

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D. C. 20549

## FORM 10-Q

(MARK ONE)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED MARCH 31, 1997, OR  
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_

COMMISSION FILE NO. 0-10235

GENTEX CORPORATION  
(Exact name of registrant as specified in its charter)

MICHIGAN 38-2030505  
(State or other jurisdiction of (I.R.S. Employer Identification No.)  
incorporation or organization)

600 N. CENTENNIAL, ZEELAND, MICHIGAN 49464  
(Address of principal executive offices) (Zip Code)

(616) 772-1800  
(Registrant's telephone number, including area code)

-----  
(Former name, former address and former fiscal year,  
if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports  
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of  
1934 during the preceding 12 months (or for such shorter period that the  
registrant was required to file such reports), and (2) has been subject to such  
filing requirements for the past 90 days.

Yes    x                    No  
-----                    -----

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE  
PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and  
reports required to be filed by Sections 12, 13 or 15(d) of the Securities  
Exchange Act of 1934 subsequent to the distribution of securities under a plan  
confirmed by a court.

Yes                                    No  
-----                                    -----

APPLICABLE ONLY TO CORPORATE USERS:

Indicate the number of shares outstanding of each of the issuer's classes of  
common stock, as of the latest practicable date.

Class	Shares Outstanding at April 14, 1997
----- Common Stock, \$0.06 Par Value	----- 34,924,311

Exhibit Index located at page 10



## GENTEX CORPORATION AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME

For the Three Months Ended March 31, 1997 and 1996

	1997	1996
	-----	-----
NET SALES	\$41,902,122	\$35,908,083
COST OF GOODS SOLD	27,169,956	22,377,952
	-----	-----
Gross profit	14,732,166	13,530,131
OPERATING EXPENSES:		
Research and development	2,077,268	1,727,234
Selling, general & administrative	2,690,391	3,642,004
Patent settlement	0	4,000,000
	-----	-----
Total operating expenses	4,767,659	9,369,238
	-----	-----
Income from operations	9,964,507	4,160,893
OTHER INCOME		
Interest and dividend income	951,649	815,275
Other, net	23,122	17,481
	-----	-----
Total other income	974,771	832,756
	-----	-----
Income before provision for federal income taxes	10,939,278	4,993,649
PROVISION FOR FEDERAL INCOME TAXES	3,555,000	1,648,000
	-----	-----
NET INCOME	\$ 7,384,278	\$ 3,345,649
	=====	=====
EARNINGS PER SHARE	\$ 0.21	\$ 0.10
WEIGHTED DAILY AVERAGE OF COMMON STOCK OUTSTANDING	35,745,958	34,761,962

See accompanying notes to condensed consolidated financial statements.

## GENTEX CORPORATION AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Three Months Ended March 31, 1997 and 1996

	1997	1996
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 7,384,278	\$ 3,345,649
Adjustments to reconcile net income to net cash provided by operating activities-		
Depreciation and amortization	1,519,844	989,598
Loss (Gain) on disposal of equipment	5,319	0
Deferred income taxes	44,130	1,362,768
Amortization of deferred compensation	154,424	115,510
Change in assets and liabilities:		
Accounts receivable, net	(3,231,461)	(1,726,603)
Inventories	(1,673,419)	(614,885)
Prepaid expenses and other	(152,932)	(66,553)
Accounts payable	3,173,662	1,793,527
Accrued liabilities	1,438,910	2,090,087
	-----	-----
Net cash provided by operating activities	8,662,755	7,289,098
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Decrease (Increase) in short-term investments	9,604,573	(2,732,274)
Plant and equipment additions	(3,056,724)	(4,363,901)
Proceeds from sale of plant and equipment	1,500	0
Increase in long-term investments	(22,134,246)	(2,954,245)
Increase in other assets	(77,167)	(99,591)
	-----	-----
Net cash used for investing activities	(15,662,064)	(10,150,011)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of common stock and tax benefit of stock plan transactions	2,357,763	2,422,659
	-----	-----
Net cash provided by financing activities	2,357,763	2,422,659
	-----	-----
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,641,546)	(438,254)
CASH AND CASH EQUIVALENTS, beginning of period	16,730,356	14,115,041
	-----	-----
CASH AND CASH EQUIVALENTS, end of period	\$12,088,810	\$13,676,787
	=====	=====

See accompanying notes to condensed financial statements

## GENTEX CORPORATION AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

- (1) The condensed consolidated financial statements included herein have been prepared by the Registrant, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Registrant believes that the disclosures are adequate to make the information presented not misleading. It is suggested that these condensed consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Registrant's 1996 annual report on Form 10-K.
- (2) In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments, consisting of only a normal and recurring nature, necessary to present fairly the financial position of the Registrant as of March 31, 1997, and December 31, 1996, and the results of operations and cash flows for the interim periods presented.
- (3) Inventories consisted of the following at the respective quarter ends:

