, (A) not more than 150 days from the date of the original invoice and (B) not more than 90 days

from the due date of the original invoice that arises in the ordinary course of the Borrower's business, is on normal and customary terms in the Borrower's business (which customary terms include customer incentives), and meets the eligibility requirements set forth in items 1. to and including 12. immediately following this clause ii, (ii) for each account receivable created during the period February 1, 2007 to and including February 28, 2007, (A) not more than 120 days from the date of the original invoice and (B) not more than 60 days from the due date of the original invoice that arises in the ordinary course of the Borrower's business, is on normal and customary terms in the Borrower's business (which customary terms include customer incentives), and meets the eligibility requirements set forth in items 1. to and including 12. immediately following this clause ii, and (iii) for each account receivable created at any other time during the period November 9, 2006 to and including June 30, 2007, (A) not more than 90 days from the date of the original invoice and (B) not more than 45 days from the due date of the original invoice that arises in the ordinary course of the Borrower's business, is on normal and customary terms in the Borrower's business (which customary terms include customer incentives), and meets the eligibility requirements set forth in items 1. to and including 12. immediately following this clause ii; and (2) for any period other than November 9, 2006 to and including June 30, 2007, an account receivable which is (i) (A) for the period April 1 to and including November 30 in any year, not more than 60 days from the date of the original invoice and (B) for the period December 1 of any year to and including March 31 of the immediately following year, not more than 90 days from the date of the original invoice and (ii) at all times, not more than 45 days from the due date of the original invoice that arises in the ordinary course of the Borrower's business, is on normal and customary terms in the Borrower's business (which customary terms include customer incentives), and meets the eligibility requirements set forth in items 1. to and including 12. immediately following this clause ii:

3. Section 6.01(c) of the Credit Agreement is hereby deleted in its entirety and the following Section is substituted in its place:

(c) Monthly Financial Statements. As soon as available and in any event within 15 Business Days after (i) the end of each month: (A) a Borrowing Base Certificate and (B) a financial report of accounts receivable (including an aging of accounts receivable in an initial increment of 30 days, a second increment of 31-45 days, a third increment of 46-60 days and in 30-day increments thereafter), inventory and production; and (ii) the end of the first two months of each fiscal quarter, an internally

prepared consolidated and, with respect to Material Subsidiaries, consolidating balance sheet of the Borrower and its Consolidated Subsidiaries and the related consolidated and, with respect to Material Subsidiaries, consolidating statements of income and cash flows of the Borrower and its Consolidated Subsidiaries for such month all in reasonable detail and satisfactory in form to the Bank and all certified (subject to normal year-end audit adjustments) as to fairness of presentation, GAAP and consistency by the chief financial officer or chief accounting officer of the Borrower.

4. The second sentence of Section 6.06 of the Credit Agreement is hereby deleted in its entirety and the following two sentences are substituted in its place:

The Borrower shall pay to the Bank a borrowing base review fee in the amount of $500 on or before the first day of each calendar month commencing on December 1, 2006 and continuing to and including June 1, 2007. In addition, the costs of all field audits, inspections and appraisals will be borne by the Borrower; provided, however, that unless an Event of Default has occurred and is continuing, the Borrower shall only be responsible for the payment of one such audit, inspection or appraisal during each calendar year.

5. Section 6.07 of the Credit Agreement is hereby amended by inserting the following two (2) sentences at the end of that Section:

The Borrower hereby represents and warrants to the Bank that, as of November 9, 2006, neither the Borrower nor any of its Subsidiaries, nor any Corporate Assets, is subject to any agreement, judgment, injunction, order, decree or other instrument that prohibits, restricts or in any way limits the Borrower or any of its Subsidiaries from creating, incurring, assuming or suffering to exist any Lien upon or with respect to any Corporate Assets in favor of any creditor except for (i) the Loan Documents, (ii) agreements or documents creating or establishing Permitted Liens, (iii) the Note Agreement as amended as of November 9, 2006 and (iv) the Reimbursement and Credit Agreement dated as of December 1, 2004 by and between the Borrower, JPMorgan Chase Bank, N.A., as issuing bank, and JPMorgan Chase Bank, N.A., as administrative agent, as amended as of November 9, 2006 (as so amended, the “Chase Credit Agreement”). The Borrower hereby covenants and agrees that neither it nor any of its Subsidiaries, nor any of the Corporate Assets, will become subject to any agreement, judgment, injunction, order, decree or other instrument that prohibits, restricts or in any way limits the Borrower or any of its Subsidiaries from creating, incurring, assuming or suffering to exist any Lien upon or with respect to any of the Corporate Assets in favor of any creditor except for (i) the Loan Documents, (ii) agreements or documents creating or establishing Permitted Liens, (iii) the Note Agreement as amended as of November 9, 2006 and (iv) the Chase Credit Agreement.

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

Section 6.11. Total Consolidated Debt to Consolidated EBITDA Ratio. The Borrower will not, as of the end of any fiscal quarter, permit the ratio of the Total Consolidated Debt to Consolidated EBITDA (the "Total Consolidated Debt to Consolidated EBITDA Ratio") for the four-quarter period ended as of the end of such fiscal quarter to exceed the following amounts for the following periods: (i) 3.75 to 1 for the period commencing on October 1, 2006 to and including December 31, 2006, (ii) 3.25 to 1 for the period commencing on January 1, 2007 to and including March 31, 2007 and (iii) 2.50 to 1 thereafter.

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

"Inventory Sublimit" means (a) $10,000,000 for the period commencing on May 1, 2002 and continuing to and including September 30, 2002, (b) $12,000,000 for the period commencing on May 1, 2003 and continuing to and including September 30, 2003, (c) $14,000,000 for the period commencing on May 1, 2004 and continuing to and including September 30, 2004, (d) $16,000,000 for the period commencing on May 1, 2005 and continuing to and including September 30, 2005, (e) $16,000,000 for the period commencing on May 1, 2006 and continuing to and including September 30, 2006, (f) for any period occurring between May 1, 2002 to and including November 8, 2006 not identified in clauses (a) to and including (e) above, the Revolving Commitment, (g) $50,000,000 for the period commencing on November 9, 2006 and continuing to and including June 30, 2007, and (h) $15,000,000 for the period commencing on July 1, 2007 and at all times thereafter.

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

"Revolving Commitment" means (i) for the period June 19, 2002 to and including December 31, 2005, $20,000,000.00 or such lesser amount to which it is reduced pursuant to Section 2.07, (ii) for the period January 1, 2006 to and including June 30, 2006, $30,000,000.00 or such lesser amount to which it is reduced pursuant to Section 2.07, (iii) for the period July 1, 2006 to and including November 8, 2006, $20,000,000.00 or such lesser amount to which it is reduced pursuant to Section 2.07, (iv) for the period November 9, 2006 to and including June 30, 2007, $70,000,000.00 or such lesser amount to which it is reduced pursuant to Section 2.07 and (v) for the period July 1, 2007 and at all times thereafter, $20,000,000 or such lesser amount to which it is reduced pursuant to Section 2.07.

9. Exhibit I-3 to the Credit Agreement is hereby deleted in its entirety and a new Exhibit, which is attached to this Amendment and labeled Exhibit I-4, is substituted in its place.

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

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

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

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

(d) The execution, delivery and performance by the Borrower of this Amendment and the new promissory note (attached hereto as Exhibit I-4) are within its corporate powers, have been duly authorized by all necessary corporate action, require no action by or in respect of, or filing with, any governmental body, agency or official and do not contravene or constitute (with or without the giving of notice or lapse of time or both) a default under any provision of applicable law or of the organizational documents of the Borrower or any Subsidiary or of any agreement, judgment, injunction, order, decree or other instrument binding upon or affecting the Borrower or any Subsidiary or result in the creation or imposition of any Lien on any asset of the Borrower or any of its Subsidiaries.

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

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

enforceability of this Amendment, the promissory note described in paragraph 10(d) of this Amendment or any of the Loan Documents, and there is no basis known to the Borrower or any of its Subsidiaries for any such action, suit, proceeding or investigation.

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

(a) The Borrower shall have executed and delivered to the Bank this Amendment and the promissory note described in paragraph 10(d) of this Amendment in the form of Exhibit I-4 attached hereto with the blanks therein appropriately completed.

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

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

(d) The Borrower shall have paid to the Bank in immediately available funds a modification fee in the amount of $50,000, which fee shall be deemed fully earned and non-refundable once paid.

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

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

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

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

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

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

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

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

[Remainder of Page Intentionally Left Blank]

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

TREX COMPANY, INC.

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

BRANCH BANKING AND TRUST COMPANY OF VIRGINIA

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

Exhibit I-4 - Promissory Note (Revolving Note)

Exhibit 10.25

SEVENTH AMENDMENT TO CREDIT AGREEMENT

THIS SEVENTH AMENDMENT TO CREDIT AGREEMENT (this “Amendment”) is dated as of and effective as of this 31st day of December, 2006, by and between **TREX COMPANY, INC.**, a Delaware corporation (sometimes hereinafter referred to herein as “Trex Inc.”), and **BRANCH BANKING AND TRUST COMPANY**, a North Carolina state banking corporation, successor by merger to Branch Banking and Trust Company of Virginia (hereinafter referred to herein as the “Bank”).

