TREX CO INC
Form 424B5
June 11, 2007
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The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement is not an offer to sell these securities, and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Filed Pursuant to Rule 424(b)(5)
Registration Statement No. 333-143171

Subject to completion dated June 11, 2007

Preliminary prospectus supplement

To prospectus dated June 6, 2007

Trex Company, Inc.

$85,000,000

% Convertible Senior Subordinated Notes Due 2012

Interest payable January 1 and July 1

We are offering $85,000,000 principal amount of our % Convertible Senior Subordinated Notes due 2012. The notes will bear interest at a rate of % per year, payable semiannually in arrears on January 1 and July 1 of each year, beginning January 1, 2008. The notes will mature on July 1, 2012.

Holders may convert their notes at their option prior to the close of business on the business day immediately preceding April 1, 2012 only under the following circumstances: (1) during any fiscal quarter commencing after September 30, 2007, if the last reported sale price of the common stock for at least 20 trading days during a period of 30 consecutive trading days ending on the last trading day of the preceding fiscal quarter is greater than or equal to 130% of the applicable conversion price on each applicable trading day; (2) during the five business day period after any ten consecutive trading-day period, which we call the measurement period, in which the trading price per note for each day of that measurement period was less than 98% of the product of the last reported sale price of our common stock and the applicable conversion rate on each such day; or (3) upon the occurrence of specified corporate events. On and after April 1, 2012 until the close of business on the third business day immediately preceding the maturity date, holders may convert their notes at any time, regardless of the foregoing circumstances. Upon conversion, we will pay cash up to the principal amount of the notes converted and deliver shares of our common stock to the extent the daily conversion value exceeds the proportionate principal amount based on a 40 trading-day observation period.

The conversion rate will be shares of our common stock per $1,000 principal amount of notes, which is equivalent to a conversion price of approximately $ per share of common stock. The conversion rate will be subject to adjustment in some events but will not be adjusted for accrued interest. In addition, following specified corporate transactions that occur prior to the maturity date, we will increase the conversion rate for a holder who elects to convert its notes in connection with such a corporate transaction in certain circumstances.

We may not redeem the notes. If we undergo a fundamental change, holders may require us to purchase the notes in whole or in part for cash at a price equal to 100% of the principal amount of the notes to be purchased plus any accrued and unpaid interest to, but excluding, the purchase date.

The notes will be our direct, senior subordinated, unsecured obligations and will rank equally in right of payment with all our existing and future senior subordinated debt, senior in right of payment to all our existing and future subordinated debt and junior in right of payment to all our existing and future senior debt. The notes will be structurally junior in right of payment to the liabilities of our subsidiaries.

The notes will not be listed on any securities exchange. Currently, there is no public market for the notes. Our common stock is listed on the New York Stock Exchange under the symbol TWP. The last reported sale price of our common stock on the New York Stock Exchange on June 8, 2007 was $19.35 per share.

See Risk factors beginning on page S-13 for a discussion of certain risks that you should consider in connection with an investment in the notes.

	Public offering price	Underwriting discount	Proceeds before expenses, to us
Per note	%	%	%
Total	$	$	$

We have granted the underwriters the right to purchase within a 30-day period up to an additional $10,000,000 principal amount of notes, solely to cover over-allotments.

We expect that delivery of the notes will be made to investors in book-entry form through The Depository Trust Company on or about June , 2007.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement is truthful or complete. Any representation to the contrary is a criminal offense.

Book Runner

JPMorgan

Co-Manager

BB&T Capital Markets

The date of this prospectus supplement is June , 2007

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You should rely only on the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not authorized anyone to provide you with information in addition to or different from that contained in this prospectus supplement and the accompanying prospectus. We are offering to sell, and seeking offers to buy, these securities only in jurisdictions where offers and sales are permitted. You should not assume that the information in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the date on the front of those documents.

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Prospectus Supplement

Prospectus

As used in this prospectus supplement and the accompanying prospectus, except for the sections in the prospectus supplement titled Prospectus supplement summary The offering and Description of notes and as otherwise noted, Trex Company, we, our us refer to Trex Company, Inc. and our consolidated subsidiaries.

