

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 1999
OR

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

For the transition period from _____ to _____

Commission File Number: 001-14649

Trex Company, Inc.

(Exact name of registrant as specified in its charter)

Delaware

54-1910453

(State or other jurisdiction of
incorporation or organization)

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

20 South Cameron Street
Winchester, Virginia

22601

(Address of principal executive offices)

(Zip Code)

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

Not Applicable

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

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

Yes

No

The number of shares of the registrant's common stock, par value \$.01
per share, outstanding at May 14, 1999 was 14,115,450 shares.

TREX COMPANY, INC.

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Part I. FINANCIAL INFORMATION

Item 1. Financial Statements

TREX COMPANY, INC.

Balance Sheets

	December 31, 1998*	March 31, 1999
	-----	-----
		(unaudited)
Assets		
Cash.....	\$1,000	\$1,000
	-----	-----
Total assets.....	\$1,000	\$1,000
	=====	=====
Stockholder's 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, 100 shares issued and outstanding.....	1	1
Additional capital.....	999	999
Retained earnings.....	--	--
	-----	-----
Total stockholder's equity.....	\$1,000	\$1,000
	=====	=====

* The balance sheet at December 31, 1998 has been derived from the audited financial statements at that date, but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

SEE ACCOMPANYING NOTES TO BALANCE SHEETS.

TREX COMPANY, INC

Notes to Balance Sheets
December 31, 1998 and March 31, 1999

1. BUSINESS AND ORGANIZATION

Trex Company, Inc. (the "Company"), a Delaware corporation, was incorporated on September 4, 1998 for the purpose of acquiring 100% of the membership interests and operating the business of TREX Company, LLC, a Delaware limited liability company, in connection with an initial public offering ("IPO") of the Company's common stock. The IPO was consummated on April 13, 1999. On March 22, 1999, the Company amended its certificate of incorporation to increase its authorized capital to 40,000,000 shares of common stock (the "Common Stock") and 3,000,000 shares of preferred stock. All references in the accompanying balance sheets have been restated to reflect the increase in the Company's authorized capital.

Reorganization

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

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

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

Initial Public Offering

In the IPO, the Company sold 4,615,450 shares of Common Stock at a public offering price of \$10.00 per share. Of such shares, the Company sold 4,000,000 shares on April 13, 1999 and 615,450 shares on May 6, 1999 pursuant to the underwriters' exercise in full of their over-allotment option. The net proceeds from the IPO, after deducting underwriting discounts and commissions and offering expenses payable by the Company, totaled approximately \$41.2 million. The net proceeds of approximately \$35.5 million from the sale of shares on April 13, 1999 were used as follows: approximately \$28.1 million was used to repay approximately \$26.3 million of senior and subordinated notes, accrued interest thereon and a related prepayment premium of approximately \$1.5 million; approximately \$3.1 million was used to repay the note issued to the preferred member of TREX Company, LLC in the Reorganization; and approximately \$4.3 million was used to fund a portion of the LLC Distribution. The net proceeds of approximately \$5.7 million from the over-allotment exercise were used as follows: approximately \$4.4 million was used to repay borrowings under the Company's revolving credit facility and approximately \$1.3 million has been temporarily invested pending application for working capital and general corporate purposes.

2. BASIS OF PRESENTATION

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, the accompanying financial statements do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normally recurring accruals, except as described below) considered necessary for a fair presentation have been included in the accompanying financial statements. These financial statements should be read in conjunction with the Company's audited financial statements as of December 31, 1998 included in the Company's registration statement on Form S-1 (File No. 333-63287), as filed with the Securities and Exchange Commission.

The Company had no operations or activity from inception on September 4, 1998 through April 7, 1999, immediately prior to the Reorganization.

3. STOCKHOLDER'S EQUITY

Subsequent to March 31, 1999, the Company granted certain employees stock options to acquire a total of 105,050 shares of the Company's Common Stock at an exercise price of \$10.00 per share and its two non-employee directors stock options to acquire a total of 3,000 shares of Common Stock at an exercise price of \$13.75 per share. Each option vests with respect to 25% of the shares subject to the option on each of the first, second, third and fourth anniversaries of the date of grant. The options are forfeitable upon termination of an option holder's service as an employee or director under certain circumstances.

4. PRO FORMA DATA (Unaudited)

The unaudited consolidated financial statements and related notes of TREX Company, LLC included elsewhere in this report set forth the pro forma consolidated statements of operations data on the face of TREX Company, LLC's Consolidated Statements of Operations and the pro forma consolidated balance sheet data, supplemental pro forma consolidated balance sheet data and supplemental pro forma consolidated statements of operations data in Note 7 to such financial statements. The pro forma financial information gives effect to the Reorganization and the supplemental pro forma financial information gives effect to the Reorganization and the IPO.

TREX COMPANY, LLC
Consolidated Balance Sheets

	December 31, ----- 1998* -----	March 31, ----- 1999 ----- (unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 1,200,000	\$ 3,439,000
Trade accounts receivable.....	34,000	4,746,000
Inventories.....	6,007,000	3,111,000
Prepaid expenses and other assets.....	673,000	1,065,000
	-----	-----
Total current assets.....	7,914,000	12,361,000
	-----	-----
Property, plant and equipment, net.....	33,886,000	41,118,000
Intangible assets, net.....	9,298,000	9,089,000
Deferred financing charges, net.....	233,000	221,000
	-----	-----
Total assets.....	\$51,331,000	\$62,789,000
	=====	=====
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities:		
Trade accounts payable.....	\$ 2,577,000	\$ 6,007,000
Accrued expenses.....	1,086,000	971,000
Other current liabilities.....	1,314,000	734,000
Current portion of long-term debt.....	6,109,000	7,599,000
	-----	-----
Total current liabilities.....	11,086,000	15,311,000
Long term debt.....	26,954,000	26,905,000
	-----	-----
Total liabilities.....	38,040,000	42,216,000
	-----	-----
Members' equity:		
Preferred units, 1,000 units authorized, issued and outstanding.....	3,000,000	3,000,000
Junior units, 4,000 units authorized, issued and outstanding.....	2,350,000	2,350,000
Undistributed income.....	7,941,000	15,223,000
	-----	-----
Total members' equity.....	13,291,000	20,573,000
	-----	-----
Total liabilities and members' equity.....	\$51,331,000	\$62,789,000
	=====	=====

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

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

TREX COMPANY, LLC

Consolidated Statements of Operations
(Unaudited)

	Three Months Ended March 31,	
	1998	1999
Net sales.....	\$15,525,000	\$22,365,000
Cost of sales.....	7,378,000	9,942,000
Gross profit.....	8,147,000	12,423,000
Selling, general, and administrative expenses.....	2,414,000	4,065,000
Income from operations.....	5,733,000	8,358,000
Interest income.....	34,000	19,000
Interest (expense).....	(693,000)	(819,000)
Net income.....	\$ 5,074,000	\$ 7,558,000
Basic earnings per junior unit.....	\$1,243.25	\$1,864.25
Weighted average junior units outstanding.....	4,000	4,000
Pro forma data (unaudited, see Note 7):		
Historical net income.....	\$ 5,074,000	\$ 7,558,000
Pro forma income taxes.....	(2,030,000)	(3,023,000)
Pro forma net income.....	\$ 3,044,000	\$ 4,535,000
Pro forma income per share, basic.....	\$0.32	\$0.48
Pro forma weighted average shares outstanding.....	9,500,000	9,500,000

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

TREX COMPANY, LLC

Consolidated Statements of Cash Flows
(Unaudited)

	Three Months Ended March 31,	
	1998	1999
OPERATING ACTIVITIES		
Net income.....	\$ 5,074,000	\$ 7,558,000
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization.....	724,000	933,000
Amortization of deferred financing charges.....	13,000	12,000
Loss on disposal of property, plant and equipment.....	--	151,000
Changes in operating assets and liabilities		
Trade accounts receivable.....	(1,582,000)	(4,712,000)
Inventories.....	2,568,000	2,896,000
Prepaid expenses and other assets.....	(23,000)	(392,000)
Trade accounts payable.....	523,000	3,430,000
Accrued expenses.....	(13,000)	(115,000)
Other current liabilities.....	(554,000)	(580,000)
Net cash provided by operating activities.....	6,730,000	9,181,000
INVESTING ACTIVITIES		
Expenditures for property, plant and equipment.....	(386,000)	(8,107,000)
Net cash used in investing activities.....	(386,000)	(8,107,000)
FINANCING ACTIVITIES		
Borrowings under mortgages and notes.....	--	1,487,000
Principal payments under mortgages and notes.....	--	(46,000)
Preferred distributions paid.....	(101,000)	(101,000)
Tax distributions paid.....	(69,000)	(175,000)
Net cash (used in) provided by financing activities.....	(170,000)	1,165,000
Net increase in cash and cash equivalents.....	6,174,000	2,239,000
Cash and cash equivalents at beginning of period.....	2,000,000	1,200,000
Cash and cash equivalents at end of period.....	\$ 8,174,000	\$ 3,439,000

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

TREX COMPANY, LLC

Notes to Consolidated Financial Statements
For The Three Months Ended March 31, 1998 and 1999 (Unaudited)

1. BUSINESS AND ORGANIZATION

TREX Company, LLC (the "Company") manufactures and distributes wood/plastic composite products primarily for residential and commercial decking applications. Trex Wood-Polymer(TM) lumber is manufactured in a proprietary process that combines waste wood fibers and reclaimed polyethylene.

Organization

The Company is a limited liability company formed under the laws of the State of Delaware on July 1, 1996 (inception). The Company initiated commercial activity on August 29, 1996.

On August 29, 1996, the Company acquired substantially all of the assets and assumed certain liabilities of the Composite Products Division of Mobil Oil Corporation for a cash purchase price of approximately \$29.5 million. The acquisition was accounted for using the purchase accounting method.

On September 4, 1998, the Company formed a wholly owned subsidiary, Trex Company, Inc., for the purpose of acquiring 100% of the membership interests and operating the business of the Company in connection with the subsidiary's initial public offering (the "IPO") of common stock (the "Common Stock"). The IPO was consummated on April 13, 1999. As of December 31, 1998 and March 31, 1999, the Company had capitalized its subsidiary with an initial capital contribution of \$1,000 and the subsidiary had no other assets or operations as of those dates or for the periods then ended. The Company has reflected its investment in its subsidiary as a component of other assets as of December 31, 1998 and March 31, 1999.

