

UNITED STATES
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, 2014, 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 Number: **0-10235**

GENTEX CORPORATION

(Exact name of registrant as specified in its charter)

Michigan

(State or other jurisdiction of
incorporation or organization)

38-2030505

(I.R.S. Employer
Identification No.)

600 N. Centennial, Zeeland, Michigan

(Address of principal executive offices)

49464

(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: No:

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes: No:

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

| | | | |
|-------------------------|---|---------------------------|-------|
| Large accelerated filer | <input checked="" type="checkbox"/> | Accelerated filer | _____ |
| Non-accelerated filer | _____ (Do not check if a smaller reporting company) | Smaller reporting company | _____ |

Indicate by a check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes: 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 ISSUERS:

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, October 22, 2014 |
|-------------------------------|--------------------------------------|
| Common Stock, \$.06 Par Value | 146,390,976 |

GENTEX CORPORATION AND SUBSIDIARIES
For the Three and Nine Months Ended September 30, 2014
FORM 10-Q
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PART I — FINANCIAL INFORMATION

Item 1. Unaudited Consolidated Financial Statements.

GENTEX CORPORATION AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

As of September 30, 2014 and December 31, 2013

| | September 30, 2014 (Unaudited) | December 31, 2013 (Note) |
|---|-----------------------------------|--------------------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 433,486,636 | \$ 309,591,724 |
| Accounts receivable, net | 186,412,048 | 143,046,590 |
| Inventories | 135,597,900 | 120,074,164 |
| Prepaid expenses and other | 44,483,202 | 28,473,764 |
| Total current assets | <u>799,979,786</u> | <u>601,186,242</u> |
| PLANT AND EQUIPMENT—NET | 363,385,115 | 357,021,225 |
| OTHER ASSETS | | |
| Goodwill | 307,365,845 | 307,365,845 |
| Long-term investments | 104,108,686 | 107,005,522 |
| Intangible Assets, net | 351,700,000 | 366,175,000 |
| Patents and other assets, net | 23,892,960 | 25,334,600 |
| Total other assets | <u>787,067,491</u> | <u>805,880,967</u> |
| Total assets | <u>\$ 1,950,432,392</u> | <u>\$ 1,764,088,434</u> |
| LIABILITIES AND SHAREHOLDERS' INVESTMENT | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 68,613,408 | \$ 56,510,321 |
| Accrued liabilities | 74,499,771 | 63,470,093 |
| Total current liabilities | <u>143,113,179</u> | <u>119,980,414</u> |
| LONG TERM DEBT | 260,000,000 | 265,625,000 |
| DEFERRED INCOME TAXES | 49,804,142 | 50,879,337 |
| TOTAL LIABILITIES | 452,917,321 | 436,484,751 |
| SHAREHOLDERS' INVESTMENT | | |
| Common stock | 8,783,459 | 8,734,681 |
| Additional paid-in capital | 515,108,023 | 478,865,778 |
| Retained earnings | 959,485,823 | 818,027,861 |
| Accumulated other comprehensive income | 14,137,766 | 21,975,363 |
| Total shareholders' investment | <u>1,497,515,071</u> | <u>1,327,603,683</u> |
| Total liabilities and shareholders' investment | <u>\$ 1,950,432,392</u> | <u>\$ 1,764,088,434</u> |

Note: The condensed consolidated balance sheet at December 31, 2013 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements.

See accompanying notes to condensed consolidated financial statements.

GENTEX CORPORATION AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME
For the Three and Nine Months Ended September 30, 2014 and 2013

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|----------------------------------|----------------|---------------------------------|----------------|
| | 2014 | 2013 | 2014 | 2013 |
| NET SALES | \$ 350,913,912 | \$ 288,621,626 | \$ 1,025,090,220 | \$ 845,094,493 |
| COST OF GOODS SOLD | 212,288,220 | 182,659,141 | 620,873,493 | 543,055,886 |
| Gross profit | 138,625,692 | 105,962,485 | 404,216,727 | 302,038,607 |
| OPERATING EXPENSES: | | | | |
| Engineering, research and development | 21,671,940 | 19,106,682 | 62,395,241 | 56,654,440 |
| Selling, general & administrative | 13,747,925 | 13,199,557 | 41,602,675 | 36,278,011 |
| Total operating expenses | 35,419,865 | 32,306,239 | 103,997,916 | 92,932,451 |
| Income from operations | 103,205,827 | 73,656,246 | 300,218,811 | 209,106,156 |
| OTHER INCOME | | | | |
| Investment income | 406,491 | 474,084 | 1,129,654 | 1,595,214 |
| Other, net | 380,289 | 6,912,924 | 9,958,235 | 13,224,735 |
| Total other income | 786,780 | 7,387,008 | 11,087,889 | 14,819,949 |
| Income before provision for income taxes | 103,992,607 | 81,043,254 | 311,306,700 | 223,926,105 |
| PROVISION FOR INCOME TAXES | 31,655,724 | 25,522,293 | 93,677,000 | 70,877,180 |
| NET INCOME | \$ 72,336,883 | \$ 55,520,961 | \$ 217,629,700 | \$ 153,048,925 |
| EARNINGS PER SHARE: | | | | |
| Basic | \$ 0.50 | \$ 0.39 | \$ 1.50 | \$ 1.07 |
| Diluted | \$ 0.49 | \$ 0.38 | \$ 1.49 | \$ 1.06 |
| Cash Dividends Declared per Share | \$ 0.16 | \$ 0.14 | \$ 0.46 | \$ 0.42 |

See accompanying notes to condensed consolidated financial statements.

GENTEX CORPORATION AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Three Months and Nine Months Ended September 30, 2014 and 2013

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|----------------------------------|----------------------|---------------------------------|-----------------------|
| | 2014 | 2013 | 2014 | 2013 |
| Net Income | \$ 72,336,883 | \$55,520,961 | \$217,629,700 | \$153,048,925 |
| Other comprehensive income (loss) before tax: | | | | |
| Foreign currency translation adjustments | (269,392) | 273,097 | (602,131) | (99,537) |
| Unrealized gains (losses) on available-for sales securities, net | (4,785,501) | 1,598,977 | (11,131,487) | 7,119,498 |
| Other comprehensive income (loss), before tax | (5,054,893) | 1,872,074 | (11,733,618) | 7,019,961 |
| Provision (Benefit) for income taxes related to components of other comprehensive income | (1,674,925) | 559,642 | (3,896,021) | 2,491,824 |
| Other comprehensive income (loss), net of tax | (3,379,968) | 1,312,432 | (7,837,597) | 4,528,137 |
| Comprehensive Income | <u>\$ 68,956,915</u> | <u>\$ 56,833,393</u> | <u>\$ 209,792,103</u> | <u>\$ 157,577,062</u> |

See accompanying notes to condensed consolidated financial statements.

GENTEX CORPORATION AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Nine Months Ended September 30, 2014 and 2013

| | 2014 | 2013 |
|---|------------------------------|------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | \$ 217,629,700 | \$ 153,048,925 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 59,747,630 | 42,334,977 |
| Gain on disposal of assets | (35,000) | — |
| Loss on disposal of assets | 411,129 | 2,114,241 |
| Gain on sale of investments | (14,964,192) | (15,121,583) |
| Loss on sale of investments | 1,081,164 | 805,805 |
| Deferred income taxes | 225,911 | (6,271,382) |
| Stock-based compensation expense related to employee stock options, employee stock purchases and restricted stock | 15,569,999 | 12,528,264 |
| Excess tax benefits from stock-based compensation | (2,615,892) | (2,275,233) |
| Change in operating assets and liabilities: | | |
| Accounts receivable, net | (43,365,458) | (31,755,237) |
| Inventories | (15,523,737) | 42,523,707 |
| Prepaid expenses and other | (13,414,445) | (12,362) |
| Accounts payable | 12,103,087 | 7,139,387 |
| Accrued liabilities, excluding dividends declared | 10,603,937 | 18,606,444 |
| Net cash provided by operating activities | <u>227,453,833</u> | <u>223,665,953</u> |
| CASH FLOWS USED FOR INVESTING ACTIVITIES: | | |
| Activity in available-for-sale securities: | | |
| Sales proceeds | 68,958,662 | 69,937,242 |
| Maturities and calls | — | 98,142,408 |
| Purchases | (63,310,363) | (58,278,107) |
| Plant and equipment additions | (49,994,352) | (38,026,769) |
| Proceeds from sale of plant and equipment | 35,005 | 316,449 |
| Acquisition of businesses, net of cash acquired | — | (698,107,014) |
| (Increase) in other assets | (1,213,792) | (602,017) |
| Net cash used for investing activities | <u>(45,524,840)</u> | <u>(626,617,808)</u> |
| CASH FLOWS (USED FOR) PROVIDED BY FINANCING ACTIVITIES: | | |
| Proceeds from borrowings on Credit Agreement | — | 275,000,000 |
| Repayment of long-term debt | (5,625,000) | — |
| Deferred Financing Costs | — | (953,800) |
| Issuance of common stock from stock plan transactions | 19,184,437 | 22,526,742 |
| Cash dividends paid | (64,209,453) | (58,898,029) |
| Repurchases of common stock | (9,999,957) | — |
| Excess tax benefits from stock-based compensation | 2,615,892 | 2,275,233 |
| Net cash (used for) provided by financing activities | <u>(58,034,081)</u> | <u>239,950,146</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 123,894,912 | (163,001,709) |
| CASH AND CASH EQUIVALENTS, beginning of period | <u>309,591,724</u> | <u>389,678,664</u> |
| CASH AND CASH EQUIVALENTS, end of period | <u>\$ 433,486,636</u> | <u>\$ 226,676,955</u> |

See accompanying notes to condensed consolidated financial statements.

GENTEX CORPORATION AND SUBSIDIARIES

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)**

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(1) Basis of Presentation

The unaudited condensed consolidated financial statements included herein have been prepared by the Company, 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 accounting principles generally accepted in the United States have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. It is suggested that these unaudited condensed consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Company's 2013 annual report on Form 10-K. 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 Company as of September 30, 2014, and the results of operations and cash flows for the interim periods presented.

(2) Adoption of New Accounting Standards

In May 2014 the Financial Accounting Standards Board (FASB) issued the Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, that will supersede nearly all existing revenue recognition guidance under US GAAP. The core principle of the guidance is that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The standard will be effective for public entities for annual and interim periods beginning after December 15, 2016.

Entities can choose to apply the standard using either the full retrospective approach or a modified retrospective approach. Entities electing the full retrospective adoption will apply the standard to each period presented in the financial statements. This means that entities will have to apply the new guidance as if it had been in effect since the inception of all its contracts with customers presented in the financial statements. Entities that elect the modified retrospective approach will apply the guidance retrospectively only to the most current period presented in the financial statements. This means that entities will have to recognize the cumulative effect of initially applying the new standard as an adjustment to the opening balance of retained earnings at the date of initial application. The new revenue standard will be applied to contracts that are in progress at the date of initial application.

The Company is currently evaluating which adoption method it plans to use and is assessing the potential effect the new standard will have on its consolidated financial statements.

(3) Goodwill and Other Intangible Assets

Goodwill represents the cost of an acquisition in excess of the fair values assigned to identifiable net assets acquired. On September 27, 2013, the Company recorded Goodwill of \$337.6 million as part of the HomeLink® acquisition. As of December 31, 2013, the Company adjusted recorded Goodwill to \$307.4 million resulting from refinement of the purchase accounting estimates, based on updated valuations of tangible and intangible assets acquired as part of the HomeLink® acquisition. The Company finalized the purchase accounting estimates in the first quarter of 2014. The amount of Goodwill that is expected to be deductible for tax purposes is \$307.4 million. The carrying value of Goodwill as of December 31, 2013 and September 30, 2014 was \$307.4 million.

GENTEX CORPORATION AND SUBSIDIARIES

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)**

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Intangible assets as of September 30, 2014 consist of the following:

| Other Intangible Assets | Gross | Accumulated Amortization | Net | Assumed Useful Life |
|---|-----------------------|-----------------------------|-----------------------|------------------------|
| HomeLink® Trade Names and Trademarks | \$ 52,000,000 | \$ — | \$ 52,000,000 | Indefinite |
| HomeLink® Technology | 180,000,000 | (15,000,000) | 165,000,000 | 12 years |
| Existing Customer Platforms | 43,000,000 | (4,300,000) | 38,700,000 | 10 years |
| Exclusive Licensing Agreement | 96,000,000 | — | 96,000,000 | Indefinite |
| Total other identifiable intangible assets | \$ 371,000,000 | \$ (19,300,000) | \$ 351,700,000 | |

The HomeLink® Trade Name and Trademarks were valued utilizing the relief from royalty valuation method, which is a function of projected revenue, the royalty rate that would hypothetically be charged by a licensor of an asset to an unrelated licensee discounted utilizing market participants weighted average cost of capital.

The HomeLink® Technology and the Existing Customer Platform assets were valued using forms of the multi-period excess earnings valuation method which estimates future revenues and cash flows derived from the technology, and then subsequently deducts portions of future cash flow that is supported by other intangibles and fixed assets. The resulting cash flows are discounted using a weighted average cost of capital.

The Exclusive Licensing Agreement asset (entered into in the ordinary course of business) was valued based on a "with or without" valuation methodology. This method compares the Company's estimated future cash flow projections with the exclusive agreement compared to those same cash flows without that exclusive license agreement.

Amortization expense on patents and intangible assets was \$5.5 million and \$16.5 million during the three and nine month period ended September 30, 2014, respectively, compared \$0.8 million and \$2.7 million in the same periods in 2013, respectively.

Excluding the impact of any future acquisitions, the Company continues to estimate amortization expense for each of the years ended December 31, 2014, 2015, 2016, 2017 and 2018 to be approximately \$22 million annually.

No impairment indicators arose during the nine months ended September 30, 2014 which would give reason for an interim impairment test to be performed on goodwill or intangible assets.

(4) Investments

The Company follows the provisions of ASC 820, "Fair Value Measurements and Disclosures" for its financial assets and liabilities, and to its non-financial assets and liabilities subject to fair value measurements. ASC 820 provides a framework for measuring the fair value of assets and liabilities. This framework is intended to provide increased consistency in how fair value determinations are made under various existing accounting standards that permit, or in some cases, require estimates of fair-market value. This standard also expanded financial statement disclosure requirements about a company's use of fair-value measurements, including the effect of such measure on earnings. The cost of securities sold is based on the specific identification method.

The Company's investment securities (common stocks and mutual funds) are classified as available for sale and are stated at fair value based on quoted market prices, and as such are classified as Level 1 assets.

Assets or liabilities that have recurring fair value measurements are shown below as of September 30, 2014, and December 31, 2013:

GENTEX CORPORATION AND SUBSIDIARIES

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)**

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(4) Investments (continued)

As of September 30, 2014:

| Description | Total as of September 30, 2014 | Fair Value Measurements at Reporting Date Using | | |
|-------------------------|-----------------------------------|--|--|---------------------------------------|
| | | Quoted Prices in Active Markets for Identical Assets | Significant Other Observable Inputs | Significant Unobservable Inputs |
| | | (Level 1) | (Level 2) | (Level 3) |
| Cash & Cash Equivalents | \$ 433,486,636 | \$ 433,486,636 | \$ — | \$ — |
| Short-Term Investments: | | | | |
| Other | 79 | 79 | — | — |
| Long-Term Investments: | | | | |
| Common Stocks | 23,519,643 | 23,519,643 | — | — |
| Mutual Funds – Equity | 80,589,043 | 80,589,043 | — | — |
| Total | \$ 537,595,401 | \$ 537,595,401 | \$ — | \$ — |

As of December 31, 2013:

| Description | Total as of December 31, 2013 | Fair Value Measurements at Reporting Date Using | | |
|-------------------------|----------------------------------|--|---|---------------------------------------|
| | | Quoted Prices in Active Markets for Identical Assets | Significant Other Observable Inputs | Significant Unobservable Inputs |
| | | (Level 1) | (Level 2) | (Level 3) |
| Cash & Cash Equivalents | \$ 309,591,724 | \$ 309,591,724 | \$ — | \$ — |
| Long-Term Investments: | | | | |
| Common Stocks | 33,282,439 | 33,282,439 | — | — |
| Mutual Funds – Equity | 73,723,083 | 73,723,083 | — | — |
| Total | \$ 416,597,246 | \$ 416,597,246 | \$ — | \$ — |

The amortized cost, unrealized gains and losses, and market value of investment securities are shown as of September 30, 2014, and December 31, 2013:

As of September 30, 2014:

| Description | Cost | Unrealized | | Market Value |
|-------------------------|----------------------|----------------------|---------------------|-----------------------|
| | | Gains | Losses | |
| Short-Term Investments: | | | | |
| Other | \$ 79 | \$ — | \$ — | \$ 79 |
| Long-Term Investments: | | | | |
| Common Stocks | 16,211,829 | 7,679,257 | (371,443) | 23,519,643 |
| Mutual Funds – Equity | 69,078,434 | 11,518,734 | (8,125) | 80,589,043 |
| Total | \$ 85,290,342 | \$ 19,197,991 | \$ (379,568) | \$ 104,108,765 |

GENTEX CORPORATION AND SUBSIDIARIES

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)**

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(4) Investments (continued)

As of December 31, 2013:

| | Cost | Unrealized | | Market Value |
|------------------------|----------------------|----------------------|--------------------|-----------------------|
| | | Gains | Losses | |
| Long-Term Investments: | | | | |
| Common Stocks | \$ 22,799,035 | \$ 10,532,007 | \$ (48,603) | \$ 33,282,439 |
| Mutual Funds – Equity | 54,256,577 | 19,466,506 | — | 73,723,083 |
| Total | <u>\$ 77,055,612</u> | <u>\$ 29,998,513</u> | <u>\$ (48,603)</u> | <u>\$ 107,005,522</u> |

Unrealized losses on investments as of September 30, 2014, are as follows:

| | Aggregate Unrealized Losses | Aggregate Fair Value |
|--------------------|-----------------------------|----------------------|
| Less than one year | \$ 379,568 | \$ 8,020,691 |

Unrealized losses on investments as of December 31, 2013, are as follows:

| | Aggregate Unrealized Losses | Aggregate Fair Value |
|--------------------|-----------------------------|----------------------|
| Less than one year | \$ 48,603 | \$ 1,886,080 |

ASC 320, "Accounting for Certain Investments in Debt and Equity Securities", as amended, provides guidance on determining when an investment is other than temporarily impaired. The Company reviews its equity investment portfolio for any unrealized losses that would be deemed other-than-temporary and require the recognition of an impairment loss in income. If the cost of an investment exceeds its fair value, the Company evaluates, among other factors, general market conditions, the duration and extent to which the fair value is less than cost, and the Company's intent and ability to hold the investments. Management also considers the type of security, related-industry and sector performance, as well as published investment ratings and analyst reports, to evaluate its portfolio. Once a decline in fair value is determined to be other than temporary, an impairment charge is recorded and a new cost basis in the investment is established. If market, industry, and/or investee conditions deteriorate, the Company may incur future impairments. No equity investment losses were considered to be other than temporary at September 30, 2014.