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About this prospectus supplement

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering. The second part, the accompanying prospectus, gives more general information, some of which may not apply to this offering. Generally, when we refer only to this prospectus, we are referring to both parts combined.

If information in this prospectus supplement is inconsistent with the accompanying prospectus, you should rely on this prospectus supplement. This prospectus supplement, the accompanying prospectus and the documents incorporated by reference in the accompanying prospectus include important information about us, the notes being offered and other information you should know before investing. You should read this prospectus supplement and the accompanying prospectus as well as additional information described under Incorporation of Certain Documents by Reference in the accompanying prospectus before investing in the notes.

Industry and market data

We obtained the market and competitive position data, including market forecasts, used throughout this prospectus supplement or incorporated by reference in the accompanying prospectus from internal surveys, as well as market research, publicly available information and industry publications. Industry publications, including those we refer to in this prospectus supplement and the documents incorporated by reference in the accompanying prospectus, generally state that the information presented therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed by us to be reliable, have not been independently verified by us, and neither we nor the underwriters make any representation as to the accuracy of such information.

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Prospectus supplement summary

This summary contains basic information about our business. Because it is a summary, it does not contain all of the information that you should consider before investing. You should carefully read this entire prospectus supplement and the accompanying prospectus, including the section entitled Risk factors, before purchasing notes. You also should read our consolidated financial statements and the related notes and other documents incorporated by reference in the accompanying prospectus, which are described therein under Incorporation of Certain Documents by Reference. This prospectus supplement and the accompanying prospectus contain or incorporate forward-looking statements. You should read these forward-looking statements together with the cautionary statements and important factors included in this prospectus supplement under Forward-looking statements and in the accompanying prospectus under Special Note Regarding Forward-Looking Statements.

We are the country s largest manufacturer of wood/plastic composite decking and railing products, which are marketed under the brand name Trex®. Our products provide the attractive appearance and the workability of wood without many of wood s on-going maintenance requirements and functional disadvantages. We use a proprietary manufacturing process supported by patented technology that combines waste wood fibers and reclaimed polyethylene. Our products are used primarily for residential and commercial decking and railing. In 2007, we introduced a wood/plastic composite fencing product, Trex Seclusions®. We promote Trex products among consumers, home builders and contractors as a premium alternative to wood products. Our net sales increased to $337 million in 2006 from $117 million in 2001.

Our primary market is residential decking and railing and, to a lesser extent, commercial decking and railing. An industry study estimates that annual factory sales in 2005 of residential decking and railing totaled approximately $5.1 billion, or approximately 4 billion linear feet of lumber. The estimate includes sales of deck surface and railing products and excludes sales of products used for a deck s substructure, such as joists, stringers, beams and columns. For the four-year period ended December 31, 2004, an industry study estimates that factory sales of residential decking and railing, as measured by linear feet of lumber, increased at a compound annual growth rate of approximately 5%. For the same period, this study estimates that factory sales of non-wood decking and railing products to the residential market increased at an annual rate of over 30%. Another study estimates that the overall volume of residential decking and railing at the manufacturer level increased 5%, while factory sales of non-wood decking and railing products increased 18%, in 2005.

The principal competition for Trex consists of wood products, which industry sources estimate represented approximately 86% of the decking and railing market, as measured by linear feet of lumber, and 75% of the market, as measured by wholesale market value, at December 31, 2005. We also compete with decking products made from 100% plastic lumber that utilizes polyethylene, fiberglass and polypropylene as raw materials. In recent years, developing consumer awareness of non-wood decking and railing alternatives, the trend to low-maintenance products and the decline in lumber quality and quantity have contributed to increased sales of wood/plastic composites used for decking and railing.

Our business strategy is to convert the demand for wood decking, railing and fencing products into demand for Trex products. Industry studies indicate that we have the leading market share

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of the wood/plastic composite segment of the decking and railing market. We estimate that wood/plastic composites and plastic accounted for approximately 19% of 2005 decking and railing sales, as measured by wholesale market value. We emphasize the development and promotion of Trex as the premium outdoor-living brand and focus our sales efforts on the professionally-installed and do-it-yourself market segments.

