

AUG 09 2005

JOHN F. CORCORAN, CLERK  
BY: K. Bauseman  
DEPUTY CLERK

UNITED STATES DISTRICT COURT  
WESTERN DISTRICT OF VIRGINIA

BOB E. WREN, Individually and On Behalf )  
of All Others Similarly Situated, )

Plaintiff, )

vs. )

TREX COMPANY, INC., ROBERT G. )  
MATHENY, AND PAUL D. FLETCHER, )

Defendants. )

CIVIL ACTION NO.

5:05CV00051

CLASS ACTION COMPLAINT

JURY TRIAL DEMANDED

NATURE OF THE ACTION AND OVERVIEW

1. This is a federal class action on behalf of persons who purchased or otherwise acquired the securities of Trex Company, Inc. ("Trex" or the "Company") between October 25, 2004 and June 22, 2005, inclusive (the "Class Period"), seeking to pursue remedies under the Securities Exchange Act of 1934 (the "Exchange Act").

2. Trex manufactures and distributes wood/plastic composite products primarily for residential and commercial decking and railing applications.

3. The complaint alleges that defendants' Class Period representations regarding Trex were materially false and misleading when made for the following reasons: (1) that the expected re-orders of inventory were not materializing, as Trex distributors worked to dispose of excess inventory; (2) that the expansion of the Company's distribution program with The Home Depot materially slowed due to delays in rolling out the Company's products; (3) that the Company cost cutting initiatives failed to limit the impact of higher raw material costs; (4) that there were

manufacturing issues with the Artisan and Brasilia rail lines; and (5) that as a consequence of the foregoing, defendants' positive statements about the Company's growth and progress lacked in any reasonable basis when made.

4. On June 22, 2005, Trex announced that the Company expected a substantial loss for the quarter and guided its earnings lower for the year. The news shocked the market. Shares of Trex fell \$10.59 per share, or 29.66%, on June 23, 2005, to close at \$25.11 per share.

5. During the Class Period and with the Company's stock trading at artificially inflated prices, the Company's insiders sold 680,395 shares for gross proceeds of \$29,833,121.

#### JURISDICTION AND VENUE

6. The claims asserted herein arise under and pursuant to Sections 10(b) and 20(a) of the Exchange Act, 15 U.S.C. §§ 78j(b) and 78t(a), and Rule 10b-5 promulgated thereunder 17 C.F.R. § 240.10b-5.

7. This Court has jurisdiction over the subject matter of this action pursuant to Section 27 of the Exchange Act (15 U.S.C. § 78aa) and 28 U.S.C. § 1331.

8. Venue is proper in this Judicial District pursuant to Section 27 of the Exchange Act, 15 U.S.C. § 78aa and 28 U.S.C. § 1391(b). Many of the acts and transactions alleged herein, including the preparation and dissemination of materially false and misleading information, occurred in substantial part in this Judicial District. Additionally, the Company maintains a principal executive office in this Judicial District.

9. In connection with the acts, conduct and other wrongs alleged in this complaint, defendants, directly or indirectly, used the means and instrumentalities of interstate commerce,

including but not limited to, the United States mails, interstate telephone communications and the facilities of the national securities exchange.

#### PARTIES

10. Plaintiff, Bob E. Wren, as set forth in the accompanying certification, incorporated by reference herein, purchased Trex securities at artificially inflated prices during the Class Period and has been damaged thereby.

11. Defendant Trex is a Delaware corporation with its principal executive offices located 160 Exeter Drive, Winchester, Virginia 22603-8605. Trex manufactures and distributes wood/plastic composite products primarily for residential and commercial decking and railing applications. It manufactures Trex Wood-Polymer lumber through a process that combines waste wood fibers and reclaimed polyethylene. The Company provides three decking lines, including Trex Origins, which features a smooth surface; Trex Accents featuring a smooth surface on one side and an embossed wood grain on the other; and Trex Brasilia, which replicates the look of tropical hardwoods with color variations. Trex Company serves consumers, home builders, and contractors in the United States and Canada. It sells its products through wholesale distributors, retail lumber dealers, retail building material dealers, and retail stores.

12. Defendant Robert G. Matheny was, at all relevant times, the Company's Chairman and Chief Executive Officer. In the month leading up to the June 22, 2005 press release, Matheny sold 165,000 shares of the Company's stock, providing him with \$6,218,700 in proceeds.

13. Defendant Paul D. Fletcher was, at all relevant times, the Company's Chief Financial Officer, Principal Accounting Officer, and Senior Vice President.

14. Defendants Matheny and Fletcher are collectively referred to hereinafter as the "Individual Defendants." The Individual Defendants, because of their positions with the Company, possessed the power and authority to control the contents of Trex's quarterly reports, press releases and presentations to securities analysts, money and portfolio managers and institutional investors, i.e., the market. Each defendant was provided with copies of the Company's reports and press releases alleged herein to be misleading prior to or shortly after their issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected. Because of their positions and access to material non-public information available to them but not to the public, the Individual Defendants knew that the adverse facts specified herein had not been disclosed to and were being concealed from the public and that the positive representations which were being made were then materially false and misleading. The Individual Defendants are liable for the false statements pleaded herein, as those statements were each "group-published" information, the result of the collective actions of the Individual Defendants.

