

TREX CO INC
Form DEF 14A
April 09, 2007

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only** (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

Trex Company, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

TREX COMPANY, INC.

160 Exeter Drive

Winchester, Virginia 22603-8605

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

May 7, 2007

To our stockholders:

Notice is hereby given that the 2007 annual meeting of stockholders of Trex Company, Inc. will be held at Courtyard Marriott, 300 Marriott Drive, Winchester, Virginia, on Monday, May 7, 2007, at 9:00 a.m., local time, for the following purposes:

1. to consider and vote upon a proposal to elect three directors of Trex Company;
 2. to consider and vote upon a proposal to ratify the appointment of Ernst & Young LLP as Trex Company's independent registered public accounting firm for the 2007 fiscal year; and
 3. to transact such other business as may properly come before the annual meeting or any adjournment or postponement thereof.
- Only stockholders of record at the close of business on March 21, 2007 will be entitled to notice of, and to vote at, the annual meeting or any adjournment or postponement thereof.

All stockholders are cordially invited to attend this meeting.

Your vote is very important to us. Whether or not you plan to attend the meeting in person, your shares should be represented and voted. To vote, you should complete, sign, date and promptly return the enclosed proxy card in the self-addressed envelope that we have included for your convenience. Alternatively, you may submit your proxy through the Internet or by telephone as indicated on the proxy card. No postage is required if the proxy is mailed in the United States. Submitting the proxy before the annual meeting will not preclude you from voting in person at the annual meeting if you should decide to attend.

By Order of the Board of Directors,

Lynn E. MacDonald

Secretary

Dated: April 9, 2007

TREX COMPANY, INC.

160 Exeter Drive

Winchester, Virginia 22603-8605

Annual Meeting of Stockholders

May 7, 2007

PROXY STATEMENT

GENERAL INFORMATION

Proxy Solicitation

This proxy statement is furnished in connection with the solicitation of proxies by the board of directors of Trex Company, Inc. for use at Trex Company's 2007 annual meeting of stockholders to be held at Courtyard Marriott, 300 Marriott Drive, Winchester, Virginia, on Monday, May 7, 2007, at 9:00 a.m., local time. The purpose of the annual meeting and the matters to be acted upon are set forth in the accompanying notice of annual meeting.

Trex Company will pay the cost of this proxy solicitation. In addition to the solicitation of proxies by use of the mails, officers and other employees of Trex Company may solicit proxies by personal interview, telephone, e-mail and telegram. None of these individuals will receive compensation for such services, which will be performed in addition to their regular duties. Trex Company also has made arrangements with brokerage firms, banks, nominees and other fiduciaries to forward proxy solicitation material for shares held of record by them to the beneficial owners of such shares. Trex Company will reimburse such persons for their reasonable out-of-pocket expenses in forwarding such material.

A list of stockholders entitled to vote at the annual meeting will be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours for a period of ten days before the meeting at Trex Company's offices at 160 Exeter Drive, Winchester, Virginia 22603-8605, and at the time and place of the meeting during the whole time of the meeting.

This proxy statement and the enclosed proxy card are first being mailed to Trex Company's stockholders on or about April 9, 2007.

Voting and Revocability of Proxies

A proxy for use at the annual meeting and a return postage-paid envelope are enclosed. Stockholders may also vote their shares through the Internet or by telephone by following the instructions provided on the enclosed proxy card.

Shares of Trex Company's common stock represented by a properly executed proxy, if the proxy is received in time and not revoked, will be voted at the annual meeting in accordance with the instructions indicated in the proxy. If no instructions are indicated, such shares will be voted **FOR** approval of each proposal listed on the proxy card. Discretionary authority is provided in the proxy as to any matters not specifically referred to in the proxy. Management is not aware of any other matters that are likely to be brought before the annual meeting. If any other matter is properly presented at the annual meeting for action, including a proposal to adjourn or postpone the annual meeting to permit Trex Company to solicit additional proxies in favor of any proposal, the persons named in the accompanying proxy will vote on such matter in their own discretion.

A vote through the Internet or by telephone may be revoked by executing a later-dated proxy card, by subsequently voting through the Internet or by telephone, or by attending the annual meeting and voting in

person. A stockholder executing a proxy card also may revoke the proxy at any time before it is exercised by giving written notice revoking the proxy to Trex Company's Secretary, by subsequently executing another proxy bearing a later date or by attending the annual meeting and voting in person. Attending the annual meeting will not automatically revoke a stockholder's prior Internet or telephone vote or the stockholder's proxy. All written notices of revocation or other communications with respect to revocation of proxies should be addressed to Trex Company, Inc., 160 Exeter Drive, Winchester, Virginia 22603-8605, Attention: Secretary.

Voting Procedure

All holders of record of the common stock at the close of business on March 21, 2007 will be eligible to vote at the annual meeting. Each holder of common stock is entitled to one vote at the annual meeting for each share held by such stockholder. As of March 21, 2007, there were 15,098,761 shares of common stock outstanding.

The holders of a majority of the shares of common stock issued and outstanding and entitled to vote at the annual meeting, present in person or represented by proxy, will constitute a quorum at the annual meeting. Votes cast in person or by proxy at the annual meeting will be tabulated by the inspector of election appointed for the annual meeting, who will determine whether or not a quorum is present. Abstentions and any broker non-votes, which are described below, will be counted for purposes of determining the presence of a quorum at the annual meeting.