At March 31, 2007, we sold our products through 19 wholesale companies operating from approximately 90 distribution locations, which in turn sold our products to approximately 3,545 retail dealers across the United States and Canada. We began selling our products through Home Depot stores in June 2004 and in Lowe s stores in the first quarter of 2007. At March 31, 2007, certain Trex products were stocked at approximately 1,100 Home Depot stores and at over 1,100 Lowe s stores, and substantially all of our products were available by special order through our existing distribution channels in all Home Depot and Lowe s stores.

Competitive Strengths

We believe that our primary competitive strengths are the following:

Superior product. Trex products offer a number of significant advantages over wood, while eliminating many of wood s major functional disadvantages, which include warping, splitting and other damage from moisture. Our products require no staining, are resistant to moisture damage, provide a splinter-free surface and need no chemical treatment against rot or insect infestation. These features eliminate most of the on-going maintenance requirements for a wood deck and make Trex products less costly than wood over the life of the deck. Like wood, Trex products are slip-resistant, even when wet, can be painted or stained and are less vulnerable to damage from ultraviolet rays. Special characteristics, including resistance to splitting, the ability to bend, and ease and consistency of machining and finishing, facilitate deck, railing and fencing installation, reduce contractor call-backs and afford customers a wide range of design options. Trex products do not have the tensile strength of wood and, as a result, are not used as primary structural members in posts, beams or columns used in a deck s substructure.

Brand name development. We have invested approximately $61 million during the last three years to develop Trex as a recognized brand name in the residential and commercial decking and railing market. Our marketing strategy has been to promote Trex among consumers and contractors as a premium decking product. We use extensive print and television advertising to build brand awareness among homeowners and commercial users and target decking contractors with advertisements in leading building and remodeling magazines. Brand name recognition helps to generate demand for Trex directly among consumers and also among our wholesale distributors and dealers, who recommend Trex to contractors and other consumers. We believe that our branding strategy enables us to command premium prices compared to wood, gain market share from wood and alternative decking, railing and fencing producers, and maintain more price stability for our products.

Extensive distribution network. We have developed an extensive distribution network of wholesale companies and retail dealers that complements our branding strategy and focus on the contractor-installed market segment. Although our dealers sell to both homeowners and contractors, they primarily direct their sales at professional contractors, remodelers and homebuilders. Our distributors are able to provide value-added service in marketing our products

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because they sell premium wood decking products and other innovative building materials, which typically require product training and personal selling efforts. We select distributors based upon their anticipated commitment to Trex, and our distribution network devotes significant resources to promoting and selling Trex. All distributors are required to appoint a Trex specialist, regularly conduct dealer training sessions, fund demonstration projects, and participate in local advertising campaigns and home shows. Since 2004, we have broadened our distribution channels by stocking our products at many Home Depot stores and, beginning in the first quarter of 2007, Lowe s stores. We believe that the presence of Trex products at these leading big box home improvement retailers provides us with an important sales advantage over competitive products not stocked at Home Depot or Lowe s stores.

Investment in manufacturing process and product development. Production of a non-wood alternative products such as ours requires significant capital investment, special process know-how and time to develop. We and our predecessor operations have invested more than $225 million and 15 years in expansion of our manufacturing capacity, manufacturing process improvements, new product development and product enhancements. As a result of these investments, our production line rates have increased significantly since 1992 and we have put into operation three manufacturing facilities, which we believe provide us with sufficient production capacity to meet the currently foreseeable growth in the demand for our products. We have responded to customer preferences by developing new products that are more visually appealing and that feature a wider range of colors and textures and by expanding from decking product lines into more comprehensive product offerings of decking, railing and fencing products. We also have broadened the range of raw materials that we can use to produce a consistent and high-quality finished product. We believe our recent development of plastic reprocessing and handling capabilities will improve our management of raw material costs by enabling us to recycle a wider range of plastic raw materials. In connection with our building code listings, we maintain a quality control testing program that is monitored by an independent inspection agency.

