

Edgar Filing: GENTEX CORP - Form 10-K

GENTEX CORP  
Form 10-K  
February 27, 2007

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR FISCAL YEAR ENDED DECEMBER 31, 2006.

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission File No.: 0-10235

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

MICHIGAN  
(State or other jurisdiction of  
incorporation or organization)

38-2030505  
(I.R.S. Employer  
Identification No.)

600 N. CENTENNIAL STREET, ZEELAND, MICHIGAN  
(Address of principal executive offices)

49464  
(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each Class -----	Name of each exchange on which registered -----
COMMON STOCK, PAR VALUE \$.06 PER SHARE	Nasdaq Global Select Market

Securities registered pursuant to Section 12(g) of the Act:

NONE  
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes:  No:   
--- ---

Edgar Filing: GENTEX CORP - Form 10-K

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes:      No: X  
    ---    ---

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

Yes: X No:  
    ---    ---

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer" in Rule 12b-2 of the Exchange Act. (Check One):

Large Accelerated Filer Yes: X Accelerated Filer Yes:  
                                  ---                       ---

Non-Accelerated Filer Yes:  
  ---

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

Yes:      No: X  
    ---    ---

As of June 30, 2006 (the last business day of the registrant's most recently completed second fiscal quarter), 140,124,796 shares of the registrant's common stock, par value \$.06 per share, were outstanding. The aggregate market value of the common stock held by non-affiliates of the registrant (i.e., excluding shares held by executive officers, directors, and control persons as defined in Rule 405, 17 CFR 203.405) on that date was \$1,961,747,144 computed at the closing price on that date.

As of February 12, 2007, 142,910,536 shares of the registrant's common stock, par value \$.06 per share, were outstanding.

Portions of the Company's Proxy Statement for its 2007 Annual Meeting of Shareholders are incorporated by reference into Part III.

Exhibit Index located at Page 46

PART I

ITEM 1. BUSINESS

## Edgar Filing: GENTEX CORP - Form 10-K

### (A) GENERAL DEVELOPMENT OF BUSINESS

Gentex Corporation (the "Company") designs, develops, manufactures and markets proprietary products employing electro-optic technology: automatic-dimming rearview automotive mirrors and fire protection products.

The Company was organized in 1974 to manufacture residential smoke detectors, a product line that has since evolved into a more sophisticated group of fire protection products for commercial applications. In 1982, the Company introduced an automatic interior rearview mirror that was the first commercially successful glare-control product offered as an alternative to the conventional, manual day/night mirror. In 1987, the Company introduced its interior electrochromic (auto-dimming) mirror, providing the first successful commercial application of electrochromic (EC) technology in the automotive industry and world. Through the use of electrochromic technology, this mirror is continually variable and automatically darkens to the degree required to eliminate rearview headlight glare. In 1991, the Company introduced its exterior electrochromic sub-assembly, which works as a complete glare-control system with the interior auto-dimming mirror. In 1997, the Company began making volume shipments of three new exterior mirror sub-assembly products: thin glass flat, convex and aspheric.

During 2004 and 2005, the Company began shipping auto-dimming mirrors with SmartBeam(R), its proprietary intelligent high-beam headlamp control feature, for the Cadillac STS, Jeep Grand Cherokee, Cadillac DTS, Jeep Commander and BMW 5, 6 and 7 Series models. Also during December 2005, the Company reached an agreement with PPG Aerospace to work together to provide the variably dimmable windows for the passenger compartment on the new Boeing 787 Dreamliner series of aircraft.

During 2006, the Company began shipping auto-dimming mirrors with SmartBeam for the BMW 3 Series, Cadillac Escalade and the Chrysler 300C. Also during 2006, the Company announced development programs with several automakers for its Rear Camera Display Mirror that shows a panoramic video view of objects behind the vehicle in real time. In addition, the Company has developed its own unique compass technology called Z-Nav(R), which can be sold as a system with the compass heading displayed in the interior auto-dimming mirror.

The Company's annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports, will be made available free of charge through the Investor Information section of the Company's Internet website (<http://www.gentex.com>) as soon as practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission.

### (B) FINANCIAL INFORMATION ABOUT INDUSTRY SEGMENTS

See Note 9 to the Consolidated Financial Statements filed with this report.

### (C) NARRATIVE DESCRIPTION OF BUSINESS

The Company currently manufactures electro-optic products, including automatic-dimming rearview mirrors for the automotive industry and fire protection products primarily for the commercial building industry.

#### AUTOMATIC-DIMMING REARVIEW MIRRORS

Interior Auto-Dimming Mirrors. In 1987, the Company achieved a significant technological breakthrough by applying electrochromic technology to the glare-sensing capabilities of its Motorized Mirror. Through the use of this technology, the mirror gradually darkens to the degree necessary to eliminate rearview glare from following vehicle headlights. The auto-dimming mirror offers all of the continuous reflectance levels between its approximate 85%

## Edgar Filing: GENTEX CORP - Form 10-K

full-reflectance state and its 7% least-reflectance state, taking just a few seconds to span the entire range. Special electro-optic sensors in the mirror detect glare and electronic circuitry supplies electricity to darken the mirror to only the precise level required to eliminate glare, allowing the driver to maintain maximum vision. This is accomplished by the utilization of two layers of precision glass with special conductive coatings that are separated by the Company's proprietary electrochromic materials. When the appropriate light differential is detected, an electric current causes the electrochromic material to darken, decreasing the mirror's reflectance, thereby eliminating glare.