#### SUBSTANTIVE ALLEGATIONS

##### Materially False And Misleading Statements Issued During The Class Period

15. The Class Period commences on October 25, 2004. At that time, Trex issued a press release entitled "Trex Company 2004 Third Quarter Revenue Up 56%; EPS Up 37%; Product Introductions Offer Exciting New Options for Consumers to 'Create Your Space' in 2005." Therein, the Company, in relevant part, stated:

Trex Company, Inc. (NYSE:TWP), manufacturer of Trex(R) decking and railing, today announced financial results for the third quarter ended September 30, 2004.

Net sales for the 2004 third quarter totaled \$64.4 million compared to \$41.2 million for the 2003 third quarter. Net income for the 2004 third quarter totaled \$7.1 million, or \$0.48 per diluted share, compared to \$5.1 million, or \$0.35 per diluted share, for the 2003 third quarter.

For the nine months ended September 30, 2004, Trex Company reported net sales of \$224.0 million compared to \$169.1 million for the 2003 nine month period. Net income for the nine months ended September 30, 2004 totaled \$27.5 million, or \$1.86 per diluted share, compared to \$21.8 million, or \$1.48 per diluted share, for the 2003 nine-month period.

Chairman and Chief Executive Officer Robert Matheny commented, "Trex Company continued to grow its business in the third quarter as more and more consumers learned about the many benefits of composite decking and responded enthusiastically to our expanding array of products and styles. Our Trex Accents(TM) line, which features wood grain texture, has become an important part of our product line-up in a very short period of time. Demand for our Trex Designer Series Railing(TM), a line of high-style railing components that match our deck boards, has also been growing steadily. We are also encouraged by our Home Depot experience to date. Results have met our expectations and the general market awareness the Home Depot program creates for Trex is growing independent dealer volume as well. However, while our sales and profits were up significantly over last year, higher manufacturing costs, especially the price of raw materials, did adversely affect our gross margin in the quarter."

16. Additionally commenting on the results, defendant Matheny stated:

As we move toward 2005, I am very excited by the innovative products Trex will bring to market in the coming year, all of which are designed to give consumers more freedom to build the deck of their dreams. Beginning next year, we will introduce Trex Exotics(TM) deck boards, trim profiles and railings which will offer the distinctive look of tropical hardwoods without the high installation cost or maintenance requirements associated with tropical hardwoods. Through a special process, subtle shadings and natural color variations create the rich aesthetics of rare woods.

In another important innovation, Trex will introduce a new railing system that has a white textured surface with the appearance of

painted wood. Crafted from a durable composite material, it offers an elegant look and also sets a new standard for easy installation.

To support our business and the many new product initiatives in 2005, we will kick off a major new print and television advertising campaign that emphasizes the limitless design flexibility of Trex(R). Built around the theme 'Create Your Space(TM)', the campaign will emphasize to consumers that nothing looks and lasts like Trex(R). 2004 to date has been another successful year for our Company. **Although the seasonality of our business results in lower sales during the fourth quarter, we remain confident in our previously announced guidance, which calls for net sales for 2004 to total \$240 to \$245 million and earnings per diluted share to total \$1.75 to \$1.80. Looking forward to 2005, we expect to grow both revenue and earnings in the range of 20 - 25% for the year.**

[Emphasis added.]

17. On October 26, 2004, Trex held an investor conference call to discuss its previously announced financial results. During the conference call, the Company's management made the following statements:

TYROON KAHANA, ANALYST, WELLINGTON MANAGEMENT: Just a quick question, you know, in terms of your guidance. You're talking about revenue and earnings growth of 20 to 25 percent for 2005. I guess that's based on the assumption that there is no real change in the gross margin, right, or in the operating margin; and you are basically going to grow earnings in line with revenues. And I am just wondering, you know, isn't that a little aggressive given that you have all this raw material price pressure and your margins have a big impact this quarter on the back of rising raw material prices and, you know, energy prices being so high; but you kind of implicitly making the assumption that you are going to see a decline in those prices going into 2005?

PAUL FLETCHER: I think a number of things as we tried to outline, not just the cost of raw material impacted the gross margin line. Some of them were planned; like new product introductions are going to be a drag. You have to -- find (ph) out its time for production and practice to build the new products. The other thing is we had this major equipment failure, which doesn't happen very often. But we're not planning on those things happen. Not also planning on the cost of raw materials coming down any. And I

expect that we will get better and better as we have historically taking these products and making them at higher and higher rates. So our expectations are actually that our margins return into the low 40s. And I think that we'll have plans, programs and products in place for the top-line growth also.