Trex Inc., TREX Company, LLC, a Delaware limited liability company (“TREX LLC”), and the Bank are the original parties to that certain Credit Agreement dated as of June 19, 2002, as amended by a First Amendment to Credit Agreement dated as of August 29, 2003, as further amended by a Second Amendment to Credit Agreement dated as of September 30, 2004, as further amended by a Third Amendment to Credit Agreement dated as of March 31, 2005, as further amended by a Fourth Amendment to Credit Agreement dated as of July 25, 2005, as further amended by a Fifth Amendment to Credit Agreement dated as of December 31, 2005, as further amended by a Sixth Amendment to Credit Agreement dated as of November 9, 2006 (as so amended and as it may hereafter be amended, restated, supplemented, replaced or otherwise modified from time to time, the “Credit Agreement”). Subject to the terms and conditions contained in the Credit Agreement, the Bank agreed to extend to Trex Inc. and TREX LLC (i) a revolving credit facility, with a letter of credit subfacility, in the aggregate amount of $70,000,000 for working capital financing of Trex Inc.’s and TREX LLC’s accounts receivable and inventory, to purchase new equipment and/or for other general corporate purposes of Trex Inc. and TREX LLC, (ii) a term loan facility in the amount of $9,570,079.88 to refinance the Winchester Property (as defined in the Credit Agreement), and (iii) a term loan facility in the amount of $3,029,920.12 to finance existing improvements to the Winchester Property. Effective December 31, 2002, TREX LLC merged with and into Trex Inc., with Trex Inc. being the surviving entity. As a result of such merger, Trex Inc. is the sole borrower under the Credit Agreement and shall hereinafter sometimes be referred to in this Amendment as the “Borrower.”

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

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

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

2. Section 2.01(c)ii.8. of the Credit Agreement is hereby deleted in its entirety and the following Section is substituted in its place:

8. the account receivable is payable by an account debtor having not more than thirty percent (30%) of the aggregate dollar amount of the Borrower's then existing accounts receivable, or, to the extent that an account receivable is payable by an account debtor having more than thirty percent (30%) of the aggregate dollar amount of the Borrower's then existing accounts receivable, only that portion of the accounts receivable payable by such account debtor equal to thirty percent (30%) of the aggregate dollar amount of the Borrower's then existing accounts receivable shall be Eligible Accounts**,** provided, that, for the period December 31, 2006 to and including June 30, 2007, if the account debtor is Boise Cascade Holdings, L.L.C., only that portion of the accounts receivable which does not exceed sixty-two percent (62%) of the aggregate dollar amount of the Borrower's then existing accounts receivable shall be Eligible Accounts.

3. Section 2.01(d) of the Credit Agreement is hereby deleted in its entirety and the following Section is substituted in its place:

(d) Letter of Credit Facility. Upon the terms and subject to the conditions contained in this Agreement and in the applicable Letter of Credit Applications, the Bank agrees to issue irrevocable letters of credit (hereinafter with the Existing Letter of Credit shall collectively be referred to as the "Letters of Credit") for the account of the Borrower from time to time during the period from the date of this Agreement through but excluding the Revolving Credit Termination Date, provided that the amount available for drawing under all outstanding Letters of Credit plus the aggregate unpaid reimbursement obligations under the Letter of Credit Applications shall not exceed at any time outstanding the least of (i) $5,000,000, (ii) the Revolving Commitment minus the aggregate principal amount of all outstanding Revolving Loans, and (iii) the Borrowing Base minus the aggregate principal amount of all outstanding Revolving Loans.

4. Section 6.01(c) of the Credit Agreement is hereby deleted in its entirety and the following Section is substituted in its place:

(c) Periodic Financial Statements and Borrowing Base Certificates. As soon as available and in any event within 15 Business Days after (i) the end of each month: (A) a Borrowing Base Certificate and (B) a financial report of accounts receivable (including an aging of accounts receivable in an initial increment of 30 days, a second increment of 31-45 days, a third increment of 46-60 days and in 30-day increments thereafter), inventory and production; and (ii) the end of the first two

months of each fiscal quarter, an internally prepared consolidated and, with respect to Material Subsidiaries, consolidating balance sheet of the Borrower and its Consolidated Subsidiaries and the related consolidated and, with respect to Material Subsidiaries, consolidating statements of income and cash flows of the Borrower and its Consolidated Subsidiaries for such month all in reasonable detail and satisfactory in form to the Bank and all certified (subject to normal year-end audit adjustments) as to fairness of presentation, GAAP and consistency by the chief financial officer or chief accounting officer of the Borrower. In addition, for the period January 22, 2007 to and including June 30, 2007, as soon as available and in any event not later than 2:00 pm Eastern Time on Monday of each calendar week, the Borrower shall deliver or cause to be delivered to Bank a Borrowing Base Certificate current as of the immediately preceding Friday.

5. Section 6.07 of the Credit Agreement is hereby amended by deleting the last two sentences of that Section and inserting the following two (2) sentences at the end of that Section:

The Borrower hereby represents and warrants to the Bank that, as of December 31, 2006, neither the Borrower nor any of its Subsidiaries, nor any Corporate Assets, is subject to any agreement, judgment, injunction, order, decree or other instrument that prohibits, restricts or in any way limits the Borrower or any of its Subsidiaries from creating, incurring, assuming or suffering to exist any Lien upon or with respect to any Corporate Assets in favor of any creditor except for (i) the Loan Documents, (ii) agreements or documents creating or establishing Permitted Liens, (iii) the Note Agreement as amended as of December 31, 2006 and (iv) the Reimbursement and Credit Agreement dated as of December 1, 2004 by and between the Borrower, JPMorgan Chase Bank, N.A., as issuing bank, and JPMorgan Chase Bank, N.A., as administrative agent, as amended as of December 31, 2006 (as so amended, the “Chase Credit Agreement”). The Borrower hereby covenants and agrees that neither it nor any of its Subsidiaries, nor any of the Corporate Assets, will become subject to any agreement, judgment, injunction, order, decree or other instrument that prohibits, restricts or in any way limits the Borrower or any of its Subsidiaries from creating, incurring, assuming or suffering to exist any Lien upon or with respect to any of the Corporate Assets in favor of any creditor except for (i) the Loan Documents, (ii) agreements or documents creating or establishing Permitted Liens, (iii) the Note Agreement as amended as of December 31, 2006 and (iv) the Chase Credit Agreement.

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

Section 6.11. Total Consolidated Debt to Consolidated EBITDA Ratio. The Borrower will not, as of the end of any fiscal quarter, permit the ratio of the Total Consolidated Debt to Consolidated EBITDA (the "Total Consolidated Debt to Consolidated EBITDA Ratio") for the four-quarter period ended as of the end of such fiscal quarter to exceed the following amounts for the following periods: (i) 4.3 to 1 for the period commencing on October 1, 2006 to and including December 31, 2006, (ii) 6.2 to 1 for the period commencing on January 1, 2007 to and including March 31, 2007 and (iii) 2.50 to 1 thereafter.

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

Section 6.12. Fixed Charge Coverage Ratio. The Borrower will not (a) as of the end of any fiscal quarter of the Borrower during fiscal year 2005, permit the Fixed Charge Coverage Ratio for the four-quarter period ending as of the end of such fiscal quarter to be less than 1.3 to 1, (b) as of the end of any fiscal quarter of the Borrower ending during the period December 31, 2005 to and including October 31, 2006, permit the Fixed Charge Coverage Ratio for the four-quarter period ending as of the end of such fiscal quarter to be less than 1.5 to 1, provided that the Fixed Charge Coverage Ratio shall not be measured for the fiscal quarters ending December 31, 2005 and March 31, 2006, (c) as of the end of the fiscal quarter of the Borrower ending on December 31, 2006, permit the Fixed Charge Coverage Ratio for the four-quarter period ending as of the end of such fiscal quarter to be less than 1.45 to 1, (d) as of the end of the fiscal quarter of the Borrower ending on March 31, 2007, permit the Fixed Charge Coverage Ratio for the four-quarter period ending as of the end of such fiscal quarter to be less than 1.3 to 1 and (e) as of the end of any fiscal quarter of the Borrower ending on or after June 30, 2007, permit the Fixed Charge Coverage Ratio for the four-quarter period ending as of the end of such fiscal quarter to be less than 1.5 to 1.

8. Section 6.20 of the Credit Agreement is hereby deleted in its entirety and the following provision is substituted in its place:

Section 6.20. Deposit Accounts. The Borrower and its Subsidiaries shall maintain all of their primary deposit accounts, including without limitation their primary operating deposit accounts, with the Bank and will establish and maintain a lock box cash management system in an assignee account at the Bank.

9. Article VI of the Credit Agreement is hereby amended by inserting the following new Section immediately following Section 6.27 of the Credit Agreement:

> Section 6.28 USA Patriot Act. Provide information to the Bank, and take such other and further actions as the Bank shall reasonably require, to enable the Bank to comply with the USA Patriot Act. The Bank hereby notifies the Borrower that, pursuant to the requirements of the USA Patriot Act, the Bank may be required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will enable the Bank to identify the Borrower in accordance with the USA Patriot Act.

