

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 SEPTEMBER 30, 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 incorporation or organization) (I.R.S. Employer Identification No.)

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
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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 October 13, 1997 -----
Common Stock, \$0.06 Par Value	35,258,240

Exhibit Index located at page 10

PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

GENTEX CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

At September 30, 1997 and December 31, 1996

	ASSETS	
	September 30, 1997	December 31, 1996
	-----	-----
CURRENT ASSETS		
Cash and cash equivalents	\$ 16,399,294	\$ 16,730,356
Short term investments	11,189,252	31,803,621
Accounts receivable, net	23,738,128	17,015,174
Inventories	8,495,321	6,180,422
Prepaid expenses and other	1,193,953	966,287
	-----	-----
Total current assets	61,015,948	72,695,860
PLANT AND EQUIPMENT - NET	39,124,472	31,574,547
OTHER ASSETS		
Long-term investments	73,412,133	33,945,446
Patents and other assets, net	2,222,076	2,162,567
	-----	-----
Total other assets	75,634,209	36,108,013
	-----	-----
Total assets	\$175,774,629	\$140,378,420
	=====	=====
LIABILITIES AND SHAREHOLDERS' INVESTMENT		
CURRENT LIABILITIES		
Accounts payable	\$ 8,593,273	\$ 5,794,832
Accrued liabilities	5,195,306	5,566,085
	-----	-----
Total current liabilities	13,788,579	11,360,917
DEFERRED INCOME TAXES	2,203,096	1,213,862
SHAREHOLDERS' INVESTMENT		
Common stock	2,115,494	2,084,957
Additional paid-in capital	51,608,727	44,963,895
Other shareholders' equity	106,058,733	80,754,789
	-----	-----
Total shareholders' investment	159,782,954	127,803,641
	-----	-----
Total liabilities and shareholders' investment	\$175,774,629	\$140,378,420
	=====	=====

See accompanying notes to condensed consolidated financial statements.

GENTEX CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended September 30		Nine Months Ended September 30	
	1997	1996	1997	1996
NET SALES	\$46,968,427	\$36,797,757	\$133,743,883	\$111,378,551
COST OF GOODS SOLD	30,264,933	23,748,882	86,503,617	70,307,979
Gross profit	16,703,494	13,048,875	47,240,266	41,070,572
OPERATING EXPENSES:				
Research and development	2,406,153	1,941,823	6,890,365	5,576,755
Selling, general & administrative	2,587,579	2,655,266	8,057,107	9,025,277
Patent Settlement	0	0	0	4,000,000
Total operating expenses	4,993,732	4,597,089	14,947,472	18,602,032
Income from operations	11,709,762	8,451,786	32,292,794	22,468,540
OTHER INCOME (EXPENSE)				
Interest, net	1,045,992	855,951	3,018,292	2,439,932
Other	85,394	73,432	322,187	90,631
Total other income	1,131,386	929,383	3,340,479	2,530,563
Income before provision for federal income taxes	12,841,148	9,381,169	35,633,273	24,999,103
PROVISION FOR FEDERAL INCOME TAXES	4,174,000	3,048,000	11,581,000	8,096,000
NET INCOME	\$ 8,667,148	\$ 6,333,169	\$ 24,052,273	\$ 16,903,103
EARNINGS PER SHARE	\$0.24	\$0.18	\$0.67	\$0.48
WEIGHTED DAILY AVERAGE OF COMMON STOCK OUTSTANDING	36,083,936	35,772,083	35,887,713	35,425,510

See accompanying notes to condensed consolidated financial statements.