(5) Inventories consisted of the following at the respective balance sheet dates:

| | September 30, 2014 | December 31, 2013 |
|-----------------|-----------------------|-----------------------|
| Raw materials | \$ 85,490,437 | \$ 75,081,810 |
| Work-in-process | 25,296,997 | 21,409,976 |
| Finished goods | 24,810,466 | 23,582,378 |
| Total Inventory | <u>\$ 135,597,900</u> | <u>\$ 120,074,164</u> |

GENTEX CORPORATION AND SUBSIDIARIES

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)**

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(6) Earnings Per Share

The following table reconciles the numerators and denominators used in the calculation of basic and diluted earnings per share (EPS):

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|----------------------------------|--------------------|---------------------------------|--------------------|
| | 2014 | 2013 | 2014 | 2013 |
| Numerators: | | | | |
| Numerator for both basic and diluted EPS, net income | \$ 72,336,883 | \$ 55,520,961 | \$ 217,629,700 | \$ 153,048,925 |
| Denominators: | | | | |
| Denominator for basic EPS, weighted-average shares outstanding | 145,484,717 | 143,697,760 | 145,191,648 | 143,160,402 |
| Potentially dilutive shares resulting from stock plans | 953,259 | 821,140 | 1,176,808 | 655,639 |
| Denominator for diluted EPS | <u>146,437,976</u> | <u>144,518,900</u> | <u>146,368,456</u> | <u>143,816,041</u> |
| Shares related to stock plans not included in diluted average common shares outstanding because their effect would be anti-dilutive | 3,849,424 | 3,220,980 | 1,474,557 | 3,573,418 |

(7) Stock-Based Compensation Plans

At September 30, 2014, the Company had four equity incentive plans which include two stock option plans, a restricted stock plan and an employee stock purchase plan. All of the plans and any material amendments thereto have previously been approved by shareholders. Readers should refer to Note 5 of our consolidated financial statements in our Annual Report on Form 10-K for the calendar year ended December 31, 2013, for additional information related to these stock-based compensation plans.

The Company recognized compensation expense for share-based payments of \$4,778,693 and \$13,391,738 for the three and nine months ended September 30, 2014, respectively. Compensation cost capitalized as part of inventory as of September 30, 2014, was \$239,927.

Employee Stock Option Plan

In May 2014, the Employee Stock Option Plan was approved by shareholders, amending and restating a prior plan. The Company may grant up to 12,000,000 shares of common stock under the plan. The purpose of the plan is to provide an opportunity to use stock options as a means of recruiting new managerial and technical personnel and as a means for retaining certain employees of the Company and allow them to purchase shares of common stock of the Corporation and thereby have an additional incentive to contribute to the prosperity of the Company.

The fair value of each option grant in the employee stock option plan was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions for the indicated periods:

GENTEX CORPORATION AND SUBSIDIARIES

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)**

(7) Stock-Based Compensation Plans (continued)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|----------------------------------|--------|---------------------------------|--------|
| | 2014 | 2013 | 2014 | 2013 |
| Dividend Yield ⁽¹⁾ | 2.36% | 2.64% | 2.32% | 2.70% |
| Expected volatility ⁽²⁾ | 37.70% | 44.90% | 38.73% | 45.61% |
| Risk-free interest rate ⁽³⁾ | 1.79% | 1.39% | 1.81% | 1.19% |
| Expected term of options (years) ⁽⁴⁾ | 4.38 | 4.00 | 4.84 | 4.01 |
| Weighted-avg. grant date fair value | \$7.19 | \$7.61 | \$8.25 | \$6.98 |

(1) Represents the Company's estimated cash dividend yield over the expected term of option grant.

(2) Amount is determined based on analysis of historical price volatility of the Company's common stock. The expected volatility is based on the daily percentage change in the price of the stock over a period equal to the expected term of the option grant.

(3) Represents the U.S. Treasury yield over the expected term of the option grant.

(4) Represents the period of time that options granted are expected to be outstanding. Based on analysis of historical option exercise activity, the Company has determined that all employee groups exhibit similar exercise and post-vesting termination behavior.

Under the plan, the option exercise price equals the stock's market price on date of grant. The options vest after one to five years, and expire after five to seven years. As of September 30, 2014, there was \$27,693,859 of unrecognized compensation cost related to share-based payments which is expected to be recognized over the vesting periods.

Non-employee Director Stock Option Plan

As of September 30, 2014, there was \$0 of unrecognized compensation cost under the plan related to share-based payments. The Company has granted options on 133,000 shares under the director plan through September 30, 2014. Under the plan, the option exercise price equals the stock's market price on the date of grant. The options vest after six months, and expire after ten years.

Employee Stock Purchase Plan

The Company has an employee stock purchase plan covering 1,000,000 shares of common stock. Under the plan, the Company sells shares at 85% of the stock's market price at date of purchase. Under ASC 718, the 15% discounted value is recognized as compensation expense.

Restricted Stock Plan

The Company has a restricted stock plan covering 2,000,000 shares of common stock. The purpose of the plan is to permit grants of shares, subject to restrictions, to key employees of the Company as a means of retaining and rewarding them for long-term performance and to increase their ownership in the Company. Shares awarded under the plan entitle the shareholder to all rights of common stock ownership except that the shares may not be sold, transferred, pledged, exchanged or otherwise disposed of during the restriction period. The restriction period is determined by the Compensation Committee, appointed by the Board of Directors, but may not exceed ten years under the terms of the plan. As of September 30, 2014, the Company had unearned stock-based compensation of \$11,913,757 associated with these restricted stock grants. The unearned stock-based compensation related to these grants is being amortized to compensation expense over the applicable restriction periods. Amortization expense from restricted stock grants in the three and nine months ended September 30, 2014 was \$644,043 and \$2,178,261, respectively.

(8) Comprehensive Income

Comprehensive income reflects the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. For the Company, comprehensive income represents net income adjusted for unrealized gains and losses on certain

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(8) Comprehensive Income (continued)

investments and foreign currency translation adjustments.

The following table presents the net changes in the Company's accumulated other comprehensive income by component: (All amounts shown are net of tax).

| | Three Months Ended September 30, 2014 | | Nine Months Ended September 30, 2014 | |
|--|---------------------------------------|---------------|--------------------------------------|---------------|
| | 2014 | 2013 | 2014 | 2013 |
| Foreign currency translation adjustments: | | | | |
| Balance at beginning of period | \$ 2,175,183 | \$ 2,086,299 | \$ 2,507,922 | \$ 2,458,933 |
| Other Comprehensive (loss) income before reclassifications | (269,392) | 273,097 | (602,131) | (99,537) |
| Amounts reclassified from accumulated other comprehensive income | — | — | — | — |
| Net current-period change | (269,392) | 273,097 | (602,131) | (99,537) |
| Balance at end of period | 1,905,791 | 2,359,396 | 1,905,791 | 2,359,396 |
| Unrealized gains on available-for-sale securities: | | | | |
| Balance at beginning of period | 15,342,551 | 18,700,117 | 19,467,441 | 15,111,778 |
| Other Comprehensive income (loss) before reclassifications | (1,604,338) | 5,240,576 | 1,788,502 | 13,932,930 |
| Amounts reclassified from accumulated other comprehensive income | (1,506,238) | (4,201,241) | (9,023,968) | (9,305,256) |
| Net current-period change | (3,110,576) | 1,039,335 | (7,235,466) | 4,627,674 |
| Balance at end of period | 12,231,975 | 19,739,452 | 12,231,975 | 19,739,452 |
| Accumulated other comprehensive income, end of period | \$ 14,137,766 | \$ 22,098,848 | \$ 14,137,766 | \$ 22,098,848 |

The following table presents details of reclassifications out of other comprehensive income for the three and nine months ended September 30, 2014 and 2013.

| Details about Accumulated Other Comprehensive Income Components | Amounts Reclassified from Other Comprehensive Income | | | | Affected Line item in the Statement of Consolidated Income |
|---|--|--------------|--------------------------------------|---------------|--|
| | Three Months Ended September 30, 2014 | | Nine Months Ended September 30, 2014 | | |
| | 2014 | 2013 | 2014 | 2013 | |
| Unrealized gains on available-for-sale securities | | | | | |
| Realized gain on sale of securities | \$ 2,317,289 | \$ 6,463,447 | \$ 13,883,028 | \$ 14,315,778 | Other, net |
| Provision for Income Taxes | (811,051) | (2,262,206) | (4,859,060) | (5,010,522) | Provision for Income Taxes |
| Total reclassifications for the period | \$ 1,506,238 | \$ 4,201,241 | \$ 9,023,968 | \$ 9,305,256 | Net of tax |

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(9) Debt and Financing Arrangements

On September 27, 2013, the Company entered into a Credit Agreement (the "Credit Agreement") with certain banks and agents.

Pursuant to the Credit Agreement, the Company is borrower under a \$150 million senior revolving credit facility (the "Revolving Facility") and a \$150 million term loan facility (the "Term Loan"). Under the terms of the Credit Agreement, the Company is entitled, subject to the satisfaction of certain conditions, to further request an additional principal amount of up to \$75 million. In addition, the Company is entitled, subject to certain terms and conditions, to the benefit of swing loans for principal amounts of up to \$20 million and to request Letters of Credit from amounts otherwise available under the Revolving Facility of up to \$20 million. The obligations of the Company under the Credit Agreement are not secured, but are subject to certain covenants (see below).

During the three and nine months ended September 30, 2014, the Company made principal repayments of \$1.9 million and \$5.6 million respectively, plus accrued interest, on the Term Loan, and accrued interest on the Revolving Facility. The Company used cash and cash equivalents to fund the payments. As of September 30, 2014 the Company had availability of \$25 million on the Revolving Facility (not including additional aggregate principal amounts which can be requested as set forth above).

The interest rates per annum applicable to loans, other than swing loans, under the Credit Agreement will be, at the Company's option and subject to certain conditions, equal to either a base rate or a LIBOR rate for one, two, three or six-month interest periods chosen by the Company, plus an applicable margin percentage. The base rate will be the highest of: (i) the federal funds rate plus 0.50%; (ii) the agent's prime rate or; (iii) the LIBOR rate plus 1.00%. The LIBOR rate will be equal to the London interbank offered rates for U.S. Dollars quoted by Bloomberg or the appropriate successor, divided by a number equal to 1 minus the maximum percentage in effect on such day for determining reserve requirements, as prescribed by the Board of Governors of the Federal Reserve System. The applicable margin percentage is based on the leverage ratio of the Company. The range of the applicable margin percentage is 1.00% per annum to 1.75% per annum in the case of the LIBOR rate, and 0.00% per annum to 0.75% per annum in the case of the base rate.

As of September 30, 2014, the Company has chosen the option of borrowing funds using the one month LIBOR, and based on the Company's leverage ratio as of September 30, 2014, the interest rate on its borrowings is equal to 1.16%. Interest expenses for three and nine months ended September, 2014 netted within the "Other, net" section of the income statement were \$0.9 million and \$2.7 million, respectively. There was no cash paid for interest expense for the three and nine months ended September 30, 2013 as there were no outstanding borrowings during those periods. A one percent increase in the Company's borrowing rate, would increase interest expense paid by the Company on its borrowings by approximately \$2.7 million dollars on an annual basis, based on loan balances as of September 30, 2014.

The Credit Agreement contains customary representations and warranties and certain covenants that limit the ability of the Company and certain of its subsidiaries to, among other things: (i) incur or guarantee additional indebtedness; (ii) redeem or repurchase subordinated debt; (iii) sell or otherwise transfer or dispose of certain assets; (iv) make certain investments; (v) incur or suffer to exist liens securing indebtedness; (vi) dissolve, liquidate, consolidate, merge or wind-up its affairs; (vii) engage in certain transactions with affiliates; or (viii) make certain other negative pledges. In addition, the Credit Agreement contains financial covenants that limit capital expenditures in any fiscal year and that measure: (i) the ratio of the Company's total funded indebtedness net of certain cash to the amount of the Company's consolidated Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA"); and (ii) the ratio of the amount of the Company's consolidated EBITDA to the Company's cash interest expense. The Credit Agreement also includes customary events of default. As of September 30, 2014, the Company was in compliance with its covenants under the Credit Agreement.

The Revolving Facility expires and the Term Loan matures on September 27, 2018.

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On October 1, 2014 the Company entered into an interest rate swap transaction with a bank (the "Counterparty"). The Counterparty is among the syndicate of lenders under the existing Credit Agreement entered into on September 27, 2013. The Company entered into the interest rate swap transaction to mitigate the Company's floating rate interest risk on an aggregate of \$150 million of the Company's debt that is currently outstanding under the Credit Agreement. The interest rate swap has an effective date of July 31, 2015 and a termination date of September 27, 2018 (which is the expiration date of the Credit Agreement). The Company is required to make certain monthly fixed rate payments to the Counterparty calculated on a notional amount of \$150 million for the rate swap, while the Counterparty is obligated to make monthly floating rate payments to the Company referencing the same notional amount. The interest rate swap transaction has the effect of fixing the annual interest rate payable on \$150 million of the Company's outstanding debt under its existing credit facility to 1.89%, as of the effective date. Notwithstanding the terms of the interest rate swap transaction, the Company is ultimately obligated for all amounts due and payable under its existing credit facility.

The Company will follow FASB ASC Topic 815, Derivatives and Hedging ("ASC 815"), which is intended to improve transparency in financial reporting and requires that all derivative instruments be recorded on the consolidated balance sheets at fair value by establishing criteria for designation and effectiveness of hedging relationships. This derivative instrument was designated as a cash flow hedge of the Company's variable rate debt.

(10) Equity

The increase in common stock during the nine months ended September 30, 2014, was primarily due to the issuance of 1,164,518 shares of the Company's common stock under the Company's stock-based compensation plans, which was partially offset by share repurchases of 351,565 shares pursuant to the Company's previously announced share repurchase plan for a net increase of 812,953 shares. The Company announced a \$.02 per share increase in its quarterly cash dividend rate during the second quarter of 2014. As such, the Company had a recorded cash dividend of \$0.16 per share in the second and third quarter of 2014 as compared to \$0.14 during the first quarter of 2014. The third quarter dividend of \$23.4 million was declared on August 29, 2014, and was paid on October 17, 2014.

(11) Contingencies

The Company is periodically involved in legal proceedings, legal actions and claims arising in the normal course of business, including proceedings relating to product liability, intellectual property, safety and health, employment and other matters. Such matters are subject to many uncertainties and outcomes are not predictable. The Company does not believe, however, that at the current time any of these matters constitute material pending legal proceedings that will have a material adverse effect on the financial position or future results of operations of the Company.

(12) Segment Reporting

The Company's automotive segment develops and manufactures electro-optic products, including: automatic-dimming rearview mirrors with and without electronic features for the automotive industry; non-auto dimming rearview automotive mirrors with and without electronic features; and HomeLink®, the vehicle-based control system that enables drivers to remotely activate garage door openers, entry door locks, home lighting, security systems, entry gates, and other radio frequency convenience products. The Company also develops and manufactures variably dimmable windows for the aerospace industry and fire protection products for the commercial construction industry, which are combined into the "Other" segment

shown below.

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--------------------------------|----------------------------------|-----------------------|---------------------------------|-----------------------|
| | 2014 | 2013 | 2014 | 2013 |
| Revenue: | | | | |
| Automotive Products | \$ 341,786,404 | \$ 280,924,112 | \$ 997,708,190 | \$ 823,681,484 |
| Other | 9,127,508 | 7,697,514 | 27,382,030 | 21,413,009 |
| Total | <u>\$ 350,913,912</u> | <u>\$ 288,621,626</u> | <u>\$ 1,025,090,220</u> | <u>\$ 845,094,493</u> |
| Income from operations: | | | | |
| Automotive Products | \$ 100,053,622 | \$ 71,376,726 | \$ 290,348,056 | \$ 203,997,815 |
| Other | 3,152,205 | 2,279,520 | 9,870,755 | 5,108,341 |
| Total | <u>\$ 103,205,827</u> | <u>\$ 73,656,246</u> | <u>\$ 300,218,811</u> | <u>\$ 209,106,156</u> |

(13) Income Taxes

The effective tax rate was 30.4% in the third quarter of 2014 compared to 31.5% for same quarter of 2013. Effective tax rates differ from statutory federal income tax rates, primarily due to the domestic manufacturing deduction, provisions for state and local income taxes and permanent tax differences. The decrease in the effective tax rate from the third quarter of 2014 compared to the third quarter of 2013 is primarily due to incremental research and development tax credits related to the 2013 calendar year in the amount of \$1.8 million.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

RESULTS OF OPERATIONS:

THIRD QUARTER 2014 VERSUS THIRD QUARTER 2013

Net Sales. Net sales for the third quarter of 2014 increased by \$62.3 million or 22% when compared with the third quarter of 2013.

Automotive net sales for the third quarter of 2014 increased 22% to \$341.8 million, compared with automotive net sales of \$280.9 million in the third quarter of 2013, driven by a 10% quarter-over-quarter increase in automotive mirror unit shipments and the addition of HomeLink®. North American automotive mirror unit shipments in the third quarter of 2014 increased 10% to 2.7 million units compared with the third quarter of 2013, primarily due to increased penetration of the Company's interior and exterior auto-dimming mirrors partially offset by quarter over quarter declines in RCD mirror unit shipments. International automotive mirror unit shipments in the second quarter of 2014 increased 9% compared with the second quarter of 2013 primarily due to increased penetration of the Company's interior and exterior auto-dimming mirrors.

The below table represents the Company's auto dimming mirror unit shipments for the three and nine months ended September 30, 2014 and 2013. (in thousands)

| | Three Months Ended September 30, | | | Nine Months ended September 30, | | |
|-----------------------------------|-------------------------------------|-------|-------------|------------------------------------|--------|-------------|
| | 2014 | 2013 | % Change | 2014 | 2013 | % Change |
| North American Interior Mirrors | 2,054 | 1,867 | 10% | 6,148 | 5,897 | 4% |
| North American Exterior Mirrors | 627 | 563 | 11% | 1,792 | 1,631 | 10% |
| Total North American Mirror Units | 2,681 | 2,430 | 10% | 7,939 | 7,528 | 5% |
| International Interior Mirrors | 3,206 | 2,972 | 8% | 9,778 | 8,507 | 15% |
| International Exterior Mirrors | 1,347 | 1,202 | 12% | 4,022 | 3,493 | 15% |
| Total International Mirror Units | 4,553 | 4,174 | 9% | 13,800 | 12,000 | 15% |
| Total Interior Mirrors | 5,259 | 4,839 | 9% | 15,926 | 14,404 | 11% |
| Total Exterior Mirrors | 1,974 | 1,765 | 12% | 5,813 | 5,124 | 13% |
| Total Auto-Dimming Mirror Units | 7,233 | 6,604 | 10% | 21,739 | 19,528 | 11% |

Note: Percent change and amounts may not total due to rounding.

Other net sales, which include fire protection products and dimmable aircraft windows, were \$9.1 million in the third quarter of 2014, up 19% compared with \$7.7 million in the third quarter of 2013 primarily due to increases in shipments of dimmable aircraft windows.

Cost of Goods Sold. As a percentage of net sales, cost of goods sold decreased to 60.5% for the third quarter of 2014 versus 63.3% in the third quarter of 2013, primarily due to the impact of the HomeLink® acquisition, improvements in product mix, and purchasing cost reductions, which were partially offset by annual customer price reductions. Each of the positive factors is estimated to have impacted cost of goods sold independently as a percentage of net sales by approximately 125 - 150 basis points.

Operating Expenses. Engineering, research and development (E, R & D) expenses for the third quarter of 2014 increased 13% or \$2.6 million when compared with the third quarter of 2013, primarily due to increased staffing levels. Selling, general and administrative (S, G & A) expenses increased 4% or \$0.5 million for the third quarter of 2014 compared to the third quarter of 2013, primarily due to increased amortization expense related to the HomeLink® acquisition which was not present in the 3rd quarter of 2013. S,G&A expenses were 3.9% of net sales in the third quarter of 2014 down from 4.6% in the the third quarter of 2013.

Total Other Income & Expense. Total other income for the third quarter of 2014 decreased by \$6.6 million when compared with the third quarter of 2013, primarily due to lower realized gains on the sale of equity investments as well as interest expense of \$0.9 million and foreign currency adjustments on the Company's foreign denominated bank accounts of approximately \$1.0 million in the third quarter of 2014.

