

TREX CO INC  
Form DEF 14A  
March 23, 2012

**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**

**(Amendment No. )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

Confidential, for Use of the Commission Only (as permitted by  
Rule 14a-6(e)(2))

**Trex Company, Inc.**

**(Name of Registrant as Specified In Its Charter)**

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

Edgar Filing: TREX CO INC - Form DEF 14A

- 1) Title of each class of securities to which transaction applies:
  
  
  
- 2) Aggregate number of securities to which transaction applies:
  
  
  
- 3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it is determined):
  
  
  
  
- 4) Proposed maximum aggregate value of transaction:
  
  
  
  
- 5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- 1) Amount Previously Paid:

Edgar Filing: TREX CO INC - Form DEF 14A

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 2, 2012**

To our stockholders:

Notice is hereby given that the 2012 annual meeting of stockholders of Trex Company, Inc. will be held at The George Washington Grand Hotel, 103 East Piccadilly Street, Winchester, Virginia, on Wednesday, May 2, 2012, at 9:00 a.m., local time, for the following purposes:

1. to elect two directors of Trex Company;
2. to approve the compensation of our named executive officers;
3. to ratify the appointment of Ernst & Young LLP as Trex Company's independent registered public accounting firm for the 2012 fiscal year; and

4. 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 12, 2012 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.

We have elected to adopt the Securities and Exchange Commission rule that allows companies to furnish their proxy materials over the Internet. As a result, we are mailing a Notice Regarding the Availability of Proxy Materials (the "Notice of Availability") to our stockholders instead of a paper copy of this proxy statement and our 2011 Annual Report. The Notice of Availability contains instructions on how to access and review those documents over the Internet. We believe that this new process will allow us to provide our stockholders with the information they need in a more timely manner, while reducing the environmental impact and lowering the costs of printing and distributing our proxy materials. Stockholders who receive a Notice of Availability by mail and would like to receive a printed copy of our proxy materials, should follow the instructions for requesting such materials included on the Notice of Availability.

**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, please complete and return your proxy card, or vote by telephone or via the Internet by following the instructions on your Notice of Availability. Returning a proxy card or otherwise submitting your proxy does not deprive you of your right to attend the Annual Meeting and vote in person.

By Order of the Board of Directors,

William R. Gupp

*Chief Administrative Officer, General Counsel*

*and Secretary*

Dated: March 23, 2012

**TREX COMPANY, INC.**

**160 Exeter Drive**

**Winchester, Virginia 22603-8605**

**Annual Meeting of Stockholders**

**May 2, 2012**

**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. ( the Company ) for use at the Company s 2012 annual meeting of stockholders to be held at The George Washington Grand Hotel, 103 East Piccadilly Street, Winchester, Virginia, on Wednesday, May 2, 2012, 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.

**Record Date and Voting Securities**

Only stockholders of record at the close of business on March 12, 2012, the record date for the annual meeting (the record date ), will be entitled to notice of and to vote at the annual meeting. As of the record date, we had 15,649,544 shares of common stock outstanding, which are our only securities entitled to vote at the annual meeting. Each share of common stock is entitled to one vote.

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 the Company s offices at 160 Exeter Drive, Winchester, Virginia, and at the time and place of the meeting during the whole time of the meeting.

**Electronic Notice and Mailing**

Notice of the Company s annual meeting was mailed on or about March 23, 2012 to all stockholders as of the record date.

Those stockholders entitled to vote may vote their shares via the Proxy Card, or via the Internet, telephone or mail, following the instructions printed on the Notice of Availability.

Stockholders who receive a Notice of Availability and would like to receive a printed copy of our proxy materials should follow the instructions for requesting such materials included in the Notice of Availability.

From the date of the mailing of the Notice of Availability until the conclusion of the annual meeting, all of the proxy materials will be accessible on the Company s web site at [www.trex.com/2012proxy](http://www.trex.com/2012proxy).

**Revocability of Proxies**

## Edgar Filing: TREX CO INC - Form DEF 14A

Stockholders who execute proxies may revoke them by giving written notice to our Corporate Secretary any time before such proxies are voted. Attendance at the annual meeting shall not have the effect of revoking a proxy unless the stockholder so attending shall, in writing, so notify the Secretary of the annual meeting at any time prior to the voting of the proxy at the annual meeting.

### **Other Matters**

The Board does not know of any matter that is expected to be presented for consideration at the annual meeting, other than the election of directors, a stockholder advisory vote on the compensation of our named

executive officers, and ratification of the appointment of our independent registered public accounting firm for the current fiscal year. However, if other matters properly come before the annual meeting, the persons named in the accompanying proxy intend to vote thereon in accordance with their judgment.

#### **Solicitation Expenses**

We will bear the cost of the annual meeting and the cost of soliciting proxies, including the cost of mailing any proxy materials. In addition to solicitation by mail, our directors, officers and regular employees (who will not be specifically compensated for such services) may solicit proxies by telephone or otherwise. Arrangements will be made with brokerage houses and other custodians, nominees and fiduciaries to forward proxies and proxy material to their principals, and we will reimburse them for their expenses. In addition, we have retained Broadridge Financial Solutions, Inc., or Broadridge, to assist in the mailing, collection, and administration of the proxy.

The annual report to stockholders and the 2011 Annual Report on Form 10-K are not proxy soliciting materials.

#### **Voting Procedures; Abstentions; Broker Voting**

All proxies received pursuant to this solicitation will be voted except as to matters where authority to vote is specifically withheld and, where a choice is specified as to the proposal, they will be voted in accordance with such specification. If no instructions are given, the persons named in the proxy solicited by our Board intend to vote FOR the nominees for election of our directors listed herein, FOR approval of the compensation of our named executive officers, and FOR ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2012.

A majority of the outstanding shares of common stock entitled to vote on the record date, whether present in person or represented by proxy, will constitute a quorum for the transaction of business at the annual meeting and any adjournment or postponement thereof. Abstentions and broker non-votes (which occur 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) will be counted as present or represented for purposes of establishing a quorum for the transaction of business.

Abstentions and broker non-votes will have no effect on the election of directors, which is by plurality of the votes cast in person or by proxy. Brokers may vote their shares in favor of directors so long as they have voting instructions from the beneficial owners of the shares.

Approval of the compensation of our named executive officers 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 the matter at the annual meeting. Abstentions from voting on this proposal will have the same effect as a vote against this proposal. Brokers may vote their shares on this proposal so long as they have voting instructions from the beneficial owners of the shares. Broker non-votes will not be treated as votes cast on this matter, and therefore will not have any effect on determining the outcome. As disclosed later in this proxy statement, this vote is advisory, and therefore not binding on the Company, the Compensation Committee or our Board of Directors.

Approval of the appointment of Ernst & Young LLP as our 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 the matter at the annual meeting. Abstentions from voting on this proposal will have the same effect as a vote against this proposal. Broker non-votes will not be treated as votes cast on this matter, and therefore will not have any effect on determining the outcome.

#### **EXECUTIVE OFFICERS**

See Executive Officers and Directors in Part I, Item 1 of our Report on Form 10-K for the information about our executive officers, which is incorporated herein by reference.



**SECURITY OWNERSHIP**

The following table presents, as of February 20, 2012, information based upon the Company's records and filings with the SEC regarding beneficial ownership of its common stock by the following persons:

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

each director and each nominee to the Board;

each executive officer of the 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 the Company as a group.

As of February 20, 2012, there were 15,635,777 shares of common stock outstanding.

The following information has been presented in accordance with SEC rules and is not necessarily indicative of beneficial ownership for any other purpose. Under SEC rules, beneficial ownership of a class of capital stock as of any date includes any shares of such class as to which a person, directly or indirectly, has or shares voting power or investment power as of such date and also any shares as to which a person has the right to acquire such voting or investment power as of or within 60 days after such date through the exercise of any stock option, warrant or other right, without regard to whether such right expires before the end of such 60-day period or continues thereafter. If two or more persons share voting power or investment power with respect to specific securities, all of such persons may be deemed to be the beneficial owners of such securities.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class (%)(1)
Carl W. Knobloch, Jr. (2)	1,749,878	11.2
Emily C. Knobloch		
William R. Knobloch		
P.O. Box 1530		
Wilson, Wyoming 83014		
BlackRock, Inc. (3)	1,652,978	10.6
40 East 52 <sup>nd</sup> Street		
New York, New York 10022		
Wellington Management Company, LLP (4)	1,388,172	8.9
280 Congress Street		
Boston, MA 02110		
Barrow, Hanley, Mewhinney & Strauss, LLC (5)	1,310,825	8.4
2200 Ross Avenue, 31 <sup>st</sup> Floor		
Dallas, TX 75201-2761		

Edgar Filing: TREX CO INC - Form DEF 14A

Royce & Associates, LLC (6)	883,240	5.6
745 Fifth Avenue		
New York, New York 10151		
Security Investors, LLC (7)	805,188	5.1
One Security Benefit Place		
Topeka, KS 66636-0001		
Ronald W. Kaplan (8)	421,986	2.6
J. Mitchell Cox (9)	219,904	1.4
James E. Cline (10)	164,908	1.0
F. Timothy Reese (11)	148,156	*
William R. Gupp (12)	107,148	*
William F. Andrews (13)	39,264	*
Paul A. Brunner (14)	36,979	*
Jay M. Gratz (15)	28,189	*
Patricia B. Robinson (16)	27,264	*
Frank H. Merlotti, Jr. (17)	20,576	*
Richard E. Posey (18)	13,354	*
All directors and executive officers as a group (12 persons) (19)	1,243,895	7.5

\* Less than 1%.

- (1) The percentage of beneficial ownership as to any person as of February 20, 2012 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 as of or within 60 days after February 20, 2012, by the sum of the number of shares outstanding as of February 20, 2012 plus the number of shares as to which such person has the right to acquire voting or investment power as of or within 60 days after February 20, 2012. 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, the Company believes that the beneficial owners of the Company's common stock listed in the table have sole voting and investment power with respect to the shares shown.
- (2) The information concerning Carl W. Knobloch, Jr., Emily C. Knobloch and William R. Knobloch is based on a Schedule 13G/A filed with the SEC on February 1, 2012. Carl W. Knobloch, Jr. reports that he may be deemed to have sole voting power and sole dispositive power with respect to 66,009 of the shares shown and shared voting power and shared dispositive power with respect to 1,143,920 of the shares shown. Emily C. Knobloch reports that she may be deemed to have shared voting power and shared dispositive power with respect to 788,210 of the shares shown. William R. Knobloch reports that he may be deemed to have shared voting power and shared dispositive power with respect to 355,710 of the shares shown and sole voting power and sole dispositive power with respect to 539,949 of the shares shown. Each such reporting person disclaims beneficial ownership of any shares held in trust for which the reporting person is not a trustee.
- (3) The information concerning BlackRock, Inc. is based on a Schedule 13G/A filed with the SEC on January 10, 2012, in which the reporting person reports that it has sole voting power and sole dispositive power with respect to all of the shares shown.
- (4) The information concerning Wellington Management Company, LLP is based on a Schedule 13G/A filed with the SEC on February 14, 2012, in which the reporting person reports that it has shared voting power with respect to 1,222,367 of the shares shown and shared dispositive power with respect to all of the shares shown.
- (5) The information concerning Barrow, Hanley, Mewhinney & Strauss, LLC is based on a Schedule 13G filed with the SEC on February 10, 2012, in which the reporting person reports that it has sole voting power with respect to 654,335 of the shares shown, shared voting power with respect to 656,490 of the shares shown, and sole dispositive power with respect to all of the shares shown.
- (6) The information concerning Royce & Associates LLC is based on a Schedule 13G/A filed with the SEC on January 23, 2012, in which the reporting person reports that it has sole voting power and sole dispositive power with respect to all of the shares shown.
- (7) The information concerning Security Investors, LLC is based on a Schedule 13G/A filed with the SEC on January 31, 2012, in which the reporting person reports that it has sole voting power and sole dispositive power with respect to all of the shares shown.
- (8) The shares of common stock shown as beneficially owned by Mr. Kaplan include 306,130 stock appreciation rights he has the right to exercise as of or within 60 days after February 20, 2012.
- (9) The shares of common stock shown as beneficially owned by Mr. Cox include 91,969 stock appreciation rights he has the right to exercise, as of or within 60 days after February 20, 2012.
- (10) The shares of common stock shown as beneficially owned by Mr. Cline include 128,826 stock appreciation rights he has the right to exercise as of or within 60 days after February 20, 2012.
- (11) The shares of common stock shown as beneficially owned by Mr. Reese include 117,557 stock appreciation rights he has the right to exercise as of or within 60 days after February 20, 2012.
- (12) The shares of common stock shown as beneficially owned by Mr. Gupp include 10,837 shares of common stock that Mr. Gupp has the right to purchase pursuant to the exercise of stock options, and 60,091 stock appreciation rights he has the right to exercise, as of or within 60 days after February 20, 2012.

## Edgar Filing: TREX CO INC - Form DEF 14A

- (13) The shares of common stock shown as beneficially owned by Mr. Andrews include 7,041 shares of common stock that Mr. Andrews has the right to purchase pursuant to the exercise of stock options, and 19,514 stock appreciation rights he has the right to exercise, as of or within 60 days after February 20, 2012.
- (14) The shares of common stock shown as beneficially owned by Mr. Brunner include 7,989 shares of common stock that Mr. Brunner has the right to purchase pursuant to the exercise of stock options, and 28,281 stock appreciation rights he has the right to exercise, as of or within 60 days after February 20, 2012.
- (15) The shares of common stock shown as beneficially owned by Mr. Gratz include 27,480 stock appreciation rights he has the right to exercise as of or within 60 days after February 20, 2012.
- (16) The shares of common stock shown as beneficially owned by Ms. Robinson include 7,041 shares of common stock that Mr. Robinson has the right to purchase pursuant to the exercise of stock options, and 19,514 stock appreciation rights she has the right to exercise, as of or 60 days after February 20, 2012.
- (17) The shares of common stock shown as beneficially owned by Mr. Merlotti include 19,867 stock appreciation rights he has the right to exercise as of or within 60 days after February 20, 2012.
- (18) The shares of common stock shown as beneficially owned by Mr. Posey include 12,024 stock appreciation rights he has the right to exercise as of or within 60 days after February 20, 2012.
- (19) The shares of common stock shown as beneficially owned by all directors and executive officers as a group include a total of 54,979 shares of common stock that they have the right to purchase pursuant to the exercise of stock options, and 959,102 stock appreciation rights they have the right to exercise, as of or within 60 days after February 20, 2012.

**ELECTION OF DIRECTORS****(Proposal 1)****Nominees for Election as Directors**

The Company's certificate of incorporation provides that the Board 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 2013 and at the annual meeting of stockholders in 2014, 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, Frank H. Merlotti, Jr. and Patricia B. Robinson have been nominated by the Board for election to the class with a three-year term that will expire at the annual meeting of stockholders in 2015. These nominees are incumbent directors. Mr. Merlotti has served on the Board since his appointment as a director in February 2006. Ms. Robinson has served on the Board since her appointment as a director in November 2000.

