

TREX CO INC  
Form DEF 14A  
March 26, 2009

**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:

- |                                     |   |                          |  |
|-------------------------------------|---|--------------------------|--|
| <input type="checkbox"/>            | Preliminary Proxy Statement                 | <input type="checkbox"/> | <b>Confidential, for Use of the Commission Only (as permitted by</b> |
| <input checked="" type="checkbox"/> | Definitive Proxy Statement                  | <input type="checkbox"/> | <b>Rule 14a-6(e)(2))</b>   |
| <input type="checkbox"/>            | Definitive Additional Materials             |                          |  |
| <input type="checkbox"/>            | Soliciting Material Pursuant to §240.14a-12 |                          |  |

**Trex Company, Inc.**

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

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

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:

---

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 6, 2009**

To our stockholders:

Notice is hereby given that the 2009 annual meeting of stockholders of Trex Company, Inc. will be held at Winchester Country Club, 1300 Senseny Road, Winchester, Virginia, on Monday, May 6, 2009, at 9:00 a.m., local time, for the following purposes:

1. to consider and vote upon a proposal to elect two directors of Trex Company;
  2. to consider and vote upon a proposal to ratify the appointment of Ernst & Young LLP as Trex Company's independent registered public accounting firm for the 2009 fiscal year; and
  3. to transact such other business as may properly come before the annual meeting or any adjournment or postponement thereof.
- Only stockholders of record at the close of business on March 16, 2009 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 new 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 2008 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,

Lynn E. MacDonald

*Secretary*

Dated: March 26, 2009

**TREX COMPANY, INC.**

**160 Exeter Drive**

**Winchester, Virginia 22603-8605**

**Annual Meeting of Stockholders**

**May 6, 2009**

**PROXY STATEMENT**

**GENERAL INFORMATION**

**Proxy Solicitation**

This proxy statement is furnished in connection with the solicitation of proxies by the board of directors of Trex Company, Inc. for use at Trex Company's 2009 annual meeting of stockholders to be held at Winchester Country Club, 1300 Senseny Road, Winchester, Virginia, on Monday, May 6, 2009, 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 16, 2009, 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 15,396,583 shares of common stock outstanding, which are our only securities entitled to vote at the annual meeting, each share being 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 Trex 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 Trex Company's annual meeting was mailed on or about March 26, 2008 to all stockholders as of the record date.

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

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 Trex Company's web site at <http://trex.com/2009proxy>.

**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 of directors does not know of any matter that is expected to be presented for consideration at the annual meeting, other than the election of directors 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 the 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 2008 Form 10-K are not proxy soliciting materials.

**Voting Procedures; Abstentions**

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 of directors intend to vote FOR the nominees for election of our directors listed herein, and FOR ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2009.

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.

Abstentions and broker non-votes will have no effect on the proposed ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm, as this item requires the affirmative vote of a majority of shares of common stock cast in person or by proxy.

**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 24, 2009, information based upon Trex Company's records and filings with the SEC regarding beneficial ownership of its common stock by the following persons:

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

each director and each nominee to the board of directors;

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

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

As of February 24, 2009, there were 15,396,583 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. Information with respect to persons other than the holders listed in the table below that share beneficial ownership with respect to the securities shown is presented following the table.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class (%)
Carl W. Knobloch, Jr. Emily C. Knobloch	1,436,240	9.3
William R. Knobloch P.O. Box 1530 Wilson, Wyoming 83014		
Royce & Associates, LLC 1414 Avenue of Americas New York, New York 10019	1,074,600	7.0
O Shaughnessy Asset Management, LLC 6 Suburban Avenue Stamford, CT 06901	1,005,137	6.5
Pzena Investment Management, LLC 120 West 45 <sup>th</sup> Street, 20 <sup>th</sup> Floor New York, New York 10036	862,956	5.6
Barclays Global Investors UK Holdings LTD 1 Churchill Place Canary Wharf London X0 E14 5HP	783,560	5.1
Anthony J. Cavanna (1)	741,253	4.8
Andrew U. Ferrari	686,961	4.5
Ronald W. Kaplan	193,242	1.3
William R. Gupp	101,654	*
James E. Cline	60,164	*
Harold F. Monahan (2)	54,799	*
F. Timothy Reese	46,321	*
William H. Martin, III (3)	44,794	*



Edgar Filing: TREX CO INC - Form DEF 14A

William F. Andrews	36,379	*
Paul A. Brunner	29,047	*
Patricia B. Robinson	22,492	*
Jay M. Gratz	17,312	*
Frank H. Merlotti, Jr.	12,644	*
All directors and executive officers as a group (13 persons)	2,047,062	13.2

\* Less than 1%.