-2-

During 1991, the Company began shipping the first advanced-feature interior auto-dimming mirror, the auto-dimming headlamp control mirror, an automatic-dimming mirror that automatically turns car head- and taillamps "on" and "off" at dusk and dawn in response to the level of light observed. During 1993, the Company began shipping an auto-dimming compass mirror, with an electronic compass that automatically compensates for changes in the earth's magnetic field. During 1997, the Company began shipping a new interior auto-dimming mirror that digitally displays either a compass or outside temperature reading. During 1998, the Company began shipping new compass mirrors with light-emitting diode (LED) map lamps, a major improvement over mirrors with standard incandescent map lamps, including extremely long life, low heat generation, lower current draw, more resistance to shock, and lower total cost of ownership. In 2000, the Company began shipping to General Motors interior auto-dimming mirrors that serve as the driver interface for the OnStar(R) System, an in-vehicle safety, security and information service using Global Positioning System (GPS) satellite technology. OnStar is a registered trademark of OnStar Corporation.

During 2001 and 2002, the Company began making shipments of its auto-dimming mirrors for a number of mid-sized, medium-priced vehicles, including the Toyota Camry, Matrix and Corolla; Ford Taurus and Mercury Sable; Volkswagen Passat, Jetta, Golf GTI and Beetle; Nissan Altima; Opel cross car line; Chrysler Sebring Coupe; Hyundai Santa Fe and Sonata; and Kia Optima and Sorento.

During 2003, the Company began making shipments of its auto-dimming mirrors to two new automotive OEM customers, Honda and Volvo, and began volume shipments of its microphone as part of DaimlerChrysler's "U-Connect(R)" telematics system.

During 2004 and 2005, the Company began shipping auto-dimming mirrors with SmartBeam, its proprietary intelligent high-beam headlamp control feature, for the Cadillac STS, Jeep Grand Cherokee, Cadillac DTS, the Jeep Commander, and BMW 5, 6 and 7 Series models. Also during 2005, the Company began making shipments of its auto-dimming mirror to a new automotive OEM customer, PSA/Citroen and PSA/Peugeot. During 2006, the Company began shipping auto-dimming mirrors with SmartBeam for the BMW 3 Series, Cadillac Escalade and the Chrysler 300C.

The Company shipped approximately 8,363,000 interior auto-dimming mirrors in 2004, approximately 8,924,000 in 2005, and 9,426,000 in 2006.

-3-

During 2006, the growth in interior total mirror unit shipments increased primarily due to increased shipments to Europe and Asian customers. The

## Edgar Filing: GENTEX CORP - Form 10-K

Company's interior auto-dimming mirrors are standard equipment or factory-installed options on certain trim levels of the following 2007 vehicle models:

TABLE 1. INTERIOR AUTO-DIMMING MIRROR AVAILABILITY BY VEHICLE LINE (NORTH AMERICAN MANUFACTURERS)

GM/Cadillac	DTS	DaimlerChrysler /Chrysler	300
	STS		Aspen
	CTS		Pacifica
	Escalade		PT Cruiser
	SRX		Sebring
GM/Buick	LaCrosse	DaimlerChrysler /Dodge	Town & Country
	Lucerne		Caliber
GM/Hummer	Rainier		Caravan
	H2		Charger
GM/Pontiac	H3		Dakota
	G6		Durango
GM/Chevrolet	Torrent		Magnum
	Avalanche		Nitro
	Express		Ram Pickup
	Equinox	DaimlerChrysler /Jeep	Commander
	HHR		Compass
	Impala		Grand Cherokee
	Malibu		Liberty
	Monte Carlo	DaimlerChrysler /Mercedes-Benz	GL Class
	Silverado		M Class
	Suburban		R Class
Tahoe	BMW	X5	
Trailblazer	Honda/Acura	MDX	
GM/GMC	Acadia	Hyundai	Santa Fe
	Envoy		Sonata
	Savana	Mazda	6
	Sierra	Mitsubishi	Galant
	Yukon		Raider
GM/Saturn	Aura	Nissan	Altima
	ION		Armada
	Outlook		Frontier
	Vue		Maxima
Ford	Crown Victoria		Pathfinder
	Edge		Quest
	Expedition		Titan
	Five Hundred	Nissan/Infiniti	QX56
	Freestar		Avalon
	Freestyle	Toyota	Camry
	Fusion		Camry Solara
	F Series		Sequoia
	Mustang		Sienna
	Ford/Lincoln	MKX	
MKZ			Tundra
Mark LT		Toyota/Lexus	RX330
Ford/Mercury	Navigator	Volkswagen	Beetle
	Town Car		Jetta
	Grand Marquis		
	Milan		
	Montego		

Edgar Filing: GENTEX CORP - Form 10-K

TABLE 1. INTERIOR AUTO-DIMMING MIRROR AVAILABILITY BY VEHICLE LINE - CONTINUED  
(MANUFACTURERS OUTSIDE OF NORTH AMERICA)

Bentley	Arnage	Hyundai/Kia Motors	Amanti	Volkswagen Audi	A3
	Continental		Carnival		A4
	GTC		Carens		A6
BMW	7 Series		C'eed		A8
	6 Series		Cerato		Cabrio
	5 Series		Lotze		Q6
	3 Series		Opirus		TT
	X3		Optima	Volkswagen/SEAT	Altea
Daewoo/Ssangyong	Actyon		Sedona		Cordob
	Chairman		Sorento		Ibeza
	Kyron		Spectra		Leon
	Rexton		Sportage		Toledo
	Rodius	Maserati	Quattroporte	Volkswagen/Skoda	Octavi
DaimlerChrysler	300	Mazda	RX-8		Superb
/Chrysler	Voyager	DaimlerChrysler	C Class		
DaimlerChrysler	Commander	/Mercedes-Benz	CL Class		
/Jeep	Grand Cherokee		CLK		
Fiat	Idea		CLS		
Fiat/Alfa Romero	147		E Class		
	156		G Wagen		
	166		S Class		
Fiat/Lancia	Lybra		SL Class		
	Thesis		SLK		
Ford	Falcon		Viano		
	Focus	Mitsubishi	380		
	Galaxy		Magna		
	Mondeo		Pajero		
	Territory	Nissan	350Z		
Ford/Jaguar	S-Type		Cedric		
	XK		Cima		
	XJ		Frontier		
Ford/Land Rover	LR3		Murano		
	Range Rover		Navara		
Ford/Volvo	C70		Pathfinder		
	S40	Nissan/Infiniti	FX35/FX45		
	V50		G35		
	PSA/Citroen		M45		
	C6		Q45		
GM/Buick	Regal	PSA/Peugeot	207		
GM/Opel	Astra		407		
	Corsa	Porsche	Cayenne		
	Meriva	Suzuki	XL-7		
	Signum	Toyota/Lexus	ES330		
	Tigra		GX470		
	Vectra		RX330		
	Zafira	Toyota	Avensis		
GM/Saab	9-7X		Blade		
Honda/Acura	TSX		Camry		
Honda	Accord		Corolla		
	Inspire		Verso		
Hongqi	Benteng		Highlander		
Hyundai	Avante		Mark X		
	Azera		Prius		
	Volkswagen		RAV4		