18. On November 4, 2004, Trex filed its quarterly report with the Securities and Exchange Commission ("SEC") on Form 10-Q. The Company's Form 10-Q was signed by defendant Fletcher and reaffirmed the Company's previously announced financial results.

19. On February 17, 2005, Trex issued a press release entitled "Trex Company Completes Year of Strong Growth; 2004 Revenue Increases 33%, EPS up 28%." Therein, the Company, in relevant part, stated:

Trex Company, Inc. (NYSE: TWP), manufacturer of Trex(R) decking and railing, today announced financial results for the fourth quarter and fiscal year ended December 31, 2004.

Net sales for the 2004 fourth quarter totaled \$29.6 million compared to \$21.9 million for the 2003 fourth quarter. The net loss decreased to \$0.4 million, or \$0.02 per diluted share, for the 2004 fourth quarter from a net loss of \$0.8 million, or \$0.05 per diluted share, for the 2003 fourth quarter.

Chairman and Chief Executive Officer Robert Matheny commented, "Trex Company typically reports a loss in the fourth quarter due to the highly seasonal nature of deck installations, whose peak periods occur from late winter through September. **As is usual in the fourth quarter, we built product inventory to prepare for the heavy demand we anticipate during the upcoming peak season. During the period, our cost of sales was negatively affected by the higher cost of plastic raw materials.**"

For the full 2004 year, Trex Company reported net sales of \$253.6 million compared to \$191.0 million for 2003, which represents an increase of 33%. Net income increased 29% to \$27.2 million, or \$1.83 per diluted share, from net income of \$21.0 million, or \$1.43 per diluted share, for 2003.

Mr. Matheny continued, "As our financial results clearly demonstrate, 2004 was a successful year for Trex. As the demand for composite decking and railing products continued to grow, we took steps to expand our market leadership position. We introduced a series of products - Trex Origins(TM), Trex Accents(TM), and Trex Designer Series Railing(TM) - that have been well accepted by the market. In fact, Trex Accents(TM) has already established itself as the leading wood grain-textured deck board in the composite market. We launched a relationship with The Home Depot designed to complement our existing distribution channel and reach a new set of consumers and contractors. In addition, we started construction on our third manufacturing plant, in Olive Branch, Mississippi."

"In 2005, we will capitalize even further on the growing popularity of composite decking and railing. In December, we began shipping Trex Brasilia(TM), a new line of deck boards, trim profiles and railings that feature the look of tropical hardwoods, including subtle shadings and color variations. Our Trex Artisan Series Railing(TM) will also debut in 2005. This new railing system has a white textured surface with the appearance of painted wood and is crafted from a durable composite material that offers an elegant look while setting a new standard for easy installation. Our new advertising campaign, 'Create Your Space(TM)', kicked off in February and is designed to demonstrate the broad design flexibility Trex Company's products offer homeowners looking to create an outside living environment."

Mr. Matheny concluded, **"We believe Trex Company is well positioned to take advantage of the extraordinary opportunities that exist in our market and to continue expanding our leadership role. For 2005, we expect net sales and earnings per diluted share to increase approximately 18% to 22%."**

[Emphasis added.]

20. On February 18, 2005, Trex held an investor conference call to discuss its previously announced financial results. During the conference call, the Company's management made the following statements:

BOB MATHENY: Lastly, our 2005 program for Trex distributors and dealers is also being well received. Historically our programs have focused on early buy incentives. This year we are more focused on a full-year partnership and results. As the building materials distribution industry, like many others, focuses on increasingly -- on

turn rates and lower inventory levels our programs are evolving to meet those needs. As the 2005 seasons begins to get underway we will be in great position to capitalize on opportunities and build our business. With an unmatched product lineup, advertising, and promotion set, and distribution strength, all of the pieces are in place for a great year.

As Paul outlined in his remarks, while our gross profit margin in the fourth quarter was favorable to the same period in 2003, we continued to pay very high prices for polyethylene. This we have seen through January and have forecasted these higher costs in our plans for the year. We continue to work on productivity gains and other means to improve margins but believe substantial gains will only be realized when pricing for poly returns to more historical levels. Our expectations for gross profit margin during the first quarter are similar to our fourth quarter experience. Our goal last fall was to only have a modest price increase for Trex products in 2005, and thus we announced a 3 percent increase for all orders outside our early buy program effective last December. Realizing in the last month that our costs will not be reduced dramatically in the short term we have also announced an additional increase of 5 percent for a total of 8 percent effective April 1. These increases should bring our gross profit margin to more historical levels during the second quarter and we believe that by year end the average gross profit margin for the year will be slightly over 40 percent.