Taxes. The effective tax rate was 30.4% in the third quarter of 2014 compared to 31.5% for same quarter of 2013. The effective tax rate differed from the statutory federal income tax rate, primarily due to the domestic manufacturing deduction, provisions for state and local income taxes, and permanent tax differences. The decrease in the effective tax rate from the third quarter of 2014 compared to the third quarter 2013 is primarily due to incremental research and development tax credits related to tax return filings for calendar year 2013 which provided an incremental benefit of approximately \$1.8 million.

Net Income. Net income for the third quarter of 2014 increased by \$16.8 million or 30% when compared with the third quarter of 2013, primarily due to increases in sales and operating margin.

NINE MONTHS ENDED SEPTEMBER 30, 2014 VERSUS NINE MONTHS ENDED SEPTEMBER 30, 2013

Net Sales. Net sales for the nine months ended September 30, 2014 increased by \$180.0 million or 21.3% when compared with the same period in 2013.

Automotive net sales were \$997.7 million, up 21.1% compared with automotive net sales of \$823.7 million for the first nine months of 2013, driven by an 11% period over period increase in automotive mirror unit shipments and the addition of HomeLink®. North American automotive mirror unit shipments in the nine months ended September 30, 2014 increased 5% to 8 million units compared with same period in 2013, primarily due to increased penetration of the Company's interior and exterior auto-dimming mirrors, which was partially offset by year-over-year declines in the Company's RCD mirror unit shipments. International automotive mirror unit shipments in the nine months ended September 30, 2014 increased 15% compared with the same period in 2013 primarily due to increased penetration of the Company's interior and exterior auto-dimming mirrors.

Cost of Goods Sold. As a percentage of net sales, cost of goods sold for the nine months ended September 30, 2014 declined to 60.6%, down from 64.3% in the same period last year primarily due to the impact of the HomeLink® acquisition, improvements in product mix, and purchasing cost reductions, which were partially offset by annual customer price reductions. Each of the positive factors is estimated to have impacted cost of goods sold independently as a percentage of net sales by approximately 150 - 200 basis points.

Operating Expenses. Engineering, research and development (E, R & D) expenses for the nine months ended September 30, 2014, increased 10.1% or \$5.7 million when compared with the same period last year, primarily due to increased staffing levels which continue to support growth and the development of new business, as well as personnel additions that were part of the HomeLink® acquisition which were not present in the first nine months of 2013.

Selling, general and administrative (S, G & A) expenses increased 14.7% or \$5.3 million when compared with the same period last year, primarily due to amortization expense related to the HomeLink® acquisition

Total Other Income. Total other income for the nine months ended September 30, 2014 decreased by \$3.7 million when compared with the same period last year, primarily due to decreased realized gains on sales of equity investments and interest expense on the Company's borrowings.

Taxes. The effective tax rate was 30.1% for the nine months ended September 30, 2014 compared to 31.7% for same period of 2013. The effective tax rate differed from the statutory federal income tax rate, primarily due to the domestic manufacturing deduction, provisions for state and local income taxes, and permanent tax differences. The decrease in the effective tax rate from the same period in 2013 is primarily due to incremental research and development tax credits related to amended tax return filings for calendar years 2010 through 2012 of \$5.5 million, as well as incremental benefits realized as part of original 2013 tax return of approximately \$1.8 million for a total of \$7.3 million in incremental benefits.

Net Income. Net income for the nine months ended September 30, 2014 increased by \$64.6 million or 42% to \$217.6 million versus \$153.0 million in the same period last year, primarily due to increased sales levels and increased operating margins.

FINANCIAL CONDITION:

The Company's cash and cash equivalents as of September 30, 2014 was \$433.5 million, which increased approximately \$123.9 million compared to \$309.6 million as of December 31, 2013. The increase was primarily due to cash flow generated by operating activities.

Accounts receivable as of September 30, 2014 increased approximately \$43.4 million compared to December 31, 2013, primarily due to the higher sequential sales level as well as timing of sales within quarters.

Inventories as of September 30, 2014 increased approximately \$15.5 million when compared to December 31, 2013, primarily due to increases in raw materials inventory.

Long-term investments as of September 30, 2014 decreased approximately \$2.9 million compared to December 31, 2013, due to realized gains on sales of equity investments throughout 2014 that were not re-invested.

Accrued liabilities as of September 30, 2014 increased approximately \$11.0 million compared to December 31, 2013, primarily due to increased accrued taxes and compensation, reflecting the timing of certain tax and compensation payments.

Long term debt as of September 30, 2014 decreased by \$5.6 million compared to December 31, 2013, due to the Company's principal repayment on its term loan, further explained in [Note 9](#) to the Unaudited Condensed Financial Statements.

Cash flow from operating activities for the nine months ended September 30, 2014, increased \$3.8 million to \$227.5 million, compared with \$223.7 million, during the same period last year, primarily due to increases in net income, partially offset by changes in working capital.

Capital expenditures for the nine months ended September 30, 2014, were approximately \$50.0 million, compared with approximately \$38.0 million for the same period last year, primarily due to production equipment purchases.

The Company continues to estimate that it has building capacity to manufacture approximately 21-23 million interior mirror units annually and approximately 10 million exterior mirror units annually, based on current product mix.

The Company believes its existing and planned facilities are suitable, adequate, and have the capacity necessary for current and near-term planned business. However, in the third quarter of 2014, the Company began construction of a new manufacturing and distribution facility located in Zeeland, Michigan. The total cost of the project is expected to be approximately \$30 - 35 million, of which approximately \$2 -5 million will be incurred in 2014.

Management considers the Company's current working capital and long-term investments, as well as the debt financing arrangement (not withstanding its prohibitions on incurring additional indebtedness), discussed further in [Note 9](#) to the Unaudited Condensed Consolidated Financial Statements, in addition to internally generated cash flow, to be sufficient to cover anticipated cash needs for the foreseeable future considering its contractual obligations and commitments. The following is a summary of working capital and long-term investments:

| | September 30, 2014 | December 31, 2013 |
|-----------------------|-----------------------|-----------------------|
| Working Capital | \$ 656,866,607 | \$ 481,205,828 |
| Long Term Investments | 104,108,686 | 107,005,522 |
| Total | <u>\$ 760,975,293</u> | <u>\$ 588,211,350</u> |

The Company has a share repurchase plan under which it may purchase up to 4,000,000 shares of the Company's common stock based on market conditions, the market price of the stock, anti-dilutive effect on earnings, available cash and other factors that the Company deems appropriate. The Company repurchased 351,565 shares during the third quarter and nine months ended September 30, 2014. The Company has 3,648,435 shares remaining under the plan as of September 30, 2014, which is further detailed in [Part II, Item 2](#) of this Form 10-Q.

BUSINESS UPDATE

As previously announced, the Company completed the acquisition of HomeLink® on September 27th 2013. The integration of HomeLink® has been one of several priorities for the Company in 2014. As of September 30, 2014, the integration of the business is essentially complete. The Company has completed all necessary steps of the transition including, but not limited to; customer approvals, successful manufacturing transition to the Company's U.S. based facilities, integration of suppliers and compatibility partners, order processing, logistics, the sourcing of new business awards, and perhaps most importantly, new product development.

HomeLink® V, which combines bi-directional communication capability for garage doors, gates, lights, locks, and security systems with the ability to function across the globe, provides the Company with a technology platform for both integration into our rearview mirrors and expansion of our product line with electronic modules outside the mirror. In addition, in the first year of owning HomeLink® the Company announced battery powered HomeLink®, which uses a long life multi-year battery. Historically, the limiting factor in adding HomeLink® to a vehicle has been getting the vehicle electrically wired to power it, a process that generally requires a vehicle model change or mid-cycle refresh, which can have significant lead-times. The advantage of the battery powered HomeLink® is that it does not need to be electrically wired into the vehicle for it to work. The Company also recently announced HomeLink® for applications outside the automotive industry. HomeLink® for non-automotive applications expands beyond automobiles to all other vehicle types which include but are not limited to motorcycles, mopeds, snowmobiles, tractors, combines, lawn mowers, loaders, bulldozers, road-graders, backhoes and golf carts. These product developments will utilize the market leading HomeLink® V system of communication to the home, door locks, garage doors, gates, lights, security systems, and an increasing array of home automation products.

The Company also previously announced a new CMOS Imager, which is the Company's fourth generation chip. The newly developed CMOS imager was developed specifically for automotive vision system applications requiring high dynamic range, defined as the ability to capture scene details in bright light and in dark conditions. This camera system allows the viewer to see more in the camera picture, and was designed with increased capability for automotive safety applications. The Company began volume production shipments of its latest generation of SmartBeam, further detailed below, utilizing this fourth generation chip in the third quarter of 2014.

Additionally, with the advanced capabilities of the new CMOS Imager, the Company announced a new generation of SmartBeam that has an advanced feature set made possible by the high dynamic range of the new imager including: high beam assist; dynamic forward lighting with high beams constantly on; LED matrix beam; and a variety of specific detection applications including tunnel, fog, road type as well as certain Advanced Driver Assist System ("ADAS") features such as lane detection, object detection and collision detection. The Company believes it has a unique advantage in the automotive industry with SmartBeam. The camera chip is designed by Gentex specifically for driver assist applications, with custom optics and algorithms written by the Company and specifically tailored for its chip and optical systems. The Company packages the control electronics inside the Company's interior rearview mirrors with its self-calibrating camera attached to the mirror mount to provide the smallest mechanical package in the industry with the greatest ease of service. Competing products attach their camera and electronics directly to the windshield, which causes additional maintenance in the event of a windshield replacement.

With this new CMOS Imager, the Company also previously announced earlier in 2014 a video camera system designed for today's advanced automotive display application requirements. In video applications, a competitive advantage of the Company's camera is that the Company believes it can present more detail in a video display than other cameras currently available in the market. Furthermore, the Company is also announcing its full display mirror product. The Full Display Mirror ("FDM") is an interior auto-dimming mirror with an auxiliary display which is the size of the mirror that can be activated when the driver chooses. The Full Display Mirror was developed several years ago to address visibility concerns in new vehicle designs due to vehicle styling, back seat headrests, or back seat passenger interference. The Company's Full Display Mirror and video camera are designed as a system and employ some of the latest technological advances in automotive video displays.

Automaker requests to NHTSA for cameras and video displays to replace automotive rearview mirrors has been a consideration in regulatory discussion and specification development for many years. Currently, rearview mirrors are the primary safety function for rear vision in the automotive industry. Some of the challenges to replacing rearview mirrors entirely would include: limited viewing area; poor depth perception; cleanliness of the camera lens in all weather conditions; dynamic range of the camera; and the fundamental issue of what does the driver do if the camera fails due to electrical or interference issues. The Company develops, designs and manufactures both rearview mirrors along with its newest and latest generations of products which include CMOS imager cameras and video displays and has been shipping earlier generations of these products for many years. The Company is excited about the future potential for these advanced technologies, and will continue to be an active participant in the development of products that the Company believes will position it to be a market leader in this area.

The Company does continue to experience pricing pressure from its automotive customers and competitors, which will continue to cause downward pressure on its profit margins. The Company does continuously work to offset these price reductions with engineering and purchasing cost reductions, productivity improvements, and increases in unit sales volume.

On March 31, 2014, the National Highway Traffic Safety Administration issued a final rule requiring rearview video systems in U.S. light vehicles by May 1, 2018, with a phase-in schedule requirement of 10% of vehicles after May 2016, 40% of vehicles after May 2017, and 100% of vehicles after May 2018. In this release, NHTSA estimated that 57% of model year 2014 vehicles already have a rear video system, and that even without a final rule, 73% of the vehicles sold into North America would have already included a rearview video system by 2018. This NHTSA ruling, as is indicated from the percentage of U.S. vehicles already having a solution, does not currently indicate an immediate opportunity for new RCD mirror applications for the Company. Customer opportunities may exist by the time the 100% requirement is in place, but no new material guidance is available from the Company at this time. The Company's rear camera display mirror application meets all the technical requirements of the NHTSA ruling when installed in a vehicle and appropriately paired with an OEM specified camera. The Company has previously reported that in anticipation of the NHTSA ruling requiring rearview video systems, four of its customers had implemented standard equipment rear video display in the radio in place of the Company's RCD mirror option, and that the Company would experience those lost U.S. applications beginning in 2013 and continuing throughout calendar 2014. Actual RCD unit shipments for calendar year 2013 decreased 21% as a result, and the Company currently expects a similar decline in unit shipments in 2014.

The European New Car Assessment Program (Euro NCAP) provides an incentive for automobiles sold in Europe to apply safety technologies that include camera based driver assist features such as lane detection, vehicle detection, and pedestrian detection as standard equipment. Euro NCAP compliant camera based driver assist systems are also capable of including high beam assist as a function. The increased application of Euro NCAP on European vehicles could potentially replace the Company's SmartBeam application on these vehicles.

Automakers continue to experience volatility and uncertainty in executing planned new programs, which result in delays or cancellations of new vehicle platforms, package configurations, and inaccurate volume forecasts. This challenge makes it difficult for the Company to forecast future sales and manage costs, inventory, capital, engineering, research and development, and human resource investments.

The automotive industry continues to be cyclical and highly impacted by levels of economic activity, and the current economic environment while improving, continues to be uncertain. This challenge stresses the Company with volatile customer orders, automaker plant shutdowns, supplier material cost fluctuation, supplier part shortages, and consumer vehicle feature preference changes (to vehicles where the Company has lower penetration). Because the Company sells its products throughout the world, and automotive manufacturing is highly dependent on economic conditions, the Company can be affected by uncertain economic conditions that can reduce demand for its products.

The uncertain economic environment can also affect the automotive industry in the sale or bankruptcy of customer businesses. Should any of the Company's customers, including Tier 1 suppliers, sell their business or declare bankruptcy, it could adversely affect the collection of receivables, product planning and business with that customer.

The Dodd-Frank Wall Street Reform and Consumer Protection Act contains provisions to improve transparency and accountability concerning the supply of certain minerals, known as conflict minerals, originating from the Democratic Republic of Congo (DRC) and adjoining countries. As a result, in August 2012 the SEC adopted annual disclosure and reporting requirements for those companies who use conflict minerals mined from the DRC and adjoining countries in their products. These new requirements required due diligence efforts in 2013 and 2014, and the Company disclosed its findings to the SEC on Form SD on May 30, 2014. As there may be only a limited number of suppliers offering "conflict free" minerals, the Company cannot be sure that it will be able to obtain necessary conflict minerals from such suppliers in sufficient quantities or at competitive prices. Also, the Company may face reputational challenges if it determines that certain of its products contain minerals not determined to be conflict free or if the Company is unable to sufficiently verify the origins for all conflict minerals used in the Company's products through the procedures the Company may implement.

The Company previously announced that it was providing variably dimmable windows for the Boeing 787 Dreamliner series of aircraft as well as the Beechcraft King Air 350i aircraft. The Company continued to ship parts for the Boeing 787 Dreamliner Series of Aircraft and the King Air 350i airplane in relatively low volume. The Company continues to work with aircraft manufacturers that have an interest in this technology regarding potential additional programs.

The Company believes that its patents and trade secrets provide it with a competitive advantage in automotive rearview mirrors and in other parts of the vehicle with its newly acquired HomeLink® portfolio. Claims of patent infringement can be costly and time-consuming to address. To that end, the Company obtains intellectual property rights in the ordinary course of business to strengthen its intellectual property portfolio to minimize the risk of infringement.

The Company does not have any significant off-balance sheet arrangements or commitments that have not been recorded in its consolidated financial statements.

On October 1, 2014 the Company entered into an interest rate swap transaction with a bank (the "Counterparty"). The Counterparty is among the syndicate of lenders under the existing Credit Agreement entered into on September 27, 2018. The Company entered into the interest rate swap transaction to mitigate the Company's floating rate interest risk on an aggregate of \$150 million of the Company's debt that is currently outstanding under the Credit Agreement. The interest rate swap has an effective date of July 31, 2015 and a termination date of September 27, 2018 (which is the expiration date of the Credit Agreement). The Company is required to make certain monthly fixed rate payments to the Counterparty calculated on a notional amount of \$150 million for the rate swap, while the Counterparty is obligated to make monthly floating rate payments to the Company referencing the same notional amount. The interest rate swap transaction has the effect of fixing the annual interest rate payable on \$150 million of the Company's outstanding debt under its existing credit facility to 1.89%, as of the effective date. Notwithstanding the terms of the interest rate swap transaction, the Company is ultimately obligated for all amounts due and payable under its existing credit facility.

OUTLOOK

The Company utilizes the light vehicle production forecasting services of IHS Worldwide. The IHS October forecast for light vehicle production for the fourth quarter of 2014 are 4.19 million units for North America, 4.91 million units for Europe, and 3.32 million units for Japan and Korea. The IHS October forecast for light vehicle production for calendar year 2014 are 17.0 million units for North America, 20.0 million units for Europe, and 13.6 million units for Japan and Korea.

Based on the IHS October 2014 forecast for the fourth quarter of 2014, as well as the estimated option rates for the Company's mirrors on vehicle models, anticipated product mix including HomeLink® products, and the Company's 12-week customer release schedule, the Company estimates that net sales in the fourth quarter of 2014 will increase 10 - 15% compared with the fourth quarter of 2013.

The Company also estimates gross profit margin for the fourth quarter of 2014 to be in the range of 39.5% - 40%, based on the October 2014 IHS production forecast and current forecasted product mix.

E,R&D expense in the fourth quarter of 2014 is estimated to increase 5% - 10% compared with E, R&D in the fourth quarter of 2013, primarily due to the increased staffing levels that have occurred throughout calendar

2013 and into 2014, which continue to support current business as well as development of new business and product development.

S, G&A expense in the fourth quarter of 2014 is estimated to increase approximately 5 -10% compared with S, G&A in the fourth quarter of 2013, primarily due to increased staffing levels. This estimate is based on stable foreign exchange rates.

The Company expects Other Income in the fourth quarter 2014 to be in the range of \$2-3 million including realized gains on equity investments and year-end mutual fund distributions of \$3-4 million, partially offset by interest expense of approximately \$0.9 million, depending on market conditions and the remaining unrealized gains in the portfolio.

The Company estimates the effective tax rate to be approximately 32.5% for the fourth quarter of 2014, based on current tax laws.

The Company is lowering its guidance for 2014 capital expenditures from \$75 - 85 million to \$70 - 80 million, primarily due to slower than expected timing of spending related to its previously announced manufacturing and distribution facility project, which is still estimated to be approximately \$30 - \$35 million. The Company originally estimated that \$5-10 million would be expended in 2014, however, the Company now estimates that approximately \$2 - 5 million will be expended in 2014 with the balance to be expended in 2015 and 2016.

The Company continues to estimate that depreciation and amortization expense for the full year to be in the range of \$80 - \$85 million.

CRITICAL ACCOUNTING POLICIES:

The preparation of the Company's consolidated condensed financial statements contained in this report, which have been prepared in accordance with accounting principles generally accepted in the United States, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. On an ongoing basis, management evaluates these estimates. Estimates are based on historical experience and/or on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that may not be readily apparent from other sources. Historically, actual results have not been materially different from the Company's estimates. However, actual results may differ from these estimates under different assumptions or conditions.

The Company has identified critical accounting policies used in determining estimates and assumptions in the amounts reported in its Management's Discussion and Analysis of Financial Condition and Results of Operations in its Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

Item 3. Quantitative And Qualitative Disclosures About Market Risk.

The Company is subject to market risk exposures of varying correlations and volatilities, including foreign exchange rate risk, interest rate risk, and equity price risk. Volatile equity markets could negatively impact the Company's financial performance due to realized losses on the sale of equity investments and/or recognized losses due to other-than-temporary impairment adjustment on available for sale securities (mark-to-market adjustments). During the quarter ended September 30, 2014, there are no material changes in the risk factors previously disclosed in the Company's report on Form 10-K for the fiscal year ended December 31, 2013, except as set forth in Item 2.