## Edgar Filing: GENTEX CORP - Form 10-K

Bora	4-Runner
Elantra	EOS
Equus	Golf
Grandeur	Jetta
Sonata	Passat
Santa Fe	Phaeton
Starex	Polo
Tuscani	Sharan
Trajet	Touareg
Tucson	Touran
	Transporter

-5-

Exterior Auto-Dimming Mirror Sub-Assemblies. The Company has devoted substantial research and development efforts to the development of its electrochromic technology to permit its use in exterior rearview mirrors. Exterior auto-dimming mirrors are controlled by the sensors and electronic circuitry in the interior auto-dimming mirror, and both the interior and exterior mirrors dim simultaneously. During 1991, the Company's efforts culminated in a design that is intended to provide acceptable long-term performance in all automotive environments likely to be encountered. In 1994, the Company began shipments of its complete three-mirror system, including the convex (curved glass) wide-angle auto-dimming mirror to BMW. During 1997, the Company began making volume shipments of additional new exterior mirror products - thin glass flat and aspheric. During 2001 and 2002, the Company began making shipments of the world's first exterior automatic-dimming mirrors with built-in turn-signal indicators to Southeast Toyota and General Motors. The Company currently sells its exterior auto-dimming mirror sub-assemblies to exterior mirror suppliers of the automakers who assemble the exterior auto-dimming mirror sub-assemblies into full mirror units for subsequent resale to the automakers.

The Company shipped approximately 3,277,000 exterior auto-dimming mirror sub-assemblies during 2004, approximately 3,646,000 in 2005, and approximately 4,001,000 in 2006. During 2006, unit shipment growth primarily resulted from the increased penetration of light vehicles in Europe.

The exterior auto-dimming mirror is standard equipment or a factory-installed option on certain trim levels of the following 2007 vehicle models:

TABLE 2. EXTERIOR AUTO-DIMMING MIRROR AVAILABILITY BY VEHICLE LINE

Daewoo	Antara	DaimlerChrysler	GL Class
GM/Cadillac	DTS	/Mercedes-Benz	M Class
	Escalade		R Class
GM/Buick	Lucerne		S Class
GM/Chevrolet	Avalanche		SL Class
	Silverado		SLK
	Suburban	Ford/Jaguar	S-Type
	Tahoe		XJ
GM/GMC	Acadia		XK
	Sierra	Ford/Land Rover	Range Rover
	Yukon	GM/Opel	Vectra
GM/Hummer	H2	Maserati	Quattroporte
GM/Saturn	Outlook	Mitsubishi	Magna

## Edgar Filing: GENTEX CORP - Form 10-K

Ford/Lincoln	MKZ	PSA/Citroen	C6
	Town Car	Skoda	Octavia
DaimlerChrysler	300	Volkswagen	EOS
/Chrysler	Aspen		Golf
	Pacifica		Passat
	Town & Country		Sharan
DaimlerChrysler	Caravan		Touareg
/Dodge	Durango	Honda/Acura	RL
DaimlerChrysler	Commander	Hyundai	Equus
/Jeep	Grand Cherokee		Grandeur
Volkswagen/Audi	A3		Veracruz
	A4	Hyundai/Kia	Amanti
	A6		Opirus
	A8	Nissan/Infiniti	Q45
	Cabrio		QX56
	Q7	Toyota/Lexus	LS430
	TT		LS460
BMW	7 Series		RX330
	6 Series	Nissan	Armada
	5 Series		Cima
	3 Series		Maxima
	X3		Titan
Bentley	Continental	Rolls Royce	Phantom
	GTC	Daewoo/Ssangyong	Chairman
DaimlerChrysler	C Class	Toyota	Avalon
/Mercedes-Benz	CL Class		Camry Solara
	CLK		Sienna
	CLS		Tundra
	E Class		
	G Wagen		

-6-

Product Development. The Company plans to continue introducing additional advanced-feature auto-dimming mirrors. Advanced-feature auto-dimming mirrors currently being offered by the Company include the auto-dimming headlamp control mirror, the auto-dimming lighted mirror with LED map lamps, the auto-dimming compass mirror, the auto-dimming mirror with remote keyless entry, the auto-dimming compass/temperature mirror, the auto-dimming dual display compass/temperature mirror, auto-dimming telematics mirrors and the auto-dimming HomeLink(R) mirror. During 2001, the Company announced a revolutionary new proprietary technology, called SmartBeam(R), that uses a custom, active-pixel, CMOS (complementary metal oxide semiconductor) sensor, and maximizes a driver's forward vision by significantly improving utilization of the vehicle's highbeam headlamps during nighttime driving. During 2004, the Company began shipping auto-dimming mirrors with SmartBeam, its proprietary intelligent high-beam headlamp control feature, on the Cadillac STS and Jeep Grand Cherokee. During 2005, the Company began shipping auto-dimming mirrors with SmartBeam for the Cadillac DTS, the Jeep Commander, and BMW 5, 6 and 7 Series models. During 2006, the Company began shipping auto-dimming mirrors with SmartBeam for the BMW 3 Series, Cadillac Escalade and the Chrysler 300C.