Experienced management team. We are managed by experienced senior executives, including two of our founders who led the buyout of the Trex product process and related assets from Mobil s Composite Products Division in 1996, Anthony J. Cavanna, who currently serves as our Chairman and Chief Executive Officer, and Andrew U. Ferrari, who currently serves as our President and Chief Operating Officer. Our executives have managed billion-dollar operations as well as smaller, high-growth divisions and product rollouts within and outside of Mobil and other companies, and have significant experience across a wide range of management functions.

Growth Strategies

Our goals are to continue to be the leading producer of superior non-wood alternative products in the decking, railing and fencing markets and to achieve a cost advantage over our competitors. To attain these goals, we employ the following strategies:

Emphasize product innovation. As part of our long-term growth strategy, we will continue to develop opportunities for Trex in new products. We plan to continue bringing to market new decking, railing and fencing products that satisfy the diverse appearance, performance and safety requirements of professional contractors and other consumers. Over the past three years, we have substantially expanded our decking product offerings to encompass four product lines,

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introduced a second railing product line and launched our first fencing product. Our new products will afford expanded options to customers, who already can design much of their outdoor living space using Trex products.

Continue brand name development. We plan to continue our significant investment in the development of the Trex brand. Our marketing program includes consumer and trade advertising, public relations, trade promotion, association with highly publicized showcase projects, and sales to influential home design groups. We will continue to invest actively in market research to monitor consumer brand awareness, preference and usage in the decking, railing and fencing market. Our sales growth in the decking, railing and fencing markets will largely depend on our success in converting demand for wood products into demand for Trex products. Accordingly, our branding strategy will continue to emphasize the advantages of Trex over wood products. Our brand building programs also are designed to support the positioning of Trex as a premium product in our product markets.

Expand distribution coverage. We seek to establish comprehensive geographic and market segment coverage for Trex products. To achieve this objective, we will continue to increase the number of our wholesale distribution locations and dealer outlets across the United States and Canada. We will supplement expansion of our historical distribution network with our big box channel-marketing initiative, which to date has resulted in the stocking of Trex products at Home Depot and Lowe s, which are two of the nation s largest home improvement retailers. We also emphasize broadening product market coverage through our distribution channels. We are currently expanding distribution of our new fencing product by establishing relationships with fencing installers throughout the United States.

Enhance product quality. We will pursue the new product quality initiatives launched in late 2005 to improve the appearance and performance of all of our product lines. Our product improvement program emphasizes color consistency and other product specifications to enhance the consumer appeal and performance of our products. In early 2006, to strengthen product performance, we subjected all of our inventoried products to a thorough re-inspection process. In addition, we have added personnel to the inspection functions at each of our three manufacturing plants and have redesigned finished goods packaging to minimize damage to our products in transit.

Reduce manufacturing costs. To achieve a cost advantage over our competitors, we must recycle plastic and process waste wood on a cost-effective basis and efficiently convert these materials into high-quality finished goods. We seek to reduce our manufacturing costs through capital investments and process engineering improvements. We expect that investments in plastic recycling capabilities will allow us to expand our ability to use a wider range of plastic waste streams and as a result lower our raw material costs. In addition, we plan to invest in improvements to the productivity of our production processes from raw materials preparation through extrusion into product finishing and packaging.

Corporate Information

Trex Company, Inc. was incorporated in Delaware in September 1998 for the purpose of acquiring 100% of the membership interests and operating the business of our predecessor, TREX Company, LLC. In April 1999, in connection with the initial public offering of our common stock,

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we completed a reorganization in which TREX Company, LLC become our wholly-owned subsidiary. Effective on December 31, 2002, TREX Company, LLC merged into Trex Company, Inc. We currently conduct substantially all of our business operations directly through Trex Company, Inc. We maintain our principal executive offices at 160 Exeter Drive, Winchester, Virginia 22603-8605, and our telephone number at that address is (540) 542-6300.