21. On March 16, 2005, Trex filed its annual report with the SEC on Form 10-K. The Company's Form 10-K was signed by Individual Defendants and reaffirmed the Company's previously announced financial results:

22. On April 7, 2005, Trex issued a press release entitled "Trex Company Announces Preliminary First Quarter 2005 Results; Reaffirms Annual Guidance." Therein, the Company, in relevant part, stated:

Trex Company, Inc. (NYSE: TWP), manufacturer of Trex(R) decking and railing, today announced that it expects net sales for the first quarter of 2005 to be approximately \$90 million, compared to \$76.3 million for the first quarter of 2004. The Company expects net income for the first quarter of 2005 to be in the range \$0.50 to \$0.52 per diluted share, compared to \$0.63 in the first quarter of 2004.

The Company reaffirmed its previously announced guidance for full year 2005, which calls for net sales to range from \$300 million to \$310 million and earnings per diluted share to range from \$2.16 to \$2.23. For 2004, Trex Company reported net sales of \$253.6 million and net income of \$27.2 million, or \$1.83 per diluted share.

Chairman and Chief Executive Officer Robert Matheny commented, **"A variety of factors, including the higher cost of plastic raw materials and inclement weather in many parts of the U.S., combined to make the first quarter of 2005 more challenging than last year's first quarter.** Costs associated with the start-up of our two newest products, Trex Brasilia(TM) and Trex Artisan Series Railing(TM), both of which utilize new technologies, also affected net income for the period. **We have taken a number of steps to improve manufacturing efficiencies, and our previously announced price increases took effect on April 1, 2005."**

**"We continue to believe that Trex Company is poised for another year of strong growth. As the decking season moves into high gear, we have been pleased with consumers' response to our new marketing campaign and expanded product line-up. We are also satisfied with the progress of our initiatives to build additional capacity and expand our distribution channels. Given these factors, as well as the many steps the Company has been taking to manage cost pressures, we are reaffirming the revenue and earnings goals we previously announced for 2005."** [Emphasis added.]

23. On April 27, 2005, Trex issued a press release entitled "Trex Company Reports 2005

First Quarter Revenue of \$89.9 Million." Therein, the Company, in relevant part, stated:

Company, Inc. (NYSE: TWP), manufacturer of Trex(R) decking and railing, today announced financial results for the quarter ended March 31, 2005.

Net sales for the 2005 first quarter totaled \$89.9 million, compared to net sales of \$76.3 million for the first quarter of 2004. Net income for the 2005 first quarter totaled \$8.4 million, or \$0.56 per diluted share, compared to \$9.3 million, or \$0.63 per diluted share, for the 2004 first quarter.

Chairman and Chief Executive Officer Robert Matheny commented, "As previously announced, the first quarter of 2005 was more

challenging than last year's due to a variety of factors, such as the higher cost of plastic raw materials, inclement weather in many parts of the U.S., and costs associated with the start-up of our newest products. Despite these challenges, we are pleased with the performance of our marketing and 'early buy' programs, all of which are designed to sell Trex's products into distribution before the deck-building season moves into high gear in the spring."

"Our product line-up for 2005 is stronger than ever, and we are very excited about the wider array of choices we are now offering consumers, including Trex Brasilia(TM), our premium line of deck boards, trim profiles and railings, and Trex Artisan Series Railing (TM), which can be used with all types of decks and porches. Both our channel partners and contractors have responded very favorably to these new products, as well as to our more established offerings."

"At the same time, we have been expanding our distribution channels, increasing the number of dealers through which Trex(R) decking and railing can be bought, and continuing to build momentum in our newest, mass-merchandising channel through our agreement with The Home Depot. Our 2005 advertising campaign, 'Create Your Space(TM),' the largest we have ever undertaken, is driving our brand by demonstrating the creativity and customization that Trex(R) products allow. In addition, our new manufacturing facility in Olive Branch, Mississippi, which is designed to fulfill the growing demand for our products and enable us to serve customers in the South and Midwest more efficiently, will begin shipping product on schedule in the second quarter. The plant's initial manufacturing lines will add \$50 million to Trex's revenue-generating capacity, and we are prepared to construct additional lines when needed."

Mr. Matheny concluded, **"As the market for composite decking continues to expand, we believe Trex Company is better positioned than ever to define our category. We have established the Company as a leader in outdoor living and design, and, as a result of our many successful marketing, manufacturing and distribution initiatives, continue to expect net sales and earnings per diluted share to increase approximately 18% to 22% in 2005."** [Emphasis added.]

24. On April 28, 2005, Trex held an investor conference call to discuss its previously announced financial results. During the conference call, the Company's management made the following statements:

BOB MATHENY: It is early, but encouragingly, many of our distributors report experiencing record Trex sales out to dealers so far. With our pull-through efforts and extensive lineup of deck, rail, and accessory products, we are in an excellent position to capitalize on category growth, and the continued conversion from wood to composites.

\*\*\*

On another positive note, I am happy to report that our third plant in Olive Branch, Mississippi, is on time and on budget. First line is in the process of starting up, and has made commercially saleable goods. We expect to have the second and third lines ready for use by early summer. As some of you may recall, we have the capability to add an additional three-lines without adding more building space in Olive Branch. Three installed lines at Olive Branch, along with two lines we have installed in Winchester, but not started, will give us nearly \$400 million in revenue generation capacity by the end of 2005.