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

> "Revolving Commitment" means (i) for the period June 19, 2002 to and including December 31, 2005, $20,000,000.00 or such lesser amount to which it is reduced pursuant to Section 2.07, (ii) for the period January 1, 2006 to and including June 30, 2006, $30,000,000.00 or such lesser amount to which it is reduced pursuant to Section 2.07, (iii) for the period July 1, 2006 to and including November 8, 2006, $20,000,000.00 or such lesser amount to which it is reduced pursuant to Section 2.07, (iv) for the period November 9, 2006 to and including January 31, 2007, $70,000,000.00 or such lesser amount to which it is reduced pursuant to Section 2.07, (v) for the period February 1, 2007 to and including June 30, 2007, $100,000,000 or such lesser amount to which it is reduced pursuant to Section 2.07, and (vi) for the period July 1, 2007 and at all times thereafter, $20,000,000 or such lesser amount to which it is reduced pursuant to Section 2.07.

11. The Definitions Appendix to the Credit Agreement is hereby amended by inserting the following new term in the correct alphabetical order in the Definitions Appendix:

> **"**USA Patriot Act**"** means the United Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT) Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)), as amended from time to time, and any successor statute, including the rules or regulations promulgated thereunder, in each case as in effect from time to time.

12. Exhibit I-4 to the Credit Agreement is hereby deleted in its entirety and a new Exhibit, which is attached to this Amendment and labeled Exhibit I-5, is substituted in its place.

13. Schedule 5.05 to the Credit Agreement is hereby deleted in its entirety and a new Schedule, which is attached to this Amendment and labeled Schedule 5.05, is substituted in its place.

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

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

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

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

(d) The execution, delivery and performance by the Borrower of this Amendment and the new promissory note (attached hereto as Exhibit I-5) are within its corporate powers, have been duly authorized by all necessary corporate action, require no action by or in respect of, or filing with, any governmental body, agency or official and do not contravene or constitute (with or without the giving of notice or lapse of time or both) a default under any provision of applicable law or of the organizational documents of the Borrower or any Subsidiary or of any agreement, judgment, injunction, order, decree or other instrument binding upon or affecting the Borrower or any Subsidiary or result in the creation or imposition of any Lien on any asset of the Borrower or any of its Subsidiaries.

(e) This Amendment and the promissory note described in paragraph 14(d) of this Amendment constitute the valid and binding agreements of the Borrower, enforceable against the Borrower in accordance with their respective terms, except as such enforceability may be limited by bankruptcy, insolvency or similar laws affecting creditors' rights generally and by equitable principles of general applicability (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(f) Except as set forth on Schedule 5.05 to the Credit Agreement, there is no material action, suit, proceeding or investigation pending against, or to the knowledge of the Borrower threatened against, contemplated or affecting, the

Borrower or any of its Subsidiaries before any court, arbitrator or governmental body, agency or official which has, or could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, or which in any manner draws into question the validity or enforceability of this Amendment, the promissory note described in paragraph 14(d) of this Amendment or any of the Loan Documents, and there is no basis known to the Borrower or any of its Subsidiaries for any such action, suit, proceeding or investigation.

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

(a) The Borrower shall have executed and delivered to the Bank this Amendment and the promissory note described in paragraph 14(d) of this Amendment in the form of Exhibit I-5 attached hereto with the blanks therein appropriately completed.

(b) The Borrower, JPMorgan Chase Bank, N.A., as issuing bank (the "Issuing Bank"), and JPMorgan Chase Bank, N.A., as administrative agent (the "Administrative Agent"), shall have executed and delivered an amendment to the Chase Credit Agreement in form and substance acceptable to the Bank, which amendment shall, among other matters, (i) conform the provisions of Sections 6.11 and 6.12(b) of the Chase Credit Agreement to Sections 6.11 and 6.12 of the Credit Agreement, as each such Section of the Credit Agreement has been amended by this Amendment, and (ii) contain the consent of the Issuing Bank and the Administrative Agent to the Borrower's granting of a Lien on its Accounts and Inventory to secure the Revolving Credit Loan Obligations and the obligations of the Borrower under the Note Agreement.

(c) The Borrower shall have executed and delivered, or caused to be executed and delivered, to the Bank all collateral and other documents required by the Bank (including without limitation an intercreditor and collateral agency agreement among the noteholders party to the Note Agreement, the Bank, and the Bank as collateral agent) to secure the Revolving Credit Loan Obligations with a Lien on the Borrower's Accounts and Inventory and the obligations of the Borrower under the Note Agreement.

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

(e) The Bank shall have received a favorable opinion of counsel to the Borrower addressed to the Bank, dated as of the date hereof and satisfactory in form and substance to the Bank, as to the due authorization, execution, delivery and enforceability of this Amendment, the promissory note described in paragraph 14(d) of this Amendment, and such other matters as the Bank shall request.

(f) The Borrower shall have paid to the Bank in immediately available funds a modification fee in the amount of $50,000, which fee shall be deemed fully earned and non-refundable once paid.

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

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

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

19. Any Dispute arising out of or related to this Amendment, the promissory note described in paragraph 14(d) of this Amendment or any of the Loan Documents shall be resolved by binding arbitration as provided in Section 9.07 of the Credit Agreement. **TO THE FULLEST EXTENT PERMITTED BY LAW, THE PARTIES HERETO HEREBY IRREVOCABLY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL WITH RESPECT TO ANY DISPUTE**.

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

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

22. The Borrower hereby agrees that it will pay on demand all out-of-pocket expenses incurred by the Bank in connection with the preparation of this Amendment and the preparation, review, negotiation and filing of any of the documents described in Section 14 hereof, and any other related documents, including but not limited to the fees and disbursements of counsel for the Bank.

23. This Amendment and the promissory note described in paragraph 14(d) of this Amendment represent the final agreement between the Borrower and the Bank with respect to the subject matter hereof, and may not be contradicted, modified or supplemented in any way by evidence of any prior or contemporaneous written or oral agreements of the Borrower and the Bank.

[Remainder of Page Intentionally Left Blank]

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

TREX COMPANY, INC.

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

BRANCH BANKING AND TRUST COMPANY

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

Exhibit I-5 - Promissory Note (Revolving Note)
Schedule 5.05

EIGHTH AMENDMENT TO CREDIT AGREEMENT

THIS EIGHTH AMENDMENT TO CREDIT AGREEMENT (this "Amendment") is dated as of and effective as of this 16th day of March, 2007, by and between **TREX COMPANY, INC.**, a Delaware corporation (sometimes hereinafter referred to herein as "Trex Inc."), and **BRANCH BANKING AND TRUST COMPANY**, a North Carolina state banking corporation, successor by merger to Branch Banking and Trust Company of Virginia (hereinafter referred to herein as the "Bank").

Trex Inc., TREX Company, LLC, a Delaware limited liability company ("TREX LLC"), and the Bank are the original parties to that certain Credit Agreement dated as of June 19, 2002, as amended by a First Amendment to Credit Agreement dated as of August 29, 2003, as further amended by a Second Amendment to Credit Agreement dated as of September 30, 2004, as further amended by a Third Amendment to Credit Agreement dated as of March 31, 2005, as further amended by a Fourth Amendment to Credit Agreement dated as of July 25, 2005, as further amended by a Fifth Amendment to Credit Agreement dated as of December 31, 2005, as further amended by a Sixth Amendment to Credit Agreement dated as of November 9, 2006, as further amended by a Seventh Amendment to Credit Agreement dated as of December 31, 2006 (the "Seventh Amendment") (as so amended and as it may hereafter be amended, restated, supplemented, replaced or otherwise modified from time to time, the "Credit Agreement"). Subject to the terms and conditions contained in the Credit Agreement, the Bank agreed to extend to Trex Inc. and TREX LLC (i) a revolving credit facility, with a letter of credit subfacility, in the aggregate amount of $100,000,000 for working capital financing of Trex Inc.'s and TREX LLC's accounts receivable and inventory, to purchase new equipment and/or for other general corporate purposes of Trex Inc. and TREX LLC, (ii) a term loan facility in the amount of $9,570,079.88 to refinance the Winchester Property (as defined in the Credit Agreement), and (iii) a term loan facility in the amount of $3,029,920.12 to finance existing improvements to the Winchester Property. Effective December 31, 2002, TREX LLC merged with and into Trex Inc., with Trex Inc. being the surviving entity. As a result of such merger, Trex Inc. is the sole borrower under the Credit Agreement and shall hereinafter sometimes be referred to in this Amendment as the "Borrower."

In connection with and as contemplated in the Seventh Amendment, the Borrower has executed and delivered, to the Bank collateral and other documents required by the Bank to secure the Revolving Credit Loan Obligations and the obligations of the Borrower under the Note Agreement with a Lien on the Borrower's Accounts and Inventory. In connection therewith, the Credit Agreement requires certain additional modifications.