Also during 2006, the Company announced development programs with several automakers for its Rear Camera Display Mirror that consists of a proprietary liquid crystal display (LCD) device that shows a panoramic video view of objects behind the vehicle in real time. When the vehicle is put in "reverse," the display illuminates and automatically appears through the rearview mirror's reflective surface to give a high resolution, bright colored image. The image is



## Edgar Filing: GENTEX CORP - Form 10-K

generated by a camera or cameras placed in a protected area at the rear of the vehicle. When the vehicle is put in "drive," the display in the mirror automatically disappears. The ability to automatically have the display appear through the auto-dimming mirror's surface is made possible by utilizing proprietary "transflective" coatings developed the Company. In addition, the Company has developed its own unique compass technology, which can be sold as a system with the compass heading displayed in the interior auto-dimming mirror. The Gentex compass technology is called Z-Nav(R), as it features a proprietary, digital, tri-axis sensor (transducer) and software. The tri-axis design is similar to compasses used in highly scientific apparatus such as aerospace applications, and can be mounted on any fixed or pivotal location in the vehicle, including inside the mirror housing.

In 1999, the Company announced the development of its LED technology, which represented the first time that white light for illumination purposes could be achieved using high intensity Orca power LEDs on a cost-effective basis. LEDs as illuminators have many advantages over incandescent lamps, including extremely long life, low heat generation, lower current draw, more resistance to shock, and lower total cost of ownership. The Company continually evaluates LEDs that are offered in the market place and is currently working with suppliers that can provide high quality LEDs in a more cost effective manner.

The Company also developed an ALS (Active Light Sensor) technology as a cost-effective, improved-performance, intelligent CMOS light sensor to control the dimming of its rearview mirrors, and the Company began making volume shipments of mirrors incorporating ALS in 2002.

During 2001, the Company developed a new microphone designed specifically for use in the automotive environment for telematics applications. The first volume Gentex microphone application was part of DaimlerChrysler's "U-Connect(R)" telematics system, beginning in 2003. During 2006, our proprietary integrated hands-free microphone was available as part of an optional navigation package at Ford.

Of particular importance to the Company has been the development of its electrochromic technology for use in complete three-mirror systems. In these systems, both the driver- and passenger-side exterior auto-dimming mirrors are controlled by the sensors and electronic circuitry in the interior rearview mirror, and the interior and both exterior mirrors dim simultaneously.

The Company's success with electrochromic technology provides potential opportunities for other commercial applications, which the Company expects to explore in the future when and as the Company feels it is in its best interests to do so. Examples of possible applications of electrochromic technology include windows for both the automotive, architectural and aerospace markets, sunroofs and sunglasses. Progress in adapting electrochromic technology to the specialized requirements of the window market continued in 2006. In December 2005, the Company reached an agreement with PPG Aerospace to work together to provide the

-7-

variably dimmable windows for the passenger compartment on the new Boeing 787 Dreamliner series of aircraft. Gentex will ship about 100 windows for the passenger compartment of each 787. The Company believes that the commercially viable market is currently limited to aerospace. Based on Boeing's production schedule, the value of this initial contract is worth approximately \$50 million over the first five years once volume production begins, with the majority of that revenue attributable to Gentex under the Company's agreement with PPG

## Edgar Filing: GENTEX CORP - Form 10-K

Aerospace. The Company will begin shipping production parts for test planes at mid-year, and volume production is expected to begin in late 2007. However, we believe that a commercial architectural window product will still require several years of additional engineering and intellectual property development work.

**Markets and Marketing.** In North America, the Company markets its products primarily through a direct sales force. The Company generally supplies auto-dimming mirrors to its customers worldwide under annual blanket purchase orders. The Company currently supplies auto-dimming mirrors to General Motors Corporation and DaimlerChrysler AG under long-term agreements. During 2005, the Company negotiated an extension to its long-term agreement for inside mirrors with General Motors in the ordinary course of the Company's business. Under the extension, Gentex was sourced virtually all of the interior auto-dimming rearview mirror programs for GM and its worldwide affiliates through August 2009, except for two low-volume models that had previously been awarded to a Gentex competitor under a lifetime contract. The new business includes the GMT360 program (which is the mid-size truck/SUV platform that previously did not offer auto-dimming mirrors). We have estimated that this new business represented incremental auto-dimming mirror units in the range of 500,000 on an annualized basis at that time. The Company also negotiated a price reduction for the GM OnStar(R) feature in its auto-dimming mirrors, effective January 1, 2005, in connection with GM's stated plan to make their OnStar system standard across their vehicle models over the next several years.

Also during 2005, the Company negotiated a three-year extension to its long-term agreement with DaimlerChrysler AG in the ordinary course of the Company's business. Under the extension, the Company will be sourced virtually all interior and exterior auto-dimming mirror business at Mercedes and Chrysler through December 2009. The Company's exterior auto-dimming mirror sub-assemblies are supplied by means of sales to exterior mirror suppliers.