Reorganization

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

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

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

Initial Public Offering

In the IPO, Trex Company, Inc. sold 4,615,450 shares of Common Stock at a public offering price of \$10.00 per share. Of such shares, Trex Company, Inc. sold 4,000,000 shares on April 13, 1999 and 615,450 shares on May 6, 1999 pursuant to the underwriters' exercise in full of their over-allotment option. The net proceeds from the IPO, after deducting underwriting discounts and commissions and offering expenses payable by Trex Company, Inc., totaled approximately \$41.2 million. The net proceeds of approximately \$35.5 million from the sale of shares on April 13, 1999 were used as follows: approximately \$28.1 million was used to repay approximately \$26.3 million of senior and subordinated notes, accrued interest thereon and a related prepayment premium of approximately \$1.5 million; approximately \$3.1 million was used to repay the note issued to the preferred member of TREX Company, LLC in the Reorganization; and approximately \$4.3 million was used to fund a portion of the LLC Distribution. The net proceeds of approximately \$5.7 million from the over-allotment exercise were used as follows: approximately \$4.4 million was used to repay borrowings under the Company's revolving credit facility and approximately \$1.3 million has been temporarily invested pending application for working capital and general corporate purposes.

2. Basis of Presentation

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

3. Inventory

Inventories consist of the following:

	December 31, 1998	March 31, 1999
	-----	-----
Finished goods.....	\$4,847,000	\$1,731,000
Raw materials.....	1,160,000	1,380,000
	-----	-----
	\$6,007,000	\$3,111,000
	=====	=====

4. Debt

On March 23, 1999, the Company revised the terms of its bank revolving credit facility. The new terms of the revolving credit facility provide for borrowings of up to \$10.0 million for working capital and general corporate purposes. In addition, under this facility, the Company may obtain a total of \$7.5 million of term loans to finance equipment purchases. Amounts drawn under the revolving credit facility and any term loans bear interest at an

annual rate equal to LIBOR plus 2%. The revolving credit facility will mature on May 31, 2001. The unpaid principal balance of term loans outstanding on August 31, 1999 will be payable in consecutive monthly payments beginning on October 1, 1999 and the entire unpaid principal balance of the term loans and all accrued interest thereon will be payable in full on April 1, 2000.

In the three-month period ended March 31, 1999, the Company borrowed \$1.5 million under a \$4.6 million construction loan for application to the construction of its second manufacturing facility. The loan accrues interest at 7.5% per annum and is payable in November 1999. The Company intends to refinance this construction loan with long-term borrowings upon completion of the manufacturing facility.

5. Members' Equity

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

	Three Months Ended March 31,	
	1998	1999
Numerator:		
Net income.....	\$5,074,000	\$7,558,000
Preferred dividends.....	(101,000)	(101,000)
Net income available to junior unitholders.....	\$4,973,000	\$7,457,000
Denominator:		
Denominator for basic earnings per junior unit -weighted average units outstanding.....	4,000	4,000
Basic earnings per junior unit.....	\$ 1,243.25	\$ 1,864.25

The basic earnings per junior unit amounts shown above have not been adjusted to reflect (i) the Reorganization, (ii) the issuance of 9,500,000 shares of Trex Company, Inc. Common Stock in exchange for the junior units in the Company or (iii) the effect of federal and state income taxes, since the Company was not subject to income taxes for the periods presented. Fully diluted earnings per junior unit is the same as basic earnings per junior unit, and, therefore, is not separately presented.

6. Seasonality

The Company's net sales and income from operations have historically varied from quarter to quarter. Such variations are principally attributable to seasonal trends in the demand for Trex. The Company typically experiences lower net sales during the fourth quarter due to holidays and adverse weather conditions in certain regions, which reduce the level of home improvement and new construction activity. Net sales during the first quarter of 1998 accounted for approximately 33% of annual sales in the year ended December 31, 1998.

7. Pro Forma Data (Unaudited)

The unaudited pro forma consolidated balance sheet data set forth in the following table give effect to the Reorganization (see Note 1) as if the Reorganization had occurred on March 31, 1999 and reflect (i) the issuance of a \$3.1 million note by Trex Company, Inc. in exchange for the preferred units in the Company, (ii) the distribution of previously taxed earnings of the Company of approximately \$10.2 million and a return of capital totaling approximately \$2.4 million and (iii) the issuance of 9,500,000 shares of Trex Company, Inc. Common Stock in exchange for the junior units in the Company.

The unaudited supplemental pro forma consolidated balance sheet data set forth in the following table give effect to (i) the LLC Distribution of approximately \$12.6 million at March 31, 1999, (ii) the issuance of a \$3.1 million note by Trex Company, Inc. in exchange for the preferred units in the Company, (iii) a net deferred tax liability of approximately \$2.6 million that would have been recorded by the Company if it had converted to C corporation status on March 31, 1999, (iv) a \$1.1 million extraordinary charge for the extinguishment of debt repaid from the net proceeds of the IPO, (v) the issuance of 9,500,000 shares of Trex Company, Inc. Common Stock in exchange for the junior units in the Company and (vi) the sale by Trex Company, Inc. of 4,615,450 shares of Common Stock in the IPO and the application of the net proceeds therefrom.

	March 31, 1999		
	TREX Company, LLC	Trex Company, Inc.	
	Historical	Pro Forma	Supplemental Pro Forma
	-----	-----	-----
		(in thousands)	
Cash and cash equivalents.....	\$ 3,439	\$ 0	\$ 1,884
Accounts receivable, net.....	4,746	4,746	4,746
Inventories.....	3,111	3,111	3,111
Prepaid expenses.....	1,065	1,065	839
	-----	-----	-----
Total current assets.....	12,361	8,922	10,580
	-----	-----	-----
Property, plant and equipment, net.....	41,118	41,118	41,118
Intangible assets, net.....	9,089	9,089	9,089
Deferred financing charges, net.....	221	221	-
	-----	-----	-----
Total assets.....	\$62,789	\$59,350	\$60,787
	=====	=====	=====
Accounts payable.....	\$ 6,007	\$ 6,007	\$ 6,007
Other current liabilities.....	9,304	21,456	5,126
	-----	-----	-----
Total current liabilities.....	15,311	27,463	11,133
Deferred taxes.....	-	-	2,586
Long term debt.....	26,905	26,905	4,505
	-----	-----	-----
Total liabilities.....	42,216	54,368	18,224
	-----	-----	-----
Preferred units.....	3,000	-	-
Junior units.....	2,350	-	-
Preferred stock.....	-	-	-
Common stock.....	-	95	141
Additional capital.....	-	-	41,178
Undistributed income/retained earnings...	15,223	4,887	1,244
	-----	-----	-----
Total members'/stockholders' equity	20,573	4,982	42,563
	-----	-----	-----
Total liabilities and members'/ stockholders' equity.....	\$62,789	\$59,350	\$60,787
	=====	=====	=====

The pro forma consolidated statement of operations data set forth in the accompanying consolidated statements of operations give effect to the Reorganization as if the Reorganization had occurred on January 1 of each period presented. The pro forma income taxes and pro forma net income reflect federal and state income taxes (assuming a 40% combined effective tax rate) as if the Company had been taxed as a C corporation for the three months ended March 31, 1998 and 1999. Pro forma weighted average shares outstanding reflect 9,500,000 shares of Trex Company, Inc. Common Stock outstanding, which assumes that the shares issued in the Reorganization were outstanding for the three-month periods ended March 31, 1998 and 1999 (See Note 1). Fully diluted income per share is the same as basic income per share, and, therefore, is not separately presented.

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

	Three Months Ended March 31,	
	1998	1999

Numerator:		
Net income.....	\$ 5,074,000	\$ 7,558,000
Reduction in interest expense, net.....	694,000	694,000
Pro forma income tax provision.....	(2,307,000)	(3,301,000)
	-----	-----
Supplemental pro forma net income available to common shareholders.....	\$ 3,461,000	\$ 4,951,000
	=====	=====
Denominator:		
Denominator for pro forma basic earnings per common share-weighted average shares outstanding.....	14,115,450	14,115,450
	=====	=====
Supplemental pro forma basic earnings per common share.....	\$0.25	\$0.35
	=====	=====

The foregoing supplemental pro forma basic earnings per common share amounts have been adjusted to reflect the Reorganization (see Note 1) as if the Reorganization had occurred on January 1, 1998 and 1999, respectively. The supplemental pro forma reduction in interest expense gives effect to the repayment of the senior and subordinated notes of the Company (see Note 1) as if such repayments had been made as of January 1, 1998 and 1999, respectively. The supplemental pro forma income tax provision reflects federal and state income taxes (assuming a 40% combined effective tax rate) as if the Company had been taxed as a C corporation as of January 1, 1998 and 1999, respectively. Supplemental pro forma net income available to common shareholders assumes the preferred units were exchanged for a note of Trex Company, Inc. as of January 1, 1998 and 1999, and excludes one-time charges relating to the Reorganization and IPO, including (i) a net deferred tax liability of approximately \$2.6 million and (ii) \$1.1 million extraordinary charge for the extinguishment of debt repaid from the net proceeds of the IPO. Supplemental pro forma weighted average shares outstanding assumes that the shares issued in the Reorganization and the IPO were outstanding for the entire period. Supplemental pro forma fully diluted earnings per share is the same as supplemental pro forma basic earnings per share, and therefore, is not separately presented.

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

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

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

Overview

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

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

The Company did not record an income tax provision for any period through March 31, 1999. Until the Reorganization, the Company elected to be treated as a partnership for federal and state income tax purposes. Accordingly, the Company's income through April 7, 1999 has been taxed directly to the Company's members, rather than to the Company.

Three Months Ended March 31, 1999 Compared with Three Months Ended March 31, 1998

Net Sales. Net sales in the three months ended March 31, 1999 (the "1999 quarter") increased 44.1% to \$22.4 million from \$15.5 million in the three months ended March 31, 1998 (the "1998 quarter"). The increase in net sales was primarily attributable to the growth in sales volume, which increased to 68.9 million pounds of finished product in the 1999 quarter from 51.1 million pounds in the 1998 quarter, and, to a lesser extent, to a price increase of approximately 6%. Production line rate increases and the addition of three production lines since March 31, 1998 significantly increased the Company's production capacity in the 1999 quarter. The increase in the number of

dealer outlets, from approximately 1,600 at March 31, 1998 to approximately 2,000 at March 31, 1999, contributed to the growth in sales volume.

Cost of Sales. Cost of sales increased 34.8% to \$9.9 million in the 1999 quarter from \$7.4 million in the 1998 quarter. All components of cost of sales increased to support the higher level of sales activity. Cost of sales as a percentage of net sales decreased to 44.5% in the 1999 quarter from 47.5% in the 1998 quarter. The decline principally reflected operating efficiencies from improved production line rates and the economies of scale resulting from the three additional production lines.