The Company has some assets, liabilities and operations outside the United States, including euro-denominated accounts, which currently are not significant overall to the Company as a whole. Because the Company sells its automotive mirrors throughout the world, and automotive manufacturing is highly dependent on general economic conditions, the Company could be affected by uncertain economic conditions in foreign markets that can reduce demand for its products.

On October 1, 2014 the Company entered into an interest rate swap transaction with a bank. Please refer to [Part I, Item 2](#) to this form 10-Q for further details.

Item 4. Controls And Procedures.

Evaluation of Disclosure Controls and Procedures.

Under the supervision of, and with the participation of management, the Company's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of September 30, 2014, and have concluded that as of that date, the Company's disclosure controls and procedures are effective.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) during the quarter ended September 30, 2014, that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

SAFE HARBOR STATEMENT:

This Quarterly Report contains forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The statements contained in this communication that are not purely historical are forward-looking statements. Forward-looking statements give the Company's current expectations or forecasts of future events. These forward-looking statements generally can be identified by the use of words such as "anticipate", "believe", "could", "estimate", "expect", "forecast", "goal", "hope", "may", "plan", "project", "will", and variations of such words and similar expressions. Such statements are subject to risks and uncertainties that are often difficult to predict and beyond the Company's control, and could cause the Company's results to differ materially from those described. These risks and uncertainties include, without limitation: changes in general industry or regional market conditions; changes in consumer and customer preferences for our products; our ability to be awarded new business; continued uncertainty in pricing negotiations with customers; loss of business from increased competition; customer bankruptcies or divestiture of customer brands; fluctuation in vehicle production schedules; changes in product mix; raw material shortages; higher raw material, fuel, energy and other costs; unfavorable fluctuations in currencies or interest rates in the regions in which we operate; costs or difficulties related to the integration of any new or acquired technologies and businesses; changes in regulatory conditions; warranty and recall claims and other litigation and customer reactions thereto; possible adverse results of pending or future litigation or infringement claims; negative impact of any governmental investigations and associated litigations including securities litigations relating to the conduct of our business; integration of the newly acquired HomeLink® business operations; retention of the newly acquired customers of the HomeLink® business; and expansion of product offerings

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including those incorporating HomeLink® technology. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date they are made. The Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by law or the rules of the Nasdaq Global Select Market.

PART II—OTHER INFORMATION**Item 1A. Risk Factors.**

Information regarding risk factors appears in Management's Discussion and Analysis of Financial Condition and Results of Operations in Part I – Item 2 of this Form 10-Q and in Part I – Item 1A – Risk Factors of the Company's report on Form 10-K for the fiscal year ended December 31, 2013. There have been no material changes from the risk factors previously disclosed in the Company's report on Form 10-K for the year ended December 31, 2013, except to the extent described in Part I – Item 2 of this Form 10-Q.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**(c) Issuer Purchase of Equity Securities**

On October 8, 2002, the Company announced a share repurchase plan, under which it may purchase up to 8,000,000 shares (post-split) based on a number of factors. On July 20, 2005, the Company announced that it had raised the price at which the Company may repurchase shares under the existing plan. On May 16, 2006, the Company announced that the Company's Board of Directors had authorized the repurchase of an additional 8,000,000 shares under the plan. On August 14, 2006, the Company announced that the Company's Board of Directors had authorized the repurchase of an additional 8,000,000 shares under the plan. On February 26, 2008, the Company announced that the Company's Board of Directors had authorized the repurchase of an additional 4,000,000 shares under the plan. On October 23, 2012, the Company announced that the Company's Board of Directors had authorized the repurchase of an additional 4,000,000 shares under the plan. The Company may purchase authorized shares of its common stock under the plan based on a number of factors, including market, economic, and industry conditions; the market price of the Company's common stock; anti-dilutive effect on earnings; available cash; and other factors that the Company deems appropriate. The plan does not have an expiration date, but the Board of Directors reviews such plan periodically.

As of September 30, 2014, the Company has repurchased 28,351,565 shares at a total cost of \$424,617,136 under the plan. The following is a summary of share repurchase activity during the third quarter ended September 30, 2014:

| Issuer Purchase of Equity Securities | | | | |
|--------------------------------------|----------------------------------|------------------------------|---|--|
| Period | Total Number of Shares Purchased | Average Price Paid Per Share | Total Number of Shares Purchase As Part of a Publicly Announced Plan* | Maximum Number of Shares That May Yet Be Purchased Under the Plan* |
| July 2014 | 172,500 | 28.98 | 172,500 | 3,827,500 |
| August 2014 | — | — | — | 3,827,500 |
| September 2014 | 179,065 | 27.92 | 179,065 | 3,648,435 |
| Total | 351,565 | | 351,565 | |

*See above and below for additional plan details.

The following is a summary of quarterly share repurchase activity under the plan to date:

| Quarter Ended | Total Number of Shares Purchased All as Part of a Publicly Announced Plan (Post - Split) | Cost of Shares Purchased |
|----------------------|---|-------------------------------------|
| March 31, 2003 | 830,000 | \$ 10,246,810 |
| September 30, 2005 | 1,496,059 | 25,214,573 |
| March 31, 2006 | 2,803,548 | 47,145,310 |
| June 30, 2006 | 7,201,081 | 104,604,414 |
| September 30, 2006 | 3,968,171 | 55,614,102 |
| December 31, 2006 | 1,232,884 | 19,487,427 |
| March 31, 2007 | 447,710 | 7,328,015 |
| March 31, 2008 | 2,200,752 | 34,619,490 |
| June 30, 2008 | 1,203,560 | 19,043,775 |
| September 30, 2008 | 2,519,153 | 39,689,410 |
| December 31, 2008 | 2,125,253 | 17,907,128 |
| September 30, 2012 | 1,971,829 | 33,716,725 |
| September 30, 2014 | 351,565 | 9,999,957 |
| Totals | 28,351,565 | \$ 424,617,136 |

Item 6. Exhibits.

See Exhibit Index on Page [29](#)

EXHIBIT INDEX

| Exhibit No. | Description |
|--------------------|--|
| 10.1 | ISDA Master Agreement between Wells Fargo Bank, N.A. and Gentex Corporation dated as of October 1, 2014 (with Schedule to the Master Agreement). |
| 31.1 | Certificate of the Chief Executive Officer of Gentex Corporation pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350). |
| 31.2 | Certificate of the Chief Financial Officer of Gentex Corporation pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350). |
| 32 | Certificate of the Chief Executive Officer and Chief Financial Officer of Gentex Corporation pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350). |
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Taxonomy Extension Schema |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase |

(Multicurrency-Cross Border)

ISDA[®]

International Swap Dealers Association, Inc.

MASTER AGREEMENT

dated as of **October 1, 2014**

Wells Fargo Bank, N.A. and Gentex Corporation

have entered and/or anticipate entering into one or more transactions (each a "Transaction") that are or will be governed by this Master Agreement, which includes the schedule (the "Schedule"), and the documents and other confirming evidence (each a "Confirmation") exchanged between the parties confirming those Transactions.

Accordingly, the parties agree as follows:-

1. Interpretation

- (a) **Definitions.** The terms defined in Section 14 and in the Schedule will have the meanings therein specified for the purpose of this Master Agreement.
- (b) **Inconsistency.** In the event of any inconsistency between the provisions of the Schedule and the other provisions of this Master Agreement, the Schedule will prevail. In the event of any inconsistency between the provisions of any Confirmation and this Master Agreement (including the Schedule), such Confirmation will prevail for the purpose of the relevant Transaction.
- (c) **Single Agreement.** All Transactions are entered into in reliance on the fact that this Master Agreement and all Confirmations form a single agreement between the parties (collectively referred to as this "Agreement"), and the parties would not otherwise enter into any Transactions.

2. Obligations

(a) General Conditions.

- (i) Each party will make each payment or delivery specified in each Confirmation to be made by it, subject to the other provisions of this Agreement.
- (ii) Payments under this Agreement will be made on the due date for value on that date in the place of the account specified in the relevant Confirmation or otherwise pursuant to this Agreement, in freely transferable funds and in the manner customary for payments in the required currency. Where settlement is by delivery (that is, other than by payment), such delivery will be made for receipt on the due date in the manner customary for the relevant obligation unless otherwise specified in the relevant Confirmation or elsewhere in this Agreement.
- (iii) Each obligation of each party under Section 2(a)(i) is subject to (1) the condition precedent that no Event of Default or Potential Event of Default with respect to the other party has occurred and is continuing, (2) the condition precedent that no Early Termination Date in respect of the relevant Transaction has occurred or been effectively designated and (3) each other applicable condition precedent specified in this Agreement.

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ISDA[®] 1992

(b) **Change of Account.** Either party may change its account for receiving a payment or delivery by giving notice to the other party at least five Local Business Days prior to the scheduled date for the payment or delivery to which such change applies unless such other party gives timely notice of a reasonable objection to such change.

(c) **Netting.** If on any date amounts would otherwise be payable:-

- (i) in the same currency; and
- (ii) in respect of the same Transaction,

by each party to the other, then, on such date, each party's obligation to make payment of any such amount will be automatically satisfied and discharged and, if the aggregate amount that would otherwise have been payable by one party exceeds the aggregate amount that would otherwise have been payable by the other party, replaced by an obligation upon the party by whom the larger aggregate amount would have been payable to pay to the other party the excess of the larger aggregate amount over the smaller aggregate amount.

The parties may elect in respect of two or more Transactions that a net amount will be determined in respect of all amounts payable on the same date in the same currency in respect of such Transactions, regardless of whether such amounts are payable in respect of the same Transaction. The election may be made in the Schedule or a Confirmation by specifying that subparagraph (ii) above will not apply to the Transactions identified as being subject to the election, together with the starting date (in which case subparagraph (ii) above will not, or will cease to, apply to such Transactions from such date). This election may be made separately for different groups of Transactions and will apply separately to each pairing of Offices through which the parties make and receive payments or deliveries.

(d) **Deduction or Withholding for Tax.**

(i) **Gross-Up.** All payments under this Agreement will be made without any deduction or withholding for or on account of any Tax unless such deduction or withholding is required by any applicable law, as modified by the practice of any relevant governmental revenue authority, then in effect. If a party is so required to deduct or withhold, then that party ("X") will:-

- (1) promptly notify the other party ("Y") of such requirement;
- (2) pay to the relevant authorities the full amount required to be deducted or withheld (including the full amount required to be deducted or withheld from any additional amount paid by X to Y under this Section 2(d)) promptly upon the earlier of determining that such deduction or withholding is required or receiving notice that such amount has been assessed against Y;
- (3) promptly forward to Y an official receipt (or a certified copy), or other documentation reasonably acceptable to Y, evidencing such payment to such authorities; and
- (4) if such Tax is an Indemnifiable Tax, pay to Y, in addition to the payment to which Y is otherwise entitled under this Agreement, such additional amount as is necessary to ensure that the net amount actually received by Y (free and clear of Indemnifiable Taxes, whether assessed against X or Y) will equal the full amount Y would have received had no such deduction or withholding been required. However, X will not be required to pay any additional amount to Y to the extent that it would not be required to be paid but for:-

- (A) the failure by Y to comply with or perform any agreement contained in Section 4(a)(i), 4(a)(iii) or 4(d); or
- (B) the failure of a representation made by Y pursuant to Section 3(f) to be accurate and true unless such failure would not have occurred but for (I) any action taken by a taxing authority, or brought in a court of competent jurisdiction, on or after the date on which a Transaction is entered into (regardless of whether such action is taken or brought with respect to a party to this Agreement) or (II) a Change in Tax Law.

(ii) **Liability.** If:-

- (1) X is required by any applicable law, as modified by the practice of any relevant governmental revenue authority, to make any deduction or withholding in respect of which X would not be required to pay an additional amount to Y under Section 2(d)(i)(4);
- (2) X does not so deduct or withhold; and
- (3) a liability resulting from such Tax is assessed directly against X,

then, except to the extent Y has satisfied or then satisfies the liability resulting from such Tax, Y will promptly pay to X the amount of such liability (including any related liability for interest, but including any related liability for penalties only if Y has failed to comply with or perform any agreement contained in Section 4(a)(i), 4(a)(iii) or 4(d)).

(e) **Default Interest; Other Amounts.** Prior to the occurrence or effective designation of an Early Termination Date in respect of the relevant Transaction, a party that defaults in the performance of any payment obligation will, to the extent permitted by law and subject to Section 6(c), be required to pay interest (before as well as after judgment) on the overdue amount to the other party on demand in the same currency as such overdue amount, for the period from (and including) the original due date for payment to (but excluding) the date of actual payment, at the Default Rate. Such interest will be calculated on the basis of daily compounding and the actual number of days elapsed. If, prior to the occurrence or effective designation of an Early Termination Date in respect of the relevant Transaction, a party defaults in the performance of any obligation required to be settled by delivery, it will compensate the other party on demand if and to the extent provided for in the relevant Confirmation or elsewhere in this Agreement.

3. Representations

Each party represents to the other party (which representations will be deemed to be repeated by each party on each date on which a Transaction is entered into and, in the case of the representations in Section 3(f), at all times until the termination of this Agreement) that:^{3/4}

(a) **Basic Representations.**

- (i) **Status.** It is duly organised and validly existing under the laws of the jurisdiction of its organisation or incorporation and, if relevant under such laws, in good standing;
- (ii) **Powers.** It has the power to execute this Agreement and any other documentation relating to this Agreement to which it is a party, to deliver this Agreement and any other documentation relating to this Agreement that it is required by this Agreement to deliver and to perform its obligations under this Agreement and any obligations it has under any Credit Support Document to which it is a party and has taken all necessary action to authorise such execution, delivery and performance;
- (iii) **No Violation or Conflict.** Such execution, delivery and performance do not violate or conflict with any law applicable to it, any provision of its constitutional documents, any order or judgment of any court or other agency of government applicable to it or any of its assets or any contractual restriction binding on or affecting it or any of its assets;
- (iv) **Consents.** All governmental and other consents that are required to have been obtained by it with respect to this Agreement or any Credit Support Document to which it is a party have been obtained and are in full force and effect and all conditions of any such consents have been complied with; and
- (v) **Obligations Binding.** Its obligations under this Agreement and any Credit Support Document to which it is a party constitute its legal, valid and binding obligations, enforceable in accordance with their respective terms (subject to applicable bankruptcy, reorganisation, insolvency, moratorium or similar laws affecting creditors' rights generally and subject, as to enforceability, to equitable principles of general application (regardless of whether enforcement is sought in a proceeding in equity or at law)).

(b) **Absence of Certain Events.** No Event of Default or Potential Event of Default or, to its knowledge, Termination Event with respect to it has occurred and is continuing and no such event or circumstance would occur as a result of its entering into or performing its obligations under this Agreement or any Credit Support Document to which it is a party.

(c) **Absence of Litigation.** There is not pending or, to its knowledge, threatened against it or any of its Affiliates any action, suit or proceeding at law or in equity or before any court, tribunal, governmental body, agency or official or any arbitrator that is likely to affect the legality, validity or enforceability against it of this Agreement or any Credit Support Document to which it is a party or its ability to perform its obligations under this Agreement or such Credit Support Document.

(d) **Accuracy of Specified Information.** All applicable information that is furnished in writing by or on behalf of it to the other party and is identified for the purpose of this Section 3(d) in the Schedule is, as of the date of the information, true, accurate and complete in every material respect.

(e) **Payer Tax Representation.** Each representation specified in the Schedule as being made by it for the purpose of this Section 3(e) is accurate and true.

(f) **Payee Tax Representations.** Each representation specified in the Schedule as being made by it for the purpose of this Section 3(f) is accurate and true.

4. Agreements

Each party agrees with the other that, so long as either party has or may have any obligation under this Agreement or under any Credit Support Document to which it is a party:^{3/4}

(a) **Furnish Specified Information.** It will deliver to the other party or, in certain cases under subparagraph (iii) below, to such government or taxing authority as the other party reasonably directs:^{3/4}

(i) any forms, documents or certificates relating to taxation specified in the Schedule or any Confirmation;

(ii) any other documents specified in the Schedule or any Confirmation; and

(iii) upon reasonable demand by such other party, any form or document that may be required or reasonably requested in writing in order to allow such other party or its Credit Support Provider to make a payment under this Agreement or any applicable Credit Support Document without any deduction or withholding for or on account of any Tax or with such deduction or withholding at a reduced rate (so long as the completion, execution or submission of such form or document would not materially prejudice the legal or commercial position of the party in receipt of such demand), with any such form or document to be accurate and completed in a manner reasonably satisfactory to such other party and to be executed and to be delivered with any reasonably required certification,

in each case by the date specified in the Schedule or such Confirmation or, if none is specified, as soon as reasonably practicable.

(b) **Maintain Authorisations.** It will use all reasonable efforts to maintain in full force and effect all consents of any governmental or other authority that are required to be obtained by it with respect to this Agreement or any Credit Support Document to which it is a party and will use all reasonable efforts to obtain any that may become necessary in the future.

(c) **Comply with Laws.** It will comply in all material respects with all applicable laws and orders to which it may be subject if failure so to comply would materially impair its ability to perform its obligations under this Agreement or any Credit Support Document to which it is a party.

(d) **Tax Agreement.** It will give notice of any failure of a representation made by it under Section 3(f) to be accurate and true promptly upon learning of such failure.

(e) **Payment of Stamp Tax.** Subject to Section 11, it will pay any Stamp Tax levied or imposed upon it or in respect of its execution or performance of this Agreement by a jurisdiction in which it is incorporated,

organised, managed and controlled, or considered to have its seat, or in which a branch or office through which it is acting for the purpose of this Agreement is located (“Stamp Tax Jurisdiction”) and will indemnify the other party against any Stamp Tax levied or imposed upon the other party or in respect of the other party’s execution or performance of this Agreement by any such Stamp Tax Jurisdiction which is not also a Stamp Tax Jurisdiction with respect to the other party.