The election of directors requires a plurality of the votes cast for the election of directors. Accordingly, the directorships to be filled at the annual meeting will be filled by the nominees receiving the highest number of votes. In the election of directors, votes may be cast in favor of or withheld with respect to any or all nominees. Votes that are withheld will be excluded entirely from the vote and will have no effect on the outcome of the vote.

Approval of the proposal to ratify the appointment of Trex Company's independent registered public accounting firm requires the affirmative vote of the holders of a majority of the shares of common stock present in person or represented by proxy and entitled to vote on this matter at the annual meeting. An abstention from voting on this proposal will have the same effect as a vote against such proposal.

Broker-dealers who hold their customers' shares in street name may, under the applicable rules of the exchanges and other self-regulatory organizations of which the broker-dealers are members, vote the shares of their customers on routine proposals, which under such rules typically include the election of directors, when they have not received instructions from the customer. Under these rules, brokers may not vote shares of their customers on non-routine matters without instructions from their customers. A broker non-vote occurs with respect to any proposal when a broker holds shares of a customer in its name and is not permitted to vote on that proposal without instruction from the beneficial owner of the shares and no instruction is given. A broker non-vote will not affect whether any proposal to be acted upon at the annual meeting is approved.

Annual Report to Stockholders and Other Information

A copy of Trex Company's annual report to stockholders for the 2006 fiscal year accompanies this proxy statement. Trex Company is required to file an annual report on Form 10-K for the 2006 fiscal year with the Securities and Exchange Commission, or SEC. Stockholders may obtain, free of charge, a copy of the 2006 Form 10-K, without exhibits, by writing to Trex Company, Inc., 160 Exeter Drive, Winchester, Virginia 22603-8605, Attention: Secretary. The 2006 Form 10-K is also available through Trex Company's web site at <http://www.trex.com>. The annual report to stockholders and the 2006 Form 10-K are not proxy soliciting materials.

Trex Company also makes available on its web site at <http://www.trex.com> and in paper form to any stockholder who requests them copies of its corporate governance principles, its code of conduct and ethics, and

the charters of each standing committee of its board of directors. Requests for copies of these documents should be directed to Trex Company, Inc., 160 Exeter Drive, Winchester, Virginia 22603-8605, Attention: Secretary.

Important Notice Regarding Delivery of Stockholder Documents

If you and other residents at your mailing address own common stock in street name, your broker or bank may have sent you a notice that your household will receive only one annual report to stockholders and proxy statement for each company in which you hold shares through that broker or bank. The practice of sending only one copy of an annual report to stockholders and proxy statement is known as householding. If you did not respond that you did not want to participate in householding, you were deemed to have consented to the process. If the foregoing procedures apply to you, your broker has sent one copy of Trex Company's annual report to stockholders and proxy statement to your address. You may revoke your consent to householding at any time by sending your name, the name of your brokerage firm, and your account number to ADP Investor Communication Services, Household Department, 51 Mercedes Way, Edgewood, New Jersey 11717 (telephone number: 1-800-542-1061). In any event, if you did not receive an individual copy of Trex Company's annual report to stockholders or this proxy statement, and wish to do so, Trex Company will send a copy to you if you address your written request to Trex Company, Inc., 160 Exeter Drive, Winchester, Virginia 22603-8605, Attention: Secretary, or call Trex Company at 540-542-6300. If you are receiving multiple copies of the annual report to stockholders and proxy statement, you can request householding by contacting Trex Company in the same manner. Trex Company encourages you to participate in this program. It will reduce the volume of duplicate information received at your household, as well as reduce Trex Company's expense.

SECURITY OWNERSHIP

The following table presents, as of February 15, 2007, information based upon Trex Company's records and filings with the SEC regarding beneficial ownership of the common stock by the following persons:

each person known to Trex Company to be the beneficial owner of more than 5% of the common stock;

each director and each nominee to the board of directors;

each executive officer of Trex Company named in the Summary Compensation Table following the Compensation Discussion and Analysis section of this proxy statement; and

all directors and executive officers of Trex Company as a group.

As of February 15, 2007, there were 15,022,211 shares of common stock outstanding.

The information presented below regarding beneficial ownership of Trex Company's common stock has been presented in accordance with rules of the SEC and is not necessarily indicative of beneficial ownership for any other purpose. Under these rules, a person is deemed to be a beneficial owner of a security if that person has or shares the power to vote or direct the voting of the security or the power to dispose or direct the disposition of the security. A person is also deemed to be the beneficial owner of any security as to which a person has the right to acquire sole or shared voting or investment power within 60 days through the conversion or exercise of any convertible security, warrant, option or other right. More than one person may be deemed to be a beneficial owner of the same securities.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class (%)
Pzena Investment Management, LLC	1,896,621	12.7
120 West 45 th Street, 20 th Floor		
New York, New York, 10036		
Robert G. Matheny	1,189,597	7.9
7681 Ballestrade Court		
McLean, Virginia 22102		
Wellington Management Company, LLP	998,038	6.7
75 State Street		
Boston, Massachusetts, 02109		
Rutabaga Capital Management	824,855	5.5
64 Broad Street, 3 rd Floor		
Boston, Massachusetts, 02109		
Anthony J. Cavanna	1,273,086	8.4
c/o Trex Company, Inc.		