Gross Profit. Gross profit increased 52.5% to \$12.4 million in the 1999 quarter from \$8.1 million in the 1998 quarter. The increase in gross profit was attributable to the higher sales volume and improved operating efficiencies. Gross profit as a percentage of net sales increased to 55.5% in the 1999 quarter from 52.5% in the 1998 quarter.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased 68.4% to \$4.1 million in the 1999 quarter from \$2.4 million in the 1998 quarter. The increase was primarily attributable to higher sales and marketing expenses, which increased 47.7% to \$2.1 million in the 1999 quarter from \$1.4 million in the 1998 quarter. The largest component of the increase was advertising costs, which increased 122.4% as the Company expanded its advertising and promotional activities. General and administrative expenses increased 90% to \$1.9 million in the 1999 quarter from \$1.0 million in the 1998 quarter. The increase was primarily attributable to costs associated with an increase in staffing necessary to support the Company's growth, the Company's second manufacturing facility, which is scheduled to start production in the fourth quarter of 1999, and an increase in research and development activities. Selling, general and administrative expenses as a percentage of net sales increased to 18.2% in the 1999 quarter from 15.5% in the 1998 quarter.

Interest Expense. Net interest expense increased 21.4% to \$.8 million in the 1999 quarter from \$.7 million in the 1998 quarter. The increase reflected higher average borrowings resulting from indebtedness incurred to finance the Company's purchase of its Winchester manufacturing facility and Trex Technical Center in June and November 1998, respectively, its purchase in December 1998 of the site in Nevada for its second manufacturing facility and commencement of construction of the Nevada facility in the 1999 quarter.

Net Income. Net income increased 49.0% to \$7.6 million in the 1999 quarter from \$5.1 million in the 1998 quarter.

Liquidity and Capital Resources

The Company's total assets increased from \$51.3 million at December 31, 1998 to \$62.8 million at March 31, 1999. Higher receivables balances resulting from an increase in net sales in the 1999 quarter accounted for \$4.7 million of the increase. Inventories decreased \$2.9 million in relation to the increased net sales. Property, plant and equipment, net, increased \$7.2 million as the Company incurred the balance of the costs of installing two additional production lines in its Winchester, Virginia facility and began construction of its second manufacturing facility in Nevada.

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

The Company's cash flow from operating activities for the 1999 quarter was \$9.2 million compared to \$6.7 million for the 1998 quarter. Higher sales volume accounted for the significant increase in cash flows in the 1999 quarter.

The Company's working capital generally averages between 12% and 18% of net sales. The Company's working capital needs correlate closely with the level of the Company's net sales. Consequently, the Company's short-term borrowing requirements are affected by the seasonality of its business. The Company currently maintains a

revolving credit facility which provides for borrowings of up to \$10.0 million for working capital. In addition, under this facility, the Company may obtain a total of \$7.5 million of term loans to finance equipment purchases. Amounts drawn under the revolving credit facility and any term loans bear interest at an annual rate equal to LIBOR plus 2.0%. The revolving credit facility will mature on May 31, 2001. The unpaid principal balance of term loans outstanding on August 31, 1999 will be payable in consecutive monthly payments beginning October 1, 1999, and the entire unpaid principal balance of the term loans and all accrued interest thereon will be payable in full on April 1, 2000.

The Company substantially reduced its overall long-term indebtedness on April 13, 1999 following its repayment of \$26.3 million principal amount of senior and subordinated notes with the net proceeds of the Company's initial public offering. As of March 31, 1999, the Company's long-term indebtedness (excluding such indebtedness repaid on April 13, 1999) had an overall weighted average interest rate of approximately 7.2% per annum.

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

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

The Company financed its acquisition of the site for its second manufacturing facility located in Nevada in December 1998 in part with a \$2.1 million loan which is payable in September 1999. The Company will finance construction of the facility in part with proceeds of up to \$4.6 million under a construction loan which is payable in November 1999. The site acquisition and construction loans accrue interest at an annual rate of 7.5%. The Company intends to refinance both loans with long-term borrowings. As of April 30, 1999, the Company had expended approximately \$9.8 million of the approximately \$19.6 million it estimates will be required to complete construction and equipping of the Nevada facility. The Company will fund the remaining \$9.8 million of expenditures from cash on hand, cash flow from operations and borrowings under its construction loan and credit facility.

As part of the Reorganization, TREX Company, LLC in April 1999 made the LLC Distribution of approximately \$12.6 million to certain of its members. See Note 1 to the Balance Sheets of Trex Company, Inc. and Note 1 to the Consolidated Financial Statements of TREX Company, LLC included elsewhere in this report. The LLC Distribution was funded from \$3.9 million of cash on hand, \$4.4 million of borrowings under the credit facility and \$4.3 million of net proceeds from the initial public offering.

Expansion of the Company's production capacity will require significant capital expenditures. The Company currently estimates that its aggregate capital requirements in 1999 and 2000 will total approximately \$23.8 million, of which approximately \$20.3 million is expected to be incurred in 1999 and approximately \$3.5 million in 2000. Capital expenditures in the first quarter of 1999 totaled approximately \$8.1 million. Capital expenditures will be used primarily for the construction and equipping of the Company's new manufacturing facility in Nevada. The Company believes that cash on hand, cash flow from operations and borrowings expected to be available under the Company's credit agreements and construction loan for the new facility will provide sufficient funds to enable the Company to expand its business as currently planned for at least the next 12 months. The actual amount and timing of the Company's future capital requirements may differ materially from the Company's estimate depending on the demand for Trex and new market developments and opportunities. The Company may determine that it is necessary or desirable to obtain financing for such requirements through bank borrowings or the issuance of debt or equity securities. Debt financing would increase the leverage of the Company, while equity financing may dilute the ownership of the Company's stockholders. There can be no assurance as to whether, or as to the terms on which, the Company will be able to obtain such financing.

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

Assessment Phase. As part of the assessment phase of its program, the Company will attempt to identify substantially all of the major components of the systems described above. To determine the extent to which such systems are vulnerable to the Year 2000 issue, the Company has completed an evaluation of its software applications and began remediation and testing activities for such applications in the first quarter of 1999. In addition, in the fourth quarter of 1998, the Company completed its distribution of letters to certain of its major suppliers and other material service providers and to the Company's major distributors, requesting them to provide the Company with detailed, written information concerning existing or anticipated Year 2000 compliance by their systems insofar as the systems relate to such parties' business activities with the Company. The Company is currently processing the responses to those inquiries and re-soliciting responses from those entities that have not yet responded.

Remediation and Testing Phase. Based upon the results of its assessment efforts, the Company will undertake remediation and testing activities. The Company intends to complete this phase by June 30, 1999. The activities conducted during the remediation and testing phase are intended to address potential Year 2000 problems in computer software used by the Company in its information technology and non-information technology systems in an attempt to demonstrate that this software will be made substantially Year 2000 compliant on a timely basis. In this phase, the Company will first evaluate a program application and, if a potential Year 2000 problem is identified, will take steps to attempt to remediate the problem and individually test the application to confirm that the remediating changes are effective and have not adversely affected the functionality of that application. After the individual applications and system components have undergone remediation and testing phases, the Company will conduct integrated testing for the purpose of demonstrating functional integrated systems operation.

Contingency Plans. The Company intends to develop contingency plans to handle its most reasonably likely worst case Year 2000 scenarios, which it has not yet identified fully. The Company intends to complete its determination of such worst case scenarios after it has received and analyzed responses to substantially all of the inquiries it has made of third parties and completed its remediation and testing activities. The Company expects to complete development of its contingency plans by August 31, 1999.

Costs Related to the Year 2000 Issue. To date, the Company has incurred approximately \$10,000 in costs for its Year 2000 program. Such costs do not include internal staff costs, consisting principally of payroll costs, incurred on Year 2000 matters, because the Company does not separately track such costs. The Company currently estimates that it will incur additional costs (excluding internal staff costs), which are not expected to exceed approximately \$45,000, to complete its Year 2000 compliance work. Such costs will constitute approximately 40% of the Company's budgeted expenditures for information technology. Actual costs may vary from the foregoing estimates based on the Company's evaluation of responses to its third-party inquiries and on the results of its remediation and testing activities. The Company expects to fund its Year 2000 remediation costs out of the cash flows generated by its operations. The Company has not deferred any of its information technology projects to date as a result of the Year 2000 issue.

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company's major market risk exposure is to changing interest rates. The Company's policy is to manage interest rates through a combination of fixed-rate and variable-rate debt. As of March 31, 1999, excluding the indebtedness repaid on April 13, 1999 with the net proceeds of the initial public offering of Trex Company, Inc., the Company's long-term debt consisted of fixed-rate debt of \$3.6 million and variable-rate debt of \$4.7 million. Substantially all of the Company's variable-rate debt is based on LIBOR. The Company uses interest rate swap contracts to manage its exposure to fluctuations in interest rates on its variable-rate debt. As of March 31, 1999, the Company had effectively fixed its interest rate exposure at approximately 7% on approximately \$4.7 million of its variable-rate debt through 2008.

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

Part II. OTHER INFORMATION

Item 2. Changes in Securities and Use of Proceeds

The following information is furnished by Trex Company, Inc. with respect to the initial public offering by the Company and certain stockholders of the Company (the "Selling Stockholders") of 4,718,450 shares of the Company's Common Stock. Of such shares, 4,615,450 shares were sold by the Company and 103,000 shares were sold by the Selling Stockholders.

The offering and sale of the Common Stock was effected pursuant to registration statement no. 333-63287, which was declared effective by the Securities and Exchange Commission on April 8, 1999.

The offering commenced on April 8, 1999 following declaration of effectiveness of the Company's registration statement. The offering has terminated following the sale of all 4,718,450 shares of Common Stock registered. Of the shares sold by the Company, 4,000,000 shares were sold on April 13, 1999 and 615,450 shares were sold on May 6, 1999 pursuant to the underwriters' exercise in full of their over-allotment option. The managing underwriter of the offering was J.C. Bradford & Co. The sole class of securities registered was Common Stock, par value \$.01 per share, of the Company.

The following information is provided with respect to the shares of Common Stock registered for the account of the Company:

Amount registered	4,615,450 shares
Aggregate price of offering amount registered	\$46,154,500
Amount sold	4,615,450 shares
Aggregate offering price of amount sold	\$46,154,500

The following information is provided with respect to the shares of Common Stock registered for the account of the Selling Stockholders:

Amount registered	103,000 shares
Aggregate price of offering amount registered	\$1,030,000
Amount sold	103,000 shares
Aggregate offering price of amount sold	\$1,030,000

The foregoing information reflects the initial public offering price of \$10.00 per share before deducting underwriting discounts and commissions of \$0.70 per share and expenses of the offering. Of the shares offered and sold for the Company's account, 200,000 shares were sold to certain individuals, including directors, executive officers and employees of the Company, members of their families or friends, and other persons having business relationships with the Company, at the initial public offering price less the underwriting discounts and commissions.

In connection with the offering, the Company incurred for its own account total expenses of approximately \$4.9 million. Such expenses consisted of underwriting discounts and commissions of approximately \$3.2 million and other expenses, including legal, accounting, financial advisory, printing and filing fees, of approximately \$1.7 million. The amount of other expenses constitutes the Company's reasonable estimate. All of the foregoing expenses involved direct or indirect payments to persons who were not directors or officers of the Company or their associates, owners of 10% or more of any class of equity securities of the Company, or affiliates of the Company.