During 1993, the Company established a sales and engineering office in Germany and the following year, the Company formed a German limited liability company, Gentex GmbH, to expand its sales and engineering support activities in Europe. During 1999, the Company established Gentex Mirrors, Ltd., as a sales and engineering office in the United Kingdom. During 2000, the Company established Gentex France, SAS, as a sales and engineering office in France. During 2003, the Company established a satellite office in Munich, Germany, and during 2005, the Company established a satellite office in Sweden. The Company's marketing efforts in Europe are conducted through Gentex GmbH, Gentex Mirrors, Ltd., and Gentex France SAS, with limited assistance from independent manufacturers' representatives. The Company is currently supplying mirrors for Audi, Bavarian Motor Works, A.G. (BMW), Bentley, Citroen, Fiat, Jaguar, Land Rover, Mercedes-Benz, Opel, Peugeot, Porsche, Rolls Royce, SEAT, Skoda, Volkswagen and Volvo in Europe.

In 1991, the Company began shipping electrochromic mirror assemblies for Nissan Motor Co., Ltd. under a reciprocal distribution agreement with Ichikoh Industries, Ltd. (Ichikoh), a major Japanese supplier of automotive products. Under this agreement, Ichikoh marketed the Company's automatic mirrors to certain Japanese automakers and their subsidiaries with manufacturing facilities in Asia. The arrangement involved very limited technology transfer by the Company and did not include the Company's proprietary electrochromic gel formulation. The agreement was terminated by mutual agreement in 2001.

During 1993, the Company hired a sales agent to market auto-dimming mirrors to other Japanese automakers beyond Nissan. Subsequently in 1998, the Company established Gentex Japan, Inc., as a sales and engineering office in Nagoya, Japan to expand its sales and engineering support in Japan. In 2000, the Company signed an agreement with Murakami Corporation, a major Japanese mirror manufacturer, to cooperate in expanding sales of automatic-dimming mirrors using

## Edgar Filing: GENTEX CORP - Form 10-K

the Gentex electrochromic technology. During 2006, the agreement with Murakami Corporation was terminated and replaced with a Memorandum of Understanding. During 2002, the Company established Gentex Technologies Korea Co., Ltd. as a sales and engineering office in Seoul, Korea. During

-8-

2004, the Company established a satellite office in Yokohama, Japan. During 2005, the Company opened a sales and engineering office near Shanghai, China. The Company is currently supplying mirrors for Daewoo/Ssangyong, Ford, GM, Honda, Hyundai, Infiniti, Kia Motors, Lexus, Mazda, Mitsubishi, Nissan, Toyota and Volkswagen/Audi in Asia.

The Company's auto-dimming mirror unit shipment mix by region has significantly changed over the past seven years. The following is a breakdown of unit shipment mix by region in 2006 vs. 1999 calendar years:

	2006	1999
	----	----
DOMESTIC	32%	69%
TRANSPLANTS	13%	1%
	---	---
NORTH AMERICA	45%	70%
EUROPE	40%	23%
ASIA-PACIFIC	15%	7%
	---	---
	100%	100%
	===	===

Historically, new safety and comfort options have entered the original equipment automotive market at relatively low rates on "top of the line" or luxury model automobiles. As the selection rates for the options on the luxury models increase, they generally become available on more models throughout the product line and may become standard equipment. The recent trend of domestic and foreign automakers is to offer several options as a package. As consumer demand increases for a particular option, the mirror tends to be offered on more vehicles and in higher option rate packages. The Company anticipates that its auto-dimming mirrors will be offered as standard equipment, in higher option rate packages, and on more models as consumer awareness of the safety and comfort feature becomes more well-known and acceptance grows.

Since 1998, Gentex Corporation has contracted with MITO Corporation to sell several of its most popular automatic-dimming mirrors directly to consumers in the automotive aftermarket; in addition, the Company currently sells some auto-dimming mirrors to automotive distributors. It is management's belief that these sales have limited potential until the Company achieves a significantly higher penetration of the original equipment manufacturing market.

Competition. Gentex is the leading producer of auto-dimming rearview mirrors in the world and currently is the dominant supplier to the automotive industry with an approximate 81% market share worldwide in 2006, as compared to an approximately 80% in 2005. While the Company believes it will retain a dominant position, one other U.S. manufacturer (Magna Donnelly) is competing for sales to domestic and foreign vehicle manufacturers and is supplying a number of domestic and foreign vehicle models with its hybrid or solid polymer matrix

## Edgar Filing: GENTEX CORP - Form 10-K

versions of electrochromic mirrors. In addition, two Japanese manufacturers are currently supplying a few vehicle models in Japan with solid-state electrochromic mirrors.

On October 1, 2002, Magna International acquired Donnelly Corporation, which was the Company's major competitor for sales of automatic-dimming rearview mirrors to domestic and foreign vehicle manufacturers and their mirror suppliers. The Company also sells certain automatic-dimming rearview mirror sub-assemblies to Magna Donnelly.

The Company believes its electrochromic automatic mirrors offer significant performance advantages over competing products. However, Gentex recognizes that Magna Donnelly, a competitor and wholly-owned subsidiary of Magna International, is considerably larger than the Company and may present a more formidable competitive threat in the future. To date, the Company is not aware of any significant impact of Magna's acquisition of Donnelly upon the Company; however, any ultimate significant impact has not yet been determined.

There are numerous other companies in the world conducting research on various technologies, including electrochromics, for controlling light transmission and reflection. Gentex believes that the electrochromic materials and manufacturing process it uses for automotive mirrors remains the most efficient and cost-effective way to produce such products. While automatic-dimming mirrors using other technologies may eliminate glare, each of these technologies have inherent cost or performance limitations.

-9-

### FIRE PROTECTION PRODUCTS

The Company manufactures approximately 60 different models of smoke alarms and smoke detectors, combined with over 160 different models of signaling appliances. All of the smoke detectors/alarms operate on a photoelectric principle to detect smoke. While the use of photoelectric technology entails greater manufacturing costs, the Company believes that these detectors/alarms are superior in performance to competitive devices that operate through an ionization process, and are preferred in most commercial residential occupancies. Photoelectric detectors/alarms feature low light-level detection, while ionization detectors utilize an ionized atmosphere, the electrical conductivity of which varies with changes in the composition of the atmosphere. Photoelectric detectors/alarms are widely recognized to respond more quickly to slow, smoldering fires, a common form of dwelling unit fire and a frequent cause of fire-related deaths. In addition, photoelectric detectors are less prone to nuisance alarms and do not require the use of radioactive materials necessary for ionization detectors. Photoelectric smoke detectors/alarms are now being required by over a dozen major cities, over a dozen states, as well as regional and national building and fire alarm codes.