**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 may recommend. It is not anticipated that either of the nominees will be unable or unwilling to serve as a director.

**The Board of Directors unanimously recommends that the stockholders of the 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**

<b>Name</b>	<b>Age</b>	<b>Director Since</b>
Frank H. Merlotti, Jr.	61	2006
Patricia B. Robinson	59	2000

*Frank H. Merlotti, Jr.* has served as President of the Coalesse business unit of Steelcase, Inc., a manufacturer of office furniture and furniture systems, since October 2006, and 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.

Mr. Merlotti was nominated by the Nominating/Corporate Governance Committee in 2006 and renominated this year due to his professional experience as a chief executive of a consumer product company, and his experience in sales and marketing of consumer products.

*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.

Ms. Robinson was nominated by the Nominating/Corporate Governance Committee in 2000 as one of the first outside independent directors of the Company and renominated this year due to her professional experience as a President of a consumer products company and her experience with strategic planning and new product introductions.

### Directors Whose Terms Expire in 2013

Name	Age	Director Since
William F. Andrews	80	1999
Paul A. Brunner	76	2003
Richard E. Posey	65	2009

*William F. Andrews* has served as Chairman of Katy Industries, Inc., a manufacturer of maintenance and electrical products, since October 2001. Mr. Andrews served as Chairman of Corrections Corporation of America from August 2000 to July 2008 and has served as Chairman of the Executive Committee of the Board since July 2008. Mr. Andrews served as Chairman of the Singer Sewing Company, a manufacturer of sewing machines, from 2004 to 2010, and continues to serve on the Board. 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, O Charley's Restaurants and Thomas Nelson Publishing Co. 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.

Mr. Andrews was nominated by the Nominating/Corporate Governance Committee in 1999 as one of the first outside independent directors of the Company specifically because one of the Company's primary objectives was to build solid business models and increase shareholder value. Mr. Andrews was chosen primarily because he was a Principal of Kohlberg & Company, a private equity company known for successfully building creative business models and creating long-term shareholder value. Mr. Andrews was also chosen due to his extensive experience as a director of a number of public companies, as he has served on the boards of twenty-two public and private companies, and has been the Chairman of seven public companies.

*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. Mr. Brunner served as a director of Johnson Controls, Inc. from 1983 through 2007, and as Chairman of its Audit Committee from 1989 to 2005. From 1959 to 1967, he worked for Coopers & Lybrand, an international accounting firm, as an audit supervisor. 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.

Mr. Brunner was nominated by the Nominating/Corporate Governance Committee in 2003 specifically due to his professional experience as a Certified Public Accountant and his past involvement as Chairman of Johnson Controls, Inc.'s Audit Committee. In addition, the Committee believed he would benefit the Board in serving as Chairman of the Audit Committee.

*Richard E. Posey* served as President and Chief Executive Officer of Moen Incorporated, a leading manufacturer in the global faucet market, for six years before retiring in 2007. Prior to joining Moen, Mr. Posey was President and Chief Executive Officer of Hamilton Beach / Proctor Silex, Inc. for five years. Mr. Posey began his career at S.C. Johnson & Son, where for 22 years he served in a series of increasingly responsible management positions, both overseas and in the U.S., culminating with Executive Vice President, Consumer Products, North America. Mr. Posey is a Founding Trustee, Virginia Commonwealth University School of Engineering Foundation. He received a B.A. degree in English from The University of Southern California and an M.B.A. degree from The University of Michigan.

Mr. Posey was appointed by the Board, upon recommendation of the Nominating/Corporate Governance Committee, on May 6, 2009, specifically because the Committee felt it was important to find and include a member with consumer product experience. Mr. Posey was primarily chosen due to his professional experience as a chief executive of a number of consumer product companies, and his experience in sales and marketing of consumer products.

#### Directors Whose Terms Expire in 2014

Name	Age	Director Since
Jay M. Gratz	59	2007
Ronald W. Kaplan	60	2008

*Jay M. Gratz* has served as the Chief Financial Officer of VisTracks, Inc., an application enabling platform service provider, since March 2010, and a director of such company since April 2010. Mr. Gratz was a partner in Tatum LLC, a national executive services and consulting firm that focuses on the needs of the Office of the CFO between February 2010 and March 2010. From October 2007 through February 2010, Mr. Gratz was an independent consultant. From 1999 through October 2007, Mr. Gratz served as Executive Vice President and Chief Financial Officer of Ryerson Inc., a metals processor and distributor, and as President of Ryerson Coil Processing Division from November 2001 until October 2007. 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 that company since 1975. Mr. Gratz is a Certified Public Accountant. He received a B.A. degree in economics from State University of New York in Buffalo and an M.B.A. degree from Northwestern University Kellogg Graduate School of Management.

Mr. Gratz was nominated by the Nominating/Corporate Governance Committee in 2007 specifically because the Committee felt it was important to find a member with extensive financial experience. Mr. Gratz was nominated by the Committee because he was a Certified Public Accountant, a chief financial officer of another respected public company, and had experience dealing with a wide-range of financial issues that the Committee felt would be beneficial to the Company. Mr. Gratz was also chosen because the Committee believed that Mr. Gratz could potentially serve as Chairman of the Audit Committee in the future.

*Ronald W. Kaplan* has served as Chairman, President and Chief Executive Officer of the Company since May 2010. From January 2008 to May 2010, Mr. Kaplan served as President and Chief Executive Officer of the Company. From February 2006 through December 2007, Mr. Kaplan served as Chief Executive Officer of Continental Global Group, Inc., a manufacturer of bulk material handling systems. For 26 years prior to this, he was employed by Harsco Corporation, an international industrial services and products company, at which he served in a number of capacities, including as Senior Vice President-Operations, and, from 1994 through 2005,

as President of Harsco's Gas Technologies Group, which manufactures containment and control equipment for the global gas industry. Mr. Kaplan received a B.A. in economics from Alfred University and an M.B.A. degree from the Wharton School of Business, University of Pennsylvania.

Mr. Kaplan was hired by the Company in January 2008 as its President and Chief Executive Officer. The Nominating/Corporate Governance Committee believed that the Board would greatly benefit from someone with extensive manufacturing experience and believed that the Chief Executive Officer of the Company should serve on the Board. Therefore, Mr. Kaplan was nominated by the Committee in 2008 due to his professional experience as a chief executive of a number of manufacturing companies, including leading companies through financial and operational turnarounds, which the Committee felt was important experience for the Company.

As previously reported, commencing on July 11, 2001, four lawsuits, all of which sought certification as a class action, were filed in the United States District Court for the Western District of Virginia, naming as defendants the Company and Robert G. Matheny, a director and the former Chairman and Chief Executive Officer, Anthony J. Cavanna, a director and former Chief Financial Officer, and Roger A. Wittenberg, a director and a former executive officer. The cases were consolidated and an amended consolidated complaint, which added as a defendant Andrew U. Ferrari, a director and former executive officer, was filed on December 17, 2001. The complaints principally alleged that the Company, and the individual defendants violated Sections 10(b) and 20(a) of and Rule 10b-5 under the Securities Exchange Act of 1934 by, among other things, making false and misleading public statements concerning the Company's operating and financial results and expectations. The complaints also alleged that certain directors of the Company sold shares of the Company's common stock at artificially inflated prices. On May 29, 2002, the District Court granted the Company's Motion to Dismiss the claim. A derivative lawsuit was filed in the Circuit Court for the City of Winchester on or about September 21, 2001 naming as defendants each of the directors of the Company. The filed complaint was based upon the same factual allegations as the complaints in the class action lawsuits, and alleged that the directors breached their fiduciary duties by permitting the Company to issue false and misleading public statements concerning the Company's operating and financial results, and also alleged that directors of the Company sold shares of the Company's common stock at artificially inflated prices. The complaint was removed to the federal court in which the related securities class action was pending. The complaint was consolidated for pretrial purposes with the securities class action and stayed pending resolution of the motion by defendants to dismiss the securities class action. As described above, the federal district court on May 29, 2002 dismissed the securities class action with prejudice for failure to state a claim. On February 6, 2003, the District Court granted the parties' joint motion to dismiss the complaint with prejudice.

As previously reported, commencing on July 8, 2005, two lawsuits, both of which sought certification as a class action, were filed in the United States District Court for the Western District of Virginia naming as defendants the Company, Robert G. Matheny, a director and the former Chairman and Chief Executive Officer, and Paul D. Fletcher, the former Senior Vice President and Chief Financial Officer. Following agreement by the plaintiffs and the defendants that the two lawsuits should be consolidated, the plaintiffs filed a consolidated class action complaint. The complaints principally alleged that the Company, Mr. Matheny and Mr. Fletcher violated Sections 10(b) and 20(a) of and Rule 10b-5 under the Securities Exchange Act of 1934 by, among other things, making false and misleading public statements concerning the Company's operating and financial results and expectations. The complaints also alleged that certain directors of the Company sold shares of the Company's common stock at artificially inflated prices. On October 6, 2006, the District Court granted the Company's Motion to Dismiss the claim. Two separate derivative lawsuits were filed in the United States District Court for the Western District of Virginia on or about August 5, 2005 naming as defendants Mr. Matheny, Mr. Fletcher, and each of the directors of the Company. The filed complaints were based upon the same factual allegations as the complaints in the class action lawsuits, and alleged that the directors and Mr. Fletcher breached their fiduciary duties by permitting the Company to issue false and misleading public statements concerning the Company's operating and financial results, and also alleged that directors of the Company sold shares of the Company's common stock at artificially inflated prices. On December 22, 2005, the two derivative actions were consolidated. On February 19, 2007, the plaintiffs signed a Stipulation of Dismissal dismissing the derivative lawsuits, and on March 26, 2007, the Court issued the Order of Dismissal.



### **Board of Directors and Committees of the Board of Directors**

The Board currently consists of seven directors. The Board has a standing Audit Committee, a standing Compensation Committee and a standing Nominating/Corporate Governance Committee. The Board held six meetings during the Company's 2011 fiscal year. During 2011, each director attended at least 75% of the aggregate of the total number of meetings of the Board and of each committee of the Board on which such director served.

It is the Company's policy that all directors should attend the annual meetings of the Company's stockholders. All of the directors attended the annual meeting of stockholders in 2011.

### **Board Leadership Structure and Risk Oversight**

Our board leadership structure is currently composed of a combined Chairman of the Board of Directors and Chief Executive Officer, a Lead Independent Director, an independent Audit Committee Chairman, an independent Compensation Committee Chairman, and an independent Nominating/Corporate Governance Committee Chairman. Mr. Kaplan is the Company's President, Chief Executive Officer and Chairman of the Board, and he was hired by the Company in January 2008. Mr. Kaplan has served as President and Chief Executive Officer since January 2008, and Chairman since the retirement in May 2010 of Andrew U. Ferrari, the former Chief Executive Officer of the Company. After careful consideration and considering Mr. Kaplan's strong leadership since he joined the Company in January 2008, the Board determined it appropriate for the Chairman and the CEO to be the same individual following Mr. Ferrari's retirement. In making this determination, the Board also considered the relative size of the Company, the size of the Board and the fact that all remaining members of the Board are independent. The Board believes that having a combined role enhances the ability to provide insight and direction on important strategic initiatives to both management and the Board and increases the likelihood that the Company acts with a common purpose. Separating the roles would potentially result in less effective management and governance processes through undesirable duplication of work and, in worst case, lead to a blurring of the current clear lines of accountability and responsibility. The Company's overall corporate governance policies and practices adequately address any governance concerns raised by the dual CEO and Chairman role. In addition, the Board determined that there are other members of the executive management team that are well versed in all aspects of the Company and who are familiar with the roles and responsibilities of the Chairman/CEO in the event that the Chairman/CEO is unavailable.

Mr. Gratz is the Company's Lead Independent Director, and he is currently serving a term of two years, which ends May 2012. Mr. Gratz is an experienced former public company Executive Vice President and Chief Financial Officer. (For additional information regarding Mr. Gratz's professional experience, please see *Proposal 1 Election of Directors*.) As our Lead Independent Director, and pursuant to the Company's Corporate Governance Principles, the responsibilities of the Lead Independent Director may include: presiding at executive sessions of the independent directors; presiding at Board meetings in the absence of the Chairman; making recommendations and consulting with management with regard to Board meeting agendas, materials and schedules; and serving as a liaison between the independent directors and members of senior management.

Our Board also has three key committees: the Audit Committee, chaired by Mr. Brunner; the Compensation Committee, chaired by Mr. Andrews; and the Nominating/Corporate Governance Committee, chaired by Ms. Robinson. Each of these committees plays an important role in the governance and leadership of our Board and each is chaired by an independent director with significant business experience.

*The Board of Directors' Role in Risk Oversight.* Our Board recognizes the importance of effective risk oversight in running a successful business and in fulfilling its fiduciary responsibilities to the Company and its stockholders. While the Chairman and Chief Executive Officer and other members of our senior leadership team are responsible for the day-to-day management of risk, our Board is responsible for ensuring that an appropriate

culture of risk management exists within the Company and for setting the right tone at the top, overseeing our aggregate risk profile, and assisting management in addressing specific risks, such as strategic and competitive risks, financial risks, brand and reputation risks, legal risks, regulatory risks, and operational risks.

The Board believes that its current leadership structure best facilitates its oversight of risk by combining independent leadership, through the Lead Independent Director, independent board committees, and majority independent board composition, with an experienced Chairman and Chief Executive Officer who has intimate knowledge of our business, history, and the complex challenges we face. The Chairman and Chief Executive Officer's in-depth understanding of these matters and involvement in the day-to-day management of the Company uniquely positions him to promptly identify and raise key business risks to the Board, call special meetings of the Board when necessary to address critical issues, and focus the Board's attention on areas of concern. The Lead Independent Director, independent committee chairs and other directors also are experienced professionals or executives who can and do raise issues for Board consideration and review, and are not hesitant to challenge management. The Board believes there is a well-functioning and effective balance between the Lead Independent Director, non-executive independent board members and the Chairman and Chief Executive Officer, which enhances risk oversight.

The Board exercises its oversight responsibility for risk both directly and through its three standing committees. Throughout the year, the Board and each committee spend a portion of their time reviewing and discussing specific risk topics. The full Board is kept informed of each committee's risk oversight and related activities through regular oral reports from the committee chairs, and committee meeting minutes are available for review by all directors. Strategic, operational and competitive risks also are presented and discussed at the Board's quarterly meetings, and more often as needed. On at least an annual basis, the Board conducts a review of our long-term strategic plans and members of senior management report on our top risks and the steps management has taken or will take to mitigate these risks. In addition, at each quarterly meeting, or more often as necessary, the General Counsel updates the Board on material legal and regulatory matters. On a regular basis between Board meetings, our Chairman and Chief Executive Officer provides written reports to the Board on the critical issues we face and recent developments in each of our principal operating areas. These reports include a discussion of business risks as well as a discussion regarding enterprise risk.