After deducting the total expenses of approximately \$4.9 million referred to above, the net proceeds of the offering to the Company were approximately \$41.2 million. The net proceeds of approximately \$35.5 million from the sale of 4,000,000 shares on April 13, 1999 were used as follows: approximately \$28.1 million was used to repay approximately \$26.3 million of senior and subordinated notes of TREX Company, LLC, accrued interest thereon and a related prepayment premium of approximately \$1.5 million; approximately \$3.1 million was used to repay the note issued to the preferred member of TREX Company, LLC in the Reorganization described in Note 1 to the Balance Sheets of Trex Company, Inc. and Note 1 to the Consolidated Financial Statements of TREX Company, LLC included elsewhere in this report; and approximately \$4.3 million was used to fund a portion of the LLC Distribution described in Note 1 to the Balance Sheets of Trex Company, Inc. and Note 1 to the Consolidated Financial Statements of TREX Company, LLC included elsewhere in this report. The net proceeds of approximately \$5.7 million from the sale of 615,450 shares pursuant to the underwriters' exercise of their over-allotment option were used as follows: approximately \$4.4 million was used to repay borrowings under the Company's revolving credit facility and approximately \$1.3 million has been temporarily invested in short-term, investment grade repurchase obligations pending application for working capital and general corporate purposes.

Of the net offering proceeds, the \$28.1 million used to repay the senior and subordinated notes of TREX Company, LLC constituted direct payments to persons who collectively owned 10% of the Company's Common Stock immediately prior to the IPO. Such persons (collectively, the "Institutional Investors") are Connecticut General Life Insurance Company, Life Insurance Company of North America and The Lincoln National Life Insurance Company. In addition, of the net offering proceeds, the \$4.3 million used to fund a portion of the LLC Distribution constituted direct payments to the Institutional Investors and to the Company's four directors and executive officers prior to the IPO, each of whom owns more than 10% of the Company's Common Stock (collectively, the "Management Holders"). The Management Holders are Robert G. Matheny, Anthony J. Cavanna, Andrew U. Ferrari and Roger A. Wittenberg. The application of net offering proceeds to repay borrowings under the Company's revolving credit facility used to fund a portion of the LLC Distribution may be deemed to constitute indirect payments to the Institutional Investors and the Management Holders.

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

During the quarterly period ended March 31, 1999 covered by this report, all of the outstanding capital stock of the Company was owned by TREX Company, LLC. As the Company's sole stockholder during this period, TREX Company, LLC held special meetings on March 23, 1999 and March 27, 1999 and took action by written consent in lieu of a meeting on March 12, 1999 and March 20, 1999.

By a written consent dated March 12, 1999, the stockholder voted to approve matters relating to the reorganization consummated on April 7, 1999 (the "Reorganization") and the Company's proposed initial public offering, the amendment and restatement of the Company's certificate of incorporation and by-laws, the Company's 1999 Stock Option and Incentive Plan, 1999 Incentive Plan for Outside Directors and 1999 Employee Stock Purchase Plan, the classification of the Company's Board of Directors and the election of William F. Andrews and William H. Martin, III to the Board of Directors effective upon the consummation of the Company's initial public offering. The terms of Robert G. Matheny, Anthony J. Cavanna, Andrew U. Ferrari and Roger A. Wittenberg as directors of the Company continued after the effective date of the written consent.

By a written consent dated March 20, 1999, the stockholder voted to approve matters relating to the Reorganization and the Company's proposed initial public offering and the amendment and restatement of the Company's certificate of incorporation.

At a special meeting held on March 23, 1999, the stockholder voted to approve matters relating to the Reorganization and the Company's proposed initial public offering, the classification of the Company's Board of Directors and the election of William F. Andrews and William H. Martin, III to the Board of Directors effective upon the consummation of the Company's initial public offering. The terms of Robert G. Matheny, Anthony J. Cavanna, Andrew U. Ferrari and Roger A. Wittenberg as directors of the Company continued after the meeting.

At a special meeting held on March 27, 1999, the stockholder voted to approve matters relating to the Reorganization and the Company's proposed initial public offering.

Item 6. Exhibits and Reports on Form 8-K

(a) The Company files herewith the following exhibits:

- 3.1 Restated Certificate of Incorporation of the Company. Filed as Exhibit 3.1 to the Company's Registration Statement on Form S-1 (No. 333-63287) and incorporated herein by reference.
- 3.2 Amended and Restated By-Laws of the Company. Filed as Exhibit 3.2 to the Company's Registration Statement on Form S-1 (No. 333-63287) and incorporated herein by reference.
- 4.1 Specimen certificate representing the 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 Registration Rights Agreement, dated as of April 7, 1999, among Trex Company, Inc. and each of the persons named on the schedule thereto. Filed herewith.
- 10.2 Trex Company, Inc. 1999 Stock Option and Incentive Plan. Filed as Exhibit 4.2 to the Company's Registration Statement on Form S-8 (No. 333-76847) and incorporated herein by reference.
- 10.3 Trex Company, Inc. 1999 Incentive Plan for Outside Directors. Filed herewith.
- 10.4 Form of Distributor Agreement of the Company. Filed as Exhibit 10.6 to the Company's Registration Statement on Form S-1 (No. 333-63287) and incorporated herein by reference.
- 10.5 \$3,780,000 Promissory Note, dated June 15, 1998, made by TREX Company, LLC payable to First Union National Bank of Virginia. Filed as Exhibit 10.7 to the Company's Registration Statement on Form S-1 (No. 333-63287) and incorporated herein by reference.
- 10.6 \$1,035,000 Promissory Note, dated November 20, 1998, made by TREX Company, LLC payable to First Union National Bank of Virginia. Filed as Exhibit 10.8 to the Company's Registration Statement on Form S-1 (No. 333-63287) and incorporated herein by reference.
- 10.7 Business Loan Agreement, dated December 2, 1998, between TREX Company, LLC and Pioneer Citizens Bank of Nevada. Filed as Exhibit 10.9 to the Company's Registration Statement on Form S-1 (No. 333-63287) and incorporated herein by reference.
- 10.8 Construction Loan Agreement, dated February 5, 1999, between TREX Company, LLC and Pioneer Citizens Bank of Nevada. Filed as Exhibit 10.10 to the Company's Registration Statement on Form S-1 (No. 333-63287) and incorporated herein by reference.
- 10.9 Amended and Restated Credit Agreement, dated as of March 23, 1999, between the Company and First Union National Bank of Virginia. Filed as Exhibit 10.14 to the Company's Registration

Statement on Form S-1 (No. 333-63287) and incorporated herein by reference.

27. Financial Data Schedule. Filed herewith.

(b) The Company did not file any Current Reports on Form 8-K during the quarterly period ended March 31, 1999.

SIGNATURES

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

TREX COMPANY, INC.
(Registrant)

Date: May 17, 1999

/s/ Anthony J. Cavanna

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

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EXHIBIT INDEX

(Pursuant to Item 601 of Regulation S-K)

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- 27 Financial Data Schedule. Filed herewith.

REGISTRATION RIGHTS AGREEMENT

REGISTRATION RIGHTS AGREEMENT (this "Agreement"), is dated as of this 7th day of April, 1999 among Trex Company, Inc., a Delaware corporation (the "Company"), each of the Institutional Investors named on Schedule A hereto and -----
each of the Management Holders named on Schedule B hereto.

W I T N E S S E T H:

WHEREAS, TREX Company, LLC ("TREX LLC"), the Institutional Investors and the Management Holders are parties to a Members' Agreement, dated as of August 29, 1996, as amended (the "Members' Agreement");

WHEREAS, the Company, TREX LLC and the members of TREX LLC have consummated a reorganization as a result of which, among other things, (i) the Company has issued all outstanding shares of its common stock, \$.01 par value per share (the "Common Stock"), to the Institutional Investors and the Management Holders in exchange for all outstanding junior membership interests in TREX LLC and (ii) TREX LLC has become a wholly owned subsidiary of the Company;

WHEREAS, the Company intends to consummate an initial public offering of the Common Stock;

WHEREAS, the Members' Agreement will be terminated upon consummation of such initial public offering;

WHEREAS, the parties hereto wish to provide in this Agreement for the registration rights currently set forth in the Members' Agreement;

NOW THEREFORE, in consideration of the mutual promises herein contained, the parties hereto mutually agree as follows:

1. Certain Definitions.

As used herein, the following terms shall have the meanings set forth below:

"Business Day" means a day other than a Saturday, a Sunday or a day on -----

which banks in New York City are required or permitted by law (other than general banking moratorium or holiday for a period exceeding four (4) consecutive days) to be closed.

"Common Stock" has the meaning set forth in the recitals herein.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and

the rules and regulations of the SEC promulgated thereunder.

"Incidental Registration" has the meaning set forth in Section 2.2 hereof.

"Initiating Holders" means, at any time, the Institutional Investors

holding at least fifty percent (50%) of the Registrable Securities at such time
held by all Institutional Investors.

"Initial Public Offering Date" means the first date upon which shares of

the Common Stock shall have been issued or sold pursuant to an underwritten
public offering (whether on a firm commitment basis or a best efforts basis if
such best efforts are successful) thereof pursuant to an effective registration
statement filed with the SEC pursuant to the Securities Act.

"Institutional Investors" means those Persons named on Schedule A hereto.

"Management Holders" means those persons named on Schedule B hereto.

"NASDAQ" means the National Association of Securities Dealers Automated

Quotation System.

"Person" means an individual, partnership, corporation, limited liability

company, trust, unincorporated organization, or a government or agency or
political subdivision thereof.

"Public Offering" means any sale of Common Stock in a transaction either

registered under, or requiring registration under, Section 5 of the Securities
Act.

"Registrable Securities" means (i) all shares of Common Stock issued to the

Institutional Investors on or prior to the date of this Agreement and (ii) any
Securities paid, issued or distributed in respect of any such Common Stock by
way of stock dividend or distribution or stock split or in connection with a
combination of shares, recapitalization, reorganization, merger, consolidation
or otherwise. As to any particular Registrable Securities once issued, such
Securities shall cease to be Registrable Securities: (i) when a registration
statement with respect to the sale of such Securities shall have become
effective under the Securities Act and such Securities shall have been disposed
of in accordance with such registration statement; (ii) when they shall have
been distributed to the public pursuant to Rule 144 (or any successor provision)
under the Securities Act; or (iii) when they shall have been otherwise
transferred and subsequent disposition of them shall not require registration or
qualification under the Securities Act or any similar state law then in force.

"Registration" means each Required Registration and each Incidental

Registration.