(1) Mr. Cavanna's last day of service on the board of directors of Trex Company was May 6, 2008.

(2) Mr. Monahan's last day of employment with Trex Company was March 10, 2008.

(3) Mr. Martin's last day of service on the board of directors of Trex Company was May 6, 2008.

The percentage of beneficial ownership as to any person as of February 24, 2009 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 24, 2009, by the sum of the number of shares outstanding as of February 24, 2009 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 24, 2009. Consequently, the denominator used for calculating such percentage may be different for each beneficial owner. Except as otherwise indicated below and under applicable community property laws, Trex Company believes that the beneficial owners of Trex Company's common stock listed in the table have sole voting and investment power with respect to the shares shown.

The information concerning Carl W. Knobloch, Jr., Emily C. Knobloch and William R. Knobloch is based on a Schedule 13G/A filed with the SEC on January 25, 2008 and was confirmed unchanged as of February 24, 2009. Carl W. Knobloch, Jr. reports that he may be deemed to have sole voting power and dispositive power with respect to 73,334 of the shares shown and shared voting power and dispositive power with respect to 1,362,906 of the shares shown. Emily C. Knobloch reports that she may be deemed to have shared voting power and dispositive power with respect to 980,647 of the shares shown. William R. Knobloch reports that he may be deemed to have shared voting power and dispositive power with respect to 586,638 of the shares shown and sole voting power and dispositive power with respect to 382,259 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.

The information concerning Royce & Associates LLC is based on a Schedule 13G/A filed with the SEC on January 30, 2009, in which the reporting person reports that it has sole voting and dispositive power with respect to all of the shares shown.

The information concerning O'Shaughnessy Asset Management, LLC is based on a Schedule 13G filed with the SEC on January 12, 2009, in which the reporting person reports that it has sole voting power and sole dispositive power with respect to all of the shares shown.

The information concerning Pzena Investment Management, LLC is based on a Schedule 13G/A filed with the SEC on February 17, 2009, in which the reporting person reports that it has sole voting power with respect to 677,981 of the shares shown and sole dispositive power with respect to all of the shares shown.

The information concerning Barclay's Global Investors UK Holdings LTD is based on a Schedule 13F-HR filed with the SEC on February 12, 2009, in which the reporting person reports that it has sole voting power with respect to 720,902 of the shares shown and no voting power with respect to 62,658 of the shares shown.

The shares of common stock shown as beneficially owned by Mr. Cavanna include 129,571 shares of common stock that Mr. Cavanna has the right to purchase as of or within 60 days after February 24, 2009 pursuant to the exercise of stock options.

The shares of common stock shown as beneficially owned by Mr. Ferrari include 18,884 shares of common stock that Mr. Ferrari has the right to purchase as of or within 60 days after February 24, 2009 pursuant to the exercise of stock options.

The shares of common stock shown as beneficially owned by Mr. Kaplan include 61,243 shares of common stock that Mr. Kaplan has the right to purchase as of or within 60 days after February 24, 2009 pursuant to the exercise of stock options.

The shares of common stock shown as beneficially owned by Mr. Gupp include 52,960 shares of common stock that Mr. Gupp has the right to purchase as of or within 60 days after February 24, 2009 pursuant to the exercise of stock options.

The shares of common stock shown as beneficially owned by Mr. Monahan include 53,799 shares of common stock that Mr. Monahan has the right to purchase as of or within 60 days after February 24, 2009 pursuant to the exercise of stock options.

The shares of common stock shown as beneficially owned by Mr. Cline include 17,255 shares of common stock that Mr. Cline has the right to purchase as of or within 60 days after February 24, 2009 pursuant to the exercise of stock options.

The shares of common stock shown as beneficially owned by Mr. Reese include 12,148 shares of common stock that Mr. Reese has the right to purchase as of or within 60 days after February 24, 2009 pursuant to the exercise of stock options.

The shares of common stock shown as beneficially owned by Mr. Martin include 35,964 shares of common stock that Mr. Martin has the right to purchase as of or within 60 days after February 24, 2009 pursuant to the exercise of stock options.