The Audit Committee is responsible for reviewing the framework by which management discusses our risk profile and risk exposures with the full Board and its committees. The Audit Committee meets regularly with our Chief Financial Officer, independent auditor, internal auditor, General Counsel, and other members of senior management to discuss our major financial risk exposures, financial reporting, internal controls, credit and liquidity risk, compliance risk, and key operational risks. The Audit Committee meets regularly in separate executive sessions with the Chief Financial Officer, independent auditor and internal auditor, as well as with committee members only, to facilitate a full and candid discussion of risk and other issues.

The Compensation Committee is responsible for overseeing human capital and compensation risks, including evaluating and assessing risks arising from our compensation policies and practices for all employees and ensuring executive compensation is aligned with performance. The Compensation Committee also is charged with monitoring our incentive and equity-based compensation plans, including employee pension and benefit plans.

The Nominating/Corporate Governance Committee oversees risks related to our overall corporate governance, including Board and committee composition, Board size and structure, director independence, and our corporate governance profile and ratings. The Committee also is actively engaged in overseeing risks associated with succession planning for the Board and management.

*Director Independence.* The Board has affirmatively determined that all of the current directors, other than Mr. Kaplan, who is the Company's Chairman, President and Chief Executive Officer, are independent of the

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

The Board has adopted the following categorical standards of independence to assist it in determining whether a director has a material relationship with the Company. The following relationships between a director and the Company will not be considered material relationships that would preclude a finding by the Board that the 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, the 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 the 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, the Company's corporate governance principles require the 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. During 2011, all of the Company's non-management directors were independent under NYSE rules. The Company's non-management directors held four executive sessions in 2011. Mr. Gratz, as Lead Independent Director, acted as presiding director for each such executive session of non-management directors, and was responsible for advising the Chairman of the Board of decisions reached, and of recommendations for action by the Board of Directors made, at each such meeting.

*Audit Committee.* The Audit Committee of the Board 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 has designated Paul A. Brunner as its audit committee financial expert, as such term is defined for purposes of Item 407 of Regulation S-K promulgated by the SEC, and is independent of management. The Audit Committee, which held six meetings during 2011, currently consists of Mr. Brunner, who is the Chairman, Mr. Gratz, Mr. Merlotti and Mr. Posey.

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 the 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 the Company's system of internal controls over financial reporting and disclosure controls and procedures, reviewing the financial statements and other financial information included in the Company's annual and quarterly reports filed with the SEC, and exercising oversight with respect to the Company's code of conduct and ethics and other policies and procedures regarding adherence with legal requirements. The Audit Committee has the authority to retain and terminate any third-party consultants and to obtain advice and assistance from internal and external legal, accounting and other advisers. The Audit Committee is authorized to delegate its authority to subcommittees as determined to be necessary or advisable. A current version of the Audit Committee charter is available through the Company's web site at [www.trex.com](http://www.trex.com).

*Compensation Committee.* The Compensation Committee of the Board is a standing committee composed of four non-employee directors who meet the independence requirements of the NYSE listing standards. The Compensation Committee, which held four meetings during 2011, currently consists of Mr. Andrews, who is the Chairman, Mr. Gratz, Mr. Merlotti and Ms. Robinson.

The Compensation Committee operates under a written charter that is reviewed annually. Pursuant to its charter, the principal functions of the Compensation Committee are to review, determine and approve the compensation and benefits of the Company's 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 named executive officers, as well as Vice Presidents who report directly to the CEO, and to administer the Company's employee benefit programs, including its 2005 Stock Incentive Plan, 1999 Employee Stock Purchase Plan, annual cash incentive plan, long-term equity incentive plan and other incentive compensation plans, benefits plans and equity-based plans. The Compensation Committee has the authority to retain and terminate any third-party compensation consultant and to obtain advice and assistance from internal and external legal, accounting and other advisers. (See the *Compensation Discussion and Analysis* section of this proxy statement for information regarding the practices of the Compensation Committee, including the role of the executive officers and the Compensation Committee's compensation consultant in determining or recommending the amount and form of compensation paid to the named executive officers.) The Compensation Committee is authorized to delegate its authority to subcommittees as determined to be necessary or advisable. A current version of the Compensation Committee charter is available through the Company's web site at [www.trex.com](http://www.trex.com).

*Nominating/Corporate Governance Committee.* The Nominating/Corporate Governance Committee of the Board is a standing committee composed of four non-employee directors who meet the independence requirements of the NYSE listing standards. The Nominating/Corporate Governance Committee, which held five meetings during 2011, currently consists of Ms. Robinson, who is the Chairman, Mr. Andrews, Mr. Brunner and Mr. Posey.

The Nominating/Corporate Governance Committee operates under a written charter that is reviewed annually. The Nominating/Corporate Governance Committee is responsible for recommending candidates for election to the Board and for making recommendations to the Board 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. The Nominating/Corporate Governance Committee has the authority to retain and terminate any search firm engaged to identify director candidates, and to obtain advice and assistance from outside counsel and any other advisers, as it deems appropriate in its sole discretion. The Nominating/Corporate Governance Committee may form and delegate authority to subcommittees as determined to be necessary or advisable. A current version of the Nominating/Corporate Governance Committee charter is available through the Company's web site at [www.trex.com](http://www.trex.com).

#### **Compensation Committee Interlocks and Insider Participation**

No member of the Compensation Committee was an officer or employee of the Company or any subsidiary of the Company during 2011. There are no interlock relationships as defined in the applicable SEC rules.

#### **Director Nominations Policy**

The Board 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 the Company's recommended slate of director nominees are selected. The nominations policy is administered by the Nominating/Corporate Governance Committee of the Board.

The Board does not currently prescribe any minimum qualifications for director candidates. Consistent with the criteria for the selection of directors approved by the Board, the Nominating/Corporate Governance Committee will take into account the Company's current needs and the qualities needed for Board service, including experience and achievement in business, finance, technology or other areas relevant to the 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; ability to work effectively and collegially with other Board members; and diversity. In considering the diversity of candidates, the Committee considers an individual's background, professional experience, education and skill, race, gender and/or national origin. 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 the Company during their term, including the number of meetings attended, level of participation, quality of performance and any transactions of such directors with the 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 the 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 the Company's director nominations process. The Nominating/Corporate Governance Committee intends to review the nominations policy as it considers advisable and anticipates that modifications may be necessary from time to time as the 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.

The 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 the Company at the 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 the 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 the 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 the 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 the Company's outstanding capital stock required to elect the nominee or (B) otherwise solicit proxies for stockholders in support of such nomination. The Company may require any proposed nominee to furnish such other information as the 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 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 the Company directly and confidentially to the full Board, to 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 the Company's governance hotline at 1-800-719-4916 and press 2 for the Company's Secretary. An independent third-party vendor maintains the Company's governance hotline, and all calls are forwarded to the Company's Secretary. To maintain the caller's anonymity, calls are passed through proprietary filters to mask the caller's voice and the originating phone number is removed from the associated audio file. A caller wishing to be identified may indicate his or her name in the message. If the caller wishes to submit relevant documents, the documents should be mailed to the following address: Trex Company, Inc., 160 Exeter Drive, Winchester, Virginia 22603-8605, Attention: Secretary. The 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.

### **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors and executive officers and persons who own more than 10% of the Company's common stock to file with the SEC and the NYSE initial reports of ownership and reports of changes in ownership of common stock and other equity securities of the Company. The reporting persons are required by rules of the SEC to furnish the Company with copies of all Section 16(a) reports they file. Based solely upon a review of Section 16(a) reports furnished to the Company for fiscal 2011 or written representations that no other reports were required, the Company believes that the foregoing reporting persons complied with all filing requirements for fiscal 2011.

### **Availability of Corporate Governance Principles, Code of Conduct and Ethics, and Committee Charters**

The Company makes available on its web site at [www.trex.com](http://www.trex.com) and in paper form without charge, copies of its corporate governance principles, its code of conduct and ethics, and the charters of each standing committee of its Board. Requests for copies of these documents should be directed to Trex Company, Inc., 160 Exeter Drive, Winchester, Virginia 22603-8605, Attention: Secretary.

### **Director Compensation**

Non-employee directors of the 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. 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 2005 Stock Incentive Plan, which was approved by stockholders at the Company's 2005 annual meeting.

The Nominating/Corporate Governance Committee is responsible for making recommendations to the Board regarding non-employee director compensation. In accordance with this authority, the Nominating/Corporate Governance Committee retained DolmatConnell & Partners, Inc. as the committee's outside compensation consultant to advise the Nominating/Corporate Governance Committee on matters related to director compensation. DolmatConnell & Partners, Inc.'s engagement with the Company does not create any conflicts of interest with any of DolmatConnell & Partners, Inc.'s existing or former clients.

The Company's director compensation program was developed in consultation with our compensation consultant in 2007 and was designed to deliver annual compensation at the median of the Company's peer group.

(See discussion of our peer group under the *Benchmarking* section of *Compensation Discussion and Analysis* under *How do we determine executive pay.* ) Under this program, annual non-employee director compensation is delivered in cash and in stock-settled stock appreciation rights, or SARs, with the objective of appropriately balancing the pay of non-employee directors for their service while linking their compensation closely to returns to stockholders through the potential for enhanced value from future stock price appreciation. Directors could elect to receive additional SARs in lieu of cash payments. Directors are also reimbursed for actual travel expenses.

As a result of modifications made to the director compensation program in 2010, the elements of the director compensation package are as follows:

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

For service on the Board, each non-employee director receives an annual retainer of \$27,500, a \$1,000 meeting fee for each in-person meeting attended, a \$500 fee for each telephonic meeting, and an annual award of (a) SARs valued at \$15,000 based on the Black-Scholes valuation model of the Company's shares, and (b) restricted shares valued at \$15,000 based upon the closing market price of the Company stock on the day of the grant. Any non-employee director who serves as Chairman of the Board will receive (a) \$54,000, in lieu of the \$27,500 annual retainer, (b) \$25,361, payable in cash, in lieu of the annual award of SARs and restricted shares, and (c) meeting fees as applicable to the other non-employee directors. Any director serving as Lead Independent Director will receive an additional \$12,500.

The chairman of the Audit Committee receives an annual committee fee of \$12,500, and the chairman of the Compensation Committee and the Nominating/Corporate Governance Committee each receive an annual committee fee of \$7,500.

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.

Each Committee member on any of the Committees, including the chairman of the Committee, receives a \$1,000 meeting fee for each Committee meeting not held in conjunction with a scheduled Board meeting, and a \$500 fee for each telephonic meeting not held in conjunction with a telephonic Board meeting.

The \$27,500 annual director fee and the annual committee fees are paid in the form of (a) cash or (b) grants of 50% SARs (based on the Black-Scholes valuation model of the Company's shares) and 50% restricted shares (based upon the closing market price of the Company's stock on the day of the grant), 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 fiscal year of the Outside Director Plan is July 1 through June 30.

The annual grants of SARs and restricted shares are made in arrears on the date of the first regularly scheduled Board meeting after June 30 of each year.

All grants of SARs vest immediately upon grant and have a term of ten years (provided that the term is extended for one year if the director dies during the tenth year of the SAR term). All grants of restricted shares vest one year after grant provided that the grants will immediately vest in the event of death, disability, retirement at the end of a term, or termination in connection with a change in control.

Edgar Filing: TREX CO INC - Form DEF 14A

All fees described above paid in arrears are pro-rated for any partial periods served.



Upon the termination of a non-employee director's service for any reason (other than for cause), the director will have the right, at any time within five years after the date of termination of service and before the termination of the SAR, to exercise any option or SAR held by the director on the service termination date.

The Company does not provide pensions, medical benefits or other benefit programs to non-employee directors.

The table below shows compensation paid to the non-employee directors for their service in 2011.

**2011 DIRECTOR COMPENSATION**

Name	Fees	Stock	SAR	Non-Equity	Changes	All Other	Total
	Earned or Paid in	Awards	Awards	Incentive Plan Compensation	in Pension Value and Nonqualified Deferred Compensation Earnings	Compensation	( $)$
	Cash ( $)$	( $)$	( $)$	( $)$	( $)$	( $)$	( $)$
William F. Andrews (2)	43,500	15,000	15,000				73,500
Paul A. Brunner (3)	47,500	15,000	15,000				77,500
Jay M. Gratz (4)	56,000	15,000	15,000				86,000
Frank H. Merlotti Jr. (5)	43,000	15,000	15,000				73,000
Richard E. Posey (6)	21,500	25,750	25,750				73,000
Patricia B. Robinson (7)	44,000	15,000	15,000				74,000

- (1) Amounts represent the grant date fair value determined in accordance with FASB ASC Topic 718. Assumptions used in the calculation of these amounts are included in note 10 to the Company's audited financial statements in the 2011 Form 10-K, as filed with the SEC.
- (2) Mr. Andrews served as the chairman of the Compensation Committee and as a member of the Nominating/Corporate Governance Committee in 2011. Mr. Andrews did not elect to receive any of his cash compensation in the form of SARs or restricted shares.
- (3) Mr. Brunner served as the chairman of the Audit Committee and as a member of the Nominating/Corporate Governance Committee in 2011. Mr. Brunner did not elect to receive any of his cash compensation in the form of SARs or restricted shares.
- (4) Mr. Gratz served as a member of the Audit Committee and the Compensation Committee, and as Lead Independent Director, in 2011. Mr. Gratz did not elect to receive any of his cash compensation in the form of SARs or restricted shares.
- (5) Mr. Merlotti served as a member of the Audit Committee and the Compensation Committee in 2011. Mr. Merlotti did not elect to receive any of his cash compensation in the form of SARs or restricted shares.
- (6) Mr. Posey served as member of the Audit Committee and the Nominating/Corporate Governance Committee in 2011. Mr. Posey elected to receive \$21,500 of his cash compensation in the form of SARs and restricted shares.
- (7) Ms. Robinson served as the chairman of the Nominating/Corporate Governance Committee and as a member of the Compensation Committee in 2011. Ms. Robinson did not elect to receive any of her cash compensation in the form of SARs or restricted shares.



## 2011 DIRECTOR EQUITY AWARDS

Name	Grant Date	Number of Securities Underlying Options (#)(1)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Option Awards (\$)(2)	Number of Shares of Stock or Units (#)(3)	Grant Date Fair Value of Stock or Units (\$)(2)
William F. Andrews	7/26/2011(4)	1,284	21.15	15,000	709	15,000
Paul A. Brunner	7/26/2011(4)	1,284	21.15	15,000	709	15,000
Jay M. Gratz	7/26/2011(4)	1,284	21.15	15,000	709	15,000
Frank H. Merlotti	7/26/2011(4)	1,284	21.15	15,000	709	15,000
Richard E. Posey	1/3/2011(5)	227	25.25	3,188	126	3,188
	4/1/2011(5)	145	33.33	2,719	81	2,719
	7/1/2011(5)	205	24.00	2,719	113	2,719
	7/26/2011(4)	1,284	21.15	15,000	709	15,000
	10/1/2011(5)	316	14.92	2,594	173	2,594
Patricia B. Robinson	7/26/2011(4)	1,284	21.15	15,000	709	15,000

- (1) All grants of SARs vest immediately upon grant and have a term of ten years (provided that the term is extended for one year if the director dies during the tenth year of the SAR term).
- (2) Amounts represent the grant date fair value determined in accordance with FASB ASC Topic 718. Assumptions used in the calculation of these amounts are included in note 10 to the Company's audited financial statements in the 2011 Form 10-K, as filed with the SEC.
- (3) All grants of restricted shares vest one year after grant provided that the grants will immediately vest in the event of death, disability, retirement at the end of a term, or termination in connection with a change in control.
- (4) Reflects annual award of SARs and restricted stock to the Board.
- (5) Reflects an award of SARs and restricted stock received in lieu of a percentage of cash compensation as elected by the director prior to the beginning of the fiscal year.