"Registration Expenses" means all expenses incident to the Company's

performance of or compliance with Sections 2.1 through Section 2.5 hereof, inclusive, including, without limitation, all registration and filing fees, fees and expenses of compliance with securities or blue sky laws (including reasonable fees and disbursements of counsel in connection with blue sky qualifications of the Registrable Securities), expenses of printing certificates for the Registrable Securities in a form eligible for deposit with the Depository Trust Company, messenger and delivery expenses, internal expenses (including, without limitation, all salaries and expenses of the Company's officers and employees performing legal or accounting duties), and fees and disbursements of counsel for the Company and its independent certified public accountants (including the expenses of any management review, cold comfort letters or any special audits required by or incident to such performance and compliance), securities acts liability insurance (if the Company elects to obtain such insurance), the reasonable fees and expenses of any special experts retained by the Company in connection with such registration, fees and expenses of other Persons retained by the Company and fees and expenses of counsel (including local counsel) for holders of Registrable Securities, selected by the Requisite Holders; but not including any underwriting fees, discounts or commissions attributable to the sale of Registrable Securities or fees and expenses of more than one counsel representing the holders of Registrable Securities or any other selling expenses, discounts or commissions incurred in connection with the sale of Registrable Securities.

"Required Registration" has the meaning set forth in Section 2.1 hereof.

"Requisite Holders" means, with respect to any registration or proposed

registration of Registrable Securities pursuant to Section 2 hereof, any Institutional Investor or Institutional Investors holding at least sixty-six and two-thirds percent (66-2/3%) of the shares of Registrable Securities to be so registered.

"SEC" means, at any time, the Securities and Exchange Commission or any

other federal agency at such time administering the Securities Act.

"Securities Act" means the Securities Act of 1933, as amended, and the

rules and regulations of the SEC promulgated thereunder.

"Security" means "security" as defined by Section 2(1) of the Securities

Act.

"Subsidiary" means, as to any Person, any corporation in which such Person

or one or more Subsidiaries of such Person or such Person and one or more Subsidiaries of such Person owns sufficient voting securities to enable it or them (as

a group) ordinarily, in the absence of contingencies, to elect a majority of the directors (or Persons performing similar functions) of such corporation. The term "Subsidiary," as used herein without reference to any Person, shall mean a Subsidiary of the Company.

2. Registration Rights.

2.1 Required Registration.

(a) Filing of Registration Statement. The Company will, upon the written request of the Initiating Holders given at any time after the Initial Public Offering Date requesting that the Company effect the registration under the Securities Act of all or part of such Initiating Holders' Registrable Securities and specifying the Registrable Securities to be sold and the intended method of disposition thereof, promptly give written notice of such requested registration to all holders of Registrable Securities, and thereupon will use its best efforts to effect the registration (the "Required Registration") under the Securities Act of:

(i) the Registrable Securities that the Company has been so requested to register by the Initiating Holders; and

(ii) all other Registrable Securities that the Company has been requested to register by the holders thereof by written request given to the Company within thirty (30) days after the giving of such written notice by the Company (which request shall specify the Registrable Securities to be sold and the intended method of disposition of such Registrable Securities);

all to the extent required to permit the disposition (in accordance with the intended method thereof as aforesaid) of the Registrable Securities so to be registered; provided, however, that the Company shall be required to effect only two (2) registrations pursuant to this Section 2.1 that are deemed effected under Section 2.1(e) hereof.

(b) Time for Filing and Effectiveness. On or before the date which is ninety (90) days after the request for such registration, the Company shall file with the SEC the Required Registration with respect to all Registrable Securities to be so registered, and shall use its best efforts to cause such Required Registration to become effective as promptly as practicable after the filing thereof, and use its best efforts to cause such Required Registration to become effective no later than the day which is one hundred eighty (180) days after the request for such registration.

(c) Selection of Underwriters. If Registrable Securities that the Company has been requested to register pursuant to a Required Registration are to be disposed of in an underwritten public offering, the underwriters of such offering

shall be one or more underwriting firms of recognized standing selected by the Requisite Holders and reasonably acceptable to the Company.

(d) Priority on Required Registrations. If the managing underwriter shall

advise the Company in writing (with a copy to each holder of Registrable Securities requesting sale) that, in such underwriter's opinion, the number of shares of Securities requested to be included in such Required Registration exceeds the number that can be sold in such offering within a price range acceptable to the Company (such writing to state the basis of such opinion and the approximate number of shares of Securities that may be included in such offering without such effect), the Company will include in such Required Registration, to the extent of the number of shares of Securities that the Company is so advised can be sold in such offering:

(i) first, Registrable Securities requested to be sold by the Institutional Investors pursuant to this Section 2.1, pro rata among the holders requesting sale on the basis of the number of shares of Registrable Securities requested by each to be included in such Registration; and

(ii) second, all other Securities proposed to be registered by the Company and the Management Holders, in such proportions as the Company and such Management Holders shall agree.

(e) When Required Registration Is Deemed Effected. A Required

Registration pursuant to this Section 2.1 shall not be deemed to have been effected for purposes of the proviso to Section 2.1(a) hereof if:

(i) the registration does not become effective and remain effective for a period of at least one hundred eighty (180) days, without interference by the issuance by the SEC of any stop order with respect thereto;

(ii) in the case of any underwritten offering undertaken on a firm commitment basis, all the Registrable Securities requested to be registered in connection therewith were not sold;

(iii) the Requisite Holders withdraw their request for registration in its entirety at any time because the Requisite Holders reasonably believed that the registration statement or any prospectus related thereto contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements made therein (in the case of any prospectus, in light of the circumstances under which they were made) not misleading, notified the Company of such fact and requested that the Company correct such alleged misstatement or omission, and the Company has refused to correct such alleged misstatement or omission; or

(iv) the conditions to closing specified in the purchase agreement or underwriting agreement entered into in connection with such Required Registration are not satisfied, other than by reason of some act or omission by the holders of the Registrable Securities that were to have been registered and sold.

2.2 Incidental Registration.

(a) Filing of Registration Statement. If the Company at any time

proposes to register any shares of Common Stock (an "Incidental Registration") under the Securities Act (other than pursuant to a registration statement on Form S-4 or Form S-8 or any successor forms thereto, in connection with an offer made solely to existing Security holders or employees of the Company), for sale to the public in a public offering, it will each such time give prompt written notice to all holders of Registrable Securities of its intention to do so, which notice shall be given to all such holders at least thirty (30) Business Days prior to the date that a registration statement relating to such registration is proposed to be filed with the SEC. Upon the written request of any such holder to include its shares under such registration statement (which request shall be made within fifteen (15) Business Days after the receipt of any such notice and shall specify the Registrable Securities intended to be disposed of by such holder), the Company will use its best efforts to effect the registration of all Registrable Securities that the Company has been so requested to register by such holder; provided, however, that if, at any time after giving written notice of its intention to register any Securities and prior to the effective date of the registration statement filed in connection with such registration, the Company shall determine for any reason not register such shares of Common Stock, the Company may, at its election, give written notice of such determination to each such holder and, thereupon, shall be relieved of its obligation to register any Registrable Securities of such Persons in connection with such registration.

(b) Selection of Underwriters. Notice of the Company's intention to

register such shares of Common Stock shall designate the proposed underwriters of such offering (which shall be one or more underwriting firms of recognized standing) and shall contain the Company's agreement to use its best efforts, if requested to do so, to arrange for such underwriters to include in such underwriting the Registrable Securities that the Company has been so requested to sell pursuant to this Section 2.2, it being understood that the holders of Registrable Securities shall have no right to select different underwriters for the disposition of their Registrable Securities.

(c) Priority on Incidental Registrations. If the managing underwriter

shall advise the Company in writing (with a copy to each holder of Registrable

Securities requesting sale) that, in such underwriter's opinion, the number of shares of Common Stock requested to be included in such Incidental Registration exceeds the number that can be sold in such offering within a price range acceptable to the Company (such writing to state the basis of such opinion and the approximate number of shares of Common Stock that may be included in such offering without such effect), the Company will include in such Incidental Registration, to the extent of the number of shares of Common Stock that the Company is so advised can be sold in such offering:

(i) in the case of any registration initiated by the Company for the purpose of selling securities for its own account:

(A) first, the number of shares of Common Stock that the Company proposes to issue and sell for its own account; and

(B) second, Registrable Securities requested to be sold by the Institutional Investors pursuant to this Section 2.2 and all shares of Common Stock proposed to be registered by the Management Holders, pro rata among such holders on the basis of the number of shares of Common Stock requested by each to be included in such Registration; and

(ii) in the case of a registration initiated by any Management Holder pursuant to demand or required registration rights in favor of such Management Holder:

(A) first, Securities requested to be sold by the Management Holders requesting such registration and Registrable Securities requested to be sold by the Institutional Investors pursuant to this Section 2.2, pro rata among such holders on the basis of the number of shares of Common Stock requested to be so registered by such holders; and

(B) second, the number of shares of Common Stock that the Company proposes to issue and sell for its own account.

2.3 Registration Procedures. The Company will use its best efforts to

effect each Required Registration pursuant to Section 2.1 hereof and any Incidental Registration of any Registrable Securities as provided in Section 2.2 hereof, and to cooperate with the sale of such Registrable Securities in accordance with the intended method of disposition thereof as quickly as practicable, and the Company will as expeditiously as possible:

(a) subject, in the case of an Incidental Registration, to the proviso to Section 2.2(a), prepare and file with the SEC the registration statement and use its best efforts to cause the Registration to become effective; provided, however, that

before filing any registration statement or prospectus or any amendments or supplements thereto, the Company will furnish to the holders of the Registrable Securities covered by such registration statement, their counsel, and the underwriters, if any, and their counsel, copies of each original registration statement proposed to be filed at least fifteen (15) days prior thereto and copies of each amendment, prospectus and supplement at least three (3) Business Days prior thereto, which documents will be subject to the reasonable review, within such period, of such holders, their counsel and the underwriters; and the Company will not file any registration statement or amendment thereto or any prospectus or any supplement thereto (including such documents incorporated by reference) to which the Requisite Holders shall reasonably object within such period;

(b) subject, in the case of an Incidental Registration, to the proviso to Section 2.2(a), prepare and file with the SEC such amendments and post-effective amendments to any registration statement and any prospectus used in connection therewith as may be necessary to keep such registration statement effective and to comply with the provisions of the Securities Act with respect to the disposition of all Registrable Securities covered by such registration statement until such time as all of such Securities have been disposed of in accordance with the intended methods of disposition by the seller or sellers thereof set forth in such registration statement and cause the prospectus to be supplemented by any required prospectus supplement, and as so supplemented to be filed pursuant to Rule 424 under the Securities Act, provided that if the Company is not then eligible to use a registration statement on Form S-3 under the Securities Act, the Company shall not be obligated to keep such registration statement effective for more than two (2) years after the original effective date of such registration statement;