The shares of common stock shown as beneficially owned by Mr. Andrews include 24,379 shares of common stock that Mr. Andrews has the right to purchase as of or within 60 days after February 24, 2009 pursuant to the exercise of stock options.

The shares of common stock shown as beneficially owned by Mr. Brunner include 29,047 shares of common stock that Mr. Brunner has the right to purchase as of or within 60 days after February 24, 2009 pursuant to the exercise of stock options.

The shares of common stock shown as beneficially owned by Ms. Robinson include 22,492 shares of common stock that Ms. Robinson has the right to purchase as of or within 60 days after February 24, 2009 pursuant to the exercise of stock options.

The shares of common stock shown as beneficially owned by Mr. Gratz include 17,312 shares of common stock that Mr. Gratz has the right to purchase as of or within 60 days after February 24, 2009 pursuant to the exercise of stock options.

The shares of common stock shown as beneficially owned by Mr. Merlotti include 12,644 shares of common stock that Mr. Merlotti has the right to purchase as of or within 60 days after February 24, 2009 pursuant to the exercise of stock options.

The shares of common stock shown as beneficially owned by all directors and executive officers as a group include a total of 487,698 shares of common stock that they have the right to purchase as of or within 60 days after February 24, 2009 pursuant to the exercise of stock options.

**ELECTION OF DIRECTORS**

**(Proposal 1)**

**Nominees for Election as Directors**

Trex Company's certificate of incorporation provides that the board of directors is to be divided into three classes of directors, with the classes to be as nearly equal in number as possible. The current terms of office of the three current classes of directors expire at this annual meeting, at the annual meeting of stockholders in 2010 and at the annual meeting of stockholders in 2011, 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 of directors for election to the class with a three-year term that will expire at the annual meeting of stockholders in 2012. Both of the nominees are incumbent directors. Mr. Merlotti has served on the board of directors since his appointment as a director in February 2006. Ms. Robinson has served on the board of directors 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 of directors may recommend. It is not anticipated that any of the nominees will be unable or unwilling to serve as a director.

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

**Information About Nominees and Continuing Directors**

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

**Nominees for Election for Three-Year Terms**

<b>Name</b>	<b>Age</b>	<b>Director Since</b>
Frank H. Merlotti, Jr.	58	2006
Patricia B. Robinson	56	2000

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

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

#### Directors Whose Terms Expire in 2010

Name	Age	Director Since
William F. Andrews	77	1999
Paul A. Brunner	73	2003
Andrew U. Ferrari	62	1998

*William F. Andrews* has served as Chairman of Katy Industries, Inc., a manufacturer of maintenance and electrical products, since October 2001, and as Chairman of the Singer Sewing Company, a manufacturer of sewing machines, since 2004. Mr. Andrews served as Chairman of Corrections Corporation of America from 2000 to 2008 and is now the Chairman of the Executive Committee of 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 and O Charley's Restaurants. Mr. Andrews received a B.S. degree in business administration from the University of Maryland and an M.B.A. degree in marketing from Seton Hall University.

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

*Andrew U. Ferrari* has served as Chairman of Trex Company since January 2008. Mr. Ferrari served as Chief Executive Officer of Trex Company from August 2007 through December 2007, and as President and Chief Operating Officer of Trex Company from August 2005 through July 2007. From March 2003 until August 2005, Mr. Ferrari was a marketing and business development consultant. Mr. Ferrari served as Executive Vice President of Marketing and Business Development of Trex Company from October 2001 through March 2003, and of TREX Company, LLC, which was Trex Company's wholly-owned subsidiary until December 31, 2002, from October 2001 through December 2002. He served as Executive Vice President of Sales and Marketing of Trex Company from September 1998 to October 2001, and of TREX Company, LLC from August 1996 to October 2001. From 1989 to 1996, Mr. Ferrari held various positions with Mobil Chemical, including Director of Sales and Marketing of the Composite Products Division, New Business Manager, and Marketing Director of the Consumer Products Division. Mr. Ferrari received a B.A. degree in economics from Whitman College and an M.B.A. degree from Columbia University.

---

**Directors Whose Terms Expire in 2011**

<b>Name</b>	<b>Age</b>	<b>Director Since</b>
Jay M. Gratz	56	2007
Ronald W. Kaplan	57	2008

*Jay M. Gratz* is retired. 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 a Masters degree in management from Northwestern University Kellogg Graduate School of Management.