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160 Exeter Drive		
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Andrew U. Ferrari	669,613	4.4
Paul D. Fletcher	109,700	*
Harold F. Monahan	93,858	*
William H. Martin, III	30,310	*
William F. Andrews	26,722	*
Patricia B. Robinson	12,885	*
Paul A. Brunner	10,673	*
Frank H. Merlotti, Jr.	3,037	*
Philip J. Pifer (1)	714	*
Jay M. Gratz		
All directors and executive officers as a group (11 persons)	2,230,648	14.8

* Less than 1%.

(1) Mr. Pifer's last day of employment with Trex Company was January 3, 2006.

The percentage of beneficial ownership as to any person as of February 15, 2007 is calculated by dividing the number of shares beneficially owned by such person, which includes the number of shares as to which such person has the right to acquire voting or investment power within 60 days after February 15, 2007, by the sum of the number of shares outstanding as of February 15, 2007 plus the number of shares as to which such person has the right to acquire voting or investment power within 60 days after February 15, 2007. Consequently, the denominator used for calculating such percentage may be different for each beneficial owner. Except as otherwise indicated below and under applicable community property laws, Trex Company believes that the beneficial owners of Trex Company's common stock listed in the table have sole voting and investment power with respect to the shares shown.

The information concerning Pzena Investment Management, LLC is based on a Schedule 13G/A filed with the SEC on February 13, 2007, in which the reporting person reports that it has sole voting power with respect to 1,717,321 of the shares shown and sole dispositive power with respect to all 1,896,621 of the shares shown.

The shares of common stock shown as beneficially owned by Mr. Matheny include 106,469 shares of common stock that Mr. Matheny has the right to purchase within 60 days after February 15, 2007 pursuant to the exercise of stock options.

The information concerning Wellington Management Company, LLP is based on a Schedule 13G/A filed with the SEC on February 14, 2007, in which the reporting person reports that it has shared voting power with respect to 799,650 of the shares shown and shared dispositive power with respect to all 998,038 of the shares shown.

The information concerning Rutabaga Capital Management is based on a Schedule 13G filed with the SEC on January 22, 2007, in which the reporting person reports that it has sole voting power with respect to 522,400 of the shares shown, shared voting power with respect to 302,455 of the shares shown and sole dispositive power with respect to all 824,855 of the shares shown.

The shares of common stock shown as beneficially owned by Mr. Cavanna include 49,284 shares of common stock that Mr. Cavanna has the right to purchase within 60 days after February 15, 2007 pursuant to the exercise of stock options.

The shares of common stock shown as beneficially owned by Mr. Ferrari include 20,237 shares of common stock held in trust by the Andrew U. Ferrari Foundation, of which Mr. Ferrari and his spouse are co-trustees, 270,000 shares of common stock held by Ferrari Family Investments LLC, of which Mr. Ferrari's wife is the Manager, and 48,636 shares of common stock that Mr. Ferrari has the right to purchase within 60 days after February 15, 2007 pursuant to the exercise of stock options.

The shares of common stock shown as beneficially owned by Mr. Fletcher include 57,474 shares of common stock that Mr. Fletcher has the right to purchase within 60 days after February 15, 2007 pursuant to the exercise of stock options.

The shares of common stock shown as beneficially owned by Mr. Monahan include 61,133 shares of common stock that Mr. Monahan has the right to purchase within 60 days after February 15, 2007 pursuant to the exercise of stock options.

The shares of common stock shown as beneficially owned by Mr. Martin include 21,210 shares of common stock that Mr. Martin has the right to purchase within 60 days after February 15, 2007 pursuant to the exercise of stock options.

The shares of common stock shown as beneficially owned by Mr. Andrews include 14,772 shares of common stock that Mr. Andrews has the right to purchase within 60 days after February 15, 2007 pursuant to the exercise of stock options.

The shares of common stock shown as beneficially owned by Ms. Robinson include 12,885 shares of common stock that Ms. Robinson has the right to purchase within 60 days after February 15, 2007 pursuant to the exercise of stock options.

The shares of common stock shown as beneficially owned by Mr. Brunner include 10,673 shares of common stock that Mr. Brunner has the right to purchase within 60 days after February 15, 2007 pursuant to the exercise of stock options.

The shares of common stock shown as beneficially owned by Mr. Merlotti include 3,037 shares of common stock that Mr. Merlotti has the right to purchase within 60 days after February 15, 2007 pursuant to the exercise of stock options.

The information concerning Mr. Pifer is based on his beneficial ownership as of March 6, 2006, the date of the Release and Severance Agreement between Mr. Pifer and Trex Company.

The shares of common stock shown as beneficially owned by all directors and executive officers as a group include 279,104 shares of common stock that they have the right to purchase within 60 days after February 15, 2007 pursuant to the exercise of stock options.