(c) furnish to each holder of Registrable Securities included in such Registration and the underwriter or underwriters, if any, without charge, at least one signed copy of the registration statement and any post-effective amendment thereto, upon request, and such number of conformed copies thereof and such number of copies of the prospectus (including each preliminary prospectus and each prospectus filed under Rule 424 under the Securities Act), any amendments or supplements thereto and any documents incorporated by reference therein, as such holder or underwriter may reasonably request in order to facilitate the disposition of the Registrable Securities being sold by such holder (it being understood that the Company consents to the use of the prospectus and any amendment or supplement thereto by each holder of Registrable Securities covered by such registration statement and the underwriter or underwriters, if any, in connection with the offering and sale of the Registrable Securities covered by the prospectus or any amendment or supplement thereto);

(d) notify each holder of the Registrable Securities of any stop order or other order suspending the effectiveness of any registration statement, issued or

threatened by the SEC in connection therewith, and take all reasonable actions required to prevent the entry of such stop order or to remove it or obtain withdrawal of it at the earliest possible moment if entered;

(e) if requested by the managing underwriter or underwriters or any holder of Registrable Securities in connection with any sale pursuant to a registration statement, promptly incorporate in a prospectus supplement or post-effective amendment such information relating to such underwriting as the managing underwriter or underwriters or such holder reasonably requests to be included therein; and make all required filings of such prospectus supplement or post-effective amendment as soon as practicable after being notified of the matters incorporated in such prospectus supplement or post-effective amendment;

(f) on or prior to the date on which a Registration is declared effective, use its best efforts to register or qualify, and cooperate with the holders of Registrable Securities included in such Registration, the underwriter or underwriters, if any, and their counsel, in connection with the registration or qualification of the Registrable Securities covered by such Registration for offer and sale under the securities or "blue sky" laws of each state and other jurisdiction of the United States as any such holder or underwriter reasonably requests in writing; use its best efforts to keep each such registration or qualification effective, including through new filings, or amendments or renewals, during the period such registration statement is required to be kept effective; and do any and all other acts or things necessary or advisable to enable the disposition in all such jurisdictions reasonably requested of the Registrable Securities covered by such Registration; provided, however, that the Company will not be required to qualify generally to do business in any jurisdiction where it is not then so qualified or to take any action which would subject it to general service of process in any such jurisdiction where it is not then so subject;

(g) in connection with any sale pursuant to a Registration, cooperate with the holders of Registrable Securities and the managing underwriter or underwriters, if any, to facilitate the timely preparation and delivery of certificates (not bearing any restrictive legends) representing Securities to be sold under such Registration, and enable such Securities to be in such denominations and registered in such names as the managing underwriter or underwriters, if any, or such holders may request;

(h) use its best efforts to cause the Registrable Securities to be registered with or approved by such other governmental agencies or authorities within the United States and having jurisdiction over the Company or any Subsidiary as may reasonably be necessary to enable the seller or sellers thereof or the underwriter or underwriters, if any, to consummate the disposition of such Securities;

(i) make available for inspection by any holder of Registrable Securities included in any Registration, any underwriter participating in any disposition pursuant to any Registration, and any attorney, accountant or other agent retained by any such seller or underwriter, all financial and other records, pertinent corporate documents and properties of the Company, as shall be reasonably necessary to enable them to exercise their due diligence responsibility, and cause the Company's officers, directors and employees to supply all information reasonably requested by any such Person in connection with such Registration;

(j) use its best efforts to obtain:

(i) at the time of effectiveness of each Registration, a "comfort letter" from the Company's independent certified public accountants covering such matters of the type customarily covered by "cold comfort letters" as the Requisite Holders and the underwriters reasonably request; and

(ii) at the time of any underwritten sale pursuant to the registration statement, a "bring-down comfort letter," dated as of the date of such sale, from the Company's independent certified public accountants covering such matters of the type customarily covered by comfort letters as the Requisite Holders and the underwriters reasonably request;

(k) use its best efforts to obtain, at the time of effectiveness of each Incidental Registration and at the time of any sale pursuant to each Registration, an opinion or opinions, favorable to the Requisite Holders in form and scope, from counsel for the Company in customary form;

(l) notify each seller of Registrable Securities covered by such Registration, upon discovery that, or upon the happening of any event as a result of which, the prospectus included in such Registration, as then in effect, includes an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading, and promptly prepare, file with the SEC and furnish to such seller or holder a reasonable number of copies of a supplement to or an amendment of such prospectus as may be necessary so that, as thereafter delivered to the purchasers or prospective purchasers of such Securities, such prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances under which they are made;

(m) otherwise comply with all applicable rules and regulations of the SEC, and make generally available to its security holders (as contemplated by Section 11(a) under the Securities Act) an earnings statement satisfying the

provisions of Rule 158 under the Securities Act not later than ninety (90) days after the end of the twelve (12) month period beginning with the first month of the Company's first fiscal quarter commencing after the effective date of the registration statement, which statement shall cover said twelve (12) month period;

(n) provide and cause to be maintained a transfer agent and registrar for all Registrable Securities covered by each Registration from and after a date not later than the effective date of such Registration;

(o) use its best efforts to cause all Registrable Securities covered by each Registration to be listed subject to notice of issuance, prior to the date of first sale of such Registrable Securities pursuant to such Registration, on each securities exchange on which the Common Stock issued by the Company is then listed, and admitted to trading on NASDAQ, if the Common Stock or any such other Securities are then admitted to trading on NASDAQ; and

(p) enter into such agreements (including underwriting agreements in customary form) and take such other actions as the Requisite Holders shall reasonably request in order to expedite or facilitate the disposition of such Registrable Securities.

The Company may require each holder of Registrable Securities that will be included in such Registration to furnish the Company with such information in respect of such holder of its Registrable Securities that will be included in such Registration as the Company may reasonably request in writing and as is required by applicable laws or regulations.

2.4 Preparation; Reasonable Investigation. In connection with the

preparation and filing of each registration statement registering Registrable Securities under the Securities Act, the Company will give the holders of such Registrable Securities so registered, their underwriters, if any, and their respective counsel and accountants the opportunity to participate in the preparation of such registration statement (other than reports and proxy statements incorporated therein by reference and lawfully and properly filed with the SEC) and each prospectus included therein or filed with the SEC, and each amendment thereof or supplement thereto, and will give each of them such access to its books and records and such opportunities to discuss the business of the Company with its officers and the independent public accountants who have certified its financial statements as shall be necessary, in the opinion of such holders or such underwriters to conduct a reasonable investigation within the meaning of the Section 11 (b)(3) of the Securities Act.

2.5 Rights of Requesting Holders. Each holder of Registrable Securities

which makes a written request therefor within thirty (30) days after the

notice to such holders provided for in Section 2.1 or Section 2.2 hereof, as the case may be, hereof, shall have the right to receive the copies of the information, notices and other documents described in Section 2.3(c), Section 2.3(l) and Section 2.3(m) hereof in connection with any proposed Registration by the Company under the Securities Act.

2.6 Registration Expenses. The Company will pay all Registration Expenses

in connection with each registration of Registrable Securities, including, without limitation, any such registration not effected by the Company.

2.7 Indemnification; Contribution.

(a) Indemnification by the Company. The Company shall indemnify, to

the fullest extent permitted by law, each holder of Registrable Securities, its officers, directors and agents, if any, and each Person, if any, who controls such holder within the meaning of Section 15 of the Securities Act, against all losses, claims, damages, liabilities (or proceedings in respect thereof) and expenses (under the Securities Act or common law or otherwise), joint or several, resulting from any violation by the Company of the provisions of the Securities Act or any untrue statement or alleged untrue statement of a material fact contained in any registration statement or prospectus (and as amended or supplemented if amended or supplemented) or any preliminary prospectus or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein (in the case of any prospectus, in light of the circumstances under which they were made) not misleading, except to the extent that such losses, claims, damages, liabilities (or proceedings in respect thereof) or expenses are caused by any untrue statement or alleged untrue statement contained in or by any omission or alleged omission from information concerning any holder furnished in writing to the Company by such holder expressly for use therein. If the offering pursuant to any registration statement provided for under this Section 2 is made through underwriters, no action or failure to act on the part of such underwriters (whether or not such underwriter is an affiliate of any holder of Registrable Securities) shall affect the obligations of the Company to indemnify any holder of Registrable Securities or any other Person pursuant to the preceding sentence. If the offering pursuant to any registration statement provided for under this Section 2 is made through underwriters, the Company agrees, to the extent required by such underwriters, to enter into an underwriting agreement in customary form with such underwriters and to indemnify such underwriters, their officers, directors and agents, if any, and each Person, if any, who controls such underwriters within the meaning

of Section 15 of the Securities Act to the same extent as hereinbefore provided with respect to the indemnification of the holders of Registrable Securities; provided that the Company shall not be required to indemnify any such underwriter, or any officer or director of such underwriter or any Person who controls such underwriter within the meaning of Section 15 of the Securities Act, to the extent that the loss, claim, damage, liability (or proceedings in respect thereof) or expense for which indemnification is claimed results from such underwriter's failure to send or give a copy of an amended or supplemented final prospectus to the Person asserting an untrue statement or alleged untrue statement or omission or alleged omission at or prior to the written confirmation of the sale of Registrable Securities to such Person if such statement or omission was corrected in such amended or supplemented final prospectus prior to such written confirmation and the underwriter was provided with such amended or supplemented final prospectus.

(b) Indemnification by the Holders. In connection with any registration

statement in which a holder of Registrable Securities is participating, each such holder, severally and not jointly, shall indemnify, to the fullest extent permitted by law, the Company, each underwriter and their respective officers, directors and agents, if any, and each Person, if any, who controls the Company or such underwriter within the meaning of Section 15 of the Securities Act, against any losses, claims, damages, liabilities (or proceedings in respect thereof) and expenses resulting from any untrue statement or alleged untrue statement of a material fact or any omission or alleged omission of a material fact required to be stated in the registration statement or prospectus or preliminary prospectus or any amendment thereof or supplement thereto or necessary to make the statements therein (in the case of any prospectus, in light of the circumstances under which they were made) not misleading, but only to the extent that such untrue statement is contained in or such omission is from information so concerning a holder furnished in writing by such holder expressly for use therein; provided, however, that such holder's obligations hereunder shall be limited to an amount equal to the proceeds to such holder of the Registrable Securities sold pursuant to such registration statement.