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

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

2. Clause 7 of Section 2.01(c)ii. of the Credit Agreement is hereby deleted in its entirety and the following clause is substituted in its place:

7. the account receivable does not arise out of sales on a bill-and-hold, guaranteed sale, sale or return, sale on approval or consignment basis (excluding sales pursuant to consignment arrangements with Home Depot U.S.A., Inc., a Delaware corporation ("The Home Depot"), or Lowe's Companies, Inc., a North Carolina corporation ("Lowe's")) and the account receivable is not subject to any known right of return, set-off or charge-back;

3. Clause (viii) of Section 2.01(c)iii. of the Credit Agreement is hereby deleted in its entirety and the following clause is substituted in its place:

(viii) which has not been consigned to any Person other than The Home Depot or Lowe's,

4. Section 2.01(c)iii. of the Credit Agreement is hereby amended by inserting the following sentence at the end of such Section:

Notwithstanding clause (viii) above, the value of Eligible Inventory (A) consisting of Eligible Inventory consigned to The Home Depot shall be equal to the lesser of (i) the actual value of the Eligible Inventory consigned to The Home Depot and (ii) $999,999.99, provided that if the value of the Eligible Inventory consigned to The Home Depot is equal to or greater than $1,000,000 and the Borrower has fully complied with and remains in full compliance with all of the requirements set forth in Sections 4.4(d) and 5.3(a) of the Security Agreement applicable to Inventory consigned to The Home Depot, sub-clause (ii) shall not apply and (B) consisting of Eligible Inventory consigned to Lowe's shall be equal to the lesser of (i) the actual value of the Eligible Inventory consigned to Lowe's and (ii) $999,999.99, provided that if the value of the Eligible Inventory consigned to Lowe's is equal to or greater than $1,000,000 and the Borrower has fully complied with and remains in full compliance with all of the requirements set forth in Sections 4.4(e) and 5.3(a) of the Security Agreement applicable to Inventory consigned to Lowe's, sub-clause (ii) shall not apply.

5. Section 3.01(a) of the Credit Agreement is hereby deleted in its entirety and the following Section is substituted in its place:

Section 3.01 Revolving Credit Collateral. The Revolving Credit Loan Obligations shall be secured as follows:

(a) A first priority security interest in and lien on the Borrower's accounts, inventory, and books and records related thereto, whether now owned of hereafter acquired and wherever located, as more particularly described in the Security Agreement; and

6. Section 4.02(b)(ii) of the Credit Agreement is hereby deleted in its entirety and the following Section is substituted in its place:

(ii) with respect to the Borrower's first request for a Revolving Loan after each occurrence of any fire, theft, water damage, vandalism or other damage to or loss of any Inventory for which insurance proceeds are paid to the Borrower or the Collateral Agent, the Borrower shall have executed and delivered to the Bank a new Borrowing Base Certificate based on information as of the date of such request;

7. Section 6.03(b) of the Credit Agreement is hereby deleted in its entirety and the following provision is substituted in its place:

(b) Insurance. In addition to the insurance requirements set forth in the Deed of Trust and the Security Agreement, the Borrower will maintain, and will cause each of its Subsidiaries to maintain, insurance with financially sound and responsible companies in such amounts (and with such risk retentions and with such deductibles) 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, and the Borrower will maintain not less than $64,000,000 of business interruption insurance at all times (or such lesser amount as the Bank may agree to in its reasonable discretion). Subject to the terms of the Security Agreement, the Bank shall be named as loss payee and additional insured on all such insurance policies insuring the Collateral (as defined in the Security Agreement). Subject to the terms of the Security Agreement, not less frequently than annually and more frequently if the Bank shall so request, the Borrower shall deliver to the Bank certificates evidencing that it is named as loss payee and additional insured on all such insurance and the Borrower shall promptly deliver such other information as the Bank shall reasonably request from time to time.

8. Section 6.07(l) of the Credit Agreement is hereby deleted in its entirety and the following Section is substituted in its place:

(l) Liens existing as of March 16, 2007 and set forth on Schedule 4.9 to the Security Agreement, and the extension, renewal or replacement of any such Lien, provided that (i) such Lien attaches only to the same property as the original Lien, (ii) the principal amount of Debt secured by such Lien is not increased and (iii) at the time of such extension, renewal or replacement, no Default or Event of Default shall have occurred and be continuing;

9. Section 6.07 of the Credit Agreement is hereby amended by inserted the following Section, labeled Section 6.07(m), between Sections 6.07(l) and 6.07 (n):

(m) [Reserved].

10. Section 6.07(n) of the Credit Agreement is hereby deleted in its entirety and the following Section is substituted in its place:

(n) Liens on the Revolving Credit Loan Collateral securing Debt incurred within the limitations of Section 6.08(v);

11. Clause (v) of Section 6.08 of the Credit Agreement is hereby deleted in its entirety and the following clause is substituted in its place:

(v) additional secured Facility Debt incurred after the Closing Date, provided that at the time such additional Facility Debt is incurred (1) no Default or Event of Default shall have occurred or will occur as a result of the incurrence of such Facility Debt, (2) the aggregate principal amount of such additional Facility Debt is not greater than $10,000,000, and (3) all the holders of such additional Facility Debt (and all of the holders of the Liens securing such additional Facility Debt) shall have become parties to the Intercreditor Agreement;

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

"Collateral" means, collectively, the Winchester Property, as more particularly described in the Deed of Trust and the collateral described in the Security Agreement.

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

"Loan Documents" means this Agreement, the Notes, the Deed of Trust, the Security Agreement, all related financing statements, the Letter of Credit Applications, the ISDA Master Agreement, the Intercreditor Agreement, the Services Agreement, each subsidiary guaranty executed and delivered pursuant to Section 6.23 hereof, and each other document, instrument or agreement executed and delivered by the Borrower, its Subsidiaries or their counsel in connection with this Agreement or otherwise referred to herein or contemplated hereby, all as amended, restated, supplemented or otherwise modified from time to time.

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

"Revolving Credit Loan 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 the Revolving Loan, Letters of Credit, fees payable or reimbursement obligations under, or any note issued pursuant to, the Letters of Credit or the Revolving Loan;

(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 the Letters of Credit or the Revolving Note; and

(iii) all renewals, modifications, consolidations or extensions of or to each of the obligations described in clauses (i) to and including (ii) above.

15. The Definitions Appendix to the Credit Agreement is hereby amended by inserting the following terms in the correct alphabetical order in the Definitions Appendix:

"Collateral Agent" means Branch Banking and Trust Company, a North Carolina banking corporation, in its capacity as collateral agent under the Security Agreement and the Intercreditor Agreement, and any successor.

"Intercreditor Agreement" means the Intercreditor and Collateral Agency Agreement dated as of March 16, 2007, by and among the Collateral Agent, the Bank, and the noteholders party thereto, as it may be amended, restated, supplemented or otherwise modified from time to time.

"Revolving Credit Loan Collateral" means, collectively, all of the collateral described in the Security Agreement.

"Revolving Credit Loan Collateral Documents" mean, collectively, the Security Agreement and all guaranties that secure the Revolving Credit Loan Obligations.

"Security Agreement" means the Security Agreement, dated as of March 16, 2007, substantially in the form of Exhibit H-1 hereto, between the Borrower and the Collateral Agent, that secures, inter alia, the Revolving Credit Loan Obligations, as it may be amended, restated, supplemented or otherwise modified from time to time.

16. Exhibit H to the Credit Agreement is hereby deleted in its entirety and a new Exhibit, which is attached to this Amendment and labeled Exhibit H-1, is substituted in its place.

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

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

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

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

(d) The execution, delivery and performance by the Borrower of this Amendment, the Security Agreement, the landlord lien waivers required by Section 4.4 of the Security Agreement, the consignee agreement between the Bank and The Home Depot (in the form attached hereto as Exhibit K-1), the consignment agreement between the Bank and Lowe's (in the form attached hereto as Exhibit K-2), and the Intercreditor Agreement are within its corporate powers, have been duly authorized by all necessary corporate action, require no action by or in respect of, or filing with, any governmental body, agency or official and do not contravene or constitute (with or without the giving of notice or lapse of time or both) a default under any provision of applicable law or of the organizational documents of the Borrower or any Subsidiary or of any agreement, judgment, injunction, order, decree or other instrument binding upon or affecting the Borrower or any Subsidiary or result in the creation or imposition of any Lien on any asset of the Borrower or any of its Subsidiaries other than a Lien in favor of the Collateral Agent as provided in the Security Agreement.

(e) This Amendment, the Security Agreement and the Intercreditor Agreement constitute, and the landlord lien waivers required by Section 4.4 of the Security Agreement and the two consignee agreements described in paragraph 17(d) of this Amendment when executed and delivered by the Borrower will constitute, the valid and binding agreements of the Borrower, enforceable against the Borrower in accordance with their respective terms, except as such enforceability may be limited by bankruptcy, insolvency or similar laws affecting creditors' rights generally and by equitable principles of general applicability (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(f) Except as set forth on Schedule 5.05 to the Credit Agreement, there is no material action, suit, proceeding or investigation pending against, or to the knowledge of the Borrower threatened against, contemplated or affecting, the Borrower or any of its Subsidiaries before any court, arbitrator or governmental body, agency or official which has, or could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, or which in any manner draws into question the validity or enforceability of this Amendment, the Security Agreement, the landlord lien waivers required by Section 4.4 of the Security Agreement,

the two consignee agreements described in paragraph 17(d) of this Amendment, the Intercreditor Agreement or any of the other Loan Documents, and there is no basis known to the Borrower or any of its Subsidiaries for any such action, suit, proceeding or investigation.

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

(a) The Borrower shall have executed and delivered to the Bank this Amendment and the Security Agreement in the form of Exhibit H-1 attached hereto with the blanks therein appropriately completed.