The Company's fire protection products provide the flexibility to be wired as part of multiple-function systems and consequently are generally used in fire detection systems common to large office buildings, hotels, motels, military bases, college dormitories and other commercial establishments. However, the Company also offers single-station alarms for both commercial and residential applications. While the Company does not emphasize the residential market, some of its fire protection products are used in single-family residences that utilize fire protection and security systems. The Company's detectors emit audible and/or visual signals in the immediate location of the device, and certain models are able to communicate with monitored remote stations.

## Edgar Filing: GENTEX CORP - Form 10-K

In 2005, the Company received Underwriters Laboratory (UL) listing on a new series of commercial residential smoke alarms. The Company feels this new product will fit well into new markets and customers. The new series of smoke alarms consists of four models and will be electrically powered or electrically powered with battery back-up.

Also in 2005, the Company received UL listing for a new line of speaker strobes for commercial occupancies. The new speaker series will meet the requirements found on the national codes.

Markets and Marketing. The Company's fire protection products are sold directly to fire protection and security product distributors under the Company's brand name, to electrical wholesale houses, and to original equipment manufacturers of fire protection systems under both the Company's brand name and private labels. The fire protection and security industries have experienced a significant number of mergers and consolidations during the past few years. The Company markets its fire protection products throughout the United States through regional sales managers and manufacturer representative organizations.

Competition. The fire protection products industry is highly competitive in terms of both the smoke detectors and signaling appliance markets. The Company estimates that it competes principally with eleven manufacturers of smoke detection products for commercial use and approximately four manufacturers within the residential market, three of which produce photoelectric smoke detectors. In the signaling appliance markets, the Company estimates it competes with approximately eight manufacturers. While the Company faces significant competition in the sale of smoke detectors and signaling appliances, it believes that the recent introduction of new products, improvements to its existing products, its diversified product line, and the availability of special features will permit the Company to maintain its competitive position.

### TRADEMARKS AND PATENTS

The Company owns 16 U.S. trademarks and 280 U.S. patents, 271 of which relate to electrochromic technology, automotive rearview mirrors, microphones, displays and/or sensor technology. These patents expire between 2007 and 2024. The Company believes that these patents provide the Company a significant competitive advantage in the automotive rearview mirror market; however, none of these patents individually is required for the success of the Company's products.

The Company also owns 27 foreign trademarks and 96 foreign patents, 94 of which relate to electrochromic technology, automotive rearview mirrors, microphones, displays and /or sensor technology. These patents expire at various times between 2007

-10-

and 2022. The Company believes that the competitive advantage derived in the relevant foreign markets for these patents is comparable to that experienced in the U.S. market.

The Company's remaining 9 U.S. patents and 2 foreign patents relate to the Company's fire protection products, and the Company believes that the competitive advantage provided by these patents is relatively small.

The Company also has in process 130 U.S. patent applications, 309 foreign patent applications, and 18 trademark applications. The Company continuously seeks to improve its core technologies and apply those technologies to new and

## Edgar Filing: GENTEX CORP - Form 10-K

existing products. As those efforts produce patentable inventions, the Company expects to file appropriate patent applications.

### MISCELLANEOUS

The Company considers itself to be engaged in the manufacture and sale of automatic rearview mirrors for the automotive industry and fire protection products for the commercial building industry. The Company has several important customers within the automotive industry, four of which each account for 10% or more of the Company's annual sales (including sales to their Tier 1 suppliers): General Motors Corporation, DaimlerChrysler AG, Toyota Motor Corporation, and BMW. The loss of any of these customers could have a material adverse effect on the Company. The Company's backlog of unshipped orders was \$151,167,000 and \$151,334,000 at February 1, 2007, and 2006, respectively.

At February 1, 2007, the Company had 2,393 full-time employees. None of the Company's employees are represented by a labor union or other collective bargaining representative. The Company believes that its relations with its employees are good.

### ITEM 1A. RISK FACTORS

Safe Harbor for Forward-Looking Statements. This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act, as amended, that are based on management's belief, assumptions, current expectations, estimates and projections about the global automotive industry, the economy, the impact of stock option expense, the ability to leverage fixed manufacturing overhead costs, unit shipment and revenue growth rates and the Company itself. Words like "anticipates," "believes," "confident," "estimates," "expects," "forecast," "likely," "plans," "projects," and "should," and variations of such words and similar expressions identify forward-looking statements. These statements do not guarantee future performance and involve certain risks, uncertainties, and assumptions that are difficult to predict with regard to timing, expense, likelihood and degree of occurrence. These risks include, without limitation, employment and general economic conditions, the pace of economic growth in the U.S. and in international markets, the pace of automotive production worldwide, the maintenance of the Company's market share, the types of products purchased by customers, competitive pricing pressures, currency fluctuations, the financial strength of the Company's customers, the mix of products purchased by customers, the ability to continue to make product innovations, the success of newly introduced products (e.g. SmartBeam(R), Z-NAV and Rear Camera Display Mirror), and other risks identified in the Company's filings with the Securities and Exchange Commission. Therefore actual results and outcomes may materially differ from what is expressed or forecasted. Furthermore, the Company undertakes no obligation to update, amend, or clarify forward-looking statements, whether as a result of new information, future events, or otherwise.

The following risk factors, together with all other information provided in this Annual Report on Form 10-K, should be carefully considered.