(c) Control of Defense. Any Person entitled to indemnification under the

provisions of this Section 2.7 shall give prompt notice to the indemnifying party of any claim with respect to which it seeks indemnification and unless in such indemnified party's reasonable judgment a conflict of interest between such indemnified and indemnifying parties may exist in respect of such claim, permit such indemnifying party to assume the defense of such claim, with counsel reasonably satisfactory to the indemnified party; and if such defense is so assumed, such indemnifying party shall not enter into any settlement without the consent of the indemnified party if such settlement attributes liability to the indemnified party and such indemnifying party shall not be subject to any liability for any settlement made without its consent (which shall not be unreasonably withheld); and any underwriting agreement entered into with respect to any registration statement provided for under this Section 2 shall so provide. In the event an indemnifying party shall not be entitled, or elects not, to assume the defense of a claim, such indemnifying party shall not be obligated to pay the fees and expenses

of more than one counsel or firm of counsel for all parties indemnified by such indemnifying party in respect of such claim, unless in the reasonable judgment of any such indemnified party a conflict of interest may exist between such indemnified party and any other of such indemnified parties in respect to such claim.

(d) Contribution. If for any reason the foregoing indemnity is

unavailable, then the indemnifying party shall contribute to the amount paid or payable by the indemnified party as a result of such losses, claims, damages, liabilities or expenses:

(i) in such proportion as is appropriate to reflect the relative benefits received by the indemnifying party on the one hand and the indemnified party on the other; or

(ii) if the allocation provided by clause (i) above is not permitted by applicable law or provides a lesser sum to the indemnified party than the amount hereinafter calculated, in such proportion as is appropriate to reflect not only the relative benefits received by the indemnifying party on the one hand and the indemnified party on the other but also the relative fault of the indemnifying party and the indemnified party as well as any other relevant equitable considerations.

Notwithstanding the foregoing, no holder of Registrable Securities shall be required to contribute any amount in excess of the amount such holder would have been required to pay to an indemnified party if the indemnity under Section 2.7(b) hereof was available. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation. The obligation of any Person to contribute pursuant to this Section 2.7 shall be several and not joint.

(e) Timing of Payments. An indemnifying party shall make payments of all

amounts required to be made pursuant to the foregoing provisions of this Section 2.7 to or for the account of the indemnified party from time to time promptly upon receipt of bills or invoices relating thereto or when otherwise due or payable.

(f) Survival. The indemnity and contribution agreements contained in this

Section 2.7 shall remain in full force and effect regardless of any investigation made by or on behalf of a participating holder of Registrable Securities, its officers, directors, agents or any Person, if any, who controls such holder as aforesaid, and shall survive the transfer of such Securities by such holder.

2.8 Holdback Agreements; Registration Rights to Others.

(a) In connection with each underwritten sale of Registrable Securities, the Company agrees, and each holder of Registrable Securities by acquisition of such Registrable Securities agrees, to enter into customary holdback agreements concerning sale or distribution of Registrable Securities and other equity Securities of the Company, except, in the case of any holder of Registrable Securities, to the extent that such holder is prohibited by applicable law or exercise of fiduciary duties from agreeing to withhold Registrable Securities from sale or is acting in its capacity as a fiduciary or investment adviser. Without limiting the scope of the term "fiduciary," a holder shall be deemed to be acting as a fiduciary or an investment adviser if its actions or the Registrable Securities proposed to be sold are subject to the Employee Retirement Income Security Act of 1974, as amended, or the Investment Company Act of 1940, as amended, or if such Registrable Securities are held in a separate account under applicable insurance law or regulation.

(b) If the Company shall at any time after the date hereof provide to any holder of any Securities of the Company rights with respect to the registration of such Securities under the Securities Act:

(i) such rights shall not be in conflict with or adversely affect any of the rights provided in this Section 2 to the holders of Registrable Securities; and

(ii) if such rights are provided on terms or conditions more favorable to such holder than the terms and conditions provided in this Section 2, the Company will provide (by way of amendment to this Agreement or otherwise) such more favorable terms or conditions to the holders of Registrable Securities.

2.9 Availability of Information. The Company will comply with the

reporting requirements of Sections 13 and 15(d) of the Exchange Act and will comply with all other public information reporting requirements of the SEC as from time to time in effect, and cooperate with the holders of Registrable Securities, so as to permit disposition of the Registrable Securities pursuant to an exemption from the Securities Act for the sale of any Registrable Securities (including, without limitation, the current public information requirements of Rule 144(c) and Rule 144A under the Securities Act). The Company will also cooperate with each holder of any Registrable Securities in supplying such information as may be necessary for such holder to complete and file any information reporting forms presently or hereafter required by the SEC as a condition to the availability of an exemption from the Securities Act for the sale of any Registrable Securities.

3. Miscellaneous.

3.1 Binding Effect. The provisions of this Agreement shall be

binding upon and inure to the benefit of parties hereto and their respective successors and assigns.

3.2 Notices. All written communications provided for hereunder shall

be binding overnight delivery service (with charges prepaid), or by facsimile, delivery confirmed with a copy by first class mail or overnight courier (with charges prepaid), and:

(a) if to the Company:

Trex Company, Inc.
20 South Cameron Street
Winchester, VA 22601
Fax: (540) 678-0886
Attention: Anthony J. Cavanna

with a copy (which shall not constitute notice) to:

Hogan & Hartson L.L.P.
555 13th Street, NW
Washington, D.C. 20004
Fax: 202-637-5910
Attention: Richard J. Parrino, Esq.

or such other address as the Company shall designate to each Institutional Investor in writing;

(b) if to any Institutional Investor, at the address set forth on Schedule A hereto for each such Institutional Investor or such other address as an Institutional Investor shall designate to the Company in writing; and

(c) if to any Management Holder, at the address set forth on Schedule B hereto for each such Management Holder or such other address as a Management Holder shall designate to the Company in writing.

3.3 Amendments and Waivers. The provisions of this Agreement,

including the provisions of this sentence, may be amended, modified or supplemented only by a writing duly executed by or on behalf of the Institutional Investors holding at least sixty-six and two-thirds percent (66-2/3%) of the Registrable Securities held by the Institutional Investors at such time and the Company; provided, however, that compliance by the Company with the provisions

of this Agreement, with respect to any particular registration, may be waived by such Institutional Investors holding at least sixty-six and two-thirds percent (66-2/3%) of the Registrable Securities held by the Institutional Investors at such time; and provided, further, that no amendment, modification or supplement of the provisions of Section 2.1(d) or 2.2(c) hereof which adversely affects the rights of any Management Holder shall be made without the consent of such Management Holder.

3.4 Availability of Information. At any time that any class of the Common

Stock is registered under section 12(b) or section 12(g) of the Exchange Act, the Company will comply with the reporting requirements of Sections 13 and 15(d) of the Exchange Act (whether or not it shall be required to do so pursuant to such sections) and will comply with all other public information reporting requirements of the SEC from time to time in effect. In addition, the Company shall file such reports and information, and shall make available to the public and to the Institutional Investors such information, as shall be necessary to permit such holders to offer and sell shares of Common Stock pursuant to the provisions of Rules 144 and 144A promulgated under the Securities Act. The Company will also cooperate with each such holder in supplying such information as may be necessary for such holder to complete and file any information reporting forms presently or hereafter required by the SEC as a condition to the availability of an exemption from the registration provisions of the Securities Act in connection with the sale of any shares of Common Stock. The Company will furnish to each such holder, promptly upon their becoming available, copies of all financial statements, reports, notices and proxy statements sent or made available generally by the Company to its holders of equity securities, and copies of all regular and periodic reports and all registration statements and prospectuses filed by the Company with any securities exchange or with the SEC.

3.5 GOVERNING LAW. THIS AGREEMENT SHALL BE CONSTRUED AND ENFORCED IN

ACCORDANCE WITH, AND THE RIGHTS OF THE PARTIES SHALL BE GOVERNED BY, THE INTERNAL LAW OF THE STATE OF NEW YORK.

3.6 JURISDICTION; JURY TRIAL. EACH OF THE PARTIES HERETO IRREVOCABLY

SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY UNITED STATES FEDERAL OR NEW YORK STATE COURT IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OF THE OTHER DOCUMENTS AND INSTRUMENTS CONTEMPLATED HEREBY AND EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT. NONE OF THE PARTIES HERETO SHALL SEEK A JURY TRIAL IN ANY LAWSUIT, PROCEEDING, COUNTERCLAIM OR OTHER LITIGATION ARISING OUT OF OR OTHERWISE RELATED TO THIS AGREEMENT AND EACH OF THE PARTIES HERETO WAIVES ANY AND ALL RIGHT TO ANY SUCH JURY TRIAL AND ANY RIGHT EACH MAY HAVE TO ASSERT THE DOCTRINE OF FORUM NON CONVENIENS OR TO OBJECT TO

VENUE TO THE EXTENT ANY SUCH PROCEEDING IS BROUGHT IN ACCORDANCE WITH THIS SECTION 3.6.

3.7 Counterparts. This Agreement may be executed in any number of

counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

3.8 Descriptive Headings. Descriptive headings of the several sections of

this Agreement are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof.

3.9 Severability. The fact that any given provisions of this Agreement is

found to be unenforceable, void or voidable under applicable laws of any jurisdiction shall not affect the validity of the remaining provisions of this Agreement in such jurisdiction, and shall not affect the enforceability of the entire Agreement under the laws of any other jurisdiction.

3.10 Effective Date. This Agreement shall be effective as of the date of

termination of the Members' Agreement.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties, each by its duly authorized signatory, have executed this Agreement as of the date first above written.

TREX COMPANY, INC.

By /s/ Robert G. Matheny

Name: Robert G. Matheny

Title: President

CONNECTICUT GENERAL LIFE INSURANCE COMPANY, on behalf of
one or more separate accounts

By: CIGNA Investments, Inc., authorized agent

By /s/ James R. Kuzemchak

Name: James R. Kuzemchak

Title: Managing Director

CONNECTICUT GENERAL LIFE INSURANCE COMPANY

By: CIGNA Investments, Inc., authorized agent

By /s/ James R. Kuzemchak

Name: James R. Kuzemchak

Title: Managing Director

LIFE INSURANCE COMPANY OF NORTH AMERICA

By: CIGNA Investments, Inc., authorized agent

By /s/ James R. Kuzemchak

Name: James R. Kuzemchak

Title: Managing Director

THE LINCOLN NATIONAL LIFE INSURANCE COMPANY

By Lincoln Investment Management Company, its Attorney-in-Fact

By /s/ R. Scott Krafft

Name: R. Scott Krafft
Title: Second Vice President

/s/ Anthony J. Cavanna

Anthony J. Cavanna

/s/ Roger A. Wittenberg

Roger A. Wittenberg

/s/ Robert G. Matheny

Robert G. Matheny

/s/ Andrew U. Ferrari

Andrew U. Ferrari

CIG & CO.

By /s/ James R. Kuzemchak

Name: James R. Kuzemchak

Title: Partner

SCHEDULE A

NAMES AND ADDRESSES OF INSTITUTIONAL INVESTORS

CIG & CO.