GENTEX CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1997 AND 1996

	1997	1996
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$24,052,273	\$16,903,103
Adjustments to reconcile net income to net cash provided by operating activities-		
Depreciation and amortization	4,334,341	3,071,615
Loss (Gain) on disposal of equipment	12,011	(81)
Deferred income taxes	(76,590)	1,338,610
Amortization of deferred compensation	428,904	387,786
Change in assets and liabilities:		
Accounts receivable, net	(6,722,954)	(3,910,047)
Inventories	(2,314,899)	(713,898)
Prepaid expenses and other	(8,299)	28,942
Accounts payable	2,798,441	2,331,119
Accrued liabilities	(370,779)	(3,372,560)
	-----	-----
Net cash provided by operating activities	22,132,449	16,064,589
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Decrease in short-term investments	20,614,369	4,419,367
Plant and equipment additions	(11,752,682)	(13,103,753)
Proceeds from sale of plant and equipment	1,500	627
Increase in long-term investments	(37,048,239)	(6,967,622)
Increase in other assets	(215,703)	(206,870)
	-----	-----
Net cash used for investing activities	(28,400,755)	(15,858,251)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of common stock and tax benefit of stock plan transactions	5,937,244	7,524,282
	-----	-----
Net cash provided by financing activities	5,937,244	7,524,282
	-----	-----
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(331,062)	7,730,620
CASH AND CASH EQUIVALENTS, beginning of period	16,730,356	14,115,041
	-----	-----
CASH AND CASH EQUIVALENTS, end of period	\$16,399,294	\$21,845,661
	=====	=====

See accompanying notes to condensed consolidated 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 September 30, 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:

	September 30, 1997	December 31, 1996
	-----	-----
Raw materials	\$5,520,455	\$3,860,534
Work-in-process	433,767	348,336
Finished goods	2,541,099	1,971,552
	-----	-----
	\$8,495,321	\$6,180,422
	=====	=====

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

RESULTS OF OPERATIONS:

THIRD QUARTER 1997 VERSUS THIRD QUARTER 1996

Net Sales. Net sales for the third quarter of 1997 increased by approximately \$10,171,000, or 28%, when compared with the third quarter last year. Net sales of the Company's automotive mirrors increased by 33% as automatic mirror unit shipments increased by 32% from approximately 740,000 in the third quarter of 1996 to 975,000 in the current quarter. This increase reflected increased penetration on domestic and foreign 1998 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 35% compared with the third quarter in 1996, primarily due to increased shipments of exterior aspheric mirrors for Mercedes-Benz and new interior mirror programs. Shipments to customers in North America increased by 30%, primarily due to new light truck/SUV interior and exterior mirror programs. Net sales of the Company's fire protection products decreased 4%, primarily due to a later-than-expected introduction of a new horn/strobe signal product.

Cost of Goods Sold. As a percentage of net sales, cost of goods sold decreased from 65% in the third quarter of 1996 to 64% for the comparable period in 1997. This decreased percentage primarily reflected fixed overhead costs spread over higher sales volume, despite automotive customer price reductions and lower glass yields on new products.

Operating Expenses. Research and development expenses increased approximately \$464,000, but remained at approximately 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 \$68,000, and decreased from 7% to 6% of net sales, when compared with the third quarter of 1996. This decreased expense primarily reflected a decline in sales commission expense in Europe and decreased advertising expense.

Other Income - Net. Investment income increased by approximately \$190,000 when compared with the third quarter of 1996, primarily due to higher investable fund balances.

NINE MONTHS ENDED SEPTEMBER 30, 1997 VERSUS NINE MONTHS ENDED SEPTEMBER 30, 1996

Net Sales. Net sales for the nine months ended September 30, 1997, increased by approximately \$22,365,000, or 20%, when compared with the same period last year. Automatic mirror unit shipments increased from approximately 2,271,000 in the first nine months of 1996 to 2,735,000 in the first nine months of 1997. This increase reflected increased penetration on domestic and foreign 1997 and 1998 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 54% compared with the first nine months of 1996, primarily due to increased shipments of exterior aspheric mirrors for Mercedes-Benz and new interior mirror programs. Shipments to customers in North America increased by 8%, primarily due to increased shipments of exterior mirrors. Net sales of the Company's fire protection products increased 4%, primarily due to increased sales of the Company's audible signals, strobes and AC/DC smoke detectors.

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

NINE MONTHS ENDED SEPTEMBER 30, 1997 VERSUS NINE MONTHS ENDED SEPTEMBER 30, 1996 (CONT.)

Cost of Goods Sold. As a percentage of net sales, cost of goods sold increased from 63% in the first nine months 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 and convex exterior mirrors, production support start-up expenses for the new 1998 model year mirror programs, and temporary under-utilization of the Company's State Street automotive products manufacturing facility.