(b) The Borrower shall have executed and delivered and caused each of the other parties to the Intercreditor Agreement to have executed and delivered the Intercreditor Agreement.

(c) The Borrower shall have caused appropriate Financing Statements (Form UCC-l or such other financing statements or similar notices as shall be required by local law) appropriately completed 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 Liens purported to be created by the Security Agreement.

(d) The Borrower shall have provided to the Bank, or caused to be provided to the Bank, copies of reports from UCC Retrievals 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 Delaware, together with copies of such financing statements filed in Delaware (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 financing statement amendments (Form UCC-3) or such other termination statements as shall be required by local law and written authority to file the same.

(e) The Borrower shall have delivered to the Bank true, correct and complete copies of the consignment agreements and all other documents related to the consignment arrangements between the Borrower and each of The Home Depot and Lowe's.

(f) The Borrower shall have caused to be filed appropriate Financing Statements appropriately completed for filing under the Uniform Commercial Code of each jurisdiction in which the filing of a financing statement may be required, or reasonably requested by the Bank, naming each of The Home Depot and Lowe's as debtor, the Borrower as secured party and the Collateral Agent as assignee, to perfect the Borrower's Lien in that portion of the Collateral that has been consigned to each of The Home Depot and Lowe's.

(g) The Borrower shall have provided to the Bank, or caused to be provided to the Bank, copies of reports from an independent search service reasonably satisfactory to the Bank listing all effective financing statements that name The Home Depot as

debtor that are filed in Delaware, together with copies of such financing statements filed in Delaware. In addition, the Borrower shall have provided to the Bank copies of all notices that the Borrower has sent to secured parties of record disclosed by such reports that have filed financing statements covering inventory of The Home Depot manufactured by the Borrower, which notices shall be in form and substance satisfactory to the Bank.

(h) The Borrower shall have provided to the Bank, or caused to be provided to the Bank, copies of reports from an independent search service reasonably satisfactory to the Bank listing all effective financing statements that name Lowe's as debtor that are filed in North Carolina, together with copies of such financing statements filed in North Carolina. In addition, the Borrower shall have provided to the Bank copies of all notices that the Borrower has sent to secured parties of record disclosed by such reports that have filed financing statements covering inventory of Lowe's manufactured by the Borrower, which notices shall be in form and substance satisfactory to the Bank.

(i) The Bank shall have received a favorable opinion of counsel to the Borrower addressed to the Bank, dated as of the date hereof and satisfactory in form and substance to the Bank, as to the due authorization, execution, delivery and enforceability of this Amendment, the Security Agreement and the Intercreditor Agreement, the perfection of the Collateral Agent's security interest in the Revolving Credit Loan Collateral, the perfection of the Borrower's security interest in that portion of the Collateral that has been consigned to each of The Home Depot and Lowe's, and such other matters as the Bank shall reasonably request.

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

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

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

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

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

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

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

25. The Borrower hereby agrees that it will pay on demand all out-of-pocket expenses incurred by the Bank in connection with the preparation of this Amendment and the preparation, review, negotiation and filing of any of the documents described in Section 16 hereof, and any other related documents, including but not limited to the fees and disbursements of counsel for the Bank.

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

[Remainder of Page Intentionally Left Blank]

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

TREX COMPANY, INC.

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

BRANCH BANKING AND TRUST COMPANY

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

Exhibit K-1—Consignment Agreement (The Home Depot)
Exhibit K-2—Consignment Agreement (Lowe's)

EXHIBIT K-1

[BB&T LETTERHEAD]

March __, 2007

Home Depot U.S.A., Inc.
2455 Paces Ferry Road
Atlanta, Georgia 30339
Attention: MVP Lumber

Re: Trex Company, Inc. (the "Company")

Ladies and Gentlemen:

We refer to the [Products Handling Agreement] dated March __, 2007 by and between Home Depot U.S.A., Inc. ("The Home Depot") and the Company (such agreement, as amended, restated, replaced, supplemented or otherwise modified, the "Consignment Agreement"). Pursuant to the Consignment Agreement, the Company and The Home Depot agreed that the Company will store certain of the Company's inventory (as defined in the Uniform Commercial Code) (such inventory, the "Consigned Inventory") at one or more of The Home Depot's distribution centers (collectively, the "Consignee Facilities") for the purpose of facilitating The Home Depot's purchase of the Consigned Inventory.

Pursuant to a Security Agreement dated March __, 2007 (such security agreement, as amended, restated, replaced, supplemented or otherwise modified, the "Security Agreement"), the Company has granted to Branch Banking and Trust Company, as collateral agent ("Collateral Agent") a security interest in, among other collateral, all of the Company's inventory (as defined in the Uniform Commercial Code), accounts (as defined in the Uniform Commercial Code) and all proceeds thereof (including the books and records related to or referring to any of the inventory or accounts), whether now owned or hereafter acquired (collectively, the "Collateral"). Because the Collateral includes the Consigned Inventory, Collateral Agent has required The Home Depot's execution and delivery of this letter agreement.

The Home Depot hereby agrees to and acknowledges the following:

1. The Home Depot hereby acknowledges receipt of notice of Collateral Agent's security interest in the Consigned Inventory and the Company's right to receive payments from The Home Depot under, and the Company's right to enforce its rights under, the Consignment Agreement, and The Home Depot hereby consents to such security interest;

2. The Home Depot has not received written notification of, and The Home Depot has no actual knowledge of, any other security interest, lien or other form of encumbrance (each, a "Lien") on or with respect to any of the Consigned Inventory, and The Home Depot hereby confirms that it does not have and will not acquire a Lien on the Consigned Inventory;

3. Until title to the Consigned Inventory has passed to The Home Depot as provided in the Consignment Agreement, all of the Consigned Inventory shall remain the property of the Company, shall be marked to indicate that it is owned by the Company, and shall be physically segregated from other goods stored or located at each of the Consignee Facilities;

4. Collateral Agent and its representatives and agents are hereby granted access to each of the Consignee Facilities during normal business hours for the purpose of inspecting the Consigned Inventory, examining the books and records with respect to the Consigned Inventory, and examining such matters as Collateral Agent deems necessary with respect thereto;

5. Upon The Home Depot's receipt of written notice from Collateral Agent (which notice shall be sent to the address for The Home Depot shown at the beginning of this letter) that a default exists under the Security Agreement (a "Default Notice"), The Home Depot will permit Collateral Agent and its representatives and agents access to each of the Consignee Facilities to inspect the Consigned Inventory and, at Collateral Agent's sole option, to take possession of the Consigned Inventory. After The Home Depot's receipt of a Default Notice, The Home Depot shall, unless otherwise notified by Collateral Agent in writing, (i) make all payments then or thereafter due to the Company under the Consignment Agreement to Collateral Agent in accordance with Collateral Agent's instructions set forth in the Default Notice, without offset, and (ii) provide Collateral Agent all reports, lists, certificates and other papers required to be delivered by The Home Depot to the Company under the Consignment Agreement.

6. The Home Depot shall send to Collateral Agent (at the address shown at the end of this letter) notice of any default or event of default under or with respect to the Consignment Agreement that it sends to the Company.

This letter agreement shall be binding on The Home Depot and its successors and assigns, and shall be for the sole benefit of Collateral Agent and its successors and assigns. No third party shall be a beneficiary of this letter agreement.

Very truly yours,

BRANCH BANKING AND TRUST COMPANY

By: ______________________________
Name: David A. Chandler
Title: Senior Vice President

Address: Branch Banking and Trust Company
115 N. Cameron Street
Winchester, Virginia 22601
Attention: David A. Chandler

By signing below, The Home Depot hereby acknowledges and agrees to all of the terms and provisions contained in this letter agreement:

HOME DEPOT U.S.A., INC.

By: ______________________________
Name: ______________________________
Title: ______________________________

Acknowledged and Agreed:

Trex Company, Inc.

By: ______________________________
Name: Paul D. Fletcher
Title: Senior Vice President and Chief Financial Officer

EXHIBIT K-2

[BB&T LETTERHEAD]

March __, 2007

Lowe's Companies, Inc.
1000 Lowe's Boulevard
Moorefield, North Carolina 28177
Attention: Senior Vice President, Merchandising

Re: Trex Company, Inc. (the "Company")

Ladies and Gentlemen:

We refer to the Master Standard Buying Agreement dated January 5, 2007 by and between Lowe's Companies, Inc. ("Lowe's") and the Company (such agreement, as amended, restated, replaced, supplemented or otherwise modified, the "Consignment Agreement"). Pursuant to the Consignment Agreement, the Company and Lowe's agreed that the Company will store certain of the Company's inventory (as defined in the Uniform Commercial Code) (such inventory, the "Consigned Inventory") at one or more of Lowe's distribution centers (collectively, the "Consignee Facilities") for the purpose of facilitating Lowe's purchase of the Consigned Inventory.

Pursuant to a Security Agreement dated March __, 2007 (such security agreement, as amended, restated, replaced, supplemented or otherwise modified, the "Security Agreement"), the Company has granted to Branch Banking and Trust Company, as collateral agent ("Collateral Agent") a security interest in, among other collateral, all of the Company's inventory (as defined in the Uniform Commercial Code), accounts (as defined in the Uniform Commercial Code) and all proceeds thereof (including the books and records related to or referring to any of the inventory or accounts), whether now owned or hereafter acquired (collectively, the "Collateral"). Because the Collateral includes the Consigned Inventory, Collateral Agent has required Lowe's execution and delivery of this letter agreement.