*Ronald W. Kaplan* has served as President and Chief Executive Officer of Trex Company since January 2008. 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. From July 2005 to February 2006, Mr. Kaplan was an independent consultant. From 1979 to July 2005, 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 June 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.

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

The board of directors currently consists of seven directors. The board of directors has a standing audit committee, a standing compensation committee and a standing nominating/corporate governance committee. The board of directors held seven meetings during Trex Company's 2008 fiscal year. During 2008, each director, with the exception of Mr. Merlotti, attended at least 75% of the aggregate of the total number of meetings of the board of directors and of each committee of the board of directors on which such director served. Mr. Merlotti attended 74% of the aggregate of the total number of meetings of the board of directors and of each committee of the board of directors on which he served.

It is Trex Company's policy that all directors should attend the annual meetings of Trex Company's stockholders. All of the directors serving on the board of directors at that time, with the exception of Mr. Merlotti, attended the annual meeting of stockholders in 2008.

*Director Independence.* The board of directors has affirmatively determined that all of the current directors, other than Andrew U. Ferrari, who is Trex Company's Chairman, and Ronald W. Kaplan, who is Trex Company's President and Chief Executive Officer, are independent of Trex Company within the meaning of the rules governing companies listed on the New York Stock Exchange. For a director to be independent under the NYSE rules, the board of directors must affirmatively determine that the director has no material relationship with Trex Company, either directly or as a partner, shareholder or officer of an organization that has a relationship with Trex Company.

The board of directors has adopted the following categorical standards of independence to assist it in determining whether a director has a material relationship with Trex Company. The following relationships between a director and Trex Company will not be considered material relationships that would preclude a finding by the board of directors that 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, Trex Company or any of its subsidiaries for property or services in an amount which, in any single fiscal year, does not exceed the greater of \$1 million or 2% of such other company's consolidated gross revenues; and

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

Consistent with the NYSE rules, Trex Company's corporate governance principles require Trex Company's non-management directors to meet at least once each quarter without management present and, if the group of non-management directors includes any director who is not independent under NYSE rules, to meet at least once each year with only the independent directors present. Trex Company's non-management directors held four executive sessions in 2008, and the independent directors held one executive session in 2008. The role of presiding director for each such executive session of directors rotates among members in succession, as determined by the members. The presiding director for each meeting is responsible for advising the chairman of the board of decisions reached, and of recommendations for action by the board of directors made, at such meeting.

*Audit Committee.* The audit committee of the Trex Company board of directors is a standing committee composed of three non-employee directors who meet the independence and expertise requirements of the NYSE listing standards. Pursuant to SEC rules, the board of directors 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 eight meetings during 2008, currently consists of Mr. Brunner, who is the chairman, Mr. Gratz and Mr. Merlotti. Mr. Martin served on the audit committee until his retirement in May 2008. The audit committee operates under a written charter that is reviewed annually. The audit committee is responsible, among its other duties, for engaging, overseeing, evaluating and replacing Trex Company's independent registered public accounting firm, pre-approving all audit and non-audit services by the independent registered public accounting firm, reviewing the scope of the audit plan and the results of each audit with management and the independent registered public accounting firm, reviewing the internal audit function, reviewing the adequacy of Trex Company's system of internal controls over financial reporting and disclosure controls and procedures, reviewing the financial statements and other financial information included in Trex Company's annual and quarterly reports filed with the SEC, and exercising oversight with respect to Trex Company's code of conduct and ethics and other policies and procedures regarding adherence with legal requirements. 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 of the audit committee as determined to be necessary or advisable. A current version of the audit committee charter is available through Trex Company's web site at <http://www.trex.com>.

*Compensation Committee.* The compensation committee of the Trex Company board of directors is a standing committee composed of four non-employee directors who meet the independence requirements of the NYSE listing standards. The compensation committee, which held eight meetings during 2008, 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 and approve the compensation and benefits of Trex 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 Trex Company's employee benefit programs, including its 2005 Stock Incentive Plan, Profit Allocation Plan, 1999 Employee Stock Purchase Plan, Bonus Plan and other incentive compensation plans, benefits plans and equity-based plans. 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 of the compensation committee as determined to be necessary or advisable. A current version of the compensation committee charter is available through Trex Company's web site at <http://www.trex.com>.