**Also during the quarter, we re-refined our Brasilia railing process. This took slightly longer than we anticipated, and thus our first quarter sales results do not reflect any significant volume. However, we are now shipping both colors of Brasilia Trex Brasilia rail components, and our new, light, Artisan railing system.**

\*\*\*

DAVID CAMPBELL: I have a couple of questions for you. First of all, I would like to talk about polyethylene prices. Paul, what were -- what was your weighted polyethylene price in the quarter, and was that better or worse than you expected?

PAUL FLETCHER: It was about on track. It was approximately 10% higher than the December quarter, 2004.

DAVID CAMPBELL: Okay, and that was roughly what you expected it to be?

PAUL FLETCHER: It was a little higher during the quarter. We saw that alleviated, Bob said, towards the end of March, but for the quarter, it was slightly higher than we expected.

DAVID CAMPBELL: Okay, it seems like prime polyethylene prices had moderated during the first quarter, but I guess the recycle market continued to increase. Did you notice any differences there?

BOB MATHENY: I think, Dave, it's probably catching up. That would be my -- my guess, or belief, actually.

DAVID CAMPBELL: So what is your assumption over the balance of this year for polyethylene prices?

BOB MATHENY: Well, we've assumed they're not going to go down. As I said, we had a -- we put together a fairly large stream and have forecasted it to come in at better pricing and starting in March, and it has taken us a little longer to get it started, but I am hoping that just stabilizes things. I am not looking for that to really reduce the costs. It may, but we have not built that into our assumptions. [Emphasis added.]

25. On May 6, 2005, Trex filed its quarterly report with the SEC on Form 10-Q. The Company's Form 10-Q was signed by defendant Fletcher and reaffirmed the Company's previously announced financial results.

26. The statements contained in ¶¶ 15-25 were materially false and misleading when made because defendants failed to disclose or indicate the following: (1) that the expected re-orders of inventory were not materializing, as Trex distributors worked to dispose of excess inventory; (2) that the expansion of the Company's distribution program with The Home Depot materially slowed due to delays in rolling out the Company's products; (3) that the Company cost cutting initiatives failed to limit the impact of higher raw material costs; (4) that there were manufacturing issues with the Artisan and Brasilia rail lines; and (5) that as a consequence of the foregoing, defendants' positive statements about the Company's growth and progress lacked in any reasonable basis when made.

The Truth Begins To Emerge

27. On June 22, 2005, Trex issued a press release entitled "Trex Company Announces Preliminary Second Quarter 2005 Results; Revises Annual Guidance for 2005." Therein, the Company, in relevant part, stated:

Trex Company, Inc. (NYSE: TWP), manufacturer of Trex(R) decking and railing, today announced that it expects net sales for the second quarter of 2005 to be in the range of \$75 million to \$80 million, compared to \$83.4 million for the second quarter of 2004. Net sales for the first six months of 2005 are expected to be in the range of \$165 million to \$170 million, which would represent an increase of approximately 3-6% over the \$159.7 million in net sales for the first six months of 2004. The Company expects to record a net loss for the second quarter of 2005 in the range of \$0.20 to \$0.25 per diluted share, compared to net income of \$0.75 per diluted share in the second quarter of 2004.

Chairman and Chief Executive Officer Robert Matheny said, "A combination of factors, both on the revenue and the income side, are making this year much more challenging than we had anticipated. On the top line, our results have been affected by higher than anticipated retail inventory levels, which have adversely impacted our sales. In addition, as discussed in our first quarter 2005 earnings announcement, unfavorable weather in many parts of the U.S. significantly delayed the onset of this year's decking season, negatively affecting the sell-through of our products. A slower than expected expansion of our new distribution program with The Home Depot also caused sales to be less than expected."

"On the income side, our results in the first six months of 2005 have been negatively affected by the higher price of plastic raw materials, which increased by approximately 70% over the price in the first six months of 2004. Production costs have also been higher than normal due to the start-up of our new Olive Branch manufacturing facility, which came on line as scheduled in the second quarter, and the introduction of Trex Brasilia(TM) and Trex Artisan Series Railing(TM)."

Mr. Matheny continued, "Despite these challenges, we are encouraged by a recent survey of our retail distribution channels, which indicates that downstream sales have risen 20% - 25% year over year, a sign that our dealers are selling out of inventory. We are also encouraged by the fact that the Company's recent order patterns

are showing a recovery to more normal levels. Although it is difficult to obtain specific data at the dealer level, in speaking with contractors throughout the U.S., indications are that their business is robust and they are trying to catch up from a slow start caused by this year's poor weather. Nonetheless, we are taking a number of measures to curtail unneeded manufacturing capacity and to reduce expenses."