Address: c/o CIGNA Investments, Inc.
900 Cottage Grove Road
Hartford, Connecticut 06152-2307
Attention: Private Securities Division S-307
Fax: 860-726-7203

CONNECTICUT GENERAL LIFE INSURANCE COMPANY:

Address: 900 Cottage Grove Road
Hartford, Connecticut 06152-2307
Attention: Private Securities Division S-307
Fax: 860-726-7203

CONNECTICUT GENERAL LIFE INSURANCE COMPANY, on behalf of one or more separate accounts:

Address: c/o CIGNA Investments, Inc.
900 Cottage Grove Road
Hartford, Connecticut 06152-2307
Attention: Private Securities Division S-307
Fax: 860-726-7203

LIFE INSURANCE COMPANY OF NORTH AMERICA:

Address: c/o CIGNA Investments, Inc.
900 Cottage Grove Road
Hartford, Connecticut 06152-2307
Attention: Private Securities Division S-307
Fax: 860-726-7203

THE LINCOLN NATIONAL LIFE INSURANCE COMPANY:

Address: 200 East Berry Street
Renaissance Square
Fort Wayne, Indiana 46802

SCHEDULE B

NAMES AND ADDRESSES OF MANAGEMENT HOLDERS

ANTHONY J. CAVANNA

Address: c/o Trex Company, Inc.
20 South Cameron Street
Winchester, Virginia 22601
Fax: 540-678-0886

ROGER A. WITTENBERG

Address: c/o Trex Company, Inc.
20 South Cameron Street
Winchester, Virginia 22601
Fax: 540-678-0886

ROBERT G. MATHENY

Address: c/o Trex Company, Inc.
20 South Cameron Street
Winchester, Virginia 22601
Fax: 540-678-0886

ANDREW U. FERRARI

Address: c/o Trex Company, Inc.
20 South Cameron Street
Winchester, Virginia 22601
Fax: 540-678-0886

TREX COMPANY, INC.

1999 INCENTIVE PLAN
FOR OUTSIDE DIRECTORS

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1. DEFINITIONS

To the extent any capitalized words used in this Plan are not defined, they shall have the definitions stated for them in the Trex Company, Inc. 1999 Stock Option and Incentive Plan

- 1.1 "Annual Director Fee" means an annual fee earned by an Eligible Director

for service on the Board of Directors.
- 1.2 "Board of Directors" or "Board" means the Board of Directors of the

Company.
- 1.3 "Committee" means the Administrative Committee which administers the Plan.

- 1.4 "Common Stock" means the common stock, par value \$0.01 per share, of the

Company.
- 1.5 "Company" means Trex Company, Inc., a Delaware corporation, or any

successor thereto.
- 1.6 "Election Form" means the form used by an Eligible Director to elect to

receive all or a portion of his Annual Director Fee for a Plan Year in the
form of Options.
- 1.7 "Eligible Director" for each Plan Year means a member of the Board of

Directors who is not an employee of the Company or any Subsidiary.
- 1.8 "Fair Market Value" means the closing price of a share of Common Stock

reported on the New York Stock Exchange (the "NYSE") on the date Fair
Market Value is being determined, provided that if there is no closing
price reported on such date, the Fair Market Value of a share of Common
Stock on such date shall be deemed equal to the closing price as reported
by the NYSE for the last preceding date on which sales of shares of Common
Stock were reported. Notwithstanding the foregoing, in the event that the
shares of Common Stock are listed upon more than one established stock
exchange, "Fair Market Value" means the closing price of the shares of
Common Stock reported on the exchange that trades the largest volume of
shares of Common Stock on the date Fair Market Value is being determined.
If the Common Stock is not at the time listed or admitted to trading on a
stock exchange, Fair Market Value means the mean between the lowest
reported bid price and highest reported asked price of the Common Stock on
the date in question in the over-the-counter market, as such prices are
reported in a publication of general circulation selected by the Board and
regularly reporting the market price of Common Stock in such market. If
the Common Stock is not listed or admitted to trading on any stock exchange
or traded in

the over-the-counter market, Fair Market Value shall be as determined in good faith by the Board.

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

1.10 "Option" means a non-qualified Option granted pursuant to the Trex Company, Inc. 1999 Stock Option and Incentive Plan.

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

1.12 "Option Price" has the meaning set forth in Section 6 hereof.

1.13 "Participant" for any Plan Year means an Eligible Director who participates in the Plan for that Plan Year in accordance with Section 11.1 hereof.

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

1.15 "Plan Year" means each fiscal year of the Company.

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

2. PURPOSE

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

3. SHARES SUBJECT TO THE PLAN

The shares of Common Stock issuable under the Plan shall be issued pursuant to the Trex Company, Inc. 1999 Stock Option and Incentive Plan.

4. ANNUAL DIRECTOR FEES

4.1. General

Each Eligible Director shall be entitled to an Annual Director Fee which is equal in value to twenty-five thousand dollars (\$25,000); provided, however, that such Annual Director Fee may be adjusted by the Board. The Cash Portion of the Annual Director Fee as defined in Section 4.2 hereof (after reduction

pursuant to Section 4.2 hereof) shall be paid to an Eligible Director in four equal quarterly installments in arrears on the first business day of each quarter of the Plan Year in which the Eligible Director is providing services to the Company.

4.2. Form of Annual Fee

The Annual Director Fee shall be paid in the form of: (i) an Option representing fifty percent (50%) of the value of the Annual Director Fee and (ii) cash representing fifty percent (50%) of the value of the Annual Director Fee (the "Cash Portion of the Annual Director's Fee"); provided, however, that -----

pursuant to Section 11 hereof, the Eligible Director may elect to receive all or a portion of the Cash Portion of the Annual Director's Fee in the form of an Option of equal value.

4.3. Valuation of Options

The value of all Options to be issued under the Plan shall be determined pursuant to the Black-Scholes stock option valuation model.

5. GRANT DATE

The date of grant for Options granted under the Plan (the "Grant Date") shall be the first day of the Plan Year.

6. OPTION PRICE

The Option Price of the Common Stock covered by each Option granted under the Plan shall be the Fair Market Value of such Common Stock on the Grant Date.

7. TERM OF OPTIONS

Each Option granted under the Plan shall terminate, and all rights to purchase shares of Common Stock thereunder shall cease, upon the expiration of ten years from the date such Option is granted.

8. VESTING OF OPTIONS

The Eligible Director may exercise the Option at any time and from time to time after the Grant Date and prior to termination of the Option in installments as follows: on the first anniversary of the Grant Date, the Option shall be exercisable in respect of twenty five percent (25%) of the number of shares covered by the grant, and on each of the next three anniversaries of the Grant Date, the Option shall be exercisable in respect of an additional twenty five percent (25%) of the number of shares covered by the grant. Any limitation on the exercise of an Option contained in any Option Agreement may be rescinded, modified or waived by the Committee, in its sole discretion, at any time and from time to time after the date of grant of such Option. The foregoing installments, to the extent not

exercised, shall accumulate and be exercisable, in whole or in part, at any time and from time to time, after becoming exercisable and prior to the termination of the Option; provided, that no single exercise of the Option shall be for less

than 100 shares, unless the number of shares purchased is the total number at the time available for purchase under the Option.

9. SERVICE TERMINATION

Except as otherwise provided in the Option Agreement, upon the termination of service (a "Service Termination") of the Participant as a director of the Company, other than by reason of the death or permanent and total disability of such Participant, any Option granted to a Participant pursuant to the Plan shall terminate to the extent unvested and the vested portion of the Option shall terminate ninety (90) days after such Service Termination, and such Participant shall have no further right to purchase shares of Common Stock pursuant to such Option.

10. RIGHTS IN THE EVENT OF DEATH OR DISABILITY

10.1. Death

If a Participant dies while in service as a director of the Company, the executors or administrators or legatees or distributees of such Participant's estate shall have the right at any time within one year after the date of such Participant's death and prior to termination of the Option pursuant to Section 7 hereof, to exercise any Option held by such Participant at the date of such Participant's death whether or not such Option was exercisable immediately prior to such Optionee's death.

10.2. Disability

If there is a Service Termination by reason of the permanent and total disability of the Participant, then such Participant shall have the right at any time within one year after such Service Termination and prior to termination of the Option pursuant to Section 7 hereof, to exercise, in whole or in part, any Option held by such Participant at the date of such Service Termination whether or not such Option was exercisable immediately prior to such Optionee's Service Termination. Whether a Service Termination is to be considered by reason of permanent and total disability for purposes of this Plan shall be determined by the Committee, which determination shall be final and conclusive.

11. ELECTION TO RECEIVE ADDITIONAL OPTIONS

11.1. Election Form

A Participant who wishes to be receive all or part of the Cash Portion of the Annual Director Fee in the form of Options shall file an Election Form with the Company, in the form and manner prescribed by the Committee. Filing of a completed Election Form will authorize the Company to issue Options to the Participant in lieu of all or part of the Cash Portion of the Annual Director Fee, in accordance with the Participant's instructions on the Election Form. Options issued pursuant to an election made under this Section 11 shall vest in accordance with the schedule set forth in Section 8 hereof.

11.2. Time for Filing Election Form

An Election Form shall be completed and filed by each newly elected Eligible Director within thirty (30) days after the Participant's election to the Board, and elections under the Plan made by newly elected Eligible Directors shall apply to the Participant's Annual Director Fee for the remainder of the Plan Year. Continuing Directors shall complete an Election Form prior to the last day of the Plan Year for an Annual Director Fee earned in the next succeeding Plan Year.

11.3. Modification of the Election Form

An election made by an Eligible Director pursuant to Section 11.1 hereof shall be irrevocable for the Plan Year for which such election is made.

12. ADMINISTRATION

12.1. Committee

The general administration of the Plan and the responsibility for carrying out its provisions shall be placed in an Administrative Committee. The Committee shall consist of at least two members appointed from time to time by the Board of Directors to serve at the pleasure thereof. The initial Administrative Committee shall consist of the President and the Chief Financial Officer of the Company. Any member of the Committee may resign by delivering a written resignation to the Company, and may be removed at any time by action of the Board of Directors.

12.2. Rules for Administration

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

question relating to the administration and interpretation of the Plan shall be conclusive.

12.3. Committee Action

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

12.4. Delegation

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

12.5. Services

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

12.6. Indemnification

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

13. AMENDMENT AND TERMINATION

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

14. GENERAL PROVISIONS

14.1. Limitation of Rights

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

14.2. No Rights as Stockholders

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

14.3. Rights as a Non-Employee Director

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

14.4. Assignment, Pledge or Encumbrance

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

14.5. Binding Provisions

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

14.6. Notices

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

14.7. Governing Law

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

14.8. Withholding

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

14.9. Effective Date

This Plan shall be effective as of March 12, 1999.

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION DERIVED FROM FINANCIAL STATEMENTS INCLUDED IN TREX COMPANY, INC.'S QUARTERLY REPORT ON FORM 10-Q FOR THE THREE MONTHS ENDED MARCH 31, 1999 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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	MAR-31-1999		
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