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

The nominating/corporate governance committee, which held five meetings during 2008, currently consists of Ms. Robinson, who is the chairman, Mr. Andrews and Mr. Brunner. Mr. Martin served on the nominating/corporate governance committee until his retirement in May 2008. This committee is responsible for recommending candidates for election to the board of directors and for making recommendations to the board of directors regarding corporate governance matters, including board size and membership qualifications, board committees, corporate organization, non-employee director compensation, succession planning for officers and key executives, programs for training and development of executive-level employees, and stockholder proposals regarding these matters. 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 advisors, as it deems appropriate in its sole discretion. The nominating/corporate governance committee may form and delegate authority to subcommittees of the nominating/corporate governance committee as determined to be necessary or advisable.

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

No member of the compensation committee was an officer or employee of Trex Company or any subsidiary of Trex Company during 2008. There are no interlock relationships as defined in the applicable SEC rules.

#### **Director Nominations Policy**

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

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



conduct appropriate inquiries into their background and qualifications and, depending on the result of such inquiries, arrange for in-person meetings with the potential candidates.

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

The nominations policy is intended to provide a flexible set of guidelines for the effective functioning of Trex Company's director nominations process. The nominating/corporate governance committee intends to review the nominations policy as it considers advisable and anticipates that modifications may be necessary from time to time as Trex Company's needs and circumstances evolve, and as applicable legal or listing standards change. The nominating/corporate governance committee may amend the nominations policy at any time.

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

#### **Communications With the Board of Directors**

The board of directors welcomes communications from its stockholders and other interested parties and has adopted a procedure for receiving and addressing those communications. Stockholders and other interested parties may communicate any concerns they may have about Trex Company directly and confidentially to the full board of directors, 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 Trex Company's governance hotline at 1-800-719-4916 and

press 2 for Trex Company's Secretary. An independent third-party vendor maintains Trex Company's governance hotline, and all calls are forwarded to Trex Company's Secretary. 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. Trex Company's Secretary will review and forward all stockholder communications and other communications from interested parties to the intended recipient, except for those communications that are outside the scope of board matters or duplicative of other communications by the applicable person.

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

Section 16(a) of the Securities Exchange Act of 1934 requires Trex Company's directors and executive officers and persons who own more than 10% of Trex 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 Trex Company. The reporting persons are required by rules of the SEC to furnish Trex Company with copies of all Section 16(a) reports they file. Based solely upon a review of Section 16(a) reports furnished to Trex Company for fiscal 2008 or written representations that no other reports were required, Trex Company believes that the foregoing reporting persons complied with all filing requirements for fiscal 2008.

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

Trex Company makes available on its web site at <http://trex.com/governance/> 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 of directors. 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 Trex Company receive cash and stock-based compensation under the Trex Company, Inc. Amended and Restated 1999 Incentive Plan for Outside Directors, or Outside Director Plan. 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 Trex Company's 2005 annual meeting.

The nominating/corporate governance committee is responsible for making recommendations to the board of directors regarding non-employee director compensation. In accordance with this authority, the nominating/corporate governance committee utilized the services of DolmatConnell & Partners, Inc. as the committee's outside compensation consultant to advise the nominating/corporate governance committee on matters related to director compensation.

Trex Company's director compensation program was developed in consultation with the compensation consultant in 2007 and was designed to deliver annual compensation at the median of Trex Company's peer group, which was made up of 16 companies in both the construction and plastic products and consumer products industries that are similar in both revenues and market capitalization to Trex Company. See the Compensation Discussion and Analysis section of this proxy statement for a list of these 16 companies. Many of Trex Company's key competitors are not included, since they are significantly larger, and thus do not provide an appropriate basis for comparison, or are divisions or subsidiaries of public companies, and therefore have not publicly released board compensation data. Under the program, annual non-employee director compensation is delivered approximately 45% in cash (depending on meeting attendance fees) and approximately 55% in stock-settled stock appreciation rights, or SARs, based on the Black-Scholes valuation model, which the board of

directors believes appropriately balances remunerating Trex Company's non-employee directors for their service and linking their compensation closely to returns to stockholders through the potential for enhanced value from future stock price appreciation. Directors may elect to receive additional SARs in lieu of cash payments. Directors are also reimbursed for actual travel expenses.