"We remain pleased with consumers' response to our new marketing campaign and expanded product line-up. The conversion from wood to composite decking and railing is continuing, presenting us with an excellent market opportunity longer term. By continuing to offer superior products, drive brand awareness, and increase our distribution footprint, we believe Trex will be well positioned to take advantage of the many opportunities that exist for growth."

"As a result of the factors described above, the Company is revising its previously announced guidance for 2005, which called for net sales to range from \$300 million to \$310 million and earnings per diluted share to range from \$2.16 to \$2.23. For 2005, the Company now expects net sales in the range of \$270 million to \$280 million and earnings per diluted share in the range of \$0.50 to \$0.60. For 2004, Trex Company reported net sales of \$253.6 million and earnings per diluted share of \$1.83."

28. The news shocked the market. Shares of Trex fell \$10.59 per share, or 29.66%, on June 23, 2005, to close at \$25.11 per share.

29. On June 24, 2005, Trex filed a disclosure with the SEC on Form 8-K. Therein, the Company revealed that after the near 30% decline driven by Trex's earnings warnings, defendant Matheny canceled his filed stock selling plan.

#### PLAINTIFF'S CLASS ACTION ALLEGATIONS

30. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who purchased or otherwise acquired the Trex securities between October 25, 2004, and June 22, 2005, or the Class Period, and who were damaged thereby. Excluded from the Class are defendants, the officers and directors of

the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which defendants have or had a controlling interest.

31. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, Trex securities were actively traded on the New York Stock Exchange ("NYSE"). As reported in the Company's Form 10-K for 2004, as of February 28, 2005, there were 14,847,044 Trex shares outstanding. While the exact number of Class members is unknown to Plaintiff at this time and can only be ascertained through appropriate discovery, Plaintiff believes that there are hundreds or thousands of members in the proposed Class. Record owners and other members of the Class may be identified from records maintained by Trex or its transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

32. Plaintiff's claims are typical of the claims of the members of the Class, as all members of the Class are similarly affected by defendants' wrongful conduct in violation of the Exchange Act as complained of herein.

33. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation.

34. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

- (a) whether the federal securities laws were violated by defendants' acts as alleged herein;

(b) whether statements made by defendants to the investing public during the Class Period misrepresented material facts about the business, operations and management of Trex; and

(c) to what extent the members of the Class have sustained damages and the proper measure of damages.

35. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

#### SCIENTER ALLEGATIONS

36. As alleged herein, defendants acted with scienter in that defendants knew that the public documents and statements issued or disseminated in the name of the Company were materially false and misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the federal securities laws. As set forth elsewhere herein in detail, defendants, by virtue of their receipt of information reflecting the true facts regarding Trex, their control over, and/or receipt and/or modification of Trex's allegedly materially misleading misstatements and/or their associations with the Company which made them privy to confidential proprietary information concerning Trex, participated in the fraudulent scheme alleged herein.

37. In the month leading up to the June 22, 2005 press release, and with the Company's stock still trading at artificially inflated prices, Matheny, and two Company directors, Anthony J. Cavanna and Andrew U. Ferrari, sold 513,400 shares for gross proceeds of \$19,622,325. Individually, Matheny sold 165,000 shares for proceeds totaling \$6,218,700, Cavanna sold 218,400 for proceeds totaling \$8,363,425, and Ferrari sold 130,000 shares for proceeds totaling \$5,040,200.

#### UNDISCLOSED ADVERSE FACTS

38. The market for Trex securities was open, well-developed and efficient at all relevant times. As a result of these materially false and misleading statements and failures to disclose, Trex securities traded at artificially inflated prices during the Class Period. Plaintiff and other members of the Class purchased or otherwise acquired Trex securities relying upon the integrity of the market price of Trex securities and market information relating to Trex, and have been damaged thereby.

39. During the Class Period, defendants materially misled the investing public, thereby inflating the price of Trex securities, by publicly issuing false and misleading statements and omitting to disclose material facts necessary to make defendants' statements, as set forth herein, not false and misleading. Said statements and omissions were materially false and misleading in that they failed to disclose material adverse information and misrepresented the truth about the Company, its business and operations, as alleged herein.

40. At all relevant times, the material misrepresentations and omissions particularized in this Complaint directly or proximately caused or were a substantial contributing cause of the damages sustained by plaintiff and other members of the Class. As described herein, during the Class Period, defendants made or caused to be made a series of materially false or misleading statements about Trex's business, prospects and operations. These material misstatements and

omissions had the cause and effect of creating in the market an unrealistically positive assessment of Trex and its business, prospects and operations, thus causing the Company's securities to be overvalued and artificially inflated at all relevant times. Defendants' materially false and misleading statements during the Class Period resulted in plaintiff and other members of the Class purchasing the Company's securities at artificially inflated prices, thus causing the damages complained of herein.

### LOSS CAUSATION

41. Defendants' wrongful conduct, as alleged herein, directly and proximately caused the economic loss suffered by Plaintiff and the Class.