Automotive Industry. 96% of our net sales are to customers within the automotive industry. Supplying products to the automotive industry involves increasing financial and production stresses due to continuing pricing pressures, lower domestic production levels, overcapacity, customer and supplier bankruptcies, and commodity material cost increases. Automakers are experiencing increased volatility and uncertainty in executing planned new programs which have, in some cases, resulted in cancellation or delays of new vehicle platforms, package reconfigurations and inaccurate volume forecasts. This increased volatility and uncertainty has made it more difficult for us to forecast future sales and effectively utilize capital, engineering, research and

## Edgar Filing: GENTEX CORP - Form 10-K

development, and human resource investments.

-11-

**Key Customers.** We have a few large customers, including four customers which each account for 10% or more of our annual net sales (including sales to their Tier 1 suppliers) - General Motors Corporation, DaimlerChrysler AG, Toyota Motor Corporation and BMW. The loss of all or a substantial portion of the sales to any of these customers would have a material adverse effect on our sales, margins, profitability and, as a result, our share price. Effective October 1, 2003, General Motors Corporation, our largest customer, began including a 30-day escape clause into its contracts in the event its suppliers are not competitive on pricing. Effective January 1, 2004, Ford Motor Company began imposing new contract terms, including the right to terminate a supplier contract for any or no reason, etc.

**Pricing Pressures.** In addition to price reductions over the life of our long-term agreements, we continue to experience pricing pressures from our automotive customers and competitors, which have affected, and which will continue to affect our margins to the extent that we are unable to offset the price reductions with productivity and manufacturing yield improvements, engineering and purchasing cost reductions, and increases in unit sales volume, which has been a challenge. In addition, profit pressures at certain automakers are resulting in increased cost reduction efforts by them, including requests for additional price reductions, decontenting certain features from vehicles, and warranty cost-sharing programs, any of which could adversely impact our sales growth, margins, profitability and, as a result, our share price.

**Credit Risk.** In light of the financial stresses within the worldwide automotive industry, certain automakers and tier one mirror customers have already declared bankruptcy or may be considering bankruptcy. Should one or more of our larger customers declare bankruptcy, it could adversely impact the collectibility of our accounts receivable, bad debt expense and net income.

**Supply Chain Disruptions.** Due to the just-in-time supply chains within the automotive industry, a disruption in a supply chain caused by an unrelated supplier due to bankruptcy, work stoppages, strikes, etc. could disrupt our shipments to one or more automaker customers, which could adversely affect our sales, margins, profitability and, as a result, our share price.

**Competition.** We recognize that Magna Donnelly, our main competitor and a wholly-owned subsidiary of Magna International, is considerably larger than our Company and may present a more formidable competitive threat in the future. Our future growth and success will depend on the ability to compete in our highly competitive markets.

**New Technology and Product Development.** We continue to invest a significant portion of our annual sales in engineering, research and development projects. Should these efforts ultimately prove unsuccessful, our sales, net income and, as a result, our share price will be adversely affected.

**Intellectual Property.** We believe that our patents and trade secrets provide us with a significant competitive advantage in automotive rearview mirrors. The loss of any significant combination of patents and trade secrets could adversely affect our sales, margins, profitability and, as a result, share price.

**Intellectual Property Litigation and Infringement Claims.** A successful claim of patent or other intellectual property infringement against us could

## Edgar Filing: GENTEX CORP - Form 10-K

affect our profitability and growth. If someone claims that our products infringed their intellectual property rights, any resulting litigation could be costly and time consuming and would divert the attention of management and key personnel from other business issues. The complexity of the technology involved and the uncertainty of intellectual property litigation increases these risks. Any of these adverse consequences could potentially have an effect on Gentex's business, financial condition and results of operations.

**Business Disruptions.** Manufacturing of our proprietary products employing electro-optic technology are performed at the Company's five manufacturing facilities in Zeeland, Michigan. Should a catastrophic event occur, our ability to manufacture product, complete existing orders and provide other services would be severely impacted for an undetermined period of time. We have purchased business interruption insurance to address these potential costs. Our inability to conduct normal business operations for a period of time may have an adverse impact on long-term operating results.

-12-

**Other.** Other issues and uncertainties which could adversely impact our sales, margins, profitability and, as a result, our share price include:

- Changes in worldwide economic conditions, currency exchange rates, war or significant terrorist acts, which could affect worldwide automotive sales and production levels.
- Changes in the commodity prices of the materials used in our products. We continue to experience some pressure for select raw material cost increases.
- Manufacturing yield issues may negatively impact our margins and profitability. We continue to experience some manufacturing yield issues on certain lines.
- Our ability to attract or retain key employees to operate our manufacturing facilities and corporate office. We are dependent on the services of our management team. Losing one or more key members of our management team could adversely affect our operations. We do not maintain key man life insurance on any of our officers or directors.
- Our ability to successfully design and execute strategic and operating plans, including continuing to obtain new business.

**Antitakeover Provisions.** Our articles of incorporation and bylaws, the laws of Michigan, and our Shareholder Protection Rights Plan include provisions which are designed to provide our board of directors with time to consider whether a hostile takeover offer is in our best interest and the best interests of our shareholders. These provisions, however, could discourage potential acquisition proposals and could delay or prevent a change in control. The provisions also could diminish the opportunities for a holder of our common stock to participate in tender offers, including tender offers at a price above the then current price for our common stock. These provisions could also prevent transactions in which our shareholders might otherwise receive a premium for their shares over then current market prices, and may limit the ability of our shareholders to approve transactions that they may deem to be in their best interests.

All of these provisions may have the effect of delaying or preventing a change in control at the company level without action by our shareholders, and therefore, could adversely affect the price of our common stock.