---

## COMPENSATION DISCUSSION AND ANALYSIS

This section describes the Company's compensation program for its Chief Executive Officer ( CEO ) and Chief Financial Officer ( CFO ) in fiscal year 2011 as well as each of its three mostly highly compensated executive officers employed at the end of fiscal year 2011, all of whom are referred to collectively as its named executive officers. For fiscal 2011, the Company's named executive officers were:

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

James E. Cline, Vice President and Chief Financial Officer;

F. Timothy Reese, Vice President, Operations;

J. Mitchell Cox, Vice President, Sales; and

William R. Gupp, Chief Administrative Officer, General Counsel and Secretary ( CAO ).

### *Executive Summary*

This Compensation Discussion and Analysis focuses on the material elements of our executive compensation program in effect for the 2011 fiscal year. It also provides an overview of our executive compensation philosophy and why we believe the program is appropriate for the Company and its stockholders. Finally, we discuss the Compensation Committee's methodology for determining appropriate and competitive levels of compensation for the named executive officers. Details of compensation paid to the named executive officers can be found in the tables below.

Our executive compensation program is intended to align our named executive officers' interests with those of our stockholders by rewarding performance that meets or exceeds the goals the Compensation Committee establishes with the objective of increasing stockholder value. In line with our pay for performance philosophy, the total compensation received by our named executive officers will vary based on individual and corporate performance measured against annual and long-term performance goals. Our named executive officers' total compensation is comprised of a mix of base salary, annual cash incentive compensation and long-term equity incentive awards.

### *Compensation Philosophy and Objectives*

#### *What person or group is responsible for determining the compensation levels of named executive officers?*

*The Role of the Committee.* The Compensation Committee, pursuant to its charter, reviews, determines and approves the compensation, including base salary, and annual and long term incentive compensation, of the Company's CEO and the other named executive officers, as well as Vice Presidents who report directly to the CEO. Additionally, the Compensation Committee administers the Company's employee benefit programs, including its 2005 Stock Incentive Plan, 1999 Employee Stock Purchase Plan, annual cash incentive plan, long-term equity incentive plan and other incentive compensation plans, benefit plans and equity-based plans.

*The Role of Consultants.* The Compensation Committee has the authority to retain and terminate any third-party compensation consultant and to obtain advice and assistance from internal and external legal, accounting and other advisers. The Compensation Committee has the authority to compensate its outside advisers without obtaining approval of the Board. In accordance with this authority, the Compensation Committee retained DolmatConnell & Partners, Inc. as the committee's outside compensation consultant to advise the Compensation Committee on matters related to CEO and other named executive officer compensation.

The consultant's assignments are determined by the chairman of the Compensation Committee. At the request of the chairman, the current consultant assists in developing the peer group of companies and compensation surveys to be used for the competitive analyses, prepares the market analysis of both named executive officer and board compensation, prepares a financial analysis of the Company's performance vis-à-vis



the peer group and analyzes the relationship between CEO pay and company performance, constructs market competitive ranges of pay opportunity for base salaries, annual cash incentive targets, and long-term equity incentive awards for named executive officers, and reviews the annual cash incentive and long-term equity incentive plans for linkage to key business objectives and company performance. The consultant advises the Compensation Committee as to the compensation of officers of the Company, but does not recommend any specific pay level changes for named executive officers.

*The Role of Executives.* The Company's CEO and CAO are actively involved in the executive compensation process. Historically, the CEO reviews the performance of each of the named executive officers (other than his own performance) and, within the defined program parameters, recommends to the Compensation Committee base salary increases and short-term and long-term incentive awards for such individuals. He provides the Compensation Committee with both short-term and long-term recommended financial performance goals for the Company that are used to link pay with performance. The CEO 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 the Company's business goals. The CAO works with the CEO to develop the recommended base salary increases, short-term cash incentive levels and long-term equity incentive awards, and provides analysis on the ability of the executive compensation program to attract, retain, and motivate the Company's executive team and potential executive hires. The CEO and the CAO attend the meetings of the Compensation Committee, but do not participate in the Compensation Committee's executive sessions.

***What are the Company's executive compensation principles and objectives?***

The Compensation Committee believes that the goals of the total compensation program for named executive officers should be designed to attract, motivate, and retain key talent to promote the long-term success of the Company, and to balance these objectives with a strong link to stockholder return and other measures of performance that drive total stockholder return.

The Company's overall executive compensation philosophy is that pay should be competitive with the relevant market for executive talent, be performance-based, vary with the attainment of specific objectives, and be closely aligned with the interests of the Company's stockholders. The core principles of the Company's executive compensation program include the following:

*Pay competitively:* The Compensation Committee believes in positioning executive compensation at competitive levels necessary to attract and retain exceptional leadership talent. An individual's performance and importance to the Company can result in that individual's total compensation being higher or lower than the Company's target market position. The Compensation Committee regularly utilizes the assistance of a compensation consultant to provide information on market practices, programs, and compensation levels.

*Pay-for-performance:* The Compensation Committee structures executive compensation programs to balance annual and long-term corporate objectives, including specific measures which focus on financial performance, with the goal of fostering stockholder value creation in the short- and long-term.

*Create an ownership culture:* The Compensation Committee believes that using compensation to instill an ownership culture effectively aligns the interests of management and the stockholders. To promote this alignment, the Compensation Committee granted equity-based compensation in 2011, including SARs, and time-based restricted shares, or restricted shares, to provide incentives for named executive officers to enhance stockholder value.

*Utilize a total compensation perspective:* The Compensation Committee considers all of the compensation components—base salary, annual cash incentives, long-term equity incentives, and benefits and perquisites—in total.

*Improved financial performance:* Since early 2008, the Company has been aggressively pursuing strategies intended to improve its financial and operational performance by expanding its product offerings, enhancing its sales channels, improving production performance, including quality, efficiency and capacity, and lowering costs. The Compensation Committee believes in utilizing a compensation program that appropriately rewards executives for the achievement of these objectives.

The CEO and the Compensation Committee regularly review the executive compensation program and philosophy to assess whether the program promotes the objectives of enabling the Company to attract and retain exceptionally talented executives and to link total compensation to the Company's ability to meet its annual financial and non-financial goals and, in the longer term, to produce enhanced levels of total stockholder return. Based on such reviews, programmatic changes have been implemented at various times to enhance consistency of the various compensation elements with the program's philosophy.

***How do we determine executive pay?***

*Benchmarking:* The Compensation Committee benchmarks total direct compensation, which consists of base salary, target annual cash incentive, target total cash compensation, and all forms of long-term incentives to the competitive marketplace. The Company benchmarks its named executive officer compensation because the Compensation Committee believes this is the best way to determine whether such compensation is competitive with the Company's labor market for executive talent.

The Company compares both its levels of executive compensation and its financial performance, for executive compensation purposes, to a peer group consisting of a set of companies from the construction and plastic-products industry and a set of companies from the consumer products industry.

The companies that make up the Company's peer group were selected based on six primary criteria:

1. companies that an outsider, with no knowledge of the Company's internal deliberations on the topic, would agree offer reasonable comparisons for pay and performance purposes (with the Company's primary product competitors, which are either subsidiaries or divisions of much larger public companies or much smaller public companies, being considered inappropriate for comparative purposes);
2. companies that generally overlap with the labor market for talent, as the Company has hired many executives from consumer products firms to help it build the strong brand identity that the Company has developed and seeks to maintain;
3. companies with revenue and market capitalization approximately one-half to two times the Company's revenue and market capitalization, of which approximately 50% have higher revenue and market capitalization and 50% have lower revenue and market capitalization than Trex Company;
4. companies whose business model, characteristics, growth potential, and human capital intensity are similar;
5. public companies based in the United States whose compensation and firm financial data are available in proxy statements and Form 10-K filings; and
6. companies that are large enough to have similar executive positions, to ensure statistical significance.

Based upon these criteria, a peer group of companies (the peer group) was selected by the Compensation Committee in February 2009, which was updated in October 2010, to consist of the following companies:

American Woodmark Corp.	Movado Group Inc.
Blount International, Inc.	Park Electrochemical Corp.
Deltic Timber Corp.	Raven Industries Inc.
Drew Industries, Inc.	RC2 Corp.
Hooker Furniture Corp.	Smith & Wesson Holding Corp.
Insteel Industries, Inc.	Steinway Musical Instruments Inc.
Kadant Inc.	Sturm, Ruger & Co., Inc.
K-Swiss, Inc.	Volcom, Inc.
Landec Corp.	Zoltek Corp.

In addition to peer group data, executive compensation was benchmarked in 2009 against compensation surveys published by Towers Perrin. The Company's targeted market position is the position at which the Company desires to compensate its named executive officers relative to the peer group and executive compensation surveys used in the benchmarking process. To incentivize short-term performance, the Company's targeted market position for base salaries is to approximate the market 50<sup>th</sup> percentile and for target total cash compensation is to approximate the market 50<sup>th</sup> percentile. Annual long-term incentive equity awards are targeted at the 75<sup>th</sup> percentile of the market. Based on the executive compensation benchmarking completed in February 2009 by DolmatConnell & Partners at the request of the Compensation Committee, and weighting the peer group data at 75% and the Towers Perrin compensation survey data at 25%, the market positioning of the Company for its named executive officers was as follows:

	<b>Target</b>
Base salary	50 <sup>th</sup> percentile
Target total cash compensation (salary and targeted incentive)	50 <sup>th</sup> percentile
Long-term equity incentives	75 <sup>th</sup> percentile

These positions are an average for the executive team, but may vary by individual. In addition, new-hire or promotional awards, as well as retention awards, may be positioned above the targeted market position. We discuss any such material deviations for any particular named executive officer below.

The Company's Compensation Committee seeks to balance providing competitive compensation with avoiding excessive shareholder dilution. As a result, the targeted competitive positioning of the Company's long-term incentive grants may be lower than the stated philosophy from time to time if the Compensation Committee changes targeted award values to adjust for fluctuations in the Company's share price, minimize dilution, or conserve shares available for grant.

*2011 Say-on-Pay Vote Results:* The Company provides its shareholders the opportunity to cast an annual non-binding advisory vote on executive compensation (a say-on-pay proposal). The Company and the Company's Compensation Committee consider the outcome of the Company's say-on-pay proposal when making future compensation decisions for the executive officers of the Company. In connection with our 2011 annual meeting of stockholders, the proposal to approve the executive compensation of the Company's executive officers named in the Company's definitive proxy statement dated March 22, 2011 received 8,739,380 votes, or 78.55% of votes cast. Although this vote was advisory (and therefore not binding on the Company), the Company and the Compensation Committee carefully reviewed these results and considered them, along with other communications from stockholders relating to our compensation practices, in making future compensation decisions for executive officers of the Company.



*What are the elements of executive compensation (what), why do we use these elements (why), how are the elements values determined (how determined), and, if applicable, what are the mechanics of each program (program mechanics)?*

### **Fixed Compensation**

#### *Base Salary*

*What:* Base salary is annual fixed compensation, and is a standard element of compensation, necessary to attract and retain talent, and provides fixed compensation that an employee can rely upon for his or her ordinary living expenses. Base salary is the principal non-variable element of the Company's total compensation program.

*Why:* Base salaries reflect each named executive officer's responsibilities, the impact of each named executive officer's position, and the contributions each named executive officer delivers to the Company.

*How Determined:* Base salaries are determined by competitive levels in the market, based on the Company's peer group and the results of executive compensation surveys, for executives with comparable responsibilities and job scope. Base salary increases, if any, are based on individual performance, market conditions and company performance. To gauge market conditions, the Compensation Committee evaluates the peer group and market data compiled by its consultant. Base salaries are set following review of this data upon consideration of the named executive officer's experience, tenure, performance, and potential.

In December 2009, based in part upon the executive compensation benchmarking completed by DolmatConnell in November 2009 and the target levels for base salary set forth above, the Compensation Committee set the named executive officer's base salaries for 2010. In December 2010, the Compensation Committee approved a 2.5% increase in the 2011 base salaries for the named executive officers other than Mr. Kaplan. For 2009 and 2010, the Compensation Committee, at Mr. Kaplan's request, did not increase his base salary. In December 2010, the Compensation Committee approved a 3.0% increase in Mr. Kaplan's base salary for 2011. In December 2011, the Compensation Committee approved a 2.5% increase in the 2012 base salaries for the named executive officers. The Compensation Committee considered information publicly available on the prevalent levels of salary increases and made these adjustments based on what it determined to be appropriate. The base salaries of the named executive officers for 2011 and 2012 are as follows:

<b>Executive Officer</b>	<b>2011 Base Salary</b>	<b>2012 Base Salary</b>
Ronald W. Kaplan	\$ 515,000	\$ 527,900
Chairman, President and Chief Operating Officer		
James E. Cline	\$ 282,000	\$ 289,100
Vice President and Chief Financial Officer		
F. Timothy Reese	\$ 282,000	\$ 289,100
Vice President, Operations		
William R. Gupp	\$ 267,000	\$ 273,700
Chief Administrative Officer, General Counsel and Secretary		
J. Mitchell Cox, Vice President, Sales	\$ 267,000	\$ 273,700

### **Short-Term Incentive Compensation**

We believe that it is necessary to provide short-term incentive compensation, because short-term incentives provide an immediate benefit paid in cash based on the achievement of immediate results, thereby promoting the achievement of short-term goals.

---

*Annual Cash Incentive Plan*

*What:* The annual cash incentive plan provides named executive officers with the opportunity to gain financially from the results they help to generate annually. The annual cash incentive plan provides for a cash payment based on the achievement of annual corporate financial goals.

*Why:* A performance-based incentive motivates management to enhance the short-term (one fiscal year) financial results in specific targeted areas determined at the beginning of each year.

*Program Mechanics:* For the named executive officers, the Company provides an annual cash incentive payment based 75% on achievement of a certain pretax income target, and 25% on achievement of a certain free cash flow target, in each case excluding any items determined by the Compensation Committee to be extraordinary. Free cash flow is defined as net cash provided by operating activities less expenditures for property, plant and equipment. Pretax income and free cash flow were chosen as metrics because the Committee determined that they would best measure the Company's financial performance for the fiscal year.