ELECTION OF DIRECTORS

(Proposal 1)

Nominees for Election as Directors

Trex Company's certificate of incorporation provides that the board of directors is to be divided into three classes of directors, with the classes to be as nearly equal in number as possible. The current terms of office of the three current classes of directors expire at this annual meeting, at the annual meeting of stockholders in 2008 and at the annual meeting of stockholders in 2009, respectively. Upon the expiration of the term of office of each class, the nominees for such class will be elected for a term of three years to succeed the directors whose terms of office expire.

In accordance with the recommendation of the nominating/corporate governance committee, William F. Andrews, Paul A. Brunner and Andrew U. Ferrari have been nominated by the board of directors for election to the class with a three-year term that will expire at the annual meeting of stockholders in 2010. All of the nominees are incumbent directors. Mr. Andrews has served on the board of directors since April 1999, Mr. Brunner has served on the board of directors since February 2003, and Mr. Ferrari has served on the board of directors since Trex Company's formation in 1998.

Approval of Nominees

Approval of the nominees requires the affirmative vote of a plurality of the votes cast at the annual meeting. Unless authority to do so is withheld, it is the intention of the persons named in the proxy to vote such proxy **FOR** the election of each of the nominees. If any of the nominees should become unable or unwilling to serve as a director, the persons named in the proxy intend to vote for the election of such substitute nominee for director as the board of directors may recommend. It is not anticipated that any of the nominees will be unable or unwilling to serve as a director.

The board of directors unanimously recommends that the stockholders of Trex Company vote FOR the election of the nominees to serve as directors.

Information About Nominees and Continuing Directors

Biographical information concerning each of the nominees and each of the directors continuing in office is presented below.

Nominees for Election for Three-Year Terms

Name	Age	Director Since
William F. Andrews	75	1999
Paul A. Brunner	71	2003
Andrew U. Ferrari	60	1998

William F. Andrews has served as Chairman of Corrections Corporation of America since August 2000, as Chairman of Katy Industries, Inc., a manufacturer of maintenance and electrical products, since October 2001, and as Chairman of the Singer Sewing Company, a manufacturer of sewing machines, since 2004. Mr. Andrews has been a Principal of Kohlberg & Company, a venture capital firm, since 1994, and served as Chairman of Allied Aerospace Company from 2000 to 2006. Prior to 2002, he served in various positions, including Chairman of Scovill Fasteners Inc.; Chairman of Northwestern Steel and Wire Company; Chairman of Schrader-Bridgeport International, Inc.; Chairman, President and Chief Executive Officer of Scovill Manufacturing Co., where he worked for over 28 years; Chairman and Chief Executive Officer of Amdura Corporation; Chairman of Utica Corporation; and Chairman, President and Chief Executive Officer of Singer Sewing Company. Mr. Andrews

also serves as a director of Black Box Corporation and O Charley's Restaurants. Mr. Andrews received a B.S. degree in business administration from the University of Maryland and an M.B.A. degree in marketing from Seton Hall University.

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

Andrew U. Ferrari has served as President and Chief Operating Officer of Trex Company since August 2005. From March 2003 until August 2005, he was a marketing and business development consultant. Mr. Ferrari served as Executive Vice President of Marketing and Business Development of Trex Company from October 2001 through March 2003, and of TREX Company, LLC, which was Trex Company's wholly-owned subsidiary until December 31, 2002, from October 2001 through December 2002. He served as Executive Vice President of Sales and Marketing of Trex Company from September 1998 to October 2001, and of TREX Company, LLC from August 1996 to October 2001. From 1989 to 1996, Mr. Ferrari held various positions with Mobil Chemical, including Director of Sales and Marketing of the Composite Products Division, New Business Manager, and Marketing Director of the Consumer Products Division. Mr. Ferrari received a B.A. degree in economics from Whitman College and an M.B.A. degree from Columbia University.

Directors Whose Terms Expire in 2008

Name	Age	Director Since
Jay M. Gratz	54	2007
William H. Martin, III	76	1999

Jay M. Gratz was appointed by the board of directors, upon the recommendation of the nominating/ corporate governance committee, on February 22, 2007 to fill a vacancy on the board. He has served as Executive Vice President and Chief Financial Officer of Ryerson Inc., a metals processor and distributor, since 1999. Mr. Gratz has served as President of Ryerson Coil Processing Division since November 2001. Mr. Gratz served as Vice President and Chief Financial Officer of Inland Steel Industries from 1994 through 1998 and served in various other positions, including Vice President of Finance, within the company since 1975. Mr. Gratz serves as a director on the boards of various domestic and international entities affiliated with Ryerson, Inc. Mr. Gratz is a Certified Public Accountant. He received a B.A. degree in economics from State University of New York in Buffalo and a Masters degree in management from Northwestern University Kellogg Graduate School of Management. An executive search firm engaged by the nominating/corporate governance committee assisted the committee in identifying Mr. Gratz.

William H. Martin, III served as Chairman of Martin Industries, Inc., a manufacturer and producer of gas space heaters, gas logs and pre-engineered fireplaces, from 1994 through 2003 and as a director of Martin Industries from 1974 to 1994. From 1987 to 1993, Mr. Martin served as Executive Assistant to the Rector of Trinity Church in New York City. From 1971 to 1987, he served as President and Chief Executive Officer of Martin Industries. Since 1993, Mr. Martin has been managing private investments and serving as a director of Aluma-Form, Inc., a manufacturer of components for electric utilities, and on the boards of several not-for-profit organizations. Mr. Martin is a graduate of Vanderbilt University.