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The offering

The summary below describes the principal terms of the notes. Some of the terms and conditions described below are subject to important limitations and exceptions. The Description of notes section of this prospectus supplement contains a more detailed description of the terms and conditions of the notes. As used in this section, we, our and us refer to Trex Company, Inc. and not to our consolidated subsidiaries.

Issuer	Trex Company, Inc., a Delaware corporation.
Securities	$85,000,000 principal amount of % Convertible Senior Subordinated Notes due 2012 (plus up to an additional $10,000,000 principal amount to cover over-allotments).
Maturity	July 1, 2012, unless earlier repurchased or converted.
Issue price	100% plus accrued interest, if any, from June , 2007.
Interest	% per year. Interest will accrue from June , 2007 and will be payable semiannually in arrears on January 1 and July 1 of each year, beginning January 1, 2008. We will pay additional interest, if any, under the circumstances described under Description of notes Events of default.
Conversion rights	Holders may convert their notes at their option prior to the close of business on the business day immediately preceding April 1, 2012, in multiples of $1,000 principal amount, only under the following circumstances:

- during any fiscal quarter commencing after September 30, 2007, if the last reported sale price of the common stock for at least 20 trading days during a period of 30 consecutive trading days ending on the last trading day of the preceding fiscal quarter is greater than or equal to 130% of the applicable conversion price on each applicable trading day;
- during the five business day period after any ten consecutive trading-day period, which we call the measurement period, in which the trading price per note for each day of that measurement period was less than 98% of the product of the last reported sale price of our common stock and the applicable conversion rate on each such day; or
- upon the occurrence of specified corporate transactions described under Description of notes Conversion rights.

On and after April 1, 2012 to (and including) the close of business on the third business day immediately preceding the maturity date, holders may convert their notes at any time, in multiples of $1,000 principal amount, at the option of the holder regardless of the foregoing circumstances.

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The conversion rate for the notes is shares of our common stock per $1,000 principal amount of notes (equal to a conversion price of approximately $ per share), subject to adjustment as described in this prospectus supplement.

Upon conversion, we will pay cash up to the principal amount of the notes converted and deliver shares of our common stock to the extent the daily conversion value, as described in this prospectus supplement, exceeds the proportionate principal amount based on a 40 trading-day observation period. See Description of notes Conversion rights Payment upon conversion for information about these payments.

In addition, following specified corporate transactions that occur prior to the maturity date, we will increase the conversion rate for a holder who elects to convert its notes in connection with such a corporate transaction in certain circumstances as described under Description of notes Conversion rights Adjustment to shares delivered upon conversion upon certain fundamental changes.

You will not receive any additional cash payment or additional shares representing accrued and unpaid interest upon conversion of a note, except in limited circumstances. Instead, interest will be deemed paid by the cash and shares, if any, of common stock issued to you upon conversion.

Fundamental change

If we undergo a fundamental change, as defined in this prospectus supplement under Description of notes Fundamental change permits holders to require us to purchase notes, subject to certain conditions, you will have the option to require us to purchase the notes in whole or in part for cash. The fundamental change purchase price will be 100% of the principal amount of the notes to be purchased plus any accrued and unpaid interest to, but excluding, the fundamental change purchase date.

Ranking

The notes will be our direct, senior subordinated, unsecured obligations and will rank equally in right of payment with all our existing and future senior subordinated debt, senior in right of payment to all our existing and future subordinated debt and junior in right of payment to all our existing and future senior debt. The indenture does not limit the amount of debt that we or our subsidiaries may incur. The notes will effectively rank junior in right of payment to any of our existing and future secured indebtedness, to the extent of the value of the assets securing such indebtedness. The notes are structurally junior in right of payment to all liabilities, including trade payables, of our subsidiaries.

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As of March 31, 2007, on a pro forma basis after giving effect to the amount of borrowings outstanding under our senior secured credit facility as of June 4, 2007 and the sale of $85,000,000 principal amount of notes and application of the net offering proceeds, we and our subsidiaries had $37.0 million of long-term debt on a consolidated basis which would rank senior to the notes.