Lowe's hereby agrees to and acknowledges the following:

1. Lowe's hereby acknowledges receipt of notice of Collateral Agent's security interest in the Consigned Inventory and the Company's right to receive payments from Lowe's under, and the Company's right to enforce its rights under, the Consignment Agreement, and Lowe's hereby consents to such security interest;

2. Lowe's has not received written notification of, and Lowe's has no actual knowledge of, any other security interest, lien or other form of encumbrance (each, a "Lien") on or with respect to any of the Consigned Inventory, and Lowe's hereby confirms that it does not have and will not acquire a Lien on the Consigned Inventory;

3. Until title to the Consigned Inventory has passed to Lowe's, all of the Consigned Inventory shall remain the property of the Company, shall be marked to indicate that it is owned by the Company, and shall be physically segregated from other goods stored or located at each of the Consignee Facilities;

4. Collateral Agent and its representatives and agents are hereby granted access to each of the Consignee Facilities during normal business hours for the purpose of inspecting the Consigned Inventory, examining the books and records with respect to the Consigned Inventory, and examining such matters as Collateral Agent deems necessary with respect thereto;

5. Upon Lowe's receipt of written notice from Collateral Agent (which notice shall be sent to the address for Lowe's shown at the beginning of this letter) that a default exists under the Security Agreement) (a "Default Notice"), Lowe's will permit Collateral Agent and its representatives and agents access to each of the Consignee Facilities to inspect the Consigned Inventory and, at Collateral Agent's sole option, to take possession of the Consigned Inventory. After Lowe's receipt of a Default Notice, Lowe's shall, unless otherwise notified by Collateral Agent in writing, (i) make all payments then or thereafter due to the Company under the Consignment Agreement to Collateral Agent in accordance with Collateral Agent's instructions set forth in the Default Notice, without offset, and (ii) provide Collateral Agent all reports, lists, certificates and other papers required to be delivered by Lowe's to the Company under the Consignment Agreement.

6. Lowe's shall send to Collateral Agent (at the address shown at the end of this letter) notice of any default or event of default under or with respect to, or of the termination of, the Consignment Agreement that it sends to the Company.

This letter agreement shall be binding on Lowe's and its successors and assigns, and shall be for the sole benefit of Collateral Agent and its successors and assigns. No third party shall be a beneficiary of this letter agreement.

Very truly yours,

BRANCH BANKING AND TRUST COMPANY

By: ______________________________
Name: David A. Chandler
Title: Senior Vice President

Address: Branch Banking and Trust Company
115 N. Cameron Street
Winchester, Virginia 22601
Attention: David A. Chandler

By signing below, Lowe's hereby acknowledges and agrees to all of the terms and provisions contained in this letter agreement:

LOWE'S COMPANIES, INC.

By: ____________________________
Name: ____________________________
Title: ____________________________

Acknowledged and Agreed:

Trex Company, Inc.

By: ____________________________
Name: Paul D. Fletcher
Title: Senior Vice President and Chief Financial Officer

Exhibit 10.27

PROMISSORY NOTE
(Revolving Note)

$100,000,000.00

December 31, 2006

Trex Company, Inc.
160 Exeter Drive
Winchester, Virginia 22603-8605
(hereinafter referred to as "Borrower")

Branch Banking and Trust Company,
successor by merger to Branch Banking and
Trust Company of Virginia,
115 North Cameron Street
Winchester, Virginia 22601
(hereinafter referred to as "Bank")

Borrower promises to pay to the order of Bank, in lawful money of the United States of America, at its office indicated above or wherever else Bank may specify, the sum of One Hundred Million and No/100s Dollars ($100,000,000.00) or such lesser sum as may be advanced with respect to the Revolving Loans (as defined in that certain Credit Agreement dated as of June 19, 2002 between Borrower and Bank, as amended by a First Amendment to Credit Agreement dated as of August 29, 2003, as further amended by a Second Amendment to Credit Agreement dated as of September 30, 2004, as further amended by a Third Amendment to Credit Agreement dated as of March 31, 2005, as further amended by a Fourth Amendment to Credit Agreement dated as of July 25, 2005, as further amended by a Fifth Amendment to Credit Agreement dated as of December 31, 2005, as further amended by a Sixth Amendment dated as of November 9, 2006, and as further amended by a Seventh Amendment dated of even date herewith (as so amended and as hereafter amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement")) and remains unpaid on the Revolving Credit Termination Date (as defined in the Credit Agreement), and to pay interest on the unpaid principal balance of such sum from the date hereof at the rate and on the terms provided in this Promissory Note (including all renewals, extensions or modifications hereof, this "Note").

LOAN AGREEMENT. This Note is subject to the provisions of the Credit Agreement. Borrower's obligation to comply with the provisions of the Credit Agreement shall continue notwithstanding the satisfaction in full of Borrower's obligations under this Note.

INTEREST RATE. Interest shall accrue on the unpaid principal balance of this Note from and after the date hereof at a rate per annum (the "Interest Rate") equal to LIBOR (as defined in the Credit Agreement) plus the Applicable Revolving Loan Margin (as defined in the Credit Agreement), with such rate to change as provided in the Credit Agreement.

DEFAULT RATE. In addition to all other rights contained in this Note, if a Default (as defined herein) occurs and as long as a Default continues, the unpaid principal balance of this Note shall bear interest at the Interest Rate plus 2.50% (the "Default Rate"). The Default Rate shall also apply from acceleration until this Note or any judgment hereon is paid in full.

INTEREST AND FEE(S) COMPUTATION (ACTUAL/360). Interest and fees, if any, shall be computed on the basis of a 360-day year for the actual number of days in the applicable period ("Actual/360 Computation"). The Actual/360 Computation determines the annual effective yield by taking the stated (nominal) rate for a year's period and then dividing said rate by 360 to determine the daily periodic rate to be applied for each day in the applicable period. Application of the Actual/360 Computation produces an annualized effective interest rate exceeding the nominal rate.

REPAYMENT TERMS.

Interest Only Until Revolving Credit Termination Date. Accrued interest on (i) the outstanding principal balance of the Prior Note (as hereinafter defined) for the period December 1, 2006 to and including December 31, 2006 shall be due and payable on January 1, 2007 and (ii) the outstanding principal balance of this Note as it exists from time to time shall be due and payable on the first Business Day (as defined in the Credit Agreement) of each month, commencing on February 1, 2007, on any date on which this Note is paid in full and on the Revolving Credit Termination Date (as defined in the Credit Agreement). On the Revolving Credit Termination Date, the entire outstanding principal balance of this Note together with all interest accrued hereon will be immediately due and payable in full.

Revolving Note. Subject to the terms and conditions contained in the Credit Agreement, Borrower may borrow, repay and reborrow hereunder, up to a maximum aggregate amount outstanding at any one time equal to the lesser of (i) the available Borrowing Base (as defined in the Credit Agreement) minus the Letter of Credit Obligations (as defined in the Credit Agreement) and (ii) the Revolving Commitment (as defined in the Credit Agreement) minus the Letter of Credit Obligations. Bank shall incur no liability for its refusal to advance funds based upon its determination that any conditions of such further advances have not been met. Bank records of the amounts borrowed from time to time shall be conclusive proof thereof.

Prepayment; Adjustment of Revolving Commitment. This Note is subject to prepayment, and the Revolving Commitment is subject to adjustment, under the terms and subject to the conditions set forth in the Credit Agreement.

Prior Note. This Note amends and restates the $70,000,000 Promissory Note of Borrower dated November 9, 2006, payable to Bank (the "Prior Note"), and this Note is executed and delivered to Bank as a replacement of and in substitution for the Prior Note. The execution and delivery of this Note shall not constitute a novation of the debt originally evidenced by the Prior Note.

APPLICATION OF PAYMENTS. Monies received by Bank from any source for application toward payment of this Note shall be applied to accrued interest and then to principal; provided that if the Bank has elected to have the Services Agreement (as defined in the Credit Agreement) apply to the Revolving Loans, monies received by Bank for application toward payment of this Note shall be applied as set forth in the Services Agreement; provided, further, that after the occurrence of a Default, monies may be applied to Borrower's obligations under this Note in any manner or order deemed appropriate by Bank. If any payment received by Bank under this Note or the other Loan Documents (as defined in the Credit Agreement, and hereinafter, the "Loan Documents") is rescinded, avoided or for any reason returned by Bank because of any adverse claim or threatened action, the returned payment shall remain payable as an obligation of all persons liable under this Note or the other Loan Documents as though such payment had not been made.

LATE CHARGE. If any payments due hereunder are not timely made, Borrower shall also pay to Bank a late charge equal to 5% of each payment past due for 8 or more days. Acceptance by Bank of any late payment without an accompanying late charge shall not be deemed a waiver of Bank's right to collect such late charge or to collect a late charge for any subsequent late payment received.

ATTORNEYS' FEES AND OTHER COLLECTION COSTS. Borrower shall pay all of Bank's reasonable expenses incurred to enforce or collect any amount owed under this Note, including, without limitation, reasonable arbitration, paralegals', attorneys' and experts' fees and expenses, whether incurred without the commencement of a suit, in any trial, arbitration, or administrative proceeding, or in any appellate or bankruptcy proceeding.