5. Events of Default and Termination Events

(a) **Events of Default.** The occurrence at any time with respect to a party or, if applicable, any Credit Support Provider of such party or any Specified Entity of such party of any of the following events constitutes an event of default (an “Event of Default”) with respect to such party:-

(i) **Failure to Pay or Deliver.** Failure by the party to make, when due, any payment under this Agreement or delivery under Section 2(a)(i) or 2(e) required to be made by it if such failure is not remedied on or before the third Local Business Day after notice of such failure is given to the party;

(ii) **Breach of Agreement.** Failure by the party to comply with or perform any agreement or obligation (other than an obligation to make any payment under this Agreement or delivery under Section 2(a)(i) or 2(e) or to give notice of a Termination Event or any agreement or obligation under Section 4(a)(i), 4(a)(iii) or 4(d)) to be complied with or performed by the party in accordance with this Agreement if such failure is not remedied on or before the thirtieth day after notice of such failure is given to the party;

(iii) **Credit Support Default.**

(1) Failure by the party or any Credit Support Provider of such party to comply with or perform any agreement or obligation to be complied with or performed by it in accordance with any Credit Support Document if such failure is continuing after any applicable grace period has elapsed;

(2) the expiration or termination of such Credit Support Document or the failing or ceasing of such Credit Support Document to be in full force and effect for the purpose of this Agreement (in either case other than in accordance with its terms) prior to the satisfaction of all obligations of such party under each Transaction to which such Credit Support Document relates without the written consent of the other party; or

(3) the party or such Credit Support Provider disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, such Credit Support Document;

(iv) **Misrepresentation.** A representation (other than a representation under Section 3(e) or (f)) made or repeated or deemed to have been made or repeated by the party or any Credit Support Provider of such party in this Agreement or any Credit Support Document proves to have been incorrect or misleading in any material respect when made or repeated or deemed to have been made or repeated;

(v) **Default under Specified Transaction.** The party, any Credit Support Provider of such party or any applicable Specified Entity of such party (1) defaults under a Specified Transaction and, after giving effect to any applicable notice requirement or grace period, there occurs a liquidation of, an acceleration of obligations under, or an early termination of, that Specified Transaction, (2) defaults, after giving effect to any applicable notice requirement or grace period, in making any payment or delivery due on the last payment, delivery or exchange date of, or any payment on early termination of, a Specified Transaction (or such default continues for at least three Local Business Days if there is no applicable notice requirement or grace period) or (3) disaffirms, disclaims, repudiates or rejects, in whole or in part, a Specified Transaction (or such action is taken by any person or entity appointed or empowered to operate it or act on its behalf);

(vi) **Cross Default.** If “Cross Default” is specified in the Schedule as applying to the party, the occurrence or existence of (1) a default, event of default or other similar condition or event (however

described) in respect of such party, any Credit Support Provider of such party or any applicable Specified Entity of such party under one or more agreements or instruments relating to Specified Indebtedness of any of them (individually or collectively) in an aggregate amount of not less than the applicable Threshold Amount (as specified in the Schedule) which has resulted in such Specified Indebtedness becoming, or becoming capable at such time of being declared, due and payable under such agreements or instruments, before it would otherwise have been due and payable or (2) a default by such party, such Credit Support Provider or such Specified Entity (individually or collectively) in making one or more payments on the due date thereof in an aggregate amount of not less than the applicable Threshold Amount under such agreements or instruments (after giving effect to any applicable notice requirement or grace period);

(vii) **Bankruptcy.** The party, any Credit Support Provider of such party or any applicable Specified Entity of such party:-

(1) is dissolved (other than pursuant to a consolidation, amalgamation or merger); (2) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due; (3) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (4) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (A) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (B) is not dismissed, discharged, stayed or restrained in each case within 30 days of the institution or presentation thereof; (5) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger); (6) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets;

(7) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 30 days thereafter; (8) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (1) to (7) (inclusive); or (9) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts; or

(viii) **Merger Without Assumption.** The party or any Credit Support Provider of such party consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, another entity and, at the time of such consolidation, amalgamation, merger or transfer:-

(1) the resulting, surviving or transferee entity fails to assume all the obligations of such party or such Credit Support Provider under this Agreement or any Credit Support Document to which it or its predecessor was a party by operation of law or pursuant to an agreement reasonably satisfactory to the other party to this Agreement; or

(2) the benefits of any Credit Support Document fail to extend (without the consent of the other party) to the performance by such resulting, surviving or transferee entity of its obligations under this Agreement.

(b) **Termination Events.** The occurrence at any time with respect to a party or, if applicable, any Credit Support Provider of such party or any Specified Entity of such party of any event specified below constitutes

an Illegality if the event is specified in (i) below, a Tax Event if the event is specified in (ii) below or a Tax Event upon Merger if the event is specified in (iii) below, and, if specified to be applicable, a Credit Event

Upon Merger if the event is specified pursuant to (iv) below or an Additional Termination Event if the event is specified pursuant to (v) below:-

(i) **Illegality.** Due to the adoption of, or any change in, any applicable law after the date on which a Transaction is entered into, or due to the promulgation of, or any change in, the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law after such date, it becomes unlawful (other than as a result of a breach by the party of Section 4(b)) for such party (which will be the Affected Party):-

(1) to perform any absolute or contingent obligation to make a payment or delivery or to receive a payment or delivery in respect of such Transaction or to comply with any other material provision of this Agreement relating to such Transaction; or

(2) to perform, or for any Credit Support Provider of such party to perform, any contingent or other obligation which the party (or such Credit Support Provider) has under any Credit Support Document relating to such Transaction;

(ii) **Tax Event.** Due to (x) any action taken by a taxing authority, or brought in a court of competent jurisdiction, on or after the date on which a Transaction is entered into (regardless of whether such action is taken or brought with respect to a party to this Agreement) or (y) a Change in Tax Law, the party (which will be the Affected Party) will, or there is a substantial likelihood that it will, on the next succeeding Scheduled Payment Date (1) be required to pay to the other party an additional amount in respect of an Indemnifiable Tax under Section 2(d)(i)(4) (except in respect of interest under Section 2(e), 6(d)(ii) or 6(e)) or (2) receive a payment from which an amount is required to be deducted or withheld for or on account of a Tax (except in respect of interest under Section 2(e), 6(d)(ii) or 6(e)) and no additional amount is required to be paid in respect of such Tax under Section 2(d)(i)(4) (other than by reason of Section 2(d)(i)(4)(A) or (B));

(iii) **Tax Event Upon Merger.** The party (the "Burdened Party") on the next succeeding Scheduled Payment Date will either (1) be required to pay an additional amount in respect of an Indemnifiable Tax under Section 2(d)(i)(4) (except in respect of interest under Section 2(e), 6(d)(ii) or 6(e)) or (2) receive a payment from which an amount has been deducted or withheld for or on account of any Indemnifiable Tax in respect of which the other party is not required to pay an additional amount (other than by reason of Section 2(d)(i)(4)(A) or (B)), in either case as a result of a party consolidating or amalgamating with, or merging with or into, or transferring all or substantially all its assets to, another entity (which will be the Affected Party) where such action does not constitute an event described in Section 5(a)(viii);

(iv) **Credit Event Upon Merger.** If "Credit Event Upon Merger" is specified in the Schedule as applying to the party, such party ("X"), any Credit Support Provider of X or any applicable Specified Entity of X consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, another entity and such action does not constitute an event described in Section 5(a)(viii) but the creditworthiness of the resulting, surviving or transferee entity is materially weaker than that of X, such Credit Support Provider or such Specified Entity, as the case may be, immediately prior to such action (and, in such event, X or its successor or transferee, as appropriate, will be the Affected Party); or

(v) **Additional Termination Event.** If any "Additional Termination Event" is specified in the Schedule or any Confirmation as applying, the occurrence of such event (and, in such event, the Affected Party or Affected Parties shall be as specified for such Additional Termination Event in the Schedule or such Confirmation).

(c) **Event of Default and Illegality.** If an event or circumstance which would otherwise constitute or

give rise to an Event of Default also constitutes an Illegality, it will be treated as an Illegality and will not constitute an Event of Default.

1. **Early Termination**

(a) **Right to Terminate Following Event of Default.** If at any time an Event of Default with respect to a party (the “Defaulting Party”) has occurred and is then continuing, the other party (the “Non-defaulting Party”) may, by not more than 20 days notice to the Defaulting Party specifying the relevant Event of Default, designate a day not earlier than the day such notice is effective as an Early Termination Date in respect of all outstanding Transactions. If, however, “Automatic Early Termination” is specified in the Schedule as applying to a party, then an Early Termination Date in respect of all outstanding Transactions will occur immediately upon the occurrence with respect to such party of an Event of Default specified in Section 5(a)(vii)(1), (3), (5), (6) or, to the extent analogous thereto, (8), and as of the time immediately preceding the institution of the relevant proceeding or the presentation of the relevant petition upon the occurrence with respect to such party of an Event of Default specified in Section 5(a)(vii)(4) or, to the extent analogous thereto, (8).

(b) **Right to Terminate Following Termination Event.**

(i) **Notice.** If a Termination Event occurs, an Affected Party will, promptly upon becoming aware of it, notify the other party, specifying the nature of that Termination Event and each Affected Transaction and will also give such other information about that Termination Event as the other party may reasonably require.

(ii) **Transfer to Avoid Termination Event.** If either an Illegality under Section 5(b)(i)(1) or a Tax Event occurs and there is only one Affected Party, or if a Tax Event Upon Merger occurs and the Burdened Party is the Affected Party, the Affected Party will, as a condition to its right to designate an Early Termination Date under Section 6(b)(iv), use all reasonable efforts (which will not require such party to incur a loss, excluding immaterial, incidental expenses) to transfer within 20 days after it gives notice under Section 6(b)(i) all its rights and obligations under this Agreement in respect of the Affected Transactions to another of its Offices or Affiliates so that such Termination Event ceases to exist.

If the Affected Party is not able to make such a transfer it will give notice to the other party to that effect within such 20 day period, whereupon the other party may effect such a transfer within 30 days after notice is given under Section 6(b)(i).

Any such transfer by a party under this Section 6(b)(ii) will be subject to and conditional upon the prior written consent of the other party, which consent will not be withheld if such other party's policies in effect at such time would permit it to enter into transactions with the transferee on the terms proposed.

(iii) **Two Affected Parties.** If an Illegality under Section 5(b)(i)(1) or a Tax Event occurs and there are two Affected Parties, each party will use all reasonable efforts to reach agreement within 30 days after notice thereof is given under Section 6(b)(i) on action to avoid that Termination Event.

(iv) **Right to Terminate.** If:-

(1) a transfer under Section 6(b)(ii) or an agreement under Section 6(b)(iii), as the case may be, has not been effected with respect to all Affected Transactions within 30 days after an Affected Party gives notice under Section 6(b)(i); or

(2) an Illegality under Section 5(b)(i)(2), a Credit Event Upon Merger or an Additional Termination Event occurs, or a Tax Event Upon Merger occurs and the Burdened Party is not the Affected Party,

either party in the case of an Illegality, the Burdened Party in the case of a Tax Event Upon Merger,

any Affected Party in the case of a Tax Event or an Additional Termination Event if there is more than one Affected Party, or the party which is not the Affected Party in the case of a Credit Event Upon Merger or an Additional Termination Event if there is only one Affected Party may, by not more than 20 days notice to the other party and provided that the relevant Termination Event is then continuing, designate a day not earlier than the day such notice is effective as an Early Termination Date in respect of all Affected Transactions.

(c) **Effect of Designation.**

(i) If notice designating an Early Termination Date is given under Section 6(a) or (b), the Early Termination Date will occur on the date so designated, whether or not the relevant Event of Default or Termination Event is then continuing.

(ii) Upon the occurrence or effective designation of an Early Termination Date, no further payments or deliveries under Section 2(a)(i) or 2(e) in respect of the Terminated Transactions will be required to be made, but without prejudice to the other provisions of this Agreement. The amount if any, payable in respect of an Early Termination Date shall be determined pursuant to Section 6(e).

(d) **Calculations.**

(i) **Statement.** On or as soon as reasonably practicable following the occurrence of an Early Termination Date, each party will make the calculations on its part, if any, contemplated by Section 6(e) and will provide to the other party a statement (1) showing, in reasonable detail, such calculations (including all relevant quotations and specifying any amount payable under Section 6(e)) and (2) giving details of the relevant account to which any amount payable to it is to be paid. In the absence of written confirmation from the source of a quotation obtained in determining a Market Quotation, the records of the party obtaining such quotation will be conclusive evidence of the existence and accuracy of such quotation.

(ii) **Payment Date.** An amount calculated as being due in respect of any Early Termination Date under Section 6(e) will be payable on the day that notice of the amount payable is effective (in the case of an Early Termination Date which is designated or occurs as a result of an Event of Default) and on the day which is two Local Business Days after the day on which notice of the amount payable is effective (in the case of an Early Termination Date which is designated as a result of a Termination Event). Such amount will be paid together with (to the extent permitted under applicable law) interest thereon (before as well as after judgment) in the Termination Currency, from (and including) the relevant Early Termination Date to (but excluding) the date such amount is paid, at the Applicable Rate. Such interest will be calculated on the basis of daily compounding and the actual number of days elapsed.

(e) **Payments on Early Termination.** If an Early Termination Date occurs, the following provisions shall apply based on the parties' election in the Schedule of a payment measure, either "Market Quotation" or "Loss", and a payment method, either the "First Method" or the "Second Method". If the parties fail to designate a payment measure or payment method in the Schedule, it will be deemed that "Market Quotation" or the "Second Method", as the case may be, shall apply. The amount, if any, payable in respect of an Early Termination Date and determined pursuant to this Section will be subject to any Set-off.

(i) **Events of Default.** If the Early Termination Date results from an Event of Default:-

(1) **First Method and Market Quotation.** If the First Method and Market Quotation apply, the Defaulting Party will pay to the Non-defaulting Party the excess, if a positive number, of (A) the sum of the Settlement Amount (determined by the Non-defaulting Party) in respect of the Terminated Transactions and the Termination Currency Equivalent of the Unpaid Amounts owing to the Non-defaulting Party over (B) the Termination Currency Equivalent of the Unpaid Amounts owing to the Defaulting Party.

(2) *First Method and Loss.* If the First Method and Loss apply, the Defaulting Party will pay to the Non-defaulting Party, if a positive number, the Non-defaulting Party's Loss in respect of this Agreement.

(3) *Second Method and Market Quotation.* If the Second Method and Market Quotation apply, an amount will be payable equal to (A) the sum of the Settlement Amount (determined by the

Non-defaulting Party) in respect of the Terminated Transactions and the Termination Currency Equivalent of the Unpaid Amounts owing to the Non-defaulting Party less (B) the Termination Currency Equivalent of the Unpaid Amounts owing to the Defaulting Party. If that amount is a positive number, the Defaulting Party will pay it to the Non-defaulting Party; if it is a negative number, the Non-defaulting Party will pay the absolute value of that amount to the Defaulting Party.

(4) *Second Method and Loss.* If the Second Method and Loss apply, an amount will be payable equal to the Non-defaulting Party's Loss in respect of this Agreement. If that amount is a positive number, the Defaulting Party will pay it to the Non-defaulting Party; if it is a negative number, the Non-defaulting Party will pay the absolute value of that amount to the Defaulting Party.

(ii) *Termination Events.* If the Early Termination Date results from a Termination Event:-

(1) *One Affected Party.* If there is one Affected Party, the amount payable will be determined in accordance with Section 6(e)(i)(3), if Market Quotation applies, or Section 6(e)(i)(4), if Loss applies, except that, in either case, references to the Defaulting Party and to the Non-defaulting Party will be deemed to be references to the Affected Party and the party which is not the Affected Party, respectively, and, if Loss applies and fewer than all the Transactions are being terminated, Loss shall be calculated in respect of all Terminated Transactions.

(2) *Two Affected Parties.* If there are two Affected Parties:-

(A) if Market Quotation applies, each party will determine a Settlement Amount in respect of the Terminated Transactions, and an amount will be payable equal to (I) the sum of (a) one-half of the difference between the Settlement Amount of the party with the higher Settlement Amount ("X") and the Settlement Amount of the party with the lower Settlement Amount ("Y") and (b) the Termination Currency Equivalent of the Unpaid Amounts owing to X less (II) the Termination Currency Equivalent of the Unpaid Amounts owing to Y; and

(B) if Loss applies, each party will determine its Loss in respect of this Agreement (or, if fewer than all the Transactions are being terminated, in respect of all Terminated Transactions) and an amount will be payable equal to one-half of the difference between the Loss of the party with the higher Loss ("X") and the Loss of the party with the lower Loss ("Y").

If the amount payable is a positive number, Y will pay it to X; if it is a negative number, X will pay the absolute value of that amount to Y.

(iii) *Adjustment for Bankruptcy.* In circumstances where an Early Termination Date occurs because "Automatic Early Termination" applies in respect of a party, the amount determined under this Section 6(e) will be subject to such adjustments as are appropriate and permitted by law to

reflect any payments or deliveries made by one party to the other under this Agreement (and retained by such other party) during the period from the relevant Early Termination Date to the date for payment determined under Section 6(d)(ii).

(iv) **Pre-Estimate.** The parties agree that if Market Quotation applies an amount recoverable under this Section 6(e) is a reasonable pre-estimate of loss and not a penalty. Such amount is payable for the loss of bargain and the loss of protection against future risks and except as otherwise provided in this Agreement neither party will be entitled to recover any additional damages as a consequence of such losses.

2. **Transfer**

Subject to Section 6(b)(ii), neither this Agreement nor any interest or obligation in or under this Agreement may be transferred (whether by way of security or otherwise) by either party without the prior written consent of the other party, except that:-

(a) a party may make such a transfer of this Agreement pursuant to a consolidation or amalgamation with, or merger with or into, or transfer of all or substantially all its assets to, another entity (but without prejudice to any other right or remedy under this Agreement); and

(b) a party may make such a transfer of all or any part of its interest in any amount payable to it from a Defaulting Party under Section 6(e).

Any purported transfer that is not in compliance with this Section will be void.

3. **Contractual Currency**

(a) **Payment in the Contractual Currency.** Each payment under this Agreement will be made in the relevant currency specified in this Agreement for that payment (the "Contractual Currency"). To the extent permitted by applicable law, any obligation to make payments under this Agreement in the Contractual Currency will not be discharged or satisfied by any tender in any currency other than the Contractual Currency, except to the extent such tender results in the actual receipt by the party to which payment is owed, acting in a reasonable manner and in good faith in converting the currency so tendered into this Contractual Currency, of the full amount in the Contractual Currency of all amounts payable in respect of this Agreement. If for any reason the amount in the Contractual Currency so received falls short of the amount in the Contractual Currency payable in respect of this Agreement, the party required to make the payment will, to the extent permitted by applicable law, immediately pay such additional amount in the Contractual Currency as may be necessary to compensate for the shortfall. If for any reason the amount in the Contractual Currency so received exceeds the amount in the Contractual Currency payable in respect of this Agreement, the party receiving the payment will refund promptly the amount of such excess.

(b) **Judgments.** To the extent permitted by applicable law, if any judgment or order expressed in a currency other than the Contractual Currency is rendered (i) for the payment of any amount owing in respect of this Agreement, (ii) for the payment of any amount relating to any early termination in respect of this Agreement or (iii) in respect of a judgment or order of another court for the payment of any amount described in (i) or (ii) above, the party seeking recovery, after recovery in full of the aggregate amount to which such party is entitled pursuant to the judgment or order, will be entitled to receive immediately from the other party the amount of any shortfall of the Contractual Currency received by such party as a consequence of sums paid in such other currency and will refund promptly to the other party any excess of the Contractual Currency received by such party as a consequence of sums paid in such other currency if such shortfall or such excess arises or results from any variation between the rate of exchange at which the Contractual Currency is converted into the currency of the judgment or order for the purposes of such judgment or order and the rate of exchange at which such party is able, acting in a reasonable manner and in good faith in converting the currency received into the Contractual Currency, to purchase the Contractual Currency with the amount of the currency of the judgment or order actually received by such party. The term "rate of exchange" includes, without limitation, any premiums and costs of exchange payable in connection with the purchase of or

conversion into the Contractual Currency.

(c) **Separate Indemnities.** To the extent permitted by applicable law, these indemnities constitute separate and independent obligations from the other obligations in this Agreement, will be enforceable as separate and independent causes of action, will apply notwithstanding any indulgence granted by the party to which any payment is owed and will not be affected by judgment being obtained or claim or proof being made for any other sums payable in respect of this Agreement.

(d) **Evidence of Loss.** For the purpose of this Section 8, it will be sufficient for a party to demonstrate that it would have suffered a loss had an actual exchange or purchase been made.

4. **Miscellaneous**

(a) **Entire Agreement.** This Agreement constitutes the entire agreement and understanding of the parties with respect to its subject matter and supersedes all oral communication and prior writings with respect thereto.

(b) **Amendments.** No amendment, modification or waiver in respect of this Agreement will be effective unless in writing (including a writing evidenced by a facsimile transmission) and executed by each of the parties or confirmed by an exchange of telexes or electronic messages on an electronic messaging system.

(c) **Survival of Obligations.** Without prejudice to Sections 2(a)(iii) and 6(c)(ii), the obligations of the parties under this Agreement will survive the termination of any Transaction.