Directors Whose Terms Expire in 2009

Name	Age	Director Since
Anthony J. Cavanna	67	1998
Frank H. Merlotti, Jr.	56	2006
Patricia B. Robinson	54	2000

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

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

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

Board of Directors and Committees of the Board of Directors

The board of directors currently consists of eight directors. The board of directors has a standing audit committee, a standing compensation committee and a standing nominating/corporate governance committee. The board of directors held six meetings during Trex Company's 2006 fiscal year. During 2006, each director attended at least 75% of the aggregate of the total number of meetings of the board of directors and of each committee of the board of directors on which such director served.

It is Trex Company's policy that all directors should attend the annual meetings of Trex Company's stockholders. All of the directors serving on the board of directors at that time attended the annual meeting of stockholders in 2006.

Director Independence. The board of directors has affirmatively determined that all of the current directors, other than Anthony J. Cavanna, who is Trex Company's Chairman and Chief Executive Officer, and Andrew U. Ferrari, who is Trex Company's President and Chief Operating Officer, are independent of Trex Company within the meaning of the rules governing companies listed on the New York Stock Exchange, or NYSE. For a director to be independent under the NYSE rules, the board of directors must affirmatively

determine that the director has no material relationship with Trex Company, either directly or as a partner, shareholder or officer of an organization that has a relationship with Trex Company.

The board of directors has adopted the following categorical standards of independence to assist it in determining whether a director has a material relationship with Trex Company. The following relationships between a director and Trex Company will not be considered material relationships that would preclude a finding by the board of directors that such director is independent under the NYSE rules:

employment of the director or the director's immediate family member by another company that makes payments to, or receives payments from, Trex Company or any of its subsidiaries for property or services in an amount which, in any single fiscal year, does not exceed the greater of \$1 million or 2% of such other company's consolidated gross revenues; and

a relationship of the director or the director's immediate family member with a charitable organization, as an executive officer, board member, trustee or otherwise, to which Trex Company or any of its subsidiaries has made charitable contributions of not more than \$50,000 annually in any of the last three years.

Consistent with the NYSE rules, Trex Company's corporate governance principles require Trex Company's non-management directors to meet at least once each quarter without management present and, if the group of non-management directors includes any director who is not independent under NYSE rules, to meet at least once each year with only the independent directors present. Trex Company's non-management directors held four executive sessions in 2006. The role of presiding director for each such executive session of directors rotates among members in succession, as determined by the members. The presiding director for each meeting is responsible for advising the Chairman of the Board of decisions reached, and of recommendations for action by the board of directors made, at such meeting.

Audit Committee. The audit committee of the Trex Company board of directors is a standing committee composed of four non-employee directors who meet the independence and expertise requirements of the NYSE listing standards. Pursuant to SEC rules, the board of directors has determined that Paul A. Brunner qualifies as an audit committee financial expert, as such term is defined in Item 401(h)(2) of Regulation S-K promulgated by the SEC, and is independent of management.

The audit committee, which held eleven meetings during 2006, currently consists of Mr. Brunner, who is the Chairman, Mr. Martin, Mr. Merlotti and Ms. Robinson. The audit committee operates under a written charter that is reviewed annually. The audit committee is responsible, among its other duties, for engaging, overseeing, evaluating and replacing Trex Company's independent registered public accounting firm, pre-approving all audit and non-audit services by the independent registered public accounting firm, reviewing the scope of the audit plan and the results of each audit with management and the independent registered public accounting firm, reviewing the internal audit function, reviewing the adequacy of Trex Company's system of internal controls over financial reporting and disclosure controls and procedures, reviewing the financial statements and other financial information included in Trex Company's annual and quarterly reports filed with the SEC, and exercising oversight with respect to Trex Company's code of conduct and ethics and other policies and procedures regarding adherence with legal requirements. A current version of the audit committee charter is available through Trex Company's web site at <http://www.trex.com>.

Compensation Committee. The compensation committee of the Trex Company board of directors is a standing committee composed of three non-employee directors who meet the independence requirements of the NYSE listing standards. The compensation committee operates under a written charter that is reviewed annually.

The compensation committee, which held eight meetings during 2006, currently consists of Mr. Andrews, who is the Chairman, Mr. Brunner and Mr. Merlotti. Mr. Merlotti was appointed to the committee effective on April 20, 2006. Mr. Martin served as a member of the committee during 2005 until April 20, 2006. A current version of the compensation committee charter is available through Trex Company's web site at <http://www.trex.com>.

Pursuant to its charter, the principal functions of the compensation committee are to review and approve the compensation and benefits of Trex Company's Chairman and Chief Executive Officer, or CEO, and the other executive officers named in the Summary Compensation Table following the Compensation Discussion and Analysis section of this proxy statement, or executive officers, as well as Vice Presidents that report directly to the CEO, and to administer Trex Company's employee benefit programs, including its 2005 Stock Incentive Plan, Profit Allocation Plan, 1999 Employee Stock Purchase Plan, Bonus Plan and other incentive compensation plans, benefits plans and equity-based plans.