The elements of the director compensation package are as follows:

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

For service on the board of directors, each non-employee director receives an annual retainer of \$24,000, a \$1,000 meeting fee for each in-person meeting attended, a \$500 fee for each telephonic meeting and an annual award of SARs valued at \$28,800 (based on the Black-Scholes valuation model of Trex Company shares). Any non-employee director who serves as chairman of the board will receive (a) \$54,000, in lieu of the \$24,000 annual retainer, (b) \$25,361, payable in cash, in lieu of the annual award of SARs, and (c) meeting fees as applicable to the other non-employee directors.

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

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

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

The \$24,000 annual director fee and the annual committee fees are paid in the form of cash or grants of SARs (based on the Black-Scholes valuation model of Trex Company shares), or a combination of these forms of consideration, based on the percentages of the forms of consideration elected by the serving director, in four equal quarterly installments in arrears on the first business day following each quarter of the fiscal year in which the eligible director completes board or committee service. The fiscal year of the Outside Director Plan is July 1 through June 30.

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

All grants of SARs vest immediately upon grant and have a term of ten years (provided that the term is extended for one year if the director dies during the tenth year of the SAR term).

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

Unless and until the board of directors determines otherwise, stock-based grants under the Outside Director Plan will be made in the form of SARs.

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

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

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 SAR held by the director on the service termination date.

Trex 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 2008.

### 2008 DIRECTOR COMPENSATION

Name	Fees	Stock	SAR	Non-Equity	Changes in	All Other	Total
	Earned or				Pension		
	Paid in	Awards	Awards	Compensation	Earnings	Compensation	
	Cash						
	(\$)	(\$)	(\$) (1)	(\$)	(\$)	(\$)	(\$)
William F. Andrews (2)	42,500		28,800				71,300
Paul A. Brunner (3)	12,500		64,300				76,800
Anthony J. Cavanna (4)	5,179		3,888				9,067
Andrew U. Ferrari (5)	12,680		45,000				57,680
Jay M. Gratz (6)	22,000		50,800				72,800
William H. Martin III (7)	13,228		35,404				48,632
Frank H. Merlotti Jr. (8)	42,500		28,800				71,300
Patricia B. Robinson (9)	43,000		28,800				71,800

- (1) The amounts in the SAR Awards column reflect the dollar amount of awards recognized for financial statement reporting purposes for 2008 in accordance with SFAS 123R, assuming no forfeitures. Further details regarding director equity awards can be found in the Director Equity Awards table below. Assumptions used in the calculation of these amounts are included in note 9 to Trex Company's audited financial statements in the Form 10-K for the fiscal year ended December 31, 2008, or 2008 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 2008. Mr. Andrews did not elect to receive any of his cash compensation in the form of SARs.
- (3) Mr. Brunner served as the chairman of the audit committee and as a member of the nominating/corporate governance committee in 2008. Mr. Brunner elected to receive \$35,500 of his cash compensation in the form of SARs, which were valued using the Black-Scholes method.
- (4) Mr. Cavanna served as a member of the board until his retirement on May 7, 2008. As of March 17, 2008, upon termination of his contract as Trex Company's Interim Chief Financial Officer, Mr. Cavanna received director fees until his retirement from the board. Mr. Cavanna did not elect to receive any of his cash compensation in the form of SARs.
- (5) Mr. Ferrari resigned as Trex Company's Chief Executive Officer, effective January 1, 2008, and began receiving director fees as a non-employee chairman of the board as of January 2, 2008. Mr. Ferrari elected to receive \$45,000 of his cash compensation in the form of SARs, which were valued using the Black-Scholes method.
- (6) Mr. Gratz served as a member of the audit and compensation committees. Mr. Gratz elected to receive \$22,000 of his cash compensation in the form of SARs, which were valued using the Black-Scholes method.
- (7) Mr. Martin served as a member of the audit committee and the nominating/corporate governance committee until his retirement from the board on May 7, 2008. Mr. Martin elected to receive \$13,228 of his cash compensation in the form of SARs, which were valued using the Black-Scholes method.

Edgar Filing: TREX CO INC - Form DEF 14A

- (8) Mr. Merlotti served as a member of the audit committee and the compensation committee in 2008. Mr. Merlotti did not elect to receive any of his cash compensation in the form of SARs.
  
- (9) Ms. Robinson served as the chairman of the nominating/corporate governance committee and as a member of the compensation committee in 2008. Ms. Robinson did not elect to receive any of her cash compensation in the form of SARs.