The Compensation Committee uses a sliding scale to determine both the pretax income portion of the annual cash incentive and the free cash flow portion of the annual cash incentive. The minimum threshold for any payment under both the pretax income element and the free cash flow element of the annual cash incentive plan for 2011 was 50% of the respective targets, which would result in a payout of 50% of the target payment, and the maximum payment was capped at 200% of the target payment if 200% or more of the target was achieved. Between the minimum threshold and the maximum payout, the amounts change in a linear fashion.

Once calculated, the target awards are expressed as a percentage of the named executive officer's base salary. Cash incentive targets for 2011 were 100% for the CEO, and 60% to 70% for the other named executive officers, depending on the named executive officer's grade level. The total award to any single named executive officer was capped at 200% of the named executive officer's targeted percentage of salary.

*Calculations of Pretax Income Target and Payout for 2011.* For the 2011 fiscal year, the Compensation Committee set target pretax income at \$27,674,000, excluding any items determined by the Compensation Committee to be extraordinary. To illustrate the sliding scale grid, if actual pretax income for 2011 was less than \$13,837,000, there would be no payout for pretax income; if pretax income was \$13,837,000, the payout would be 50% of the target payment for pretax income; if pretax income was \$20,756,000, the payout would be 75% of the target payment; if pretax income was \$27,674,000, the payout would be 100% of the target payment; if pretax income was \$41,511,000, the payout would be 150% of the target payment; and if pretax income was \$55,348,000 or greater, the payout would be 200% of the target payment.

Actual reported pretax income for 2011 was negative \$14,193,000, which included an extraordinary increase to the warranty reserve for decking material manufactured at the Company's Nevada plant prior to 2007 of \$9,975,000, and certain other extraordinary items totaling \$454,000. However, even excluding these items, the pretax income was below the minimum threshold of \$13,837,000, resulting in no incentive payout for pretax income.

*Calculations of Free Cash Flow Target and Payout for 2011.* For the 2011 fiscal year, the Compensation Committee set target free cash flow at \$45,613,000, excluding any items determined by the Compensation Committee to be extraordinary. To illustrate the sliding scale grid, if actual free cash flow for 2011 was less than \$22,807,000, there would be no payout for free cash flow; if free cash flow was \$22,807,000, the payout would be 50% of the target payment for free cash flow; if free cash flow was \$34,210,000, the payout would be 75% of the target payment; if free cash flow was \$45,613,000, the payout would be 100% of the target payment; if free cash flow was \$68,420,000, the payout would be 150% of the target payment; and if free cash flow was \$91,226,000 or greater, the payout would be 200% of the target payment.

Actual reported free cash flow for 2011 was \$24,480,000. The Compensation Committee excluded from the actual free cash flow calculation for 2011 certain charges and credits to income that it determined were

extraordinary and not considered in the establishment of the free cash flow target for the year. The net effect of the adjustment was to increase the free cash flow for incentive purposes by \$4,981,000 to \$29,461,000. The adjustments were as follows: (a) an increase in cash spending for warranty claims for decking material manufactured at the Company's Nevada plant prior to 2007 above the planned spending, of \$1,102,000, (b) cash spent on the acquisition of substantially all of the assets of Iron Deck Corporation, and the build-up of inventory associated with such acquisition, of \$3,748,000, and (c) a premium associated with the repurchase of \$5.6 million of the Company's senior subordinated convertible notes due in July 2012, net of cash interest avoided by such repurchase, of \$131,000. The Compensation Committee considered these items to be extraordinary in part because they were not considered in setting the original cash flow target of \$45,613,000.

The \$29,461,000 of free cash flow equated to 64.6% of the target. This 64.6% was then multiplied by 25%, which is the percent weight given to the free cash flow target portion of the annual cash incentive, to equal 16.15% for free cash flow achievement.

*Total Cash Incentive Payout Percentage.* As a result of the above calculations, the cash incentive for 2011 to the executive officers was paid at a blended rate of 16.15% of target, which was determined as follows:

Pretax income achievement	0%
Free cash flow achievement	64.6% x .25 = 16.15%
Total	16.15%

This blended rate was then multiplied by the cash incentive target for each executive officer, as described above. Actual payouts to each named executive officer, as a percentage of base salary, were:

Executive Officer	2011 Base Salary	Target Incentive (as a % of Base Salary)	Target Incentive	Cash Incentive Payout Percentage	2011 Cash Incentive	% of Base Salary
Ronald W. Kaplan	\$ 515,000	100%	\$ 515,000	16.15%	\$ 83,173	16.15%
Chairman, President and Chief Operating Officer						
James E. Cline	\$ 282,000	70%	\$ 197,400	16.15%	\$ 31,880	11.30%
Vice President and Chief Financial Officer						
F. Timothy Reese	\$ 282,000	70%	\$ 197,400	16.15%	\$ 31,880	11.30%
Vice President, Operations						
William R. Gupp	\$ 267,000	60%	\$ 160,200	16.15%	\$ 25,872	9.69%
Chief Administrative Officer, General Counsel and Secretary						
J. Mitchell Cox,	\$ 267,000	60%	\$ 160,200	16.15%	\$ 25,872	9.69%
Vice President, Sales						

*Determination of Target Levels.* The performance metrics of the Company's planned pretax income and free cash flow for the 2011 fiscal year were strongly related to the creation of total stockholder value. Both the pretax income and free cash flow targets for 2011 were set at a level that represented reasonable targets given macroeconomic conditions affecting the economy in general, and homebuilding and home remodeling in particular.

## Edgar Filing: TREX CO INC - Form DEF 14A

*Target Levels for 2012 Annual Cash Incentive Plan.* In December 2011, the Compensation Committee established the pretax income and free cash flow targets for 2012, with pretax income again being weighted at 75% and free cash flow weighted at 25%.

The program mechanics for the 2012 annual cash incentive plan are the same as they were for the 2011 annual cash incentive plan, which is discussed in detail above.

### **Long-Term Incentive Compensation Elements**

We believe that long-term incentive compensation elements provide appropriate motivational tools to achieve certain long-term company goals. The long-term incentive program is designed to align named executive officers' interests with those of stockholders, motivate the named executive officer team to achieve key financial goals and reward superior performance. The design of the program helps to reduce turnover and to retain the knowledge and skills of the Company's valued employees. In structuring the amount of long-term equity incentive awards, the Compensation Committee seeks to balance such awards and the interests of the Company's stockholders under a policy that moderates the dilutive effects of annual equity-based awards against the need to provide attractive and competitive incentive compensation.

The performance of the Company also will significantly affect the value of long-term equity incentive awards to executives. Stock appreciation rights (SARs), one of the components of the Company's long-term incentive compensation, will have value only if the Company's stock price increases above the grant price. (See the discussion of SARs below under *Stock Appreciation Rights (SARs)*.) The other component of the Company's long-term incentive compensation, time-based restricted shares, will be of greater value if the Company performs well and its stock price increases. (See the discussion of restricted shares below under *Restricted Shares*.)

#### *Long-Term Equity Incentive Plan*

Under the long-term equity incentive plan of the Company, the award of restricted shares in 2011 was conditioned on the attainment in 2010 of positive earnings per share, or EPS, excluding certain items determined by the Compensation Committee to be extraordinary, while the award of SARs was not conditioned upon the attainment of any company performance target. The Compensation Committee considers that SARs are performance based by definition in that the value of SARs are dependent on an increase in the share price from the date of grant of the SAR to the date of its exercise.

The target levels for the 2011 grants were the same as in 2010: 200% of base salary for the CEO and 115% to 135% of base salary for the other named executive officers, depending on the officer's grade level. In the event the Company achieved positive EPS for the 2010 fiscal year (excluding certain items determined by the Compensation Committee to be extraordinary), the awards would be equal to 100% of the target level, split evenly between restricted shares and SARs. If the Company did not achieve positive EPS for 2010 (excluding certain items determined by the Compensation Committee to be extraordinary), the awards would be equal to 50% of the target level, and would be entirely comprised of SARs.

The Compensation Committee excluded from the actual EPS calculation for 2010 certain charges and credits to income that it determined were extraordinary and not considered in the establishment of the EPS target for the year. The net effect of the adjustment was to increase the EPS for incentive purposes by \$1.24 from reported EPS of (\$.66) to \$.58. The adjustments were as follows: (a) an increase to the warranty reserve for decking material manufactured at the Company's Nevada plant prior to 2007, of \$.96, (b) an impairment charge taken on our joint venture for recycling waste polyethylene in Spain, of \$.16, and (c) one-half of the charge for minimum purchase penalties the Company expected to incur under a supply contract, or \$.12. The Compensation Committee considered these items to be extraordinary in part because they were not considered in setting the EPS target for the year.

Because the Company did achieve positive EPS for the 2010 fiscal year (with the adjustments described above), awards were made at 100% of target, split evenly between restricted shares and SARs.

Actual payouts to each named executive officer of long-term equity incentive awards in February 2011, as a percentage of base salary, were as follows:

Executive Officer	Value of 2011 Long-Term Equity Award	% of 2011 Base Salary
Ronald W. Kaplan	\$ 1,030,000	200%
Chairman, President and Chief Operating Officer		
James E. Cline	\$ 380,700	135%
Vice President and Chief Financial Officer		
F. Timothy Reese	\$ 380,700	135%
Vice President, Operations		
William R. Gupp	\$ 307,050	115%
Chief Administrative Officer, General Counsel and Secretary		
J. Mitchell Cox,	\$ 307,050	115%
Vice President, Sales		

The Compensation Committee retains discretion to adjust the target percentage award based upon each named executive officer's current performance and anticipated future contribution to the Company's results, as well as upon the amount and terms of equity-based awards previously granted to the named executive officer by the Company. The Compensation Committee did not make any discretionary adjustments to a named executive's target percentage award, and has not done so for any of the executive officers in any of the years reflected in the Summary Compensation Table.

This portfolio of long-term equity instruments accomplishes key goals of the Company. A strong incentive to increase the share price is provided through the SARs, while there is a strong retention focus through time-based restricted shares. In addition, this approach achieves a more moderate dilutive impact than providing only SARs, in that use of full-value vehicles such as restricted shares requires fewer shares to provide equivalent value to the executives.

The Compensation Committee believes that the approach for the 2011 grants of long-term incentive compensation builds upon its pay-for-performance philosophy and incorporates the growing prevalence in the marketplace of an incentive approach that provides a balance between different long-term incentive vehicles. Further, the grant of restricted shares is intended to create greater alignment between the interests of stockholders and management by providing senior management with direct ownership in the Company, including the downside risk to the value of the equity, and also serves as a retention incentive. In this way, the restricted shares provide additional and different incentives than the SARs granted to named executive officers.

With respect to long-term equity awards made in February 2012, the program was identical to the program for the 2011 awards, as described above, except that the award of restricted shares in 2012 was conditioned on the attainment in 2011 of positive pretax earnings (as opposed to EPS for the prior year), excluding certain items determined by the Compensation Committee to be extraordinary. Although the Company did not earn positive pretax earnings in 2011, even excluding an extraordinary increase to the warranty reserve for decking material manufactured at the Company's Nevada plant prior to 2007 of \$9,975,000, and certain other extraordinary items totaling \$454,000, the Compensation Committee determined that but for the extraordinary weakness in the economy in 2011 and poor weather conditions in the early part of the year, both of which significantly depressed Company revenues, the Company would have achieved positive pretax earnings. The Committee also wanted to recognize superior performance by the management team despite the adverse factors, including but not limited to improved manufacturing efficiencies, including specifically with respect to the Company's new Transcend product line, and market share gains in the non-wood decking and railing segment. When adjusting for these extraordinary events, the Compensation Committee used its permitted discretionary authority to grant the restricted stock awards at the target levels.

Actual payouts to each named executive officer of long-term equity awards in February 2012, as a percentage of base salary, split evenly between restricted shares and SARs, were as follows:

Executive Officer	Value of 2012 Long-Term Equity Award	% of 2012 Base Salary
Ronald W. Kaplan	\$ 1,055,800	200%
Chairman, President and Chief Operating Officer		
James E. Cline	\$ 390,285	135%
Vice President and Chief Financial Officer		
F. Timothy Reese	\$ 390,285	135%
Vice President, Operations		
William R. Gupp	\$ 314,755	115%
Chief Administrative Officer, General Counsel and Secretary		
J. Mitchell Cox,	\$ 314,755	115%
Vice President, Sales		

With respect to long-term equity awards to be made in 2013, the program will be identical to the program for the 2012 awards.

The Compensation Committee regularly makes its annual long-term equity incentive grants to named executive officers at its February meeting, with the grant date being the date of the Compensation Committee meeting at which such equity grants are approved. The Company does not time the grant of equity awards in coordination with the release of material non-public information.

#### *Stock Appreciation Rights (SARs)*

*What:* SARs are grants which, upon exercise, give the holder the right to receive the net appreciation in market value of a specified number of shares of our common stock over a base price. Upon exercise, the net appreciation over the base price is settled in an equivalent number of common shares valued on the exercise date. SARs are similar to stock options but are less dilutive because only a net number of shares are issued. With respect to SARs, the grant price is the closing market price of the Company's common stock on the NYSE on the grant date.

*Why:* SARs motivate executive efforts to achieve results that produce long-term increases (since executives have up to 10 years to exercise their SARs) in common stock market price, because, if the stock price does not increase, the award has no value.

*How Determined:* The number of SARs issued is based on the approved target dollar amount of SARs to be awarded, divided by the value of one SAR, which is equal to the Black-Scholes value of an equivalent stock option.

*Program Mechanics:* The Company grants SARs at a price equal to the fair market value of the Company's common stock on the date of the grant. The three-year SAR vesting period, in which one-third of the award vests on each anniversary of the grant date until fully vested, encourages named executive officers to work with a long-term view of the Company's performance and reinforces their long-term affiliation with the Company. Named executive officers also receive value in the SAR grants only when the share price increases above the grant price, which strengthens their alignment with stockholder interests. The Summary Compensation Table below includes the SAR grants to the named executive officers approved by the Compensation Committee in 2011.

### *Restricted Shares*

*What:* Restricted shares are Company common stock that cannot be sold or transferred during the vesting period. The restricted shares each have a three-year vesting period, vesting one-third each year.

*Why:* Restricted shares facilitate retention by providing guaranteed in-the-money value if the named executive officer remains with the Company over the vesting period. In addition, time-vested restricted stock provides immediate alignment with stockholders through current stock ownership. The value of current stock ownership may rise or fall and therefore can be more effective and provide a more immediate retention tool than the possibility of long-term future rewards.

*How Determined:* The number of restricted shares issued is based on the approved target dollar amount of restricted stock to be awarded, divided by the fair market value of the Company's common stock on the date of the grant.

*Program Mechanics:* The Summary Compensation Table below includes the restricted share grants to the named executive officers approved by the Compensation Committee in 2011.

### *Exceptions to Long-Term Incentive Grants*

Nearly all of the long-term incentive grants are determined and granted by the Compensation Committee at its February meeting. However, certain exceptions to this policy exist, with respect to the new hire of an executive officer, with the grant date being the hiring date, and with respect to extraordinary retention awards of restricted shares. No such awards were made to the named executive officers in 2011.