Compensation Consultant. The compensation committee has the authority to retain and terminate any independent, third-party compensation consultant and to obtain independent advice and assistance from internal and external legal, accounting and other advisors. The compensation committee has the authority to compensate its outside advisors without obtaining approval of the board of directors. In August 2006, in accordance with this authority, the compensation committee engaged DolmatConnell & Partners, Inc. as independent outside compensation consultant to advise the compensation committee on matters related to CEO and other executive compensation. The consultant attended the compensation committee meetings held in October and December 2006. Prior to August 2006, the compensation committee retained the services of Frederick W. Cooke & Company, Inc., as independent compensation advisor to the committee.

The consultant's assignments are determined by the chairman of the compensation committee. At the request of the chairman, the current consultant recommends the peer group of companies and compensation surveys to be used for the competitive analyses, prepares the market analysis of both executive officer and board compensation, prepares a financial analysis of Trex Company's performance vis-à-vis the peer group and analyzes the relationship between CEO pay and firm performance, constructs market competitive ranges of pay opportunity for base salaries, bonus targets, and long-term incentive awards for executive officers, and reviews the bonus and long-term incentive plans for linkage to key business objectives and firm performance. The consultant advises the compensation committee as to the compensation of officers of Trex Company's peer group, but does not recommend any specific pay level changes for executive officers.

Roles of Executives in Establishing Executive Compensation. Anthony J. Cavanna, Trex Company's CEO, and Colleen T. Combs, Vice President of Human Resources and Administration, are actively involved in the executive compensation process. Mr. Cavanna reviews the performance of each of the executive officers (other than his own performance) and, within the defined program parameters, recommends to the compensation committee base salary increases and bonus and long-term incentive awards for such individuals. He provides the compensation committee with both short and long-term recommended financial and non-financial performance goals for Trex Company that are used to link pay with performance. Mr. Cavanna also provides his views to the compensation committee and the consultant with respect to the executive compensation program's ability to attract, retain and motivate the level of executive talent necessary to achieve Trex Company's goals. Ms. Combs advises the CEO of her views with respect to the performance of the executive team, works with Mr. Cavanna to develop the recommended base salary increases, bonus levels and long-term incentive awards, and provides analysis on the ability of the executive compensation program to attract, retain, and motivate Trex Company's executive team and potential executive hires. Mr. Cavanna and Ms. Combs attend the meetings of the compensation committee, but do not participate in the compensation committee's executive sessions.

Nominating/Corporate Governance Committee. The nominating/corporate governance committee of the Trex Company board of directors is a standing committee composed of three non-employee directors who meet the independence requirements of the NYSE listing standards. The nominating/corporate governance committee operates under a written charter that is reviewed annually. A current version of the nominating/corporate governance committee charter is available through Trex Company's web site at <http://www.trex.com>.

The nominating/corporate governance committee, which held four meetings during 2006, currently consists of Ms. Robinson, who is the Chairman, Mr. Andrews and Mr. Martin. This committee is responsible for recommending candidates for election to the board of directors and for making recommendations to the board of

directors regarding corporate governance matters, including board size and membership qualifications, board committees, corporate organization, non-employee director compensation, succession planning for officers and key executives, programs for training and development of executive-level employees, and stockholder proposals regarding these matters.

Compensation Committee Interlocks and Insider Participation

No member of the compensation committee was an officer or employee of Trex Company or any subsidiary of Trex Company during 2006. There are no interlock relationships as defined in the applicable SEC rules.

Director Nominations Policy

The board of directors has, by resolution, adopted a director nominations policy. The purpose of the nominations policy is to set forth the process by which candidates for possible inclusion in Trex Company's recommended slate of director nominees are selected. The nominations policy is administered by the nominating/corporate governance committee of the board of directors.

The board of directors does not currently prescribe any minimum qualifications for director candidates. Consistent with the criteria for the selection of directors approved by the board of directors, the nominating/corporate governance committee will take into account Trex Company's current needs and the qualities needed for board service, including experience and achievement in business, finance, technology or other areas relevant to Trex Company's activities; reputation, ethical character and maturity of judgment; diversity of viewpoints, backgrounds and experiences; absence of conflicts of interest that might impede the proper performance of the responsibilities of a director; independence under SEC and NYSE rules; service on other boards of directors; sufficient time to devote to board matters; and ability to work effectively and collegially with other board members. In the case of incumbent directors whose terms of office are set to expire, the nominating/corporate governance committee will review such directors' overall service to Trex Company during their term, including the number of meetings attended, level of participation, quality of performance and any transactions of such directors with Trex Company during their term. For those potential new director candidates who appear upon first consideration to meet the board's selection criteria, the nominating/corporate governance committee will conduct appropriate inquiries into their background and qualifications and, depending on the result of such inquiries, arrange for in-person meetings with the potential candidates.