42. During the Class Period, Plaintiff and the Class purchased or otherwise acquired Trex securities at artificially inflated prices and were damaged thereby. The price of Trex's common stock declined when the misrepresentations made to the market, and/or the information alleged herein to have been concealed from the market, and/or the effects thereof, were revealed, causing investors' losses.

### FIRST CLAIM

#### Violation Of Section 10(b) Of The Exchange Act Against And Rule 10b-5 Promulgated Thereunder Against All Defendants

43. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

44. During the Class Period, defendants carried out a plan, scheme and course of conduct which was intended to and, throughout the Class Period, did: (i) deceive the investing public,

including Plaintiff and other Class members, as alleged herein; and (ii) cause Plaintiff and other members of the Class to purchase Trex securities at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, defendants, and each of them, took the actions set forth herein.

45. Defendants (a) employed devices, schemes, and artifices to defraud; (b) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (c) engaged in acts, practices, and a course of business which operated as a fraud and deceit upon the purchasers of the Company's securities in an effort to maintain artificially high market prices for Trex securities in violation of Section 10(b) of the Exchange Act and Rule 10b-5. All defendants are sued either as primary participants in the wrongful and illegal conduct charged herein or as controlling persons as alleged below.

46. Defendants, individually and in concert, directly and indirectly, by the use, means or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct to conceal adverse material information about the business, operations and future prospects of Trex as specified herein.

47. These defendants employed devices, schemes, and artifices to defraud, while in possession of material adverse non-public information and engaged in acts, practices, and a course of conduct as alleged herein in an effort to assure investors of Trex's value and performance and continued substantial growth, which included the making of, or the participation in the making of, untrue statements of material facts and omitting to state material facts necessary in order to make the statements made about Trex and its business operations and future prospects in the light of the circumstances under which they were made, not misleading, as set forth more particularly herein, and

engaged in transactions, practices and a course of business which operated as a fraud and deceit upon the purchasers of Trex securities during the Class Period.

48. Each of the Individual Defendants' primary liability, and controlling person liability, arises from the following facts: (i) the Individual Defendants were high-level executives and/or directors at the Company during the Class Period and members of the Company's management team or had control thereof; (ii) the Individual Defendants, by virtue of his or her responsibilities and activities as a senior officer and/or director of the Company was privy to and participated in the creation, development and reporting of the Company's internal budgets, plans, projections and/or reports; (iii) each of the Individual Defendants enjoyed significant personal contact and familiarity with the other defendants and was advised of and had access to other members of the Company's management team, internal reports and other data and information about the Company's finances, operations, and sales at all relevant times; and (iv) each of the Individual Defendants was aware of the Company's dissemination of information to the investing public which they knew or recklessly disregarded was materially false and misleading.

49. The Individual Defendants had actual knowledge of the misrepresentations and omissions of material facts set forth herein, or acted with reckless disregard for the truth in that they failed to ascertain and to disclose such facts, even though such facts were available to them. Such defendants' material misrepresentations and/or omissions were done knowingly or recklessly and for the purpose and effect of concealing Trex's operating condition and future business prospects from the investing public and supporting the artificially inflated price of its securities. As demonstrated by defendants' overstatements and misstatements of the Company's business, operations and earnings throughout the Class Period, defendants, if they did not have actual knowledge of the

misrepresentations and omissions alleged, were reckless in failing to obtain such knowledge by deliberately refraining from taking those steps necessary to discover whether those statements were false or misleading.

50. As a result of the dissemination of the materially false and misleading information and failure to disclose material facts, as set forth above, the market price of Trex securities was artificially inflated during the Class Period. In ignorance of the fact that market prices of Trex's publicly-traded securities were artificially inflated, and relying directly or indirectly on the false and misleading statements made by defendants, or upon the integrity of the market in which the securities trade, and/or on the absence of material adverse information that was known to or recklessly disregarded by defendants but not disclosed in public statements by defendants during the Class Period, Plaintiff and the other members of the Class acquired Trex securities during the Class Period at artificially high prices and were damaged thereby.

51. At the time of said misrepresentations and omissions, Plaintiff and other members of the Class were ignorant of their falsity, and believed them to be true. Had Plaintiff and the other members of the Class and the marketplace known the truth regarding the problems that Trex was experiencing, which were not disclosed by defendants, Plaintiff and other members of the Class would not have purchased or otherwise acquired their Trex securities, or, if they had acquired such securities during the Class Period, they would not have done so at the artificially inflated prices which they paid.

52. By virtue of the foregoing, defendants have violated Section 10(b) of the Exchange Act, and Rule 10b-5 promulgated thereunder.

53. As a direct and proximate result of defendants' wrongful conduct, Plaintiff and the other members of the Class suffered damages in connection with their respective purchases and sales of the Company's securities during the Class Period.