### **Perquisites**

*What:* The Company provides a limited number of perquisites to its named executive officers. The perquisites offered to the named executive officers in 2011 include a monthly company car allowance, and a country club membership for the CEO.

*Why:* The Compensation Committee believes that the benefits the Company and the named executive officers derive from perquisites more than offset their costs to the Company. The personal benefits are considered to constitute a part of the Company's overall program and are presented in this light as part of the total compensation package approved by the Compensation Committee at the time of an executive officer's hiring or promotion, as part of the Compensation Committee's review of each named executive officer's annual total compensation, and in compensation discussions with named executive officers.

*How Determined:* The Compensation Committee oversees the design, implementation and administration of all the Company benefit programs, including perquisites. The amounts relating to perquisites are disclosed in the footnotes to the Summary Compensation Table below. The Compensation Committee, with the assistance of its consultant, periodically reviews the cost and prevalence of these programs to ensure they are in line with competitive practices and are warranted based upon business needs and the contributions of the named executive officers.

*Program Mechanics:* The monthly company car allowance is \$1,000 for the CEO and \$750 for the other named executive officers. The country club membership for the CEO included payment of an annual membership at a local country club in order to promote good community and business relationships. Additional information about these perquisites can be found in the All Other Compensation Table below.



***Does the Company have Severance or Change-in-Control Agreements with its named executive officers?***

The Company has entered into change-in-control agreements with the named executive officers to provide certain cash payments to the officers upon a termination following a change in control, which is in the form of a double trigger. In addition, such agreements provide for an acceleration of equity grants upon a change in control. Change-in-control agreements are designed to protect executives in the event of a change in control, and provide security for executives against sudden or arbitrary termination in connection with a change in control. In addition, the CEO has an employment agreement, and the other named executive officers have severance agreements, which provide for certain benefits upon an involuntary termination. These agreements promote retention of high-performing individuals and also assist in recruiting and retaining key employees by providing competitive arrangements. The provisions of each agreement were determined by analysis of peer group and market trends and practices and are set at competitive levels with industry practice.

For a discussion of these arrangements, including the estimated quantification of these amounts, see the *Elements of Post Termination Compensation* discussion following this *Compensation Discussion and Analysis*.

***How do our decisions regarding each element affect decisions regarding the other elements?***

The Compensation Committee considers total cash and equity compensation when setting the compensation of executive officers. In doing so, the Compensation Committee considers the retention value of the long-term equity currently held by the executive. Based on this review, the Compensation Committee may decide to adjust one or more elements of an executive's total compensation. The Compensation Committee aims to provide competitive total direct compensation and assesses an executive's total compensation package when looking at the executive's competitive standing relative to the market. Additionally, the Compensation Committee seeks to provide a competitive compensation mix, with discretion depending on factors deemed relevant to the Compensation Committee, such as individual performance, internal equity, and historical pay practices. Certain compensation decisions may specifically affect other elements of compensation. For example, because potential short-term cash incentive and long term equity incentive payouts are based on the executive's base salary, increases in base salary also increase the amount of such payouts.

***What are the tax and accounting considerations that factor into decisions regarding executive compensation?***

We consider tax and accounting implications in determining our compensation programs.

*Policy on Deductibility of Named Executive Officer Compensation.* In evaluating compensation program alternatives, the Compensation Committee considers the potential impact on the Company of Section 162(m) of the Internal Revenue Code. Section 162(m) eliminates the deductibility of compensation over \$1 million paid to the CEO and three other most highly-compensated named executive officers (other than the CFO), excluding performance-based compensation. Compensation programs generally will qualify as performance-based if compensation is based on pre-established objective performance targets, the programs' material features have been approved by stockholders, and there is no discretion to increase payments after the performance targets have been established for the performance period.

To the extent a named executive officer would otherwise earn over \$1 million in compensation in any calendar year, the Compensation Committee will endeavor to maximize deductibility of compensation under Section 162(m) of the Internal Revenue Code to the extent practicable while maintaining a competitive, performance-based compensation program. However, tax consequences, including, but not limited to, tax deductibility, are subject to many factors (such as changes in the tax laws and regulations or interpretations thereof and the timing and nature of various decisions by officers regarding stock options) that are beyond the control of either the Compensation Committee or the Company. In addition, the Compensation Committee believes that it is important for it to retain maximum flexibility in designing compensation programs that meet its stated objectives and fit within the Compensation Committee's guiding principles. Finally, based on the amount

of deductions the Company can take each year, the actual impact of the loss of deduction for compensation paid to the CEO and the other three most highly compensated executives over the \$1 million limitation may be small and have a *de minimis* impact on the Company's overall tax position. For all of the foregoing reasons, the Compensation Committee, while considering tax deductibility as one of its factors in determining compensation, will not limit compensation to those levels or types of compensation that will be deductible. The Compensation Committee will consider alternative forms of compensation, consistent with its compensation goals that preserve deductibility.

*Internal Revenue Code Section 409A.* The Compensation Committee has reviewed all of the Company's compensation plans and programs to ensure that they are compliant with Section 409A of the Internal Revenue Code and the relevant Treasury Resolutions regarding nonqualified deferred compensation, and has determined that they are compliant.

*Impact of FASB ASC Topic 718.* The accounting standards applicable to the various forms of long-term incentive plans under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 718 (formerly FASB Statement 123R) is one factor that the Company considers in the design of its long-term equity incentive programs. Other factors include the link to the performance that each vehicle provides, the degree of upside leverage and downside risk inherent in each vehicle, the impact on dilution and overhang that the vehicles have, and the role that each vehicle has in the attraction, retention, and motivation of our executive and key employee talent. The Company monitors its FASB ASC Topic 718 expense to ensure that it is reasonable, but expense will not be the most important factor in making decisions about our long-term incentive plans.

**REPORT OF THE COMPENSATION COMMITTEE OF THE  
BOARD OF DIRECTORS OF TREX COMPANY INC.**

The Compensation Committee of the Trex Company, Inc. (the "Company") Board of Directors has reviewed and discussed with the Company's management the Compensation Discussion and Analysis above, and recommended to the Board that the Compensation Discussion and Analysis be included in the Company's 2012 proxy statement and incorporated by reference in the Company's Annual Report on Form 10-K for the year ended December 31, 2011, for filing with the Securities and Exchange Commission.

Respectfully submitted,

THE COMPENSATION COMMITTEE

William F. Andrews, Chairman

Jay M. Gratz

Frank H. Merlotti, Jr.

Patricia B. Robinson

The following tables, narrative and footnotes discuss the compensation of our Chief Executive Officer, Chief Financial Officer, and our three other most highly compensated executive officers, during 2011. These individuals were the only executive officers of the Company during 2011 for whom this information is required under SEC rules.

## SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards \$(1)	SAR Awards \$(1)	Non-Equity Incentive Plan Compensation \$(2)	Change in Pension Value and Nonqualified Deferred Compensation	All other compensation \$(3)	Total (\$)
							Earnings (\$)		
Ronald W. Kaplan	2011	515,000		515,000	515,000	83,173		32,118	1,660,291
President and Chief Executive Officer					500,000				2,200,622
	2010	500,000		500,000	500,000	626,250		74,372	2,258,528
	2009	500,000		500,000		718,750		39,778	
James E. Cline	2011	282,000		190,350	190,350	31,880		23,700	718,280
Vice President and Chief Financial Officer									916,745
	2010	275,000		185,625	185,625	241,106		29,389	872,017
	2009	260,000		168,750	168,750	251,562		22,955	
F. Timothy Reese	2011	282,000		190,350	190,350	31,880		23,700	718,280
Vice President, Operations					185,625				911,321
	2010	275,000		185,625		241,106			872,442
	2009	260,000		168,750		251,562		23,380	
William R. Gupp	2011	267,000		153,525	153,525	25,872		23,700	623,622
Chief Administrative Officer, General Counsel and Secretary									791,223
	2010	260,000		149,500	149,500	195,390		9,631	687,444
	2009	225,000		129,375	129,375	194,063			
J. Mitchell Cox	2011	267,000		153,525	153,525	25,872		23,700	623,622
Vice President, Sales									785,390
	2010	260,000		149,500	149,500	195,390		18,703	771,828
	2009	250,000		143,750	143,750	215,625			

(1) Amounts represent the grant date fair value determined in accordance with FASB ASC Topic 718. Assumptions used in the calculation of these amounts are included in note 10 to the Company's audited financial statements in the 2011 Form 10-K, as filed with the SEC.

(2) See *Compensation Discussion and Analysis* and the *Grants of Plan-Based Awards Table* below for additional information on these awards.

Edgar Filing: TREX CO INC - Form DEF 14A

(3) See the *All Other Compensation Table* below for additional information on these amounts for 2011.

**ALL OTHER COMPENSATION TABLE**

	<b>401(k) Matching Contribution (\$)(1)</b>	<b>Club Membership (\$)(2)</b>	<b>Car Allowance (\$)(3)</b>	<b>Total Other Compensation (\$)</b>
Ronald W. Kaplan	14,700	5,418	12,000	32,118
James E. Cline	14,700		9,000	23,700
F. Timothy Reese	14,700		9,000	23,700
William R. Gupp	14,700		9,000	23,700
J. Mitchell Cox	14,700		9,000	23,700

(1) Represents company matching contributions to the Company's 401(k) plan. The Company matches up to 6% of an employee's annual salary, not to exceed the limitations imposed under the rules of the Internal Revenue Service.

(2) Represents the cost of annual country club dues for Mr. Kaplan.

(3) Represents the cost of company automobile allowance for Messrs. Kaplan, Cline, Reese, Gupp and Cox.

## GRANTS OF PLAN-BASED AWARDS

Name	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards (1)			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units (#)(2)	All Other Awards; Number of Underlying SARs (#)(2)	Exercise or Base Price of SAR Awards (\$/Sh)	Grant Date Fair Value of Stock and SAR Awards (\$)(3)
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (\$)	Target (\$)	Maximum (\$)				
Ronald W. Kaplan	2/16/2011	64,375	515,000	1,030,000							
	2/16/2011							19,656	35,371	26.20	515,000
James E. Cline	2/16/2011	24,675	197,400	394,800							
	2/16/2011							7,265	13,073	26.20	190,350
F. Timothy Reese	2/16/2011	24,675	197,400	394,800							
	2/16/2011							7,265	13,073	26.20	190,350
William R. Gupp	2/16/2011	20,025	160,200	320,400							
	2/16/2011							5,860	10,544	26.20	153,525
J. Mitchell Cox	2/16/2011	20,025	160,200	320,400							
	2/16/2011							5,860	10,544	26.20	153,525

- (1) Represents threshold, target and maximum payout levels under the annual cash incentive plan for 2011 performance. Additional information regarding the design of the annual cash incentive plan, including a description of the performance-based conditions applicable to 2011 awards, is included in the *Compensation Discussion and Analysis* section of this proxy statement.
- (2) Grants vest ratably over three years. SARs and restricted shares vest 100% at retirement.
- (3) Amounts represent the grant date fair value determined in accordance with FASB ASC Topic 718. Assumptions used in the calculation of these amounts are included in note 10 to the Company's audited financial statements in the 2011 Form 10-K.

## OUTSTANDING EQUITY AWARDS AT FISCAL-YEAR END

Name and Grant Date	Option/SAR Awards					Stock Awards		Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not
	Number of Securities Underlying Unexercised Options / SARs Exercisable (#)	Number of Securities Underlying Unexercised Options/ SARs Unexercisable (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options / SARs (#)	Option / SAR Exercise Price (\$)	Option / SAR Expiration Date (1)	Number of Shares of Stock Not Vested (#)	Market Value of Shares of Stock Not Vested (\$)(2)	Unearned Shares, Units or Other Rights That Have Not Vested (#)
<b>Ronald W. Kaplan</b>								
1/7/2008	57,355			8.80	1/7/2018			
5/7/2008	128,866			9.14	5/7/2018			
2/18/2009	49,900	24,950(3)		13.44	2/18/2019	12,400(3)	284,084	
2/17/2010	16,634	33,266(3)		17.41	2/17/2020	19,146(3)	438,645	
2/16/2011		35,371(3)		26.20	2/16/2021	19,656(3)	450,319	
<b>James E. Cline</b>								
3/3/2008	43,364			7.52	3/3/2018			
5/7/2008	43,492			9.14	5/7/2018			
2/18/2009	16,841	8,421(3)		13.44	2/18/2019	4,184(3)	95,855	
2/17/2010	6,175	12,350(3)		17.41	2/17/2020	7,108(3)	162,844	
2/16/2011		13,073(3)		26.20	2/16/2021	7,265(3)	166,441	
<b>F. Timothy Reese</b>								
2/5/2008	36,444			8.20	2/5/2018			
5/7/2008	39,143			9.14	5/7/2018			
2/18/2009	16,841	8,421(3)		13.44	2/18/2019	4,184(3)	95,855	
2/17/2010	6,175	12,350(3)		17.41	2/17/2020	7,108(3)	162,844	
2/16/2011		13,073(3)		26.20	2/16/2021	7,265(3)	166,441	
<b>William R. Gupp</b>								
2/21/2002	2,009			20.00	2/21/2012			
2/25/2003	2,896			35.95	2/25/2013			
2/19/2004	4,475			38.51	2/19/2014			
3/9/2005	3,466			46.71	3/9/2015			
2/8/2006	9,000			24.17	2/8/2016			
2/21/2007	6,916			25.37	2/21/2017			
5/7/2008	11,344			9.14	5/7/2018			
2/18/2009	12,912	6,456(3)		13.44	2/18/2019	3,208(3)	73,495	
2/17/2010	4,974	9,946(3)		17.41	2/17/2020	5,724(3)	131,137	
2/16/2011		10,544(3)		26.20	2/16/2021	5,860(3)	134,253	
<b>J. Mitchell Cox</b>								
2/8/2006	9,700			24.17	2/8/2016			
2/21/2007	10,238			25.37	2/21/2017			
5/7/2008	37,049			9.14	5/7/2018			
2/18/2009	14,346	7,173(3)		13.44	2/18/2019	3,564(3)	81,651	
2/17/2010	4,974	9,946(3)		17.41	2/17/2020	5,724(3)	131,137	
2/16/2011		10,544(3)		26.20	2/16/2021	5,860(3)	134,253	

## Edgar Filing: TREX CO INC - Form DEF 14A

- (1) The term of each SAR / stock option is ten years. (With respect to grants under the 2005 Stock Incentive Plan, the term is extended by one year if the grantee dies in the tenth year of the term.)
- (2) The value is calculated based on the \$22.91 closing price of the Company's common stock on the NYSE on December 30, 2011, the last market trading day of the year, times the number of shares that are unvested.
- (3) Vests in three equal annual installments beginning on the first anniversary of the grant date.