	March 31, 1997	December 31, 1996
	-----	-----
Raw materials	\$5,348,393	\$3,860,534
Work-in-process	348,336	348,336
Finished goods	2,157,112	1,971,552
	-----	-----
	\$7,853,841	\$6,180,422
	=====	=====

- (4) During the quarter ended March 31, 1997, the Company reclassified \$11,207,492 of U.S. Government fixed income securities from held-to-maturity to available-for-sale. This resulted in recording an unrealized net of tax gain of \$24,621.
- (5) All earnings per share amounts and weighted daily average of shares of common stock outstanding have been restated, to reflect the two-for-one stock split effected in the form of a 100 percent common stock dividend issued to shareholders on June 24, 1996.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS  
AND FINANCIAL CONDITION

## RESULTS OF OPERATIONS:

## FIRST QUARTER 1997 VERSUS FIRST QUARTER 1996

Net Sales. Net sales for the first quarter of 1997 increased by approximately \$5,994,000, or 17%, when compared with the first quarter last year. Net sales of the Company's automotive mirrors increased by 17% as automatic mirror unit shipments increased by 20% from approximately 720,000 in the first quarter of 1996 to 864,000 in the current quarter. This increase reflected increased penetration on domestic and foreign 1997 model year vehicles for interior and exterior electrochromic Night Vision Safety(TM) (NVS(R)) Mirrors. Mirror unit shipments to automotive customers outside North America increased by 46% compared with the first quarter in 1996. Shipments to customers in North America increased by 11%, compared with approximate 5% growth in North American light vehicle production. Net sales of the Company's fire protection products increased 12%, primarily due to increased sales of the Company's audible and visual signals, such as primary evacuation horns and strobe warning lights.

Cost of Goods Sold. As a percentage of net sales, cost of goods sold increased from 62% in the first quarter of 1996 to 65% for the comparable period in 1997. This increased percentage primarily reflected automotive customer price reductions not fully offset by productivity improvements, relatively low yields on the Company's new aspheric exterior mirrors as volume shipments began during the quarter, and increased overhead and start-up expenses for the new 1998 model year mirror programs.

Operating Expenses. Research and development expenses increased approximately \$350,000, but remained at 5% of net sales, when compared with the same quarter last year, primarily reflecting additional staffing for new product development, including aspheric exterior mirrors, thin glass exterior mirrors, and mirrors with other electronic features. Selling, general and administrative expenses decreased approximately \$952,000, and decreased from 10% to 6% of net sales, when compared with the first quarter of 1996. This decreased expense primarily reflected lower patent litigation legal expense accruals of \$30,000, compared to \$1,200,000 last year. During the first quarter in 1996, the Company recorded a one-time charge of \$4,000,000 in connection with the settlement of its patent litigation with Donnelly Corporation.

Other Income - Net. Investment income increased by approximately \$142,000 when compared with the first quarter of 1996, primarily due to the higher investable fund balances.

## FINANCIAL CONDITION:

Management considers the Company's working capital and long-term investments totaling approximately \$103,482,000 at March 31, 1997, together with internally generated cash flow and an unsecured \$5,000,000 line of credit from a bank, to be sufficient to cover anticipated cash needs for the foreseeable future.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION (CONT.)

## TRENDS AND DEVELOPMENTS:

In addition to price reductions over the life of its long-term contracts, the Company continues to experience pricing pressures from its automotive customers, which have affected, and which will continue to affect, its margins to the extent that the Company is unable to offset the price reductions with productivity improvements, engineering and purchasing cost reductions, and increases in unit sales volume. In addition, the Company continues to experience some pressure for raw material cost increases. The Company began volume shipments of its new aspheric exterior mirrors during the first quarter and will begin volume shipments of its new thin glass exterior mirrors toward the end of the second quarter; margins will be adversely affected to the extent that the Company is unable to improve glass yields to target levels and ramp-up production on schedule.

The Company currently supplies NVS(R) Mirrors to BMW, Chrysler Corporation, Ford Motor Company and General Motors Corporation under long-term contracts. The General Motors contract is in effect through the 1998 model year, and the contracts with BMW are in effect for the four-year period ending March 31, 1999. The term of the Ford contract is through December 1999, and the Chrysler contract runs through the 1999 Model Year.

During February 1997, the Financial Accounting Standards Board issued statement of Financial Accounting Standard (FAS) No. 128 "Earnings Per Share." This standard is effective for periods ending after December 15, 1997. The Company will adopt FAS No. 128 in its fourth quarter for the year ending December 31, 1997. The Company does not expect the impact of FAS No. 128 to materially affect the financial statements.

Item 6. Exhibits and Reports on Form 8-K

(a) See Exhibit Index on Page 10.