Operating Expenses. For the nine months ended September 30, 1997, research and development expenses increased approximately \$1,314,000, but remained at 5% of net sales, when compared with the same period 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 \$968,000, and decreased from 8% to 6% of net sales, when compared with the first nine months of 1996. This decreased expense primarily reflected a reduction in patent litigation accruals of \$1,440,000, as a result of the patent litigation settlement in 1996, partially offset by increased Michigan Single Business tax expense due to increased profitability. 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 for the nine months ended September 30, 1997, increased by approximately \$578,000 as compared to the first nine months of 1996, primarily due to higher investable fund balances.

FINANCIAL CONDITION:

Management considers the Company's working capital and long-term investments totaling approximately \$120,640,000 at September 30, 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.

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 is making volume shipments of its new aspheric and convex exterior mirrors; therefore, margins will be adversely affected to the extent that the Company is unable to improve glass yields to target levels.

Due to the Company's relatively small number of large automotive customers, the Company's quarterly operating results are affected by the levels and timing of customer releases, which can significantly vary due to automotive industry sales and production levels, strikes at customer plants and plant vacation shutdowns. 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 11.
- (b) No reports on Form 8-K were filed during the three months ended September 30, 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 10/31/97

/s/ Fred T. Bauer

Fred T. Bauer
Chairman and Chief
Executive Officer

Date 10/31/97

/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.	
3(c)	First Amendment to Registrant's Bylaws, effective August 25, 1997	12
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	

* Indicates a compensatory plan or arrangement.

FIRST AMENDMENT TO BYLAWS OF
GENTEX CORPORATION
AS AMENDED AND RESTATED AUGUST 18, 1995

Connie Hamblin, the undersigned Secretary of Gentex Corporation, does hereby certify that the Bylaws of Gentex Corporation were amended by the Board of Directors at a meeting duly called and convened on August 25, 1997, by addition of Section 11 to Article III as set forth below:

Section 11. Notice of Shareholder Proposals.

(a) Except for the election of directors, which is governed by Article VI of the Corporation's Articles of Incorporation, only such business shall be conducted at any meeting of shareholders, and only such proposals shall be acted upon at such meetings, as shall have been brought before the meeting: (i) by, or at the direction of, the Board of Directors; or (ii) by any shareholder of the Corporation who complies with the notice procedures set forth in this Section of these Bylaws. For a proposal to be properly brought before the meeting by a shareholder, the shareholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a shareholder's notice must be delivered to, or mailed and received at, the principal executive offices of the Corporation not less than sixty (60) days nor more than ninety (90) days prior to the scheduled meeting date, regardless of any postponements, deferrals, or adjournments of that meeting to any later date; provided, however, that if less than seventy (70) days' notice, or prior public disclosure of the date of a scheduled meeting is given or made, notice by the shareholder to be timely must be delivered or received not later than the close of business on the tenth (10) day following the earlier of the day on which such notice of the date of the scheduled meeting was mailed or the day on which such public disclosure was made. A shareholder's notice to the Secretary shall set forth, as to each matter the shareholder proposes to bring before the meeting: (i) a brief description of a proposal desired to be brought before the meeting and the reasons for conducting such business at the meeting; (ii) the name and address, as they appear, on the Corporation's stock record of the shareholder proposing such business and any other shareholders known by such shareholder to be supporting such proposal; (iii) the class and number of shares of the Corporation's stock which are beneficially owned by the shareholder on the date of such shareholder notice and by any other shareholders known by such shareholder to be supporting such proposal on the date of such shareholder notice; and (iv) any financial interest of the shareholder in such proposal.

(b) If the presiding officer at the meeting of shareholders determines that a shareholder proposal was not made in accordance with the terms of this Section, the presiding officer shall declare the matter to be out of order and the matter shall not be acted upon at the meeting.

(c) Nothing contained in this Section shall prevent the consideration and approval or disapproval at any meeting of shareholders of reports of officers, directors, and committees of the Board of Directors, but, in connection with such reports, no business shall be acted upon at such meeting unless stated, filed, and received as provided herein.

IN WITNESS WHEREOF, the undersigned has executed this Certificate on this 24 day of October, 1997.

GENTEX CORPORATION

By Connie Hamblin

Connie Hamblin, Secretary

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 SEP-30-1997
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