The nominating/corporate governance committee may use multiple sources for identifying director candidates, including its own contacts and referrals from other directors, members of management, Trex Company's advisers, and executive search firms. The committee will consider director candidates recommended by stockholders and will evaluate such director candidates in the same manner in which it evaluates candidates recommended by other sources. The nominating/corporate governance committee has used in the past, and may use in the future, the services of an executive search firm to help identify candidates for directors who meet the qualifications outlined above. The search firm screens the candidates, conducts reference checks, prepares a biography of each candidate for committee review and assists in arranging interviews. In making recommendations for director nominees for the annual meeting of stockholders, the nominating/corporate governance committee will consider any written recommendations of director candidates by stockholders received by the Secretary of Trex Company no later than 120 days before the anniversary of the previous year's annual meeting of stockholders. Recommendations must include the candidate's name and contact information and a statement of the candidate's background and qualifications, and must be mailed to Trex Company, Inc., 160 Exeter Drive, Winchester, Virginia 22603-8605, Attention: Secretary.

The nominations policy is intended to provide a flexible set of guidelines for the effective functioning of Trex Company's director nominations process. The nominating/corporate governance committee intends to review the nominations policy at least annually and anticipates that modifications may be necessary from time to

time as Trex Company's needs and circumstances evolve, and as applicable legal or listing standards change. The nominating/corporate governance committee may amend the nominations policy at any time.

Trex Company's bylaws provide that any stockholder wishing to nominate persons for election as directors at an annual meeting must deliver to the Secretary of Trex Company at Trex Company's principal office in Winchester, Virginia a written notice of the stockholder's intention to make such a nomination. The stockholder generally is required to furnish the notice no earlier than 120 days and no later than 90 days before the first anniversary of the preceding year's annual meeting. The notice must include the following information: (1) such information regarding each proposed nominee as would be required to be disclosed under SEC rules and regulations in solicitations of proxies for the election of directors in an election contest or otherwise; (2) the written consent of each proposed nominee to serve as a director of Trex Company; and (3) as to the stockholder giving the notice and the beneficial owner, if any, of common stock on whose behalf the nomination is made, (a) the name and address of record of such stockholder and the name and address of such beneficial owner, (b) the class and number of shares of Trex Company's capital stock that are owned beneficially and of record by such stockholder and such beneficial owner, (c) a representation that the stockholder is a holder of record of Trex Company's capital stock entitled to vote at such meeting and intends to appear, in person or by proxy, at the meeting to propose such nomination and (d) a representation whether the stockholder or the beneficial owner, if any, intends or is part of a group that intends to (A) deliver a proxy statement or form of proxy to holders of at least the percentage of Trex Company's outstanding capital stock required to elect the nominee or (B) otherwise solicit proxies for stockholders in support of such nomination. Trex Company may require any proposed nominee to furnish such other information as Trex Company may reasonably require to determine the eligibility of such proposed nominee to serve as a director of Trex Company.

Communications With the Board of Directors

The board of directors welcomes communications from its stockholders and other interested parties and has adopted a procedure for receiving and addressing those communications. Stockholders and other interested parties may communicate any concerns they may have about Trex Company directly and confidentially to either the full board of directors or the non-management directors as a group, or to any individual director, at the following address: Trex Company, Inc., 160 Exeter Drive, Winchester, Virginia 22603-8605, Attention: Secretary. A stockholder or other interested party may also call Trex Company's governance hotline at 1-800-719-4916 and press 2 for Trex Company's Secretary. An independent third-party vendor maintains Trex Company's governance hotline, and all calls are forwarded to Trex Company's Secretary. Trex Company's Secretary will review and forward all stockholder communications and other communications from interested parties to the intended recipient, except for those communications that are outside the scope of board matters or duplicative of other communications by the applicable person.

Director Compensation

Non-employee directors of Trex Company receive cash and stock-based compensation under the Trex Company, Inc. Amended and Restated 1999 Incentive Plan for Outside Directors, or Outside Director Plan. Until February 2006, the Outside Director Plan was administered by a committee consisting of Trex Company's CEO and Chief Financial Officer. Beginning in February 2006, the Outside Director Plan is administered by the nominating/corporate governance committee. All stock-based grants awarded as compensation to non-employee directors are issued under the Trex Company, Inc. 2005 Stock Incentive Plan, or Stock Incentive Plan, which was approved by stockholders at Trex Company's 2005 annual meeting.

Trex Company's director compensation program for 2006, developed in consultation with the independent executive compensation consulting firm engaged by the nominating/corporate governance committee, is designed to deliver annual compensation at the median of Trex Company's peer group made up of 16 firms in both the construction and plastic products and consumer products industries that are similar in both revenues and market capitalization to Trex Company. See Compensation Discussion and Analysis Benchmarking for a list of these

16 companies. Many of Trex Company's key competitors are not included, since they are either significantly larger, and thus do not provide an appropriate basis for comparison, or are divisions or subsidiaries of public companies, and therefore have not publicly released board compensation data.

Under the program, annual compensation is delivered approximately 55% in stock-settled stock appreciation rights, or SARs, based on the Black-Scholes valuation model and approximately 45% in cash (depending on meeting attendance fees), which the board of directors believes appropriately balances remunerating our non-employee directors for their service to Trex Company and linking their compensation closely to returns to stockholders through the potential for enhanced value from future stock price appreciation. Directors may elect to receive additional SARs in lieu of cash payments. Directors are also reimbursed for actual travel expenses.

For 2006, the board of directors determined that median annual director compensation should be approximately \$65,000 to \$70,000, depending on committee and committee chair assignments.