USURY. If at any time the effective interest rate under this Note would, but for this paragraph, exceed the maximum lawful rate, the effective interest rate under this Note shall be the maximum lawful rate, and any amount received by Bank in excess of such rate shall be applied to principal and then to fees and expenses under this Note, or, if no such amounts are owing, returned to Borrower.

DEFAULT. The occurrence of an Event of Default under the Credit Agreement shall constitute a default under this Note (a "Default").

REMEDIES UPON DEFAULT. If a Default occurs, Bank may at any time thereafter, take the following actions:

Accelerate Upon Default. Accelerate the maturity of this Note, whereupon this Note shall be immediately due and payable.

Set Off. 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), set off and appropriate and apply any and all deposits and any other indebtedness at any time held or owing by Bank to or for the credit or the account of Borrower against obligations and liabilities of Borrower to Bank hereunder or the other Loan Documents.

Cumulative. Exercise any rights and remedies as provided under the Note, the Credit Agreement and the other Loan Documents, or as provided by law or equity.

WAIVERS AND AMENDMENTS. No waivers, amendments or modifications of this Note or the other Loan Documents shall be valid unless in writing and signed by an officer of Bank. No waiver by Bank of any Default shall operate as a waiver of any other Default or the same Default on a future occasion. Neither the failure nor any delay on the part of Bank in exercising any right, power, or remedy under this Note and the other Loan Documents shall operate as a waiver thereof, nor shall a single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or remedy.

Borrower or each other person liable under this Note waives presentment, protest, notice of dishonor, demand for payment, notice of intention to accelerate maturity, notice of acceleration of maturity, notice of sale and all other notices of any kind. Further, each agrees that Bank may extend, modify or renew this Note or make a novation of the loan evidenced by this Note for any period, and grant any releases, compromises or indulgences with respect to any collateral securing this Note, or with respect to Borrower or any person liable under this Note or any other Loan Document, all without notice to or consent of Borrower or any person who may be liable under this Note or any other Loan Document and without affecting the liability of Borrower or any person who may be liable under this Note or any other Loan Document.

MISCELLANEOUS PROVISIONS.

Assignment. This Note and the other Loan Documents shall inure to the benefit of and be binding upon the parties and their respective heirs, legal representatives, successors and assigns. Bank shall have the right to assign or otherwise transfer any of its rights or interests in this Note and the other Loan Documents, in whole or in part, as provided in the Credit Agreement. Borrower shall not assign its rights and interest hereunder without the prior written consent of Bank, and any attempt by Borrower to assign without Bank's prior written consent is null and void. Any assignment shall not release Borrower from its obligations under this Note.

Applicable Law; Conflict Between Documents. This Note and the other Loan Documents shall be governed by and construed under the laws of the Commonwealth of Virginia without regard to that state's conflict of laws principles. If the terms of this Note should conflict with the terms of the Credit Agreement, the terms of this Note shall control.

Jurisdiction. Borrower irrevocably agrees to non-exclusive personal jurisdiction in the Commonwealth of Virginia.

Severability. If any provision of this Note or of the other Loan Documents shall be prohibited or invalid under applicable law, such provision shall be ineffective but only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Note or other such document.

Notices. Any notices to Borrower or Bank shall be sufficiently given if delivered in the manner and to the address or addresses specified in the Credit Agreement. In the event that Borrower changes Borrower's address at any time prior to the date this Note is paid in full, Borrower agrees to promptly give written notice of said change of address by registered or certified mail, return receipt requested, all charges prepaid.

Plural; Captions. All references in the Loan Documents to Borrower, guarantor, person, document or other nouns of reference mean both the singular and plural form, as the case may be, and the term "person" shall mean any individual, person or entity. The captions contained in the Loan Documents are inserted for convenience only and shall not affect the meaning or interpretation of the Loan Documents.

Advances. Bank may, in its sole discretion, make other advances which shall be deemed to be advances under this Note, even though the stated principal amount of this Note may be exceeded as a result thereof.

Fees and Taxes. Borrower shall promptly pay all documentary, intangible recordation and/or similar taxes on this transaction whether assessed at closing or arising from time to time.

PLACE OF EXECUTION AND DELIVERY. Borrower hereby certifies that this Note, the Credit Agreement and the other Loan Documents were executed in the Commonwealth of Virginia and delivered to Bank in the Commonwealth of Virginia.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, Borrower, on the day and year first above written, has caused this Note to be executed under seal.

TREX COMPANY, INC.

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

Exhibit 10.33

EXECUTION COPY

THIRD AMENDMENT TO REIMBURSEMENT AND CREDIT AGREEMENT

dated as of and effective November 21, 2006

By and Between

Trex Company, Inc.

and

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

in connection with the Letter of Credit
securing

$25,000,000

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

THIRD AMENDMENT TO REIMBURSEMENT AND CREDIT AGREEMENT

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THIRD AMENDMENT TO REIMBURSEMENT AND CREDIT AGREEMENT

THIS THIRD AMENDMENT TO REIMBURSEMENT AND CREDIT AGREEMENT (this "Third Amendment"), dated as of and effective November 21, 2006, between TREX COMPANY, INC., a Delaware corporation (the ***"Borrower"***) and JPMorgan Chase Bank, N.A., as Issuing Bank (in such capacity the ***"Bank"***) and Administrative Agent (in such capacity the ***"Administrative Agent"***).

BASIS FOR THIS THIRD AMENDMENT

1. This Third Amendment is authorized by Section 11.03 of the Reimbursement and Credit Agreement dated as of December 1, 2004, among the Borrower, the Bank and the Administrative Agent (the "Original Agreement"). The terms, conditions and provisions of the Original Agreement, as amended by the First Amendment to Reimbursement and Credit Agreement dated July 25, 2005, among the Borrower, the Bank and the Administrative Agent (the "First Amendment") and the Second Amendment to Reimbursement and Credit Agreement dated as of and effective December 31, 2005 (the "Second Amendment" and together with the Original Agreement and the First Amendment, the "Amended Agreement") are incorporated into this Third Amendment by reference to the same extent and with the same force and effect as if fully stated in this Third Amendment.

2. The Borrower, the Bank and the Administrative Agent have agreed to a further amendment to (a) Section 6.12 of the Original Agreement in order to provide a new ratio of Funded Net Debt to Consolidated EBITDA on December 31, 2006 and March 31, 2007 and (b) Section 7.01 in order to permit an increase in the amount of Debt outstanding under the BBT Agreement.

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

Section 1. Definitions; Rules of Interpretation.

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

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

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

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

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

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

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

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

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

Section 2. Amendment of Original Agreement.

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

"(b) The Borrower will not, as of the end of any fiscal quarter, permit the ratio of Funded Net Debt to Consolidated EBITDA for the four-quarter period ended as of the end of such fiscal quarter to exceed 2.50 to 1.00; provided that (i) the ratio of Funded Net Debt to Consolidated EBITDA for the fiscal quarter ending December 31, 2006 shall not exceed 3.75 to 1.00 and (ii) the ratio of Funded Net Debt to Consolidated EBITDA for the fiscal quarter ending March 31, 2007 shall not exceed 3.25 to 1.00."

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

"(c) Debt outstanding under the BBT Agreement (including the Real Estate Term Loan Obligations (as defined in the BBT Agreement) and the Revolving Credit Loan Obligations (as defined in the BBT Agreement) (which have been increased to an authorized amount not to exceed $70,000,000 through June 30, 2007 and shall revert to $20,000,000 thereafter)) and under the Notes (as defined in the BBT Agreement) and the Subsidiary guarantees required pursuant thereto;"

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

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

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

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

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

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

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

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

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

4.4. BBT Agreement Amendment The BBT Agreement was amended to contain provisions similar to those contained in Section 2.1 and 2.2 hereof on November 9, 2006.

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

Section 6. Miscellaneous.

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

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

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

Section 7. Effective Date. This Third Amendment shall become effective immediately.

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

TREX COMPANY, INC.

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

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

By: /s/ Lee Brennan
Lee Brennan
Vice President

Exhibit 10.34

EXECUTION COPY

FOURTH AMENDMENT TO REIMBURSEMENT AND CREDIT AGREEMENT

dated as of and effective December 31, 2006

By and Between

Trex Company, Inc.

and

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

in connection with the Letter of Credit
securing

$25,000,000

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

FOURTH AMENDMENT TO REIMBURSEMENT AND CREDIT AGREEMENT

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FOURTH AMENDMENT TO REIMBURSEMENT AND CREDIT AGREEMENT

THIS FOURTH AMENDMENT TO REIMBURSEMENT AND CREDIT AGREEMENT (this "Fourth Amendment"), dated as of and effective December 31, 2006, between TREX COMPANY, INC., a Delaware corporation (the ***"Borrower"***) and JPMorgan Chase Bank, N.A., as Issuing Bank (in such capacity the ***"Bank"***) and Administrative Agent (in such capacity the ***"Administrative Agent"***).