(d) **Remedies Cumulative.** Except as provided in this Agreement, the rights, powers, remedies and privileges provided in this Agreement are cumulative and not exclusive of any rights, powers, remedies and privileges provided by law.

(e) **Counterparts and Confirmations.**

(i) This Agreement (and each amendment, modification and waiver in respect of it) may be executed and delivered in counterparts (including by facsimile transmission), each of which will be deemed an original.

(ii) The parties intend that they are legally bound by the terms of each Transaction from the moment they agree to those terms (whether orally or otherwise). A Confirmation shall be entered into as soon as practicable and may be executed and delivered in counterparts (including by facsimile transmission) or be created by an exchange of telexes or by an exchange of electronic messages on an electronic messaging system, which in each case will be sufficient for all purposes to evidence a binding supplement to this Agreement. The parties will specify therein or through another effective means that any such counterpart, telex or electronic message constitutes a Confirmation.

(f) **No Waiver of Rights.** A failure or delay in exercising any right, power or privilege in respect of this Agreement will not be presumed to operate as a waiver, and a single or partial exercise of any right, power or privilege will not be presumed to preclude any subsequent or further exercise, of that right, power or privilege or the exercise of any other right, power or privilege.

(g) **Headings.** The headings used in this Agreement are for convenience of reference only and are not to affect the construction of or to be taken into consideration in interpreting this Agreement.

5. **Offices; Multibranch Parties**

(a) If Section 10(a) is specified in the Schedule as applying, each party that enters into a Transaction through an Office other than its head or home office represents to the other party that, notwithstanding the place of booking office or jurisdiction of incorporation or organisation of such party, the obligations of such party are the same as if it had entered into the Transaction through its head or home office. This representation will be deemed to be repeated by such party on each date on which a Transaction is entered into.

(b) Neither party may change the Office through which it makes and receives payments or deliveries for the purpose of a Transaction without the prior written consent of the other party.

(c) If a party is specified as a Multibranch Party in the Schedule, such Multibranch Party may make and receive payments or deliveries under any Transaction through any Office listed in the Schedule, and the Office through which it makes and receives payments or deliveries with respect to a Transaction will be specified in the relevant Confirmation.

6. Expenses

A Defaulting Party will, on demand, indemnify and hold harmless the other party for and against all reasonable out-of-pocket expenses, including legal fees and Stamp Tax, incurred by such other party by reason of the enforcement and protection of its rights under this Agreement or any Credit Support Document to which the Defaulting Party is a party or by reason of the early termination of any Transaction, including, but not limited to, costs of collection.

7. Notices

(a) **Effectiveness.** Any notice or other communication in respect of this Agreement may be given in any manner set forth below (except that a notice or other communication under Section 5 or 6 may not be given by facsimile transmission or electronic messaging system) to the address or number or in accordance with the electronic messaging system details provided (see the Schedule) and will be deemed effective as indicated:-

- (i) if in writing and delivered in person or by courier, on the date it is delivered;
- (ii) if sent by telex, on the date the recipient's answerback is received;
- (iii) if sent by facsimile transmission, on the date that transmission is received by a responsible employee of the recipient in legible form (it being agreed that the burden of proving receipt will be on the sender and will not be met by a transmission report generated by the sender's facsimile machine);
- (iv) if sent by certified or registered mail (airmail, if overseas) or the equivalent (return receipt requested), on the date that mail is delivered or its delivery is attempted; or
- (v) if sent by electronic messaging system, on the date that electronic message is received,

unless the date of that delivery (or attempted delivery) or that receipt, as applicable, is not a Local Business Day or that communication is delivered (or attempted) or received, as applicable, after the close of business on a Local Business Day, in which case that communication shall be deemed given and effective on the first following day that is a Local Business Day.

(b) **Change of Addresses.** Either party may by notice to the other change the address, telex or facsimile number or electronic messaging system details at which notices or other communications are to be given to it.

8. Governing Law and Jurisdiction

(a) **Governing Law.** This Agreement will be governed by and construed in accordance with the law specified in the Schedule.

(b) **Jurisdiction.** With respect to any suit, action or proceedings relating to this Agreement ("Proceedings"), each party irrevocably:-

- (i) submits to the jurisdiction of the English courts, if this Agreement is expressed to be governed by English law, or to the non-exclusive jurisdiction of the courts of the State of New York and the United States District Court located in the Borough of Manhattan in New York City, if this Agreement is expressed to be governed by the laws of the State of New York; and
- (ii) waives any objection which it may have at any time to the laying of venue of any Proceedings brought in any such court, waives any claim that such Proceedings have been brought in an inconvenient forum and further waives the right to object, with respect to such Proceedings, that such court does not have any jurisdiction over such party.

Nothing in this Agreement precludes either party from bringing Proceedings in any other jurisdiction (outside, if this Agreement is expressed to be governed by English law, the Contracting States, as defined in Section 1(3) of the Civil Jurisdiction and Judgments Act 1982 or any modification, extension or re-enactment thereof for the time being in force) nor will the bringing of Proceedings in any one or more jurisdictions preclude

the bringing of Proceedings in any other jurisdiction.

(c) **Service of Process.** Each party irrevocably appoints the Process Agent (if any) specified opposite its name in the Schedule to receive, for it and on its behalf, service of process in any Proceedings. If for any

reason any party's Process Agent is unable to act as such, such party will promptly notify the other party and within 30 days appoint a substitute process agent acceptable to the other party. The parties irrevocably consent to service of process given in the manner provided for notices in Section 12. Nothing in this Agreement will affect the right of either party to serve process in any other manner permitted by law.

(d) **Waiver of Immunities.** Each party irrevocably waives, to the fullest extent permitted by applicable law, with respect to itself and its revenues and assets (irrespective of their use or intended use), all immunity on the grounds of sovereignty or other similar grounds from (i) suit, (ii) jurisdiction of any court, (iii) relief by way of injunction, order for specific performance or for recovery of property, (iv) attachment of its assets (whether before or after judgment) and (v) execution or enforcement of any judgment to which it or its revenues or assets might otherwise be entitled in any Proceedings in the courts of any jurisdiction and irrevocably agrees, to the extent permitted by applicable law, that it will not claim any such immunity in any Proceedings.

9. Definitions

As used in this Agreement:-

"Additional Termination Event" has the meaning specified in Section 5(b).

"Affected Party" has the meaning specified in Section 5(b).

"Affected Transactions" means (a) with respect to any Termination Event consisting of an Illegality, Tax Event or Tax Event Upon Merger, all Transactions affected by the occurrence of such Termination Event and (b) with respect to any other Termination Event, all Transactions.

"Affiliate" means, subject to the Schedule, in relation to any person, any entity controlled, directly or indirectly, by the person, any entity that controls, directly or indirectly, the person or any entity directly or indirectly under common control with the person. For this purpose, "control" of any entity or person means ownership of a majority of the voting power of the entity or person.

"Applicable Rate" means:-

- (a) in respect of obligations payable or deliverable (or which would have been but for Section 2(a)(iii)) by a Defaulting Party, the Default Rate;
- (b) in respect of an obligation to pay an amount under Section 6(e) of either party from and after the date (determined in accordance with Section 6(d)(ii)) on which that amount is payable, the Default Rate;
- (c) in respect of all other obligations payable or deliverable (or which would have been but for Section 2(a)(iii)) by a Non-defaulting Party, the Non-default Rate; and
- (d) in all other cases, the Termination Rate.

"Burdened Party" has the meaning specified in Section 5(b).

"Change in Tax Law" means the enactment, promulgation, execution or ratification of, or any change in or amendment to, any law (or in the application or official interpretation of any law) that occurs on or after the date on which the relevant Transaction is entered into.

"consent" includes a consent, approval, action, authorisation, exemption, notice, filing, registration or exchange control consent.

"Credit Event Upon Merger" has the meaning specified in Section 5(b).

"Credit Support Document" means any agreement or instrument that is specified as such in this Agreement.

"Credit Support Provider" has the meaning specified in the Schedule.

"Default Rate" means a rate per annum equal to the cost (without proof or evidence of any actual cost) to the relevant payee (as certified by it) if it were to fund or of funding the relevant amount plus 1% per annum.

"Defaulting Party" has the meaning specified in Section 6(a).

“Early Termination Date” means the date determined in accordance with Section 6(a) or 6(b)(iv). **“Event of Default”** has the meaning specified in Section 5(a) and, if applicable, in the Schedule. **“Illegality”** has the meaning specified in Section 5(b).

“Indemnifiable Tax” means any Tax other than a Tax that would not be imposed in respect of a payment under this Agreement but for a present or former connection between the jurisdiction of the government or taxation authority imposing such Tax and the recipient of such payment or a person related to such recipient (including, without limitation, a connection arising from such recipient or related person being or having been a citizen or resident of such jurisdiction, or being or having been organised, present or engaged in a trade or business in such jurisdiction, or having or having had a permanent establishment or fixed place of business in such jurisdiction, but excluding a connection arising solely from such recipient or related person having executed, delivered, performed its obligations or received a payment under, or enforced, this Agreement or a Credit Support Document).

“law” includes any treaty, law, rule or regulation (as modified, in the case of tax matters, by the practice of any relevant governmental revenue authority) and **“lawful”** and **“unlawful”** will be construed accordingly.

“Local Business Day” means, subject to the Schedule, a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) (a) in relation to any obligation under Section 2(a)(i), in the place(s) specified in the relevant Confirmation or, if not so specified, as otherwise agreed by the parties in writing or determined pursuant to provisions contained, or incorporated by reference, in this Agreement, (b) in relation to any other payment, in the place where the relevant account is located and, if different, in the principal financial centre, if any, of the currency of such payment, (c) in relation to any notice or other communication, including notice contemplated under Section 5(a)(i), in the city specified in the address for notice provided by the recipient and, in the case of a notice contemplated by Section 2(b), in the place where the relevant new account is to be located and (d) in relation to Section 5(a)(v)(2), in the relevant locations for performance with respect to such Specified Transaction.

“Loss” means, with respect to this Agreement or one or more Terminated Transactions, as the case may be, and a party, the Termination Currency Equivalent of an amount that party reasonably determines in good faith to be its total losses and costs (or gain, in which case expressed as a negative number) in connection with this Agreement or that Terminated Transaction or group of Terminated Transactions, as the case may be, including any loss of bargain, cost of funding or, at the election of such party but without duplication, loss or cost incurred as a result of its terminating, liquidating, obtaining or reestablishing any hedge or related trading position (or any gain resulting from any of them). Loss includes losses and costs (or gains) in respect of any payment or delivery required to have been made (assuming satisfaction of each applicable condition precedent) on or before the relevant Early Termination Date and not made, except, so as to avoid duplication, if Section 6(e)(i)(1) or (3) or 6(e)(ii)(2)(A) applies. Loss does not include a party's legal fees and out-of-pocket expenses referred to under Section 11. A party will determine its Loss as of the relevant Early Termination Date, or, if that is not reasonably practicable, as of the earliest date thereafter as is reasonably practicable. A party may (but need not) determine its Loss by reference to quotations of relevant rates or prices from one or more leading dealers in the relevant markets.

“Market Quotation” means, with respect to one or more Terminated Transactions and a party making the determination, an amount determined on the basis of quotations from Reference Market-makers. Each quotation will be for an amount, if any, that would be paid to such party (expressed as a negative number) or by such party (expressed as a positive number) in consideration of an agreement between such party (taking into account any existing Credit Support Document with respect to the obligations of such party) and the quoting Reference Market-maker to enter into a transaction (the “Replacement Transaction”) that would have the effect of preserving for such party the economic equivalent of any payment or delivery (whether the underlying obligation was absolute or contingent and assuming the satisfaction of each applicable condition precedent) by the parties under Section 2(a)(i) in respect of such Terminated Transaction or group of Terminated Transactions that would, but for the occurrence of the relevant Early Termination Date, have been required after that date. For this purpose, Unpaid Amounts in respect of the Terminated Transaction or group of Terminated Transactions are to be excluded but, without limitation, any payment or delivery that would, but for the relevant Early Termination Date, have been required (assuming satisfaction of each applicable condition precedent) after that Early Termination Date is to be included. The Replacement

Transaction would be subject to such documentation as such party and the Reference Market-maker may, in good faith, agree. The party making the determination (or its agent) will request each Reference Market-maker to provide its quotation to the extent reasonably practicable as of the same day and time (without regard to different time zones) on or as soon as reasonably practicable after the relevant Early Termination Date. The day and time as of which those quotations are to be obtained will be selected in good faith by the party obliged to make a determination under Section 6(e), and, if each party is so obliged, after consultation with the other. If more than three quotations are provided, the Market Quotation will be the arithmetic mean of the quotations, without regard to the quotations having the highest and lowest values. If exactly three such quotations are provided, the Market Quotation will be the quotation remaining after disregarding the highest and lowest quotations. For this purpose, if more than one quotation has the same highest value or lowest value, then one of such quotations shall be disregarded. If fewer than three quotations are provided, it will be deemed that the Market Quotation in respect of such Terminated Transaction or group of Terminated Transactions cannot be determined.

“Non-default Rate” means a rate per annum equal to the cost (without proof or evidence of any actual cost) to the Non-defaulting Party (as certified by it) if it were to fund the relevant amount.

“Non-defaulting Party” has the meaning specified in Section 6(a).

“Office” means a branch or office of a party, which may be such party's head or home office.

“Potential Event of Default” means any event which, with the giving of notice or the lapse of time or both, would constitute an Event of Default.

“Reference Market-makers” means four leading dealers in the relevant market selected by the party determining a Market Quotation in good faith (a) from among dealers of the highest credit standing which satisfy all the criteria that such party applies generally at the time in deciding whether to offer or to make an extension of credit and (b) to the extent practicable, from among such dealers having an office in the same city.

“Relevant Jurisdiction” means, with respect to a party, the jurisdictions (a) in which the party is incorporated, organised, managed and controlled or considered to have its seat, (b) where an Office through which the party is acting for purposes of this Agreement is located, (c) in which the party executes this Agreement and (d) in relation to any payment, from or through which such payment is made.

“Scheduled Payment Date” means a date on which a payment or delivery is to be made under Section 2(a)(i) with respect to a Transaction.

“Set-off” means set-off, offset, combination of accounts, right of retention or withholding or similar right or requirement to which the payer of an amount under Section 6 is entitled or subject (whether arising under this Agreement, another contract, applicable law or otherwise) that is exercised by, or imposed on, such payer.

“Settlement Amount” means, with respect to a party and any Early Termination Date, the sum of:-

(a) the Termination Currency Equivalent of the Market Quotations (whether positive or negative) for each Terminated Transaction or group of Terminated Transactions for which a Market Quotation is determined; and

(b) such party's Loss (whether positive or negative and without reference to any Unpaid Amounts) for each Terminated Transaction or group of Terminated Transactions for which a Market Quotation cannot be determined or would not (in the reasonable belief of the party making the determination) produce a commercially reasonable result.

“Specified Entity” has the meaning specified in the Schedule.

“Specified Indebtedness” means, subject to the Schedule, any obligation (whether present or future, contingent or otherwise, as principal or surety or otherwise) in respect of borrowed money.

“Specified Transaction” means, subject to the Schedule, (a) any transaction (including an agreement with respect thereto) now existing or hereafter entered into between one party to this Agreement (or any Credit

Support Provider of such party or any applicable Specified Entity of such party) and the other party to this Agreement (or any Credit Support Provider of such other party or any applicable Specified Entity of such other party) which is a rate swap transaction, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of these transactions), (b) any combination of these transactions and (c) any other transaction identified as a Specified Transaction in this Agreement or the relevant confirmation.

“Stamp Tax” means any stamp, registration, documentation or similar tax.

“Tax” means any present or future tax, levy, impost, duty, charge, assessment or fee of any nature (including interest, penalties and additions thereto) that is imposed by any government or other taxing authority in respect of any payment under this Agreement other than a stamp, registration, documentation or similar tax.

“Tax Event” has the meaning specified in Section 5(b).

“Tax Event Upon Merger” has the meaning specified in Section 5(b).

“Terminated Transactions” means with respect to any Early Termination Date (a) if resulting from a Termination Event, all Affected Transactions and (b) if resulting from an Event of Default, all Transactions (in either case) in effect immediately before the effectiveness of the notice designating that Early Termination Date (or, if “Automatic Early Termination” applies, immediately before that Early Termination Date).

“Termination Currency” has the meaning specified in the Schedule.

“Termination Currency Equivalent” means, in respect of any amount denominated in the Termination Currency, such Termination Currency amount and, in respect of any amount denominated in a currency other than the Termination Currency (the “Other Currency”), the amount in the Termination Currency determined by the party making the relevant determination as being required to purchase such amount of such Other Currency as at the relevant Early Termination Date, or, if the relevant Market Quotation or Loss (as the case may be), is determined as of a later date, that later date, with the Termination Currency at the rate equal to the spot exchange rate of the foreign exchange agent (selected as provided below) for the purchase of such Other Currency with the Termination Currency at or about 11:00 a.m. (in the city in which such foreign exchange agent is located) on such date as would be customary for the determination of such a rate for the purchase of such Other Currency for value on the relevant Early Termination Date or that later date. The foreign exchange agent will, if only one party is obliged to make a determination under Section 6(e), be selected in good faith by that party and otherwise will be agreed by the parties.

“Termination Event” means an Illegality, a Tax Event or a Tax Event Upon Merger or, if specified to be applicable, a Credit Event Upon Merger or an Additional Termination Event.

“Termination Rate” means a rate per annum equal to the arithmetic mean of the cost (without proof or evidence of any actual cost) to each party (as certified by such party) if it were to fund or of funding such amounts.

“Unpaid Amounts” owing to any party means, with respect to an Early Termination Date, the aggregate of (a) in respect of all Terminated Transactions, the amounts that became payable (or that would have become payable but for Section 2(a)(iii)) to such party under Section 2(a)(i) on or prior to such Early Termination Date and which remain unpaid as at such Early Termination Date and (b) in respect of each Terminated Transaction, for each obligation under Section 2(a)(i) which was (or would have been but for Section 2(a)(iii)) required to be settled by delivery to such party on or prior to such Early Termination Date and which has not been so settled as at such Early Termination Date, an amount equal to the fair market

value of that which was (or would have been) required to be delivered as of the originally scheduled date for delivery, in each case together with (to the extent permitted under applicable law) interest, in the currency of such amounts, from (and including) the date such amounts or obligations were or would have been required

to have been paid or performed to (but excluding) such Early Termination Date, at the Applicable Rate. Such amounts of interest will be calculated on the basis of daily compounding and the actual number of days elapsed. The fair market value of any obligation referred to in clause (b) above shall be reasonably determined by the party obliged to make the determination under Section 6(e) or, if each party is so obliged, it shall be the average of the Termination Currency Equivalents of the fair market values reasonably determined by both parties.

IN WITNESS WHEREOF the parties have executed this document on the respective dates specified below with effect from the date specified on the first page of this document.

Wells Fargo Bank, N.A.

Gentex Corporation

By: /s/John Miechkowski
Name: John Miechkowski
Title: Authorized Signatory
Date: 10-1-2014

By: /s/Steve Downing
Name: Steve Downing
Title: CFO, VP of Finance
Date: October 1, 2014

18ISDA ® 1992

SCHEDULE
to the
MASTER
AGREEMENT

dated as of October 1, 2014 between **WELLS FARGO BANK, N.A.** ("Party A") and **GENTEX CORPORATION** ("Party B")

Part 1. Termination Provisions

- (a) **"Specified Entity"** means, for purposes of Section 5(a)(v), with respect to Party A, Party A's Affiliates and with respect to Party B, any "Loan Party" as defined in the Credit Agreement or any Refinancing Credit Agreement.
- (b) **"Specified Transaction"** has its meaning as defined in Section 14, provided that for purposes of Section 5(a)(v), Specified Transaction shall also mean clearing and/or execution arrangements involving swaps or futures, options or other derivatives.
- (c) The **"Cross Default"** provisions of Section 5(a)(vi) apply to both parties provided that the phrase "or becoming capable at such time of being declared," is hereby deleted from Section 5(a)(vi) of the Agreement, provided, however, with respect to Party B only, a "Cross Default" shall also be deemed to exist with respect to Party B as of the close of business on the twentieth (20th) calendar day (or, if such date is not a Local Business Day, the immediately following Local Business Day) following the date on which such indebtedness first becomes capable of being declared due and payable under the Credit Agreement as the result of the occurrence and continuation of an event of default thereunder if, prior to such time, such event of default has not been waived or cured in accordance with the terms of the Credit Agreement.