## SECOND CLAIM

### Violation Of Section 20(a) Of The Exchange Act Against the Individual Defendants

54. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

55. The Individual Defendants acted as controlling persons of Trex within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their high-level positions, and their ownership and contractual rights, participation in and/or awareness of the Company's operations and/or intimate knowledge of the false financial statements filed by the Company with the SEC and disseminated to the investing public, the Individual Defendants had the power to influence and control and did influence and control, directly or indirectly, the decision-making of the Company, including the content and dissemination of the various statements which Plaintiff contend are false and misleading. The Individual Defendants were provided with or had unlimited access to copies of the Company's reports, press releases, public filings and other statements alleged by Plaintiff to be misleading prior to and/or shortly after these statements were issued and had the ability to prevent the issuance of the statements or cause the statements to be corrected.

56. In particular, the Individual Defendants had direct and supervisory involvement in the day-to-day operations of the Company and, therefore, are presumed to have had the power to control

or influence the particular transactions giving rise to the securities violations as alleged herein, and exercised the same.

57. As set forth above, Trex and the Individual Defendants each violated Section 10(b) and Rule 10b-5 by their acts and omissions as alleged in this Complaint. By virtue of their positions as controlling persons, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of defendants' wrongful conduct, Plaintiff and other members of the Class suffered damages in connection with their purchases of the Company's securities during the Class Period.

WHEREFORE, Plaintiff prays for relief and judgment, as follows:

- (a) Determining that this action is a proper class action, designating Plaintiff as Lead Plaintiff and certifying Plaintiff as a class representative under Rule 23 of the Federal Rules of Civil Procedure and Plaintiff's counsel as Lead Counsel;
- (b) Awarding compensatory damages in favor of Plaintiff and the other Class members against all defendants, jointly and severally, for all damages sustained as a result of defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;
- (c) Awarding Plaintiff and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and
- (d) Such other and further relief as the Court may deem just and proper.

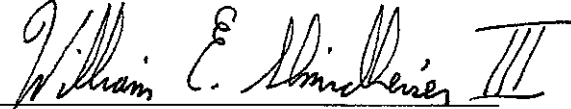
JURY TRIAL DEMANDED

Plaintiff hereby demands a trial by jury.

Dated: August 9, 2005

Respectfully submitted,

KEELER OBENSHAIN PC

By 

William E. Shmidheiser, III (VSB 19047)

90 North Main Street, Suite 201

P. O. Box 1287

Harrisonburg, Virginia 22803

Telephone: (540) 437-3137

Facsimile: (540) 437-3101

GLANCY BINKOW

& GOLDBERG LLP

Lionel Z. Glancy

Michael Goldberg

1801 Avenue of the Stars, Suite 311

Los Angeles, California 90067

Telephone: (310) 201-9150

Facsimile: (310) 201-9160

MURRAY, FRANK & SAILER LLP

Eric J. Belfi

Bradley P. Dyer

275 Madison Avenue, 8<sup>th</sup> Floor

New York, New York 10016

Telephone: (212) 682-1818

LAW OFFICES OF BRUCE G. MURPHY

Bruce G. Murphy

265 Llwyds Lane

Vero Beach, FL 32963

Telephone: (561) 231-4202

Attorneys for Plaintiff

FROM :

08/03/2005 WED 9:36 FAX

FAX NO. :

Aug. 03 2005 18:19PM P2  
0001/002

**CERTIFICATION OF NAMED PLAINTIFF  
PURSUANT TO FEDERAL SECURITIES LAWS**

I, Bob E Wren, ("Plaintiff") declare the following claims asserted under the federal securities laws, that:

1. Plaintiff has reviewed the complaint and authorized its filing. Plaintiff retains the Law Offices of Bruce G. Murphy, P.C. and such co-counsel it deems appropriate to associate with to pursue such action on a contingent fee basis.

2. Plaintiff did not acquire the securities that are the subject of this action at the direction of plaintiff's counsel or in order to participate in this private action or any other litigation under the federal securities laws.

3. Plaintiff is willing to serve as a representative party on behalf of the class, including providing testimony at deposition and trial, if necessary.

4. Plaintiff has made the following transaction(s) during the Class Period in the securities that are the subject of this action:

<u>No. of Shares</u>	<u>Stock Symbol</u>	<u>Buy/Sell</u>	<u>Date</u>	<u>Price Per Share</u>
<u>35</u>	<u>TWP</u>	<u>Buy</u>	<u>2-18-05</u>	<u>46.33</u>

Please list other transactions on a separate sheet of paper, if necessary.

5. During the three years prior to the date of this Certificate, Plaintiff has not sought to serve or served as a representative party for a class in an action filed under the federal securities laws except as detailed below:

6. The Plaintiff will not accept any payment for serving as a representative party on behalf of the class beyond the Plaintiff's pro rata share of any recovery, except such reasonable costs and expenses (including lost wages) directly relating to the representation of the class as ordered or approved by the court.

I declare under penalty of perjury that the foregoing is true and correct.

Executed this 3 day of Aug, 2005.

Bob E Wren  
Signature

Bob E Wren  
Print Name