## 2011 OPTION / SAR EXERCISES AND STOCK VESTED

	Option/SAR Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)(1)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)(2)
Ronald W. Kaplan (3)	126,372	2,467,706	51,572	1,412,155
James E. Cline (4)	8,400	193,872	13,893	389,353
F. Timothy Reese (5)			13,279	371,191
William R. Gupp (6)	31,503	382,889	14,121	385,588
J. Mitchell Cox (7)			31,670	824,559

- (1) The value is calculated based upon the number of SARs exercised times the difference between the strike price and the market price on the date of vesting.
- (2) The value is calculated based on the closing price of the Company common stock on the date of vesting (as set forth below in footnotes 3-7), times the number of vested shares.
- (3) The amount shown for Option/SAR Awards reflects 70,065 SARs exercised on February 15, 2011 at a strike price of \$8.80 and a market price of \$26.00, 7,785 SARs exercised on March 1, 2011 at a strike price of \$8.80 and a market price of \$30.60, 16,173 SARs exercised on April 1, 2011 at a strike price of \$8.80 and a market price of \$33.33, 16,175 SARs exercised on May 2, 2011 at a strike price of \$8.80 and a market price of \$30.90, and 16,174 SARs exercised on June 1, 2011 at a strike price of \$8.80 and a market price of \$29.74. The amount shown for Stock Awards reflects 11,363 restricted shares that vested on January 7, 2011 at a price of \$25.02, 9,573 restricted shares that vested on February 17, 2011 at a price of \$27.00, 12,401 restricted shares that vested on February 18, 2011 at a price of \$26.61, and 18,235 restricted shares that vested on May 7, 2011 at a price of \$29.58.
- (4) The amount shown for Option/SAR Awards reflects 8,400 SARs exercised on March 1, 2011 at a strike price of \$7.52 and a market price of \$30.60. The amount shown for Stock Awards reflects 3,554 restricted shares that vested on February 17, 2011 at a price of \$27.00, 4,186 restricted shares that vested on February 18, 2011 at a price of \$26.61, and 6,153 restricted shares that vested on May 7, 2011 at a price of \$29.58.
- (5) The amount shown for Stock Awards reflects 3,554 restricted shares that vested on February 17, 2011 at a price of \$27.00, 4,186 restricted shares that vested on February 18, 2011 at a price of \$26.61, and 5,539 restricted shares that vested on May 7, 2011 at a price of \$29.58.
- (6) The amount shown for Option/SAR Awards reflects 4,503 Options exercised on March 2, 2011 at a strike price of \$20.00 and a market price of \$30.54, 6,000 Options exercised on May 3, 2011 at a strike price of \$20.00 and a market price of \$30.56, 4,000 Options exercised on May 5, 2011 at a strike price of \$28.90 and a market price of \$30.00, 2,000 SARs exercised on March 1, 2011 at a strike price of \$9.14 and a market price of \$30.78, 1,875 SARs exercised on April 1, 2011 at a strike price of \$9.14 and a market price of \$33.33, 1,875 SARs exercised on May 1, 2011 at a strike price of \$9.14 and a market price of \$30.90, 1,875 SARs exercised on June 1, 2011 at a strike price of \$9.14 and a market price of \$29.74, 1,875 SARs exercised on July 1, 2011 at a strike price of \$9.14 and a market price of \$24.00, 1,875 SARs exercised on August 1, 2011 at a strike price of \$9.14 and a market price of \$19.99, 1,875 SARs exercised on September 1, 2011 at a strike price of \$9.14 and a market price of \$18.15, 1,875 SARs exercised on October 31, 2011 at a strike price of \$9.14 and a market price of \$18.48, and 1,875 SARs exercised on November 1, 2011 at a strike price of \$9.14 and a market price of \$18.21. The amount shown for Stock Awards reflects 3,332 restricted shares that vested on January 8, 2011 at a price of \$25.02, 2,863 restricted shares that vested on February 17, 2011 at a price of \$27.00, 3,209 restricted shares that vested on February 18, 2011 at a price of \$26.61, and 4,717 restricted shares that vested on May 7, 2011 at a price of \$29.58.





- (7) The amount shown for Stock Awards reflects 13,332 restricted shares that vested on January 8, 2011 at a price of \$25.02, 6,667 restricted shares that vested on January 12, 2011 at a price of \$24.56, 2,863 restricted shares that vested on February 17, 2011 at a price of \$27.00, 3,566 restricted shares that vested on February 18, 2011 at a price of \$26.61, and 5,242 restricted shares that vested on May 7, 2011 at a price of \$29.58.

**Equity Compensation Plan Information**

The following table sets forth the following information as of December 31, 2011 for (1) all equity compensation plans previously approved by the Company's stockholders and (2) all equity compensation plans not previously approved by the Company's stockholders:

the number of securities to be issued upon the exercise of outstanding options, SARs, warrants and rights;

the weighted average exercise price of such outstanding options, SARs, warrants and rights; and

other than securities to be issued upon the exercise of such outstanding options, SARs, warrants and rights, the number of securities remaining available for future issuance under the plans.

	Number of securities to be issued upon exercise for outstanding options, SARs, warrants and rights (a)	Weighted average exercise price of outstanding options, SARs, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a) (c)
Equity compensation plans approved by security holders (1)	1,307,774(2)	\$ 15.93	1,026,913
Equity compensation plans not approved by security holders			
<b>Total</b>	<b>1,307,774(2)</b>	<b>\$ 15.93</b>	<b>1,026,913</b>

- (1) Consists of the Trex Company, Inc. 2005 Stock Incentive Plan (the 2005 Stock Incentive Plan ), the Trex Company, Inc. Amended and Restated 1999 Incentive Plan for Outside Directors (the Outside Directors Plan ) and Trex Company's 1999 Employee Stock Purchase Plan.

- (2) Excludes 160,175 shares of restricted stock outstanding under the 2005 Stock Incentive Plan as of December 31, 2011.

- (3) Represents 910,454 shares remaining available for future issuance under the 2005 Stock Incentive Plan and 116,459 shares remaining available for future issuance under the 1999 Employee Stock Purchase Plan. Shares of common stock issuable under the Outside Director Plan are issued pursuant to the 2005 Stock Incentive Plan.

**Elements of Post Termination Compensation**

In light of competitive market practices, based on the findings in a study completed by the Compensation Committee's independent consultant, the Compensation Committee has approved change-in-control severance agreements for the CEO and the other named executive officers. The agreements are intended to help retain these named executive officers, maintain a stable work environment and provide economic security to certain key employees in the event of termination of their employment in connection with a change in control.

Pursuant to these agreements, if, within the period beginning 90 days before and ending two years after a change in control of the Company, the employment of the executive, which we refer to as a covered executive, is terminated by the Company (other than a termination for cause or by reason of death or disability) or if the covered executive terminates his employment for good reason (a double trigger ), the



covered executive will receive severance benefits. For this purpose, "cause" includes events specified in the change-in-control severance agreement, including the covered executive's willful or grossly negligent misconduct that is materially injurious to the Company, embezzlement or misappropriation of funds or property of the Company, conviction of a felony or any crime involving fraud, dishonesty, moral turpitude or breach of trust, or willful failure or refusal to devote full business time and attention to the performance of duties. For this purpose, "good reason" includes events specified in the change-in-control severance agreement, including a material and adverse change in the covered executive's status or position with the Company, a 10% or greater reduction in the covered executive's aggregate base salary and targeted annual incentive other than as part of general reduction in executive compensation, the failure by the Company or any successor to continue in effect any employee benefit plan in which the covered executive is participating other than as a result of normal expiration of such plan in accordance with its terms, or the relocation of the covered executive's office more than 50 miles from the current office and further than his then-current residence. Upon such termination, the covered executive will receive:

a lump-sum cash payment equal to the sum of (1) the covered executive's accrued base salary and accrued vacation pay, plus (2) if not previously paid, the covered executive's annual cash incentive earned for the preceding fiscal year, plus (3) the covered executive's targeted annual cash incentive for the year in which the severance occurs, pro-rated based upon the number of days he was employed during such year;

a lump sum severance payment equal to 2.99 times for the CEO and 1.5 times for the other named executive officers the sum of (1) the covered executive's annual base salary (in effect immediately prior to the change in control or termination, whichever is greater), plus (2) the greater of (a) the covered executive's target annual cash incentive for the year immediately prior to the year in which the change in control occurs, (b) the covered executive's target annual cash incentive for the year of the termination, or (c) the covered executive's actual annual cash incentive for the last fiscal year immediately prior to termination of employment; and

continuation of group health and dental insurance, and group life insurance, on the same terms and conditions as though the covered executive had remained an active employee, for the longer of 18 months or until coverage is obtained from a new employer.

Notwithstanding the foregoing, each agreement provides that, to the extent necessary to avoid imposition of the excise tax under Section 4999 of the Internal Revenue Code in connection with a change in control, the amounts payable or benefits to be provided to the covered executive shall be reduced such that the reduction of compensation to be provided to the covered executive is minimized. In applying this principle, the reduction shall be made in a manner consistent with the requirements of Section 409A of the Internal Revenue Code, and where two economically equivalent amounts are subject to reduction but payable at different times, such amounts shall be reduced on a pro rata basis (but not below zero).

If a change of control occurs during the term of these agreements, the covered executive will be entitled to accelerated vesting of all outstanding long-term incentive awards, including, but not limited to, stock options, stock appreciation rights, restricted shares, and performance shares (at the targeted payment level) (whether or not there is a loss of employment).

A change in control is generally defined as (1) the acquisition by any person or entity of 35% of Trex Company's outstanding stock, (2) a merger where the stockholders of the Company immediately prior to the merger would not own at least 50% of the outstanding stock of the Company after such merger, (3) a sale of all or substantially all of the assets of the Company, or (4) during any two-year period, the directors in office at the beginning of such period ceasing to be a majority of the board, unless the nomination of each new director during such period was approved by at least two-thirds of the directors in office at the beginning of such period.

The Company has also entered into an employment agreement with the CEO, and severance agreements with the other named executive officers, which provide for certain benefits upon an involuntary termination. These agreements promote retention of high-performing individuals and also assist in recruiting and retaining key employees by providing competitive arrangements.

Mr. Kaplan's employment agreement, dated January 1, 2008, which was amended and restated on March 7, 2011 and August 3, 2011, provides for the payment of severance benefits to Mr. Kaplan if the Company terminates his employment without cause or if Mr. Kaplan resigns for good reason (other than in connection with a change-in-control). For this purpose, cause and good reason are defined in the same manner as in the change-in-control severance agreements discussed above. Upon such a termination, Mr. Kaplan will be entitled to receive the following:

a lump-sum cash payment equal to the sum of (1) Mr. Kaplan's accrued base salary and accrued vacation pay, plus (2) if not previously paid, Mr. Kaplan's annual cash incentive earned for the preceding fiscal year;

a lump-sum cash payment equal to 2 times the sum of (1) Mr. Kaplan's base salary then in effect, plus (2) an amount equal to the greater of (a) Mr. Kaplan's targeted annual cash incentive for the year in which his employment terminates, or (b) his actual annual cash incentive earned for the preceding year;

continued health, dental, and life insurance benefits for up to 24 months; and

accelerated vesting of all outstanding long-term incentive awards, including stock options, stock appreciation rights, and restricted shares, with any stock options or stock appreciation rights being exercisable for a period ending on the earlier of 5 years after termination of employment or the expiration of the term of such grant.

If Mr. Kaplan's employment is terminated during a change-in-control protection period under his change-in-control severance agreement, described above, Mr. Kaplan will be entitled to receive the severance payments specified under that agreement instead of the foregoing payments under his employment agreement.

Mr. Kaplan is not entitled to any additional severance payments or benefits under his employment agreement if his employment is terminated by the Company for cause, by Mr. Kaplan without good reason, or if it terminates due to his death or disability.

Mr. Kaplan's employment agreement has an initial term expiring on August 16, 2015, but will automatically be extended for additional one-year periods beginning on August 17, 2015 unless either Mr. Kaplan or the Company provides a non-extension notice to the other party at least 90 days before the expiration of the employment term then in effect.

On August 3, 2011, the Company entered into severance agreements with all executive officers other than Mr. Kaplan (who is covered by a separate employment agreement, as discussed above). The Board of Directors determined that such severance agreements were an important element in retaining the senior management team. The term of each severance agreement is two years, unless it is extended by mutual agreement of the parties. The severance agreements provide for the payment of severance compensation and benefits to the covered executive officer if the Company terminates his employment without cause or if the covered executive resigns for good reason. For this purpose, cause and good reason are defined in the same manner as in the change-in-control severance agreements discussed above. Upon such a termination, the covered executive will be entitled to receive the following:

a lump-sum cash payment equal to the sum of (1) covered executive's accrued base salary and accrued vacation pay plus (2) if not previously paid, the covered executive's annual cash incentive earned for the preceding fiscal year;

a lump-sum cash payment equal to one times the sum of (1) the covered executive's base salary then in effect, plus (2) an amount equal to the greater of (a) the covered executive's targeted annual cash incentive for the year immediately prior to the year in which his employment terminates, or (b) his actual annual cash incentive earned for the preceding year;

vesting of outstanding unvested equity as follows: (a) any unvested restricted stock or restricted stock units held by the covered executive immediately prior to termination of employment that were otherwise scheduled to vest during the one year period following termination shall not be forfeited and instead shall be immediately vested and all applicable restrictions on any shares under such grants shall lapse, and (b) any unvested stock appreciation rights or options held by the covered executive immediately prior to termination of employment that were otherwise scheduled to vest during the one year period following termination shall not be forfeited and instead shall vest in accordance with such schedule, and shall then be exercisable for a period of 90 days following such vesting; and

continued health and dental plan benefits on the same terms and conditions as though the covered executive had remained an active employee, for the shorter of 12 months or until equivalent coverage is obtained from a new employer.

If the covered executive's employment is terminated during a change-in-control protection period under his change-in-control severance agreement, described above, the covered executive will be entitled to receive the severance payments specified under that agreement instead of the foregoing payments under his severance agreement.

The covered executive is not entitled to any additional severance payments or benefits under his severance agreement if his employment is terminated by the Company for cause, by the covered executive without good reason, or if it terminates due to his death or disability.

The table below reflects the amount of compensation payable to the CEO and each of the Company's other named executive officers in the event of termination of such officer's employment (including termination by death or disability) and/or a change in control. The amounts shown assume that such termination and/or change in control was effective as of December 31, 2011 and thus includes amounts earned through such date. These figures are estimates of the amounts which would be paid to the officers upon their termination and/or a change-in-control. The actual amounts to be paid can only be determined at the time of such event.