"Specified Indebtedness" means, with respect to Party A, any obligation (whether present, future, contingent or otherwise, as principal or surety or otherwise) in respect of borrowed money or relating to the payment or delivery of funds, securities or other property (including, without limitation, collateral), other than indebtedness in respect of any bank deposits received in the ordinary course of business by any foreign branch of a party the repayment of which is prevented, hindered or delayed by any governmental or regulatory action or law unrelated to the financial condition or solvency of such party or that foreign branch and, with respect to Party B, indebtedness under the Credit Agreement or any Refinancing Credit Agreement.

"Threshold Amount" means, (a) with respect to Party A, an amount (including its equivalent in another currency) equal to 3% of Shareholders Equity of Wells Fargo & Co. ("WFC"), and (b) with respect to Party B, \$35,000,000 (including its equivalent in another currency), provided that for any Specified Indebtedness payable by Party B (or any Credit Support Provider of Party B) to Party A or to any of Party A's Affiliates, Threshold Amount means any amount of such Specified Indebtedness.

"Shareholders Equity" means an amount equal to WFC's total assets minus its total liabilities, as reflected on WFC's most recent audited financial statements.

- (d) **"Credit Event Upon Merger"** applies to both parties, provided that, with respect to Party B, any actions permitted under Sections 8.2.5 or 8.2.6 of the Credit Agreement will not constitute a "Credit Event Upon Merger" hereunder.
- (e) **"Automatic Early Termination"** does not apply to either party.

- (f) **Payments on Early Termination.** Except as otherwise provided herein, “Market Quotation” and the “Second Method” apply, provided that with respect to the following types of Transactions, a Market Quotation shall not be determined or included under clause (a) of the definition of Settlement Amount, and

instead a “Loss” shall be determined and included under clause (b) of the definition of Settlement Amount with respect to the following types of Transactions: (i) any FX Transactions and Currency Option Transactions, and (ii) any Transactions which are commodity swaps, commodity options, commodity forwards or any other commodity derivative transactions.

In the case of any Terminated Transaction that is, or is subject to, any unexercised option, the words “economic equivalent of any payment or delivery” appearing in the definition of “Market Quotation” shall be construed to take into account the economic equivalent of the option.

- (g) **“Termination Currency”** means U.S. Dollars.
- (h) **Additional Termination Event** applies to Party B. “Additional Termination Event” means, with respect to Party B (which will be the Affected Party), the occurrence of the following event:
- (i) The Credit Agreement or any Refinancing Credit Agreement ceases to be in full force and effect or any commitment by Party A to lend or otherwise extend credit thereunder shall terminate; Party B ceases to have any obligations to Party A under the Credit Agreement or any Refinancing Credit Agreement (or under any promissory note or other evidence of indebtedness issued in connection therewith), whether as the result of the repayment, discharge or satisfaction of such obligations, or otherwise; or either Party A or Party B ceases to be a party to the Credit Agreement or any Refinancing Credit Agreement; in each case, other than due to the unilateral, voluntary sale or transfer to a third party of Party A’s rights or interests in the Credit Agreement (or any promissory note or other evidence of indebtedness issued in connection therewith).
- (ii) Party A does not or ceases to have the benefit of the same security as, and on a *pari passu* basis with, and *pro rata* payment treatment of, the senior secured lenders under the Credit Agreement or any Refinancing Credit Agreement, as the case may be; provided, however, that the failure of any subsidiary of Party B to guarantee, or provide security for, Party B’s obligations under the Agreement on account of any provision of the Commodity Exchange Act (“CEA”) or any rule, regulation or order of the Commodity Futures Trading Commission (“CFTC”) (or the application or official interpretation thereof) shall not constitute an “Additional Termination Event” for purposes of this provision.
- (i) **Failure to Pay or Deliver.** Section 5(a)(i) of this Agreement is hereby amended by replacing the word “third” with “first” in the third line thereof.

Part 2. Tax Representations

- (a) **Payer Tax Representations.** For the purpose of Section 3(e) of this Agreement, each party makes the following representation:

It is not required by any applicable law, as modified by the practice of any relevant governmental revenue authority, of any Relevant Jurisdiction to make any deduction or withholding for or on account of any Tax from any payment (other than interest under Section 2(e), 6(d)(ii) or 6(e) of this Agreement) to be made by it to the other party under this Agreement.

In making this representation, a party may rely on (i) the accuracy of any representations made by the other party pursuant to Section 3(f) of this Agreement, (ii) the satisfaction of the agreement contained in Section 4(a)(i) or 4(a)(iii) of this Agreement, and the accuracy and effectiveness of any document

provided by the other party pursuant to Section 4(a)(i) or 4(a)(iii) of this Agreement, and (iii) the satisfaction of the agreement of the other party contained in Section 4(d) of this Agreement, provided that it shall not be a breach of this representation where reliance is placed on clause (ii) above and the other party does not deliver a form or document under Section 4(a)(iii) by reason of material prejudice to its legal or commercial position.

(b) **Payee Tax Representations.** For the purpose of Section 3(f) of this Agreement:

(i) Party A makes the following representation(s):

(A) It is a national banking association organized or formed under the laws of the United States and is a United States resident for United States federal income tax purposes.

(B) Party A makes no other Payee Tax Representations.

(ii) Party B makes the following representation(s):

(A) It is organized or formed under the laws of a state within the United States, and it is (or, if Party B is disregarded for United States federal income tax purposes, its beneficial owner is) a United States resident for United States federal income tax purposes.

(B) Party B makes no other Payee Tax Representations. **Part 3. Documents**

(a) **Tax Forms.**

(i) **Delivery of Tax Forms.** For the purpose of Section 4(a)(i), and without limiting Section 4(a)(iii), each party agrees to duly complete, execute and deliver to the other party the tax forms specified below with respect to it (A) before the first Payment Date under this Agreement, (B) promptly upon reasonable demand by the other party and (C) promptly upon learning that any such form previously provided by the party has become obsolete or incorrect.

(ii) **Tax Forms to be Delivered by Party A:** None specified.

(iii) **Tax forms to be Delivered by Party B:**

A correct, complete and duly executed U.S. Internal Revenue Service Form W-9 (or successor thereto) that eliminates U.S. federal backup withholding tax on payments to Party B under this Agreement.

(b) **Delivery of Documents.** When it delivers this Agreement, each party shall also deliver its Closing Documents to the other party in form and substance reasonably satisfactory to the other party. For each Transaction, a party shall deliver, promptly upon request, a duly executed incumbency certificate for the person(s) executing the Confirmation for that Transaction on behalf of that party.

(i) For Party A, "Closing Documents" means (A) a copy, certified by the secretary or assistant secretary of Party A, of the resolutions of Party A's board of directors authorizing the execution, delivery and performance by Party A of this Agreement (including the Credit Support Annex, if any) and authorizing Party A to enter into Transactions hereunder and (B) a duly executed certificate of the secretary or assistant secretary of Party A certifying the name, true signature and authority of each person authorized to execute this Agreement (including the Credit Support Annex, if any) and enter into Transactions for Party A.

(ii) For Party B, "Closing Documents" means an opinion of counsel covering Party B's Basic

Representations under Section 3(a) as they relate to this Agreement (including the Credit Support Annex, if any), or in lieu thereof, (A) a copy, certified by the secretary or assistant secretary of Party B, of the resolutions of Party B's

board of directors authorizing the execution, delivery and performance by Party B of this Agreement (including the Credit Support Annex, if any) and authorizing Party B to enter into Transactions hereunder and

(B) a duly executed certificate of the secretary or assistant secretary of Party B certifying the name, true signature and authority of each person authorized to execute this Agreement (including the Credit Support Annex, if any) and enter into Transactions for Party B.

- (c) **Financial Statements.** Unless otherwise provided to Party A pursuant to the terms of the Credit Agreement (as defined in paragraph (h) of Part 1 of the Schedule), Party B will furnish to Party A (i) within 120 days after the close of each of Party B's fiscal years, an audit report certified by independent certified public accountants of recognized standing prepared in accordance with generally accepted accounting principles (including balance sheets as of the end of such period, related profit and loss and reconciliation of surplus statements, and a statement of cash flows), and (ii) within 90 days after the close of each of the first three quarterly periods of each of its fiscal years unaudited balance sheets as at the close of each such period and profit and loss and reconciliation of surplus statements and a statement of cash flows for the period from the beginning of such fiscal year to the end of such quarter, all certified by its chief financial officer. The foregoing financial statements shall be delivered to the following address: Wells Fargo Bank, N.A., 146 Monroe Center St Nw, 10th Floor, Grand Rapids, MI 49503-2833, addressed to the attention of: Charles Lott, Relationship Manager, MAC N2765-100, or such other address as Party A may provide in writing.

Part 4. Miscellaneous

(a) **Addresses for Notices.**

(i) **To Party A.** For purposes of Section 12(a) of this Agreement, all notices or communications to Party A shall, with respect to any particular Transaction, be sent or delivered to the address or facsimile number specified by Party A in the relevant Confirmation (or if not so specified, as specified by Party A in writing for that Transaction or type of Transaction, or if not so specified, then to its address or facsimile number specified below), and otherwise with respect to this Agreement, as specified below, provided that any notice under Section 5 or 6 of this Agreement shall be sent or delivered to Party A at the address specified below as required by Section 12(a).

Wells Fargo Bank, N.A.

45 Fremont Street 30th Floor

MAC A0194-300

San Francisco, CA 94105 Facsimile No.: (877) 564-8524

Attention: Derivatives Documentation Manager

(ii) **To Party B.** For purposes of Section 12(a) of this Agreement, all notices or communications to Party B shall, with respect to any particular Transaction, be sent or delivered to the address or facsimile number specified by Party B in the relevant Confirmation (or if not so specified, as specified

by Party B in writing for that Transaction or type of Transaction, or if not so specified, then to its address or facsimile number specified below), and otherwise with respect to this Agreement, as specified below, provided that any notice under Section 5 or 6 of this Agreement shall be sent or delivered to Party B at its address specified below as required by Section 12(a).

GENTEX CORPORATION

600 N. Centennial Street Zeeland, MI 49464

Telephone No.: (616) 772-1800

E-mail: steve.downing@gentex.com

robert.hughes@gentex.com kevin.nash@gentex.com

Attention: Steve Downing

Robert Hughes Kevin Nash

(b) **Process Agent.** For the purpose of Section 13(c) of this Agreement, neither party appoints a Process Agent hereunder.

(c) **Offices.** Section 10(a) applies.

(d) **Multibranch Party.**

(i) Party A is a Multibranch Party, and may act through its San Francisco Office or Charlotte Office or its London Branch, as specified in the relevant Confirmation. If any Confirmation for a Transaction is sent or executed by Party A without specifying its Office, it will be presumed that Party A's Office for that Transaction is its San Francisco Office, absent notice to the contrary from Party A.

(ii) Party B is not a Multibranch Party.

(e) **"Calculation Agent"** means Party A.

(f) **Credit Support Document.**

Party A: None. Party B: None.

"Credit Support Default" is amended by adding at the end of Section 5(a)(iii)(1):

“, any default, event of default or other similar condition or event (however described) exists under any Credit Support Document, any action is taken to realize upon any collateral provided to secure such party's obligations hereunder or under any Transaction, or the other party fails at any time to have a valid and perfected first priority security interest in any such collateral;”

- (g) **“Credit Support Provider”** means, with respect to Party B, each of the “Loan Parties” as defined in the Credit Agreement or any Refinancing Credit Agreement.
- (h) **Governing Law and Jurisdiction.** (i) To the extent not otherwise preempted by U.S. Federal law, this Agreement will be governed by and construed in accordance with the law of the State of New York (without giving effect to any provision of New York law that would cause another jurisdiction’s laws to be applied).
- (ii) Section 13(b) of the Agreement is hereby amended by (i) deleting the word “non-exclusive” appearing in paragraph (i) thereof and substituting therefor the word “exclusive” and (ii) deleting the last sentence of Section 13(b) and substituting therefor the following sentence:
- “Nothing in this Agreement precludes either party from bringing Proceedings in any other jurisdiction if (A) the courts of the State of New York or the United States District Court located in the Borough of Manhattan in New York City lacks jurisdiction over the parties or the subject matter of the Proceedings or declines to accept the Proceedings on the grounds of lacking such jurisdiction; (B) the Proceedings are commenced by a party for the purpose of enforcing against the other party’s property, assets or estate any decision or judgment rendered by any court in which Proceedings may be brought as provided hereunder; (C) the Proceedings are commenced to appeal any such court’s decision or judgment to any higher court with competent appellate jurisdiction over that court’s decisions or judgments if that higher court is located outside the State of New York or Borough of Manhattan, such as a federal court of appeals or the U.S. Supreme Court; or (D) any suit, action or proceeding has been commenced in another jurisdiction by or against the other party or against its property, assets or estate (including, without limitation, any suit, action or proceeding described in Section 5(a)(vii)(4) of this Agreement), and, in order to exercise or protect its rights, interests or remedies under this Agreement, the party (1) joins, files a claim, or takes any other action, in any such suit, action or proceeding, or (2) otherwise commences any Proceeding in that other jurisdiction as the result of that other suit, action or proceeding having commenced in that other jurisdiction.”
- (i) **Waiver of Jury Trial.** To the extent permitted by applicable law, each party irrevocably waives any and all right to trial by jury in any legal proceeding in connection with this Agreement, any Credit Support Document to which it is a party, or any Transaction. If, notwithstanding such waiver, a party would retain the right to trial by jury under applicable law in any such legal proceeding and any loan agreement (or other credit facility) outstanding at the time between the parties (whether or not anyone else is a party thereto) contains arbitration provisions applicable to such loan agreement (or credit facility), then such arbitration provisions shall be deemed equally to apply to any dispute between the parties relating to this Agreement or any Transaction, and for such purpose such arbitration provisions (together with related definitions) shall be deemed incorporated by reference herein (mutatis mutandis) and shall be construed as applying solely to any such dispute (with references therein to any lenders or creditors being deemed references to Party A). In all other cases, any arbitration provisions contained in any such loan agreement (or credit facility) shall not apply to this Agreement or any Transactions, notwithstanding anything to the contrary contained in such loan agreement (or other credit facility).
- (j) **Netting of Payments.** Section 2(c)(ii) will apply in respect of all Transactions from the date of this Agreement, provided that Section 2(c)(ii) will not apply with respect to any Transactions or group of Transactions for which the parties mutually agree shall be netted operationally.
- (k) **“Affiliate”** has its meaning as defined in Section 14.
- (l) **Additional Definitions.** Section 14 is hereby amended by inserting the following definitions:

“Credit Agreement” means that certain Credit Agreement dated as of September 27, 2013 by and among Party B, as the Borrower, the Guarantors from time to time party thereto, the Lenders party thereto, PNC Bank, National Association, as Administrative Agent, Party A, as Syndication Agent, and PNC Capital Markets LLC, as Sole Lead Arranger and Sole Bookrunner, (and their successors and assigns), as the same may be amended, supplemented, restated, renewed, extended, replaced or otherwise modified from time to time.

“Refinancing Credit Agreement” means any agreement for the provision of senior secured credit facilities entered into in connection with a refinancing of all or part of the available credit facilities under the Credit Agreement or another Refinancing Credit Agreement, as applicable.

Part 5. Other Provisions

(a) **ISDA Publications.**

(i) **2006 ISDA Definitions.** This Agreement and each Transaction are subject to the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. (the “2006 ISDA Definitions”) and will be governed by the provisions of the 2006 ISDA Definitions. The provisions of the 2006 ISDA Definitions are incorporated by reference in, and shall form part of, this Agreement and each Confirmation.

Any reference to a “Swap Transaction” in the 2006 ISDA Definitions is deemed to be a reference to a “Transaction” for purposes of this Agreement or any Confirmation, and any reference to a “Transaction” in this Agreement or any Confirmation is deemed to be a reference to a “Swap Transaction” for purposes of the 2006 ISDA Definitions. The provisions of this Agreement (exclusive of the 2006 ISDA Definitions) shall prevail in the event of any conflict between such provisions and the 2006 ISDA Definitions.

(ii) **EMU Protocol.** If a present or future European Union member state adopts the euro as its lawful currency to replace its national currency, then Annexes 1 through 5 (inclusive) and Section 6 of the EMU Protocol published on May 6, 1998 by the International Swaps and Derivatives Association, Inc. (i) shall be deemed to apply to any Transaction involving that member state’s national currency (which shall be considered a Legacy Transaction under the EMU Protocol), (ii) shall be construed in a manner consistent with the purpose of the EMU Protocol notwithstanding that the start of the third stage of European Economic and Monetary Union has already occurred, and (iii) are hereby incorporated by reference in, and shall form part of, this Agreement. References in the EMU Protocol to “ISDA Master Agreement” will be deemed references to this Agreement.

(b) **Scope of Agreement.** Any Specified Transaction now existing or hereafter entered into between the parties (whether or not evidenced by a Confirmation) shall constitute a “Transaction” under this Agreement and shall be subject to, governed by, and construed in accordance with the terms of this Agreement, unless the confirming document(s) for that Specified Transaction provide(s) otherwise. For any such Specified Transaction not evidenced by a Confirmation, Section 2(a)(i) of this Agreement is amended to read as follows: “(i) Each party will make each payment or delivery to be made by it under each Transaction, as specified in each Confirmation (or otherwise in accordance with the terms of that Transaction if not evidenced by a Confirmation), subject to the other provisions of this Agreement.”

(c) **Additional Representations.** In addition to the representations under Section 3, the following representations will apply:

(i) **Relationship Between Parties.** Each party will be deemed to represent to the other party on

the date on which it enters into a Relevant Agreement that:

- (1) *Non-Reliance.* It is acting for its own account, and it has made its own independent decisions to enter into the Relevant Agreement and as to whether the Relevant Agreement is appropriate or proper for it based solely upon its own judgment and upon advice from such advisers as it has deemed necessary. It is not relying on any communication (written or oral) of the other party or any of its affiliates (or its respective representatives) as investment advice or as a recommendation to enter into the Relevant Agreement, it being understood that information and explanations related to the terms and conditions of any Relevant Agreement will not be considered investment advice or a recommendation to enter into the Relevant Agreement. No communication (written or oral) received from the other party or any of its affiliates (or its respective representatives) will be deemed to be an assurance or guarantee as to the expected results of the Relevant Agreement.
- (2) *Assessment and Understanding.* It is capable of assessing the merits of and understanding (on its own behalf or through independent professional advice), and understands and accepts, the terms, conditions and risks of the Relevant Agreement based solely upon its own evaluation of the Relevant Agreement (including the present and future results, consequences, risks, and benefits thereof, whether financial, accounting, tax, legal, or otherwise) or that of its own advisers. It is also capable of assuming, and assumes, the risks of the Relevant Agreement. It also understands that the terms under which any Transaction may be terminated early are set forth in this Agreement (or in the relevant Confirmation), and any early termination of a Transaction other than pursuant to such terms is subject to mutual agreement of the parties confirmed in writing, the terms of which may require one party to pay an early termination fee to the other party based upon market conditions prevailing at the time of early termination.
- (3) *Status of Parties.* The other party is not acting as a fiduciary for or an adviser to it in respect of the Relevant Agreement, and any agency, brokerage, advisory or fiduciary services that the other party (or any of its affiliates) may otherwise provide to the party (or to any of its affiliates) excludes the Relevant Agreement.