Use of proceeds	We estimate that the proceeds from this offering will be approximately $81.6 million, or $91.3 million if the underwriters exercise their option to purchase additional notes in full, after deducting fees and estimated expenses. We will use the net proceeds of this offering to repay our 8.32% senior secured notes due 2009 and to repay borrowings under our senior secured revolving credit facility. We will use any net offering proceeds remaining after the repayment of such indebtedness for working capital and other general corporate purposes, which may include the repayment of other indebtedness.
Book-entry form	The notes will be issued in book-entry form and will be represented by permanent global certificates deposited with, or on behalf of, The Depository Trust Company, or DTC, and registered in the name of a nominee of DTC. Beneficial interests in any of the notes will be shown on, and transfers will be effected only through, records maintained by DTC or its nominee and any such interest may not be exchanged for certificated securities, except in limited circumstances.
Absence of a public market for the notes	The notes are new securities and there is currently no established market for the notes. Accordingly, we cannot assure you as to the development or liquidity of any market for the notes. The underwriters have advised us that they currently intend to make a market in the notes. However, they are not obligated to do so, and they may discontinue any market making with respect to the notes without notice. We do not intend to apply for a listing of the notes on any securities exchange or any automated dealer quotation system.
U.S. federal income tax consequences	For a discussion of the U.S. federal income tax consequences of the holding, disposition and conversion of the notes, and the holding and disposition of shares of our common stock, see Certain U.S. federal income tax considerations.
New York Stock Exchange symbol for our common stock	Our common stock is quoted on the New York Stock Exchange under the symbol TWP.
Trustee, paying agent and conversion agent	The Bank of New York.

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Risk factors

In evaluating an investment in the notes, prospective investors should carefully consider, along with the other information set forth or incorporated by reference in this prospectus supplement or the accompanying prospectus, the specific factors set forth under Risk factors for risks associated with an investment in the notes and the common stock into which the notes, in specified circumstances, are convertible.

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Summary consolidated financial and operating data

In the table below, we provide you with the summary historical consolidated financial information and other operating data about our company. The summary financial data as of December 31, 2006 and for the years ended December 31, 2004, 2005 and 2006 are derived from our audited consolidated financial statements incorporated by reference herein. The summary financial data as of March 31, 2007 and March 31, 2006 and for the three-month periods ended March 31, 2006 and 2007 are unaudited, but include, in the opinion of our management, all adjustments, consisting of normal, recurring adjustments, necessary for a fair presentation of such data. Our historical results are not necessarily indicative of our results for 2007 or any other future period. You should read this summary historical financial information and other operating data along with our consolidated financial statements and the related notes incorporated by reference herein. See Where to Find Additional Information and Incorporation of Certain Information by Reference in the accompanying prospectus.

		Year ended December 31,		Three months ended March 31,	
	2004	2005	2006	2006	2007
		(In thousands, except share and per share data)			(unaudited)
Statement of Operations Data:					
Net sales	$ 253,628	$ 294,133	$ 336,956	$ 105,297	$ 115,913
Cost of sales	150,793	213,897	257,671	80,122	91,284
Gross profit	102,835	80,236	79,285	25,175	24,629
Selling, general and administrative expenses	56,351	77,378	73,223	17,765	17,039
Income from operations	46,484	2,858	6,062	7,410	7,590
Interest expense, net	3,064	2,626	3,011	942	1,694
Income before income taxes	43,420	232	3,051	6,468	5,896
Provision (benefit) for income taxes	15,933	(2,019)	708	2,403	2,171
Net income	$ 27,487	$ 2,251	$ 2,343	$ 4,065	$ 3,725
Basic earnings per share	$ 1.88	$ 0.15	$ 0.16	$ 0.27	$ 0.25
Basic weighted average shares outstanding	14,636,959	14,769,799	14,829,832	14,803,858	14,856,315
Diluted earnings per share	$ 1.85	$ 0.15	$ 0.16	$ 0.27	$ 0.25
Diluted weighted average shares outstanding	14,834,718	14,879,661	14,892,966	14,860,203	14,898,851
Cash Flow Data:					
Cash provided by (used in) operating activities	$ 45,265	$ 11,234	$ (4,038)	$ (3,538)	$ (22,704)
Cash used in investing activities	(56,319)	(29,374)	(27,743)	(2,379)	(10,767)
Cash provided by (used in) financing activities	26,859	(4,432)	31,058	5,445	33,685
Other Data (unaudited):					
Ratio of earnings to fixed charges(1)	7.14		1.18		2.96