## CHANGE IN CONTROL AND SEVERANCE COMPENSATION AS OF DECEMBER 31, 2011

Name	Termination by reason of:	Cash (\$)	Benefit Continuation \$(1)	Intrinsic Value of Equity Awards as of 12/31/11 \$(2)	Outplacement Services \$(3)	Benefit Reduction \$(4)	Total Benefit (\$)
Ronald W. Kaplan	For Cause or Voluntary Death or Disability (5)			1,592,277			1,592,277
	Involuntary Termination (6)	2,282,500	22,226	1,592,277			3,897,003
	Change in control (8)			1,592,277			1,592,277
	Termination after change in control (8)	3,927,338	16,670	1,592,277	20,000		5,556,285
James E. Cline	For Cause or Voluntary Death or Disability (5)			572,813			572,813
	Involuntary Termination (7)	523,106	10,592	346,467			880,165
	Change in control (8)			572,813			572,813
	Termination after change in control (8)	982,059	15,888	572,813	20,000		1,590,760
F. Timothy Reese	For Cause or Voluntary Death or Disability (5)			572,813			572,813
	Involuntary Termination (7)	523,106	10,540	346,467			880,113
	Change in control (8)			572,813			572,813
	Termination after change in control (8)	982,059	15,810	572,813	20,000		1,590,682
William R. Gupp	For Cause or Voluntary Death or Disability (5)			454,726			454,726
	Involuntary Termination (7)	462,390	10,504	272,304			745,198
	Change in control (8)			454,726			454,726
	Termination after change in control (6)	853,785	15,756	454,726	20,000		1,344,267
J. Mitchell Cox	For Cause or Voluntary Death or Disability (5)			469,672			469,672
	Involuntary Termination (7)	462,390	10,556	287,250			760,196
	Change in control (8)			469,672			469,672
	Termination after change in control (8)	853,785	15,834	469,672	20,000		1,359,291

(1) Reflects Company's portion of cost of group health and dental insurance and group life insurance.

(2) This value is calculated as the intrinsic value of all unvested equity awards held as of December 31, 2011 that would have vested upon death or disability, an involuntary termination, a change-in-control, or a termination after a change in control based on the \$22.91 closing price of the Company's common stock on the NYSE on December 30, 2011, the last market trading day of the year.

(3) Reflects estimated outplacement services entitled to the Named Executive Officers by their change-in-control severance agreements.

(4) To the extent that a Named Executive Officer's change-in-control severance benefits would cause him to become subject to the excise tax imposed by Section 4999 of the Code, this value reflects the reduction of his severance benefits to the extent necessary to avoid the application of this tax, as stated in his change-in-control severance agreement.

- (5) The 2005 Stock Incentive Plan, and individual restricted stock agreements and SAR agreements, provide that all unvested restricted shares and unvested SARs immediately vest upon the death or disability of the executive.
- (6) This represents benefits and payments under Mr. Kaplan's Employment Agreement discussed above.
- (7) This represents benefits and payments under the severance agreements covering executive officers other than Mr. Kaplan, discussed above.
- (8) This represents benefits and payments under the change-in-control severance agreements discussed above.



**The Company's Compensation Policies and Practices as They Relate to Risk**

The Company does not believe that its compensation policies and practices create risks that are reasonably likely to have a material adverse effect on the Company. The annual cash incentive plan described in the Compensation Discussion and Analysis is based upon achievement of short-term financial targets, and potential cash incentive opportunities are tempered so as not to place a disproportionate incentive on short-term financial results. Although this does motivate management to enhance short-term financial results, the long term incentive plan provides appropriate motivation to achieve long-term financial results as well, given that the value of the long term incentive compensation is based upon the value of the Company stock and constitutes a significant portion of each executive's total compensation package. The Company has constructed the determinant performance factors in short- and long-term performance plans such that they balance focus on performance metrics with strong links to shareholder value creation and overall company performance, which we believe avoids any potential risks that may result from an imbalance in performance metrics.

**REPORT OF THE AUDIT COMMITTEE OF THE  
BOARD OF DIRECTORS OF TREX COMPANY, INC.**

During the fiscal year ended December 31, 2011, the Audit Committee of Trex Company, Inc. (the "Company") Board of Directors reviewed with the Company's financial managers, the internal auditors and Ernst & Young LLP ("Ernst & Young"), the Company's independent registered public accounting firm, the scope of the annual audit and audit plans, the results of internal and external audit examinations, the evaluation of the Company's system of internal control, the quality of the Company's financial reporting, and the Company's process for legal and regulatory compliance. The Audit Committee also monitored the progress and results of the testing of internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act of 2002.

Management is responsible for the Company's system of internal control, the financial statements and the financial reporting process, and the assessment of the effectiveness of internal control over financial reporting. Ernst & Young is responsible for performing an integrated audit and issuing reports on the following: (1) the Company's consolidated financial statements, and (2) the Company's internal control over financial reporting. As provided in its charter, the Audit Committee's responsibilities include monitoring and overseeing these processes. The Audit Committee has reviewed and discussed the audited financial statements for the fiscal year ended December 31, 2011 with management.

Consistent with this oversight responsibility, Ernst & Young reports directly to the Audit Committee. The Audit Committee appointed Ernst & Young as the Company's independent registered public accounting firm and approved the firm's compensation.

The Audit Committee discussed with Ernst & Young the matters required to be discussed by the New York Stock Exchange, the Securities and Exchange Commission, the Public Company Accounting Oversight Board, and the American Institute of Certified Public Accountants' Statement on Auditing Matters No. 61, *Communication with Audit Committee*, as amended, as adopted by the Public Company Accounting Oversight Board. In addition, the Audit Committee has received from Ernst & Young the written disclosures and the letter required by the applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountants' communications with the Audit Committee concerning independence, and discussed with Ernst & Young the firm's independence from the Company and its management.

In reliance on the review and discussions referred to above, the Audit Committee recommended to the Board, and the Board has approved, the inclusion of the audited financial statements in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2011, for filing with the Securities and Exchange Commission.

Respectfully submitted,

THE AUDIT COMMITTEE

Paul A. Brunner, Chairman

Jay M. Gratz

Frank H. Merlotti, Jr.

Richard E. Posey

**ADVISORY VOTE ON EXECUTIVE COMPENSATION**

**(Proposal 2)**

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or the Dodd-Frank Act, enables our stockholders to vote to approve, on an advisory (nonbinding) basis, the compensation of our named executive officers as disclosed in this proxy statement in accordance with the SEC's rules.

As described in detail under the heading *Compensation Discussion and Analysis*, our executive compensation programs are designed to attract, motivate, and retain our named executive officers, who are critical to our success. Under these programs, our named executive officers are rewarded for the achievement of specific annual, long-term and strategic goals, corporate goals, and the realization of increased stockholder value. Please read the *Compensation Discussion and Analysis* for additional details about our executive compensation programs, including information about the fiscal year 2011 compensation of our named executive officers.

The Compensation Committee continually reviews the compensation programs for our named executive officers to ensure they achieve the desired goals of aligning our executive compensation structure with our stockholders' interests and current market practices.

We are asking our stockholders to indicate their support for our named executive officer compensation as described in this proxy statement. This proposal, commonly known as a "say-on-pay" proposal, gives our stockholders the opportunity to express their views on our named executive officers' compensation. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our named executive officers and the philosophy, policies and practices described in this proxy statement.

The say-on-pay vote is advisory, and therefore not binding on the Company, the Compensation Committee or our Board of Directors. Our Board and our Compensation Committee value the opinions of our stockholders and to the extent there is any significant vote against the named executive officer compensation as disclosed in this proxy statement, we will consider our stockholders' concerns and the Compensation Committee will evaluate whether any actions are necessary to address those concerns.

**Approval of Proposal 2**

Approval of this proposal will require the affirmative vote of holders of a majority of the shares of common stock present in person or represented by proxy and entitled to vote on such matter at the annual meeting.

**The Board of Directors unanimously recommends that the stockholders of the Company vote FOR the approval of the compensation of our named executive officers, as disclosed in this proxy statement pursuant to the compensation disclosure rules of the Securities and Exchange Commission.**

**RATIFICATION OF APPOINTMENT OF INDEPENDENT**

**REGISTERED PUBLIC ACCOUNTING FIRM**

**(Proposal 3)**

The Audit Committee of the Board has appointed Ernst & Young LLP as the Company's independent registered public accounting firm for the Company's fiscal year ending December 31, 2012. The Board is submitting this appointment for stockholder ratification at the annual meeting.

A representative of Ernst & Young will attend the annual meeting, will have the opportunity to make a statement and will be available to respond to appropriate questions from stockholders.

The Company's bylaws do not require that stockholders ratify the appointment of Ernst & Young as the Company's independent registered public accounting firm. The Company is asking its stockholders to ratify this appointment because it believes such a proposal is a matter of good corporate practice. If the stockholders do not ratify the appointment of Ernst & Young, the Audit Committee will reconsider whether or not to retain Ernst & Young as the Company's independent registered public accounting firm, but may determine to do so. Even if the appointment of Ernst & Young is ratified by the stockholders, the Audit Committee may change the appointment at any time if it determines that a change would be in the best interests of the Company and its stockholders.

**Approval of Proposal 3**

Approval of this proposal will require the affirmative vote of holders of a majority of the shares of common stock present in person or represented by proxy and entitled to vote on such matter at the annual meeting.

**The Board of Directors unanimously recommends that the stockholders of the Company vote FOR the ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the 2012 fiscal year.**

**INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM****Fees**

Ernst & Young LLP served as the Company's independent registered public accounting firm for the Company's fiscal years ended December 31, 2011 and 2010. The following sets forth the aggregate fees billed by Ernst & Young to the Company for fiscal years 2011 and 2010.

	<b>2011</b>	<b>2010</b>
Audit services	\$ 695,000	\$ 775,000
Audit-related services	6,770	
Tax services	\$ 257,205	\$ 222,569
All other services		
<b>Total</b>	<b>\$ 958,975</b>	<b>\$ 997,569</b>

The Audit Committee considered whether Ernst & Young's provision of non-audit-related services is compatible with maintaining Ernst & Young's independence.

*Audit Services.* Audit services include services performed by Ernst & Young to comply with generally accepted auditing standards related to the audit and review of the Company's financial statements. The audit fees shown above for the 2011 and 2010 fiscal years were incurred principally for services rendered in connection with the audit of the Company's consolidated financial statements and associated SEC filings, the issuance of opinions on the Company's internal control over financial reporting and on management's assessment of the effectiveness of the Company's internal control over financial reporting, and quarterly reviews.

*Audit-Related Services.* Audit-related services include assurance and related services that are traditionally performed by independent registered public accounting firms.

*Tax Services.* The tax fees shown above were incurred in connection with the preparation of the Company's tax returns and corporate tax consultations.

**Pre-Approval Policy**

The Audit Committee pre-approves all audit and permissible non-audit services provided by the Company's independent registered public accounting firm. These services may include audit services, audit-related services, tax and other services. Pre-approval on other than an engagement-by-engagement basis is generally provided for up to one year, and any pre-approval is detailed as to the particular service or category of services and is generally subject to a specific budget. The independent registered public accounting firm and management are required to report periodically to the Audit Committee regarding the extent of services provided by such firm in accordance with this pre-approval and the fees for the services performed to date. The Audit Committee also may pre-approve particular services on an engagement-by-engagement basis.

During the year, circumstances may arise when it may become necessary to engage the independent registered public accounting firm for additional services not contemplated in the original pre-approval. In those instances, the Audit Committee requires specific pre-approval before engaging the independent registered public accounting firm. The Audit Committee has the authority to delegate pre-approval authority to a subcommittee of the Audit Committee consisting of one or more of its members.

All services provided to the Company by Ernst & Young LLP during fiscal 2011 and 2010 were pre-approved by the Audit Committee in accordance with this policy.

**TRANSACTIONS WITH RELATED PERSONS**

The Company's Board has adopted a written policy for the approval of transactions with related persons. The policy requires Audit Committee approval or ratification of transactions which involve more than \$120,000 in which the Company is a participant and in which a Company director, nominee for director, executive officer, greater than 5% stockholder, or an immediate family member of any of the foregoing persons has a direct or indirect material interest. In reviewing the related party transaction, the Audit Committee will, after reviewing all material information regarding the transaction, take into account, among other factors it deems appropriate, whether the transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances and the extent of the related person's interest in the transaction. The policy includes standing pre-approval for the following related person transactions:

any transaction with another company at which a related person's only relationship is as an employee (other than an executive officer), director or beneficial owner of less than 10% of that company's equity securities, if the aggregate amount involved does not exceed the greater of \$1,000,000, or 2% of that company's total annual revenues;

any charitable contribution, grant or endowment by the Company to a charitable organization, foundation or university at which a related person's only relationship is as an employee (other than an executive officer) or a director, if the aggregate amount involved does not exceed the lesser of \$1,000,000, or 2% of the charitable organization's total annual receipts;

any transaction, such as dividends paid on the common stock, in which the related person's interest arises solely from the ownership of the Company's common stock and all holders of the Company's common stock received the same benefit on a pro rata basis; and

any transaction with a related party involving services as a bank depository of funds, transfer agent, registrar, trustee under a trust indenture, or similar services.

There are no transactions with related persons to report for fiscal 2011.

---

**STOCKHOLDER PROPOSALS FOR THE 2013 ANNUAL MEETING**

Pursuant to Rule 14a-8 under the Securities Exchange Act, stockholder proposals to be included in the proxy statement for the Company's annual meeting of stockholders in 2013 must be received by the Secretary of the Company at the Company's offices at 160 Exeter Drive, Winchester, Virginia 22603-8605, no later than November 23, 2012. The submission by a stockholder of a proposal for inclusion in the proxy statement is subject to regulation by the SEC.

Under the Company's bylaws, notice of proposals by stockholders to be brought before any annual or special meeting generally must be delivered to the Company no earlier than 120 days and no later than 90 days before the first anniversary of the preceding year's annual meeting. The notice under the bylaws must include the following information: (1) a brief description of the business desired to be brought before the meeting, the text of the proposal or business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend the Company's bylaws, the language of the proposed amendment), the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made, and (2) as to the stockholder giving the notice and the beneficial owner, if any, of common stock on whose behalf the proposal 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 the Company's capital stock which 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 the 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 business, 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 the Company's outstanding capital stock required to adopt the proposal, or (B) otherwise solicit proxies from stockholders in support of such proposal.

The foregoing provisions of the Company's bylaws concerning notice of proposals by stockholders are not intended to affect any rights of stockholders to request inclusion of proposals in the Company's proxy statement pursuant to Rule 14a-8 under the Securities Exchange Act.

**DELIVERY OF DOCUMENTS TO STOCKHOLDERS SHARING AN ADDRESS**

If you and other residents at your mailing address own common stock through a broker or bank 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 or a Notice of Internet Availability indicating proxy materials are available on the internet 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 or a Notice of Internet Availability 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 the Notice of Internet Availability 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 Broadridge, 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 the Company's annual report to stockholders or this proxy statement, and wish to do so, the 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 the Company at 540-542-6300. If you are receiving multiple copies of the annual report to stockholders and proxy statement or Notice of Internet Availability, you can request householding by contacting the Company in the same manner. The Company encourages you to participate in this program. It will reduce the volume of duplicate information received at your household, as well as reduce the Company's expense.

**OTHER MATTERS**

The Board does not intend to present to the annual meeting any other matters not referred to above and does not presently know of any matters that may be presented to the meeting by others. If other matters are properly brought before the meeting, the persons named in the enclosed proxy will vote on such matters in their own discretion.

By Order of the Board of Directors,  
Ronald W. Kaplan  
*Chairman, President and Chief Executive Officer*

Dated: March 23, 2012