“Relevant Agreement” means this Agreement, each Transaction, each Confirmation, any Credit Support Document, or any agreement (including any amendment, modification, transfer or early termination) between the parties relating to this Agreement or to any Transaction, Confirmation or Credit Support Document.

(ii) **Eligibility.** Each party will be deemed to represent to the other party on the date on which it enters into a Transaction that it is an “eligible contract participant” within the meaning of the Commodity Exchange Act.

(iii) **ERISA.** Each party represents to the other party at all times hereunder that it is not (i) an employee benefit plan as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), or a plan as defined in Section 4975(e)(1) of the Internal Revenue Code of 1986, as amended (the “Code”), subject to Title I of ERISA or Section 4975 of the Code, or a plan as so defined but which is not subject to Title I of ERISA or Section 4975 of the Code but is subject to another law materially similar to Title I of ERISA or Section 4975 of the Code (each of which, an “ERISA Plan”), (ii) a person or entity acting on behalf of an ERISA Plan, or (iii) a person or entity the assets of which constitute assets of an ERISA Plan.

- (d) **Set-off.** Any amount (“Early Termination Amount”) payable to one party (“Payee”) by the other party (“Payer”) under Section 6(e), in circumstances where there is a Defaulting Party or one Affected Party in the case where either a Termination Event under Section 5(b)(iv) or any other Termination Event in which all outstanding Transactions are Affected Transactions has occurred, will, at the option of the party (“X”) other than the Defaulting Party or the Affected Party (and without prior notice to the Defaulting Party or the Affected Party), be reduced by means of set off against any amount(s) (“Other

Agreement Amount”) payable (whether at such time or in the future or upon the occurrence of a contingency) by the Payee to the Payer or to any Affiliate of the Payer (irrespective of the currency, place of payment or booking office of the obligation) under any other agreement(s) between the Payee and the Payer (or between the Payee and any Affiliate of the Payer) or instrument(s) or undertaking(s) issued or executed by the Payee to, or in the favor of, the Payer or any Affiliate of the Payer (and the Other Agreement Amount will be discharged promptly and in all respects to the extent it is so set-off). X will give notice to the other party of any set-off effected under this paragraph.

For this purpose, either the Early Termination Amount or the Other Agreement Amount (or the relevant portion of such amounts) may be converted by X into the currency in which the other is denominated at the rate of exchange at which such party would be able, acting in a reasonable manner and in good faith, to purchase the relevant amount of such currency. The term “rate of exchange” includes, without limitation, any premiums and costs of exchange payable in connection with the purchase of or conversion into the relevant currency.

Nothing in this paragraph shall be effective to create a charge or other security interest. This paragraph shall be without prejudice and in addition to any right of set-off, combination of accounts, lien or other right to which any party is at any time otherwise entitled (whether by operation of law, contract or otherwise).

- (e) **Escrow.** If payments denominated in different currencies are due hereunder by both parties on the same day and a party has reasonable cause to believe that the other party will not meet its payment obligation, then as reasonable assurance of performance the party may notify the other party that payments on that date are to be made in escrow. In this case, deposit of the payment due earlier on that date shall be made by 2:00 p.m. (local time at the place for the earlier payment) on that date with any escrow agent selected by the party giving the notice from among major commercial banks independent of either party (and its affiliates), accompanied by irrevocable payment instructions (i) to release the deposited payment to the intended recipient upon receipt by the escrow agent of the required deposit of the corresponding payment from the other party on the same date accompanied by irrevocable payment instructions to the same effect or (ii) if the required deposit of the corresponding payment is not made on the same date, to return the payment deposited to the party that paid in escrow. The party that elects to have payments made in escrow shall pay the costs of the escrow arrangements and shall make arrangements to provide that the intended recipient of the amount due to be deposited first shall be entitled to interest on the deposited payment for each day in the period of its deposit at the rate offered by the escrow agent for that day for overnight deposits in the relevant currency in the office where it holds that deposited payment (at 11:00 a.m. local time on that day) if that payment is not released by 5:00 p.m. local time on the date it is deposited for any reason other than the intended recipient’s failure to make the escrow deposit it is required to make hereunder in a timely fashion.
- (f) **Recording of Conversations.** Each party (i) consents to the recording of telephone conversations between the trading, marketing and other relevant personnel of the parties or any of their Affiliates in connection with this Agreement or any Transaction or potential Transaction, (ii) agrees to obtain any necessary consent of, and give any necessary notice of such recording to, its relevant personnel and those of its Affiliates and (iii) agrees, to the extent permitted by applicable law, that such recordings may be submitted in evidence in any Proceedings.
- (g) **Confirmation Procedures.** Confirmations for Transactions are due under CFTC Rule 23.501 within the applicable time frame specified in such rule, to the extent applicable.
- (h) **Covenants of Financial Agreements.**
- (i) Party B shall provide Party A at all times hereunder with the same covenant protection as Party

B provides its lenders or creditors under Financial Agreements. Therefore, in addition to the Cross Default provisions of this Agreement, and notwithstanding the satisfaction of any obligation or promise to pay money to its lenders or creditors under any Financial Agreement, or the termination or cancellation of any Financial Agreement, Party B hereby agrees to perform, comply with and observe for the benefit of Party A hereunder all affirmative and negative covenants contained in each Financial Agreement applicable to Party B (excluding any obligation or promise to pay money under any Financial Agreement) at any time Party B has any obligation (whether absolute or contingent) under this Agreement.

(ii) For purposes hereof: (A) the affirmative and negative covenants of each Financial Agreement applicable to Party B (together with related definitions and ancillary provisions, but in any event excluding any obligation or promise to pay money under any Financial Agreement) are incorporated by reference herein (*mutatis mutandis*); (B) if lenders or creditors other than Party A are parties to any Financial Agreement, then references therein to the lenders or creditors shall be deemed references to Party A; and (C) for any such covenant applying only when any loan, other extension of credit, obligation or commitment under any Financial Agreement is outstanding, that covenant shall be deemed to apply hereunder at any time Party B has any obligation (whether absolute or contingent) under this Agreement.

(iii) Notwithstanding the foregoing, if the incorporation of any provision by reference from any Financial Agreement would result in the violation by Party B of the terms of that Financial Agreement, or be in violation of any law, rule or regulation (as interpreted by any court of competent jurisdiction), then this Agreement shall not incorporate that provision.

“Financial Agreement” means each existing or future agreement or instrument relating to any loan or extension of credit from Party A (or any of its Affiliates) to Party B (whether or not anyone else is a party thereto), as the same exists when executed and without regard to (i) any termination or cancellation thereof or Party A (or any of its Affiliates) ceasing to be a party thereto (whether as a result of repayment thereof or otherwise), or (ii) unless consented to in writing by Party A (or any of its Affiliates), any amendment, modification, addition, waiver or consent thereto or thereof.

- (i) **Foreign Account Tax Compliance Act**. The following provision shall apply in respect of the ISDA Master Agreement between the parties (including the Schedule thereto, any Credit Support Annex and each Transaction that has been or will be entered into thereunder) and shall survive the termination of this Transaction and this Confirmation:

“Withholding Tax imposed on payments to non-US counterparties under the United States Foreign Account Tax Compliance Act. “Tax” as used in Part 2(a) of this Schedule (Payer Tax Representation) and “Indemnifiable Tax” as defined in Section 14 of this Agreement shall not include any U.S. federal withholding tax imposed or collected pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the “Code”), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code (a **“FATCA Withholding Tax”**). For the avoidance of doubt, a FATCA Withholding Tax is a Tax the deduction or withholding of which is required by applicable law for the purposes of Section 2(d) of this Agreement.”

- (j) **Pari Passu**. In addition to the Events of Default specified in Section 5(a) of this Agreement, it shall be an Event of Default under this Agreement with respect to Party B if any collateral, guaranty, letter of credit, comfort letter or any other form of security or credit support, or any interest in any of the foregoing (collectively, the “Security”) is given or pledged to secure or otherwise support Party B’s obligations under any other “swap agreement” (as defined in 11 U.S.C. § 101) or any loan, bond, financing, private placement or any other extension of credit to Party B (“Other Obligations”), whether made to Party B individually or jointly with any other person or entity, and whether or not such obligations would be owed to Party A or to any other lender, creditor or swap agreement party (“Other Creditor”) and either of the following events occurs:

(i) at the time such Security is given or pledged or at any time thereafter, (A) Party B's obligations under this Agreement fail to be secured by such collateral on the same terms in all relevant respects (including, without limitation, the perfection of any security interest) and on a pari passu and pro rata basis with the most senior class of such Other Creditors, or (B) in the case of any other form of Security (including a guaranty, letter of credit or comfort letter), Party B's obligations under this Agreement fail to be supported on the same terms in all relevant respects and in the same proportionate amount as are applicable to the most senior class of such Other Creditors (in either case, whether as the result of repayment or satisfaction of such Other Obligations, or the security documents failing to cover Party B's obligations hereunder, or Party A failing or ceasing to be a party to such security documents or to any such Other Obligations, or otherwise); or

(ii) any notice or consent is given or any other action is taken that (A) would cause the Security, or the security interest in or lien on collateral comprising the Security, to be released, realized upon, liquidated, sold, transferred, conveyed or otherwise disposed of, whether as the result of repayment of obligations owing to such other creditors or pursuant to the terms of any security document or otherwise, and irrespective of whether or not Party A or any of its Affiliates in its capacity as agent, lender or payee with respect to such Other Obligations is giving such notice or consent or is taking such action, or (B) would adversely alter or impair any of Party A's rights, interests or benefits in or pertaining to the Security, any security document or any other document executed in connection therewith (whether such action is in the form of an amendment, modification, waiver, approval, consent or otherwise).

Part 6. Additional Terms for FX Transactions and Currency Options

(a) **ISDA FX and Currency Option Definitions.** The 1998 FX and Currency Option Definitions published by the International Swaps and Derivatives Association, Inc., the Emerging Markets Traders Association and The Foreign Exchange Committee (the "1998 FX and Currency Option Definitions") are hereby incorporated by reference in, and shall form part of, this Agreement and each Confirmation relating to any "Currency Option Transaction" or "FX Transaction" as defined in the FX and Currency Option Definitions, except as otherwise specifically provided herein or in the relevant Confirmation.

(b) **FX Transactions.**

Netting of FX Transactions. Section 2(c) shall not apply to FX Transactions. Instead, the following provision will apply to FX Transactions:

If amounts in the same currency would be due by both parties in respect of the same Settlement Date (or other payment or delivery date) under two or more FX Transactions between the same pair of Offices of the parties (assuming satisfaction of each condition precedent), then the obligations of the parties for those amounts will be discharged automatically, and if one party's obligation in that currency would have been greater, replaced by an obligation of that party to pay or deliver the amount of that difference to the other party on that Settlement Date or date.

(c) **Currency Option Transactions.**

(i) **Currency Option Transaction Premiums.** If any Premium of a Currency Option Transaction is not received on the Premium Payment Date, then the Seller may elect to either (A) accept late payment of that Premium, or (B) give written notice of that nonpayment and, if that payment is not received within one Local Business Day of that notice, either (1) treat the related Currency Option Transaction as void, or (2) treat that nonpayment as an Event of Default under Section 5(a)(i) of this Agreement. If the Seller elects to act under clause (A) or (B)(1) of the preceding sentence, then the Buyer shall pay on demand all out-of-pocket costs and actual damages incurred by the Seller in connection with that

unpaid or late Premium or void Currency Option Transaction, including, without limitation, interest on that Premium in the same currency as that Premium at the Default Rate and any other costs or expenses incurred by the Seller to compensate it for its loss of bargain, cost of funding or loss incurred as a result of terminating, liquidating, obtaining or re-establishing a delta hedge or other related trading position with respect to that Currency Option Transaction.

(ii) **Netting of Currency Option Transactions.** Section 2(c) of this Agreement shall not apply to Currency Option Transactions. Instead, the following provisions will apply to Currency Option Transactions:

(A) If Premiums in the same currency would be due by both parties in respect of the same Premium Payment Date under two or more Currency Option Transactions between the same pair of Offices of the parties (assuming satisfaction of each condition precedent), then the obligations of the parties for those Premiums will be discharged automatically, and if one party's obligation in that currency would have been greater, replaced by an obligation of that party to pay or deliver the amount of that difference to the other party.

(B) If amounts in the same currency (other than Premiums) would be due by both parties in respect of the same Settlement Date (or other payment or delivery date) under two or more Currency Option Transactions between the same pair of Offices of the parties (assuming satisfaction of each condition precedent), then the obligations of the parties for those amounts will be discharged automatically, and if one party's obligation in that currency would have been greater, replaced by an obligation of that party to pay or deliver the amount of that difference to the other party on that Settlement Date or date.

(C) For matching Currency Option Transactions, any unexercised Call or Put written by a party will automatically be terminated and discharged, in whole or in part, as applicable, against any unexercised Call or Put, respectively, written by the other party upon the payment in full of both Currency Option Transaction Premiums. Currency Option Transactions are "matching" only if both

(i) are granted for the same Put Currency, Call Currency, Expiration Date, Expiration Time, and Strike Price, (ii) have the same exercise style (e.g., American, European or Asian) including the same exercise terms, and (iii) are entered into by the same pair of Offices of the parties. For any partial termination and discharge (where the Currency Option Transactions are for different amounts of the Currency Pair), the remaining portion of the Currency Option Transaction shall continue to be a Currency Option Transaction under this Agreement.

(d) **Notice of Exercise.** Notwithstanding Section 3.5 (g) of the 1998 FX and Currency Option Definitions, a Notice of Exercise may be delivered by facsimile for purposes of exercising a Currency Option only if, after reasonable efforts have been made by the Buyer to deliver such Notice of Exercise orally by telephone, Buyer is unable to reach an appropriate person at the Seller by telephone on the relevant day for purposes of exercising such Currency Option on that day. Whenever a Notice of Exercise has been given orally by telephone, a confirmation of such Notice of Exercise may be delivered in writing by facsimile or by any other means specified therefore in the relevant Confirmation.

Part 7. Swap Trading Relationship Documentation

(a) **Required Notifications.** Regulation 23.504 of the CFTC requires that we include in "swap trading relationship documentation" ("STRD") such as this Agreement certain provisions regarding clearing and our status (and, if applicable, our counterparty's status) as an "insured depository institution," "financial company" or "covered financial company".

(i) **Orderly Liquidation Authority**

(A) Party A hereby notifies Party B that it is an "insured depository institution"

as defined in 12 U.S.C. §1813 (an “Insured Depository Institution”) and a “financial company” as defined in Section 201(a)(11) of the Dodd-Frank Act, 12 U.S.C. §5381(a)(11) (“Financial Company”).

- (B) Party B hereby notifies Party A that Party B is neither an Insured Depository Institution nor a Financial Company.
 - (C) Each party agrees to provide notice to the other party if it becomes, or ceases to be, an Insured Depository Institution or a Financial Company.
 - (D) In the event that either party is a “covered financial company” (as defined in Section 201(a)(8) of the Dodd-Frank Act, 12 U.S.C. 5381(a)(8)) or an Insured Depository Institution for which the Federal Deposit Insurance Corporation (“FDIC”) has been appointed as a receiver (the “covered party”), certain limitations under Title II of the Dodd-Frank Act or the Federal Deposit Insurance Act of 1950, as amended, may apply to the rights of the non-covered party to terminate, liquidate, or net any Swap by reason of the appointment of the FDIC as receiver, notwithstanding the agreement of the parties in the swap trading relationship documentation, and the FDIC may have certain rights to transfer Swaps (as defined below) of the covered party under Section 210(c)(9)(A) of the Dodd-Frank Act, 12 U.S.C. § 5390(c)(9)(A), or 12 U.S.C. § 1821(e)(9)(A).
- (ii) **Clearing.** Party A hereby notifies Party B that, upon acceptance of a Swap by a “derivatives clearing organization” as defined in Commodity Exchange Act (“CEA”) and CFTC Regulations (“DCO”), the original Swap between the parties is extinguished, is replaced by equal and opposite Swaps with the DCO, and all terms of the Swap shall conform to the product specifications of the cleared Swap established under the DCO’s rules.
- (b) **Swap Valuation Terms.** CFTC Regulation 23.504(b)(4) requires that our STRD with “financial entities” include an agreement on the process (which may include any agreed upon methods, procedures, rules, and inputs) for determining the value of each Swap at any time from its execution to termination, maturity, or expiration, for purposes of complying with the margin and risk management requirements of CEA §4s(e) and CEA §4s(j) (“Swap Valuation Terms”). If you are a “financial entity” as defined in CEA §2(h)(7)(C)(i), this Agreement shall be deemed to incorporate by reference the Swap Valuation Terms that are available to you for downloading at:
- http://images-mail.wellsfargoemail.com/Web/WellsFargoWholesaleServices/{e9ddb6fb-6718-460c-8671-d2914f0e9779}_2388TOBAddISVT.pdf
- (c) **Scope of STRD Provisions.** The terms of this Part 7 only apply to swaps (“Swaps”) as defined in Section 1a(47) of the CEA and Regulation 1.3(xxx) of the CFTC. The term “Swap” does not include a swap once it has been cleared by a DCO, without prejudice to provisions that expressly apply to a cleared swap. To the extent that any provision of this Part 7 has the purpose of meeting a legal or regulatory requirement, compliance by the parties with such provision shall be required only to the extent required and only for the period during which, and only in respect of the relevant Swap, class of Swap or class of counterparty to which, such legal or regulatory requirement applies. For purposes hereof, compliance is subject to any applicable legal or regulatory effective or compliance dates, any no-action or other relief that may be granted by the CFTC or its staff from time to time, and any CFTC interpretation of such legal or regulatory requirement.

IN WITNESS WHEREOF, the parties have executed this Schedule by their duly authorized signatories as of the date hereof.

WELLS FARGO BANK, N.A.

By: /s/John Miechkowski
Name: John Miechkowski
Title: Authorized Signatory

GENTEX CORPORATION

By: /s/Steve Downing
Name: Steve Downing
Title: CFO, VP of Finance

EXHIBIT 31.1

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER OF GENTEX CORPORATION

I, Fred T. Bauer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Gentex Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures [as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)] and internal control over financial reporting [as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)] for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) designed such internal controls over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
 - d) disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 10, 2014

/s/ Fred T. Bauer

Fred T. Bauer
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER OF GENTEX CORPORATION

I, Steven R. Downing, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Gentex Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures [as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)] and internal control over financial reporting [as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)] for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) designed such internal controls over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
 - d) disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 10, 2014

/s/ Steven R. Downing
Steven R. Downing
Vice President - Finance

EXHIBIT 32

**CERTIFICATE PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY
ACT OF 2002 (18-U.S.C. § 1350)**

Each, Fred T. Bauer, Chief Executive Officer of Gentex Corporation, and Steven R. Downing, Chief Financial Officer of Gentex Corporation, certify to the best of their knowledge and belief, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350), that:

- (1) The quarterly report on Form 10-Q for the quarterly period ended September 30, 2014, which this statement accompanies, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in this quarterly report on Form 10-Q of the quarterly period ended September 30, 2014, fairly presents, in all material respects, the financial condition and results of operations of Gentex Corporation.

Dated: November 10, 2014

GENTEX CORPORATION

By /s/ Fred T. Bauer
Fred T. Bauer
Its Chief Executive Officer

By /s/ Steven R. Downing
Steven R. Downing
Its Vice President-Finance/
Chief Financial Officer