EBITDA(2)	$	60,197	$	18,997	$	26,324	$	12,439	$	12,722

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		As of December 31,		As of March 31,	
	2004	2005	2006	2006	2007
				(unaudited)	
Balance Sheet Data (in thousands):					
Cash and cash equivalents and restricted cash	$ 44,926	$ 1,395	$ 672	$ 923	$ 886
Working capital	78,910	40,061	29,559	47,289	26,781
Total assets	286,772	285,714	352,317	310,084	388,141
Total debt	78,497	73,606	104,637	79,296	138,617
Total stockholders equity	159,937	164,708	169,415	169,545	170,872

(1) We compute our ratio of earnings to fixed charges by dividing pre-tax income (loss) from continuing operations, before adjustment for income or loss from equity investees, plus fixed charges and less capitalized interest, by fixed charges. Fixed charges consist of interest expense, including interest expense from amortized premiums, discounts and capitalized expenses related to indebtedness, and the estimated portion of rental expense deemed by us to be representative of the interest factor of rental payments under operating leases, which we estimate to be one-third of such payments. There were insufficient earnings available to cover fixed charges for 2005. As a result, the ratio of earnings to fixed charges was less than 1.0 for this period. The deficiency of earnings to fixed charges for 2005 was $2.0 million. On a pro forma basis, after giving effect to the completion of this offering and the application of the proceeds as described under Use of proceeds as if the notes were issued on January 1, 2006, our ratio of earnings to fixed charges for the fiscal year ended December 31, 2006 would be , and our ratio of earnings to fixed charges for the three months ended March 31, 2007 would be .

(2) EBITDA represents net income before interest, income taxes, depreciation and amortization. EBITDA is not a measurement of financial performance under accounting principles generally accepted in the United States, or GAAP. We have included data with respect to EBITDA because management evaluates and projects the performance of our company s business using several measures, including EBITDA. Management considers EBITDA to be an important supplemental indicator of our operating performance, particularly as compared to the operating performance of our competitors, because this measure eliminates many differences among companies in capitalization and tax structures, capital investment cycles and ages of related assets, as well as some recurring non-cash and non-operating charges to net income or loss. For these reasons, management believes that EBITDA provides important supplemental information to investors regarding the operating performance of our company and facilitates comparisons by investors between our operating performance and the operating performance of our competitors. Management believes that consideration of EBITDA should be supplemental, because EBITDA has limitations as an analytical financial measure. These limitations include the following:

EBITDA does not reflect our cash expenditures, or future requirements for capital expenditures, or contractual commitments;

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- EBITDA does not reflect the interest expense, or the cash requirements necessary to service interest or principal payments, on our indebtedness;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA does not reflect any cash requirements for such replacements;
- EBITDA does not reflect the effect of earnings or charges resulting from matters we consider not to be indicative of our ongoing operations; and
- not all of the companies in our industry may calculate EBITDA in the same manner in which we calculate EBITDA, which limits its usefulness as a comparative measure.

We compensate for these limitations by relying primarily on our GAAP results to evaluate our operating performance and by considering independently the economic effects of the foregoing items that are not reflected in EBITDA. As a result of these limitations, EBITDA should not be considered as an alternative to net income, as calculated in accordance with GAAP, as a measure of operating performance, nor should it be considered as an alternative to cash flows as a measure of liquidity. The following table sets forth, for the years indicated, a reconciliation of EBITDA and net income:

	Year ended December 31,	Three months ended March 31,