BASIS FOR THIS FOURTH AMENDMENT

1. This Fourth Amendment is authorized by Section 11.03 of the Reimbursement and Credit Agreement dated as of December 1, 2004, among the Borrower, the Bank and the Administrative Agent (the "Original Agreement"). The terms, conditions and provisions of the Original Agreement, as amended by the First Amendment to Reimbursement and Credit Agreement dated July 25, 2005, among the Borrower, the Bank and the Administrative Agent (the "First Amendment"), the Second Amendment to Reimbursement and Credit Agreement dated as of and effective December 31, 2005 (the "Second Amendment") and the Third Amendment to Reimbursement and Credit Agreement dated as of and effective November 21, 2006 (the "Third Amendment" and together with the Original Agreement, the First Amendment and the Second Amendment, the "Amended Agreement") are incorporated into this Fourth Amendment by reference to the same extent and with the same force and effect as if fully stated in this Fourth Amendment.

2. The Borrower, the Bank and the Administrative Agent have agreed to a further amendment to (a) Section 6.11 of the Original Agreement in order to provide a new Fixed Charge Coverage Ratio on December 31, 2006 and March 31, 2007, (b) Section 6.12 of the Original Agreement in order to provide a new ratio of Funded Net Debt to Consolidated EBITDA on December 31, 2006 and March 31, 2007 and (c) Section 7.01 in order to permit an increase in the amount of Debt outstanding under the BBT Agreement. The Bank and the Administrative Agent have also agreed to certain other consents and agreements as herein provided.

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

Section 1. Definitions; Rules of Interpretation.

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

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

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

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

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

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

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

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

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

Section 2. Amendment of Original Agreement.

2.1 Amendment of Section 1.01 of the Original Agreement . Section 1.01 of the Original Agreement is hereby amended by inserting the following defined term in the correct alphabetical order to read as follows:

“USA Patriot Act” means the United Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT) Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)), as amended from time to time, and any successor statute, including the rules or regulations promulgated thereunder, in each case as in effect from time to time.

2.2 Amendment of Section 2.02(a) of the Original Agreement . Section 2.02(a) of the Original Agreement, as amended by the Second Amendment is hereby further amended to read in its entirety as follows:

“(a) The Borrower hereby agrees to pay to the Bank, in advance, on each Fee Payment Date until the expiration or termination of the Letter of Credit, a nonrefundable facility fee calculated based on the Stated Amount as of the Fee Payment Date and based on a 360 day year but charged on the actual number of days elapsed. The amount payable on the (i) Issuance Date shall be based upon the ratio of Funded Net Debt to Consolidated EBITDA as of September 30, 2004 and based upon the number of days from the Issuance Date through and including March 31, 2005 and (ii) the amount payable on each Fee Payment Date thereafter shall be based upon the ratio of Funded Net Debt to Consolidated EBITDA as disclosed in the Certificate of Compliance most recently delivered for purposes of demonstrating the Borrower’s compliance with

Section 6.12(b) hereof and based upon the number of days in the calendar quarter commencing on such Fee Payment Date, and, in each case, shall be calculated using the following: (w) less than or equal to 1.00X, the annual facility fee shall be 65 basis points; (x) more than 1.00X but less than or equal to 1.50X, the annual facility fee shall be 75 basis points; (y) more than 1.50X but less than 2.00X, the annual facility fee shall be 85 basis points; and (z) 2.00X or greater, the annual facility fee shall be 100 basis points; provided further, the notwithstanding the foregoing, the annual facility fee due on April 1, 2007 shall be 125 basis points and the annual facility fee due on July 1, 2007 shall be 150 basis points."

2.3 Amendment of Section 6.10 of the Original Agreement . Section 6.10 of the Original Agreement is hereby amended to read in its entirety as follows:

"Section 6.10 USA Patriot Act. The Borrower shall provide information to the Administrative Agent and the Bank Participants, and take such other and further actions as the Administrative Agent or the Bank Participants shall reasonably require, to enable the Administrative Agent and the Bank Participants to comply with the USA Patriot Act. The Administrative Agent hereby notifies the Borrower that, pursuant to the requirements of the USA Patriot Act, the Administrative Agent and/or the Bank Participants may be required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will enable the Administrative Agent and the Bank Participants to identify the Borrower in accordance with the USA Patriot Act."

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

"The Borrower will not (a) as of the end of any fiscal quarter of the Borrower during Fiscal Year 2005, permit the Fixed Charge Coverage Ratio for the four quarter period ended as of the end of such fiscal quarter to be less than 1.30 to 1.00, (b) as of the end of any fiscal quarter of the Borrower ending during the period from December 31, 2005 to and including October 31, 2006, permit the Fixed Charge Coverage Ratio for the four quarter period ended as of the end of such fiscal quarter to be less than 1.50 to 1.00; provided that the Fixed Charge Coverage Ratio shall not be measured for the fiscal quarters ending December 31, 2005 and March 31, 2006, (c) as of the end of the fiscal quarter of the Borrower ending on December 31, 2006, permit the Fixed Charge Coverage Ratio for the four quarter period ended as of the end of such fiscal quarter to be less than 1.45 to 1.00, (d) as of the end of the fiscal quarter of the Borrower ending on March 31, 2007, permit the Fixed Charge Coverage Ratio for the four quarter period ended as of the end of such fiscal quarter to be less than 1.30 to 1.00, and (e) as of the end of any fiscal quarter of the Borrower ending on or after June 30, 2007, permit the Fixed Charge Coverage Ratio for the four quarter period ending as of the end of such fiscal quarter to be less than 1.50 to 1.00."

2.5 Amendment of Section 6.12(b) of Original Agreement . Section 6.12(b) of the Original Agreement, as amended by the Second Amendment and the Third Amendment, is hereby further amended to read in its entirety as follows:

> "(b) The Borrower will not, as of the end of any fiscal quarter, permit the ratio of Funded Net Debt to Consolidated EBITDA for the four-quarter period ended as of the end of such fiscal quarter to exceed the following amounts for the following periods: (i) 4.3 to 1 for the period commencing on October 1, 2006 to and including December 31, 2006, (ii) 6.2 to 1 for the period commencing on January 1, 2007 to and including March 31, 2007 and (iii) 2.50 to 1.00 thereafter."

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

> "(c) Debt outstanding under the BBT Agreement (including the Real Estate Term Loan Obligations (as defined in the BBT Agreement) and the Revolving Credit Loan Obligations (as defined in the BBT Agreement) (which have been increased to an authorized amount not to exceed $100,000,000 through June 30, 2007 and shall revert to $20,000,000 thereafter)) and under the Notes (as defined in the BBT Agreement) and the Subsidiary guarantees required pursuant thereto;"

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

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

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

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

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

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

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

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

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

4.4. BBT Agreement Amendment The BBT Agreement was amended to contain provisions similar to those contained in Section 2.1 and 2.2 hereof on February __, 2007.

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

Section 6. Consent. The Bank and the Administrative Agent hereby consent to the Borrower granting a Lien on its Accounts and Inventory (each as defined in the UCC) to secure (a) the “Revolving Credit Loan Obligations” as defined in the BBT Agreement and (b) the obligations of the Borrower under or in connection with the Note Agreement; provided, however, that this consent is conditioned upon the principal amount of the advances with respect to the Revolving Credit Loan Obligations being in an authorized amount not exceeding $100,000,000 through June 30, 2007 and not exceeding $20,000,000 thereafter. The Lien consented to in this Section 6 shall be a Permitted Encumbrance.

Section 7. Miscellaneous.

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

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

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

7.4 Modification Fee. The Borrower shall have paid to the Bank in immediately available funds a modification fee in the amount of $5,000, which fee shall be deemed fully earned and non-refundable once paid.

Section 8. Effective Date. This Fourth Amendment shall become effective immediately.

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

TREX COMPANY, INC.

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

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

By: /s/ Sandra BVM Braun
Sandra BVW Braun
Senior Vice President

Exhibit 21

Subsidiaries of Trex Company, Inc.

Name of the Subsidiary	Jurisdiction of Formation
Winchester Capital, Inc.	Virginia
Trex Wood Polymer Espana, S.L.	Spain

Exhibit 23

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

We consent to the incorporation by reference in the following Registration Statements

- Form S-8, No. 333-76847,
- Form S-8, No. 333-83998, and
- Form S-8, No. 333-124685;

of our reports dated April 2, 2007, with respect to the consolidated financial statements of Trex Company, Inc. (Trex), Trex's management's assessment of the effectiveness of internal control over financial reporting, and the effectiveness of internal control over financial reporting of Trex, included in this Annual Report (Form 10-K) for the year ended December 31, 2006.

/s/ ERNST & YOUNG LLP

McLean, Virginia
April 2, 2007

Exhibit 31.1

CERTIFICATION

I, Anthony J. Cavanna, certify that:

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

Date: April 2, 2007

/s/ ANTHONY J. CAVANNA

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

Exhibit 31.2

CERTIFICATION

I, Paul D. Fletcher, certify that:

1. I have reviewed this annual report on Form 10-K of Trex Company, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function(s)):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 2, 2007

/S/ PAUL D. FLETCHER

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

Exhibit 32

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

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

(a) the Annual Report on Form 10-K of the Company for the Year Ended December 31, 2006 filed on the date hereof with the Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(b) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 2, 2007

/S/ ANTHONY J. CAVANNA

Anthony J. Cavanna
Chairman and Chief Executive Officer

Date: April 2, 2007

/S/ PAUL D. FLETCHER

Paul D. Fletcher
Senior Vice President and Chief Financial Officer