The board of directors approved a new director compensation program in July 2006 that became effective on July 20, 2006. While the program remains designed to deliver annual director compensation at the median of Trex Company's peer group, as discussed above, the new program increased the cash compensation portions of the program to enhance the overall competitiveness of the package.

The components of compensation were as follows over the course of 2006:

Board of Directors Compensation Package January 2006 to June 2006. The board of directors compensation package from January 2006 through June 2006 was as follows:

Upon their initial appointment to the board of directors, non-employee directors received awards of 2,000 SARs/shares of stock options, or options.

For service on the board of directors, each non-employee director received an annual retainer of \$20,000, a \$1,000 meeting fee for each in-person meeting attended, a \$500 fee for each telephonic meeting attended, and an annual grant of 2,000 SARs/options.

Each member of the audit committee (other than the chairman) received an annual committee fee of \$5,500, and each member of the compensation and the nominating/corporate governance committees (other than their respective chairmen) received an annual committee fee of \$3,500.

The chairman of the audit committee received an annual committee fee of \$10,000, and the chairmen of the compensation and the nominating/corporate governance committees received an annual committee fee of \$7,500.

The \$20,000 annual director fee and the annual committee fees were paid in the form of cash, or grants of SARs/options (based on the Black-Scholes valuation model of Trex Company shares), or a combination of these forms of consideration, based on the percentages of the forms of consideration elected by the serving director, in four equal quarterly installments in arrears on the first business day following each quarter of the fiscal year in which the eligible director completed board or committee service.

The annual grants of SARs/options were made on the date of the first regularly scheduled board of directors meeting after June 30 of each year and were paid in arrears.

All stock-based grants vested on the first anniversary of the grant and have a term of ten years.

All fees described above paid in arrears were prorated for any partial periods served.

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Board of Directors Compensation Package July 2006 to December 2006. The board of directors compensation package was revised in July 2006 to more closely align Trex Company's director compensation with director compensation paid by companies in Trex Company's peer group. Board of director fees were

increased consistent with the trend toward fee increases in the peer group. Committee fees were increased to compensate committee members for the significantly greater time commitment and responsibilities associated in recent years with service on the audit and compensation committees.

The elements of the new package are as follows:

Upon initial appointment to the board of directors, non-employee directors will receive awards of SARs valued at \$28,800 (based on the Black-Scholes valuation model of Trex Company shares).

For service on the board of directors, each non-employee director receives an annual retainer of \$24,000, a \$1,000 meeting fee for each in-person meeting attended, a \$500 fee for each telephonic meeting and an annual award of SARs valued at \$28,800 (based on the Black-Scholes valuation model of Trex Company shares).

Each member of the audit committee (other than the chairman) receives an annual committee retainer of \$6,500, each member of the compensation committee (other than the chairman) receives an annual committee retainer of \$4,000, and each member of the nominating/corporate governance committee (other than the chairman) receives an annual committee retainer of \$3,500.

The chairman of the audit committee receives an annual committee fee of \$12,500, and the chairmen of the compensation and the nominating/corporate governance committees receive an annual committee fee of \$7,500.

Each committee member on any of the committees, including the chairman of the committee, receives a \$1,000 meeting fee for a special meeting not held in conjunction with a scheduled board of directors meeting, and a \$500 fee for each telephonic meeting not held in conjunction with a telephonic board of directors meeting.

The \$24,000 annual director fee and the annual committee fees are paid in the form of cash or grants of SARs (based on the Black-Scholes valuation model of Trex Company stock), or a combination of these forms of consideration, based on the percentages of the forms of consideration elected by the serving director, in four equal quarterly installments in arrears on the first business day following each quarter of the fiscal year in which the eligible director completes board or committee service.

The annual grants of SARs are made on the date of the first regularly scheduled board of directors meeting after June 30 of each year.

All grants of SARs vest immediately upon grant and have a term of ten years.

All fees described above paid in arrears are prorated for any partial periods served.

Before February 2006, the annual stock-based grants were made in the form of stock options. In February 2006, the board of directors amended the Outside Director Plan to provide that the board may make stock-based grants in the form of SARs or stock options. As of February 2006, unless and until the board of directors determines otherwise, stock-based grants under the Outside Director Plan will be made in the form of SARs.

The exercise price per share of a SAR is the fair market value of the common stock on the SAR grant date. Upon exercise of a vested SAR, the non-employee director will be entitled to receive a number of shares of common stock with a value based on the excess of the fair market value of the common stock on the vesting date over the fair market value of the common stock on the grant date.

Upon the termination of a non-employee director's service for any reason (other than for cause), any options or SARs previously granted to the director will vest, and the director will have the right, at any time within five years after the date of termination of service and before the

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termination of the option or SAR, to exercise any option or SAR held by the director on the service termination date.

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

The table below shows compensation paid to the non-employee directors for their service in 2006.

2006 Director Compensation Table

Name	Fees Earned or Paid in		Option Awards (\$) (1)	Non-Equity Incentive Plan Compensation	Changes in Pension Value and Nonqualified	Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
	Cash (\$)	Stock Awards (\$)						
William F. Andrews (2)	37,000		39,192					76,192
Paul A. Brunner (3)	38,281		45,431					83,712
William H. Martin, III (4)	18,843		62,041					80,884
Robert G. Matheny (5)	26,000							