(b) No reports on Form 8-K were filed during the three months ended March 31, 1997.



## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

## GENTEX CORPORATION

Date 4/30/97  
-----

/s/ Fred T. Bauer  
-----

Fred T. Bauer  
Chairman and Chief  
Executive Officer

Date 4/30/97  
-----

/s/ Enoch C. Jen  
-----

Enoch C. Jen  
Vice President-Finance,  
Principal Financial and  
Accounting Officer

## EXHIBIT INDEX

EXHIBIT NO. -----	DESCRIPTION -----	PAGE ----
3(a)	Registrant's Articles of Incorporation were filed in 1981 as Exhibit 2(a) to a Registration Statement on Form S-18 (Registration No. 2-74226C), an Amendment to those Articles was filed as Exhibit 3 to Registrant's Report on Form 10-Q in August of 1985, an additional Amendment to those Articles was filed as Exhibit 3(a)(i) to Registrant's Report on Form 10-Q in August of 1987, and an additional Amendment to those Articles was filed as Exhibit 3(a)(2) to Registrant's Report on Form 10-K dated March 10, 1992, all of which are hereby incorporated herein by reference. Amendment to Articles of Incorporation, adopted on May 9, 1996, was filed as Exhibit 3(a)(2) to Registrant's Report on Form 10-Q dated July 31, 1996, and the same is incorporated herein by reference.	
3(b)	Registrant's Bylaws as amended and restated August 18, 1995 were filed as Exhibit 3(b) to Registrant's Report on Form 10-Q dated November 1, 1995, and the same is incorporated herein by reference.	
4(a)	A specimen form of certificate for the Registrant's common stock, par value \$.06 per share, was filed as part of a Registration Statement on Form S-18 (Registration No. 2-74226C) as Exhibit 3(a), as amended by Amendment No. 3 to such Registration Statement, and the same is hereby incorporated herein by reference.	
4(b)	Shareholder Protection Rights Agreement, dated as of August 26, 1991, including as Exhibit A the form of Certificate of Adoption of Resolution Establishing Series of Shares of Junior Participating Preferred Stock of the Company, and as Exhibit B the form of Rights Certificate and of Election to Exercise, was filed as Exhibit 4(b) to Registrant's report on Form 8-K on August 20, 1991, and the same is hereby incorporated herein by reference.	
4(b)(1)	First Amendment to Shareholder Protection Rights Agreement, effective April 1, 1994, was filed as Exhibit 4(b)(1) to Registrant's report on Form 10-Q on April 29, 1994, and the same is hereby incorporated herein by reference.	
4(b)(2)	Second Amendment to Shareholder Protection Rights Agreement, effective November 8, 1996, was filed as Exhibit 4(b)(2) to Registrant's Report on Form 10-K, dated March 7, 1997, and the same is hereby incorporated herein by reference.	
10(a)(1)	A Lease dated August 15, 1981, was filed as part of a Registration Statement (Registration Number 2-74226C) as Exhibit 9(a)(1), and the same is hereby incorporated herein by reference.	
10(a)(2)	A First Amendment to Lease dated June 28, 1985, was filed as Exhibit 10(m) to Registrant's Report on Form 10-K dated March 18, 1986, and the same is hereby incorporated herein by reference.	
*10(b)(1)	Gentex Corporation Qualified Stock Option Plan (as amended and restated, effective March 7, 1997), was filed as Exhibit 10(b)(1) to Registrant's Report on Form 10-K dated March 7, 1997, and the same is hereby incorporated herein by reference.	

EXHIBIT NO. -----	DESCRIPTION -----	PAGE -----
*10(b)(2)	Gentex Corporation 1987 Incentive Stock Option Plan (as amended through May 24, 1989), was filed as Exhibit 10(g)(3) to Registrant's Report on Form 10-K dated March 1, 1990, and the same is hereby incorporated herein by reference.	
*10(b)(3)	Gentex Corporation Restricted Stock Plan was filed as Exhibit 10(b)(3) to Registrant's Report on Form 10-K dated March 10, 1992, and the same is hereby incorporated herein by reference.	
*10(b)(4)	Gentex Corporation Non-Employee Director Stock Option Plan (as amended and restated, effective March 7, 1997) was filed as Exhibit 10(b)(4) to Registrant's Report on Form 10-K dated March 7, 1997, and the same is incorporated herein in reference.	
10(e)	The form of Indemnity Agreement between Registrant and each of the Registrant's directors was filed as a part of a Registration Statement on Form S-2 (Registration No. 33-30353) as Exhibit 10(k) and the same is hereby incorporated herein by reference.	
27	Financial Data Schedule	

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\* Indicates a compensatory plan or arrangement.

3-MOS  
 DEC-31-1997  
 MAR-31-1997  
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     22,199,048  
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