## Edgar Filing: GENTEX CORP - Form 10-K

Fluctuations in Market Price. The market price for our common stock has fluctuated, ranging between \$12.74 and \$21.00 for 2006. The overall market and the price of our common stock may continue to fluctuate. There may be a significant impact on the market price for our common stock due to, among other things:

- variations in our anticipated or actual operating results or the results of our competitors;
- changes in investors' or analysts' perceptions of the risks and conditions of our business;
- the size of the public float of our common stock;
- market conditions, including the industry in which we operate, and
- general economic conditions.

### ITEM 1B. UNRESOLVED STAFF COMMENTS.

None

### ITEM 2. PROPERTIES.

The Company operates out of five office/manufacturing facilities in Zeeland, Michigan, approximately 25 miles southwest of Grand Rapids, in addition to overseas offices discussed elsewhere herein (see Part 1, Item 1). The office and production facility for the Fire Protection Products Group is a 25,000-square-foot, one-story building leased by the Company since 1978 from related parties (see Part III, Item 13, of this report).

The corporate office and production facility for the Company's Automotive Products Group is a modern, two-story, 150,000-square-foot building of steel and masonry construction situated on a 40-acre site in a well-kept industrial park. A second 128,000-square-foot office/manufacturing facility on this site was opened during 1996. The Company expanded its automotive production facilities by constructing a third 170,000 square-foot facility on its current site which opened in the second quarter of 2000.

-13-

In November 2002, the Company announced plans to expand its manufacturing operations in Zeeland, Michigan, with the construction of a fourth 150,000-square foot automotive mirror manufacturing facility. During 2003, the Company also announced plans for a new 200,000-square foot technical office facility linking the fourth manufacturing facility with its existing corporate office and production facility. The Company completed the construction of its fourth automotive manufacturing facility and the new technical center in 2006. The Company has invested approximately \$38 million for the new facilities during 2004 - 2006, which was funded from its cash and cash equivalents on hand.

The Company also constructed a 40,000 square-foot office, distribution and light manufacturing facility in Erlenbach, Germany, at a cost of approximately \$5 million, which was completed at the end of 2003.

During 2006, the Company purchased a 25,000 square foot office, distribution and light manufacturing facility near Shanghai, China, at a cost of approximately \$750,000.

## Edgar Filing: GENTEX CORP - Form 10-K

In January 2007, the Company announced plans to expand its automotive exterior mirror manufacturing facility in Zeeland, Michigan, with an approximate cost of \$6 million, which is expected to be funded from cash and/or cash equivalents. In 2006, the Company shipped approximately 4,001,000 exterior auto-dimming mirror sub-assemblies.

The Company's three automotive interior mirror manufacturing facilities currently have an estimated building capacity to manufacture approximately 20 million mirror units annually, based on the current product mix. In 2006, the Company shipped approximately 9,426,000 interior auto-dimming mirrors.

### ITEM 3. LEGAL PROCEEDINGS

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.

### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None.

### EXECUTIVE OFFICERS OF THE REGISTRANT.

The following table lists the names, ages, and positions of all of the Company's executive officers. Officers are elected at the first meeting of the Board of Directors following the annual meeting of shareholders.

NAME	AGE	POSITION	POSITION HELD SINCE
Fred Bauer	64	Chief Executive Officer	May 1986
Enoch Jen	55	Senior Vice President	January 2007
Dennis Alexejun	55	Vice President, North American Automotive Marketing	September 1998
John Carter	59	Vice President, Mechanical Engineering	June 1997
Steve Dykman	41	Vice President, Finance and Treasurer	January 2007

-14-

There are no family relationships among the officers listed in the preceding table.

Except for the executive officers discussed below, all other executive officers have held their current position with the Company for more than five years.

Enoch Jen has served as Senior Vice President and Chief Financial Officer since April 2006 and as Vice President, Finance of the Company since February 1991.

Steve Dykman has served as Treasurer and Director of Accounting and Finance

## Edgar Filing: GENTEX CORP - Form 10-K

of the Company since November 2002, as Controller of the Company since April 1995 and joined the Company as Finance and Tax Manager in November 1993.

-15-

### PART II

#### ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

(a) The Company's common stock trades on The Nasdaq Global Select Market (R). As of February 1, 2007, there were 2,340 record-holders of the Company's common stock. Ranges of high and low sale prices (adjusted for 2-for-1 stock split in May 2005) of the Company's common stock reported through The Nasdaq Global Select Market for the past two fiscal years appear in the following table.

YEAR	QUARTER	HIGH	LOW
----	-----	-----	-----
2005	First	\$18.25	\$15.73
	Second	19.45	15.53
	Third	20.32	16.23
	Fourth	19.99	15.38
2006	First	\$21.00	\$15.71
	Second	17.47	13.65
	Third	15.34	12.74
	Fourth	17.46	13.89

The information contained under "Stock Performance Summary" from the Company's Annual Report to Shareholders is hereby incorporated by reference, including such material not being deemed soliciting material and not being deemed filed.

(b) Not applicable

(c) In August 2003, the Company announced a change in the Company's cash dividend policy and declared an initial quarterly cash dividend of \$0.075 per share payable in October 2003. In August 2004, the Company's Board of Directors approved an increase on the quarterly dividend rate of \$0.085 per share. In August 2005, the Company's Board of Directors approved a continuing resolution to pay a quarterly dividend of \$0.09 per share until the Board takes other action with respect to the payment of dividends. In August 2006, the Company's Board of Directors approved a continuing resolution to pay a quarterly dividend at an increased rate of \$0.095 per share until the Board takes other action with respect to the payment of dividends. Based on current U.S. income tax laws, the Company intends to continue to pay a quarterly cash dividend at its current level and will consider future dividend increases based on the Company's profitability, cash flow and other business factors.

On April 1, 2005, the Company's Board of Directors declared a two-for-one stock split effected in the form of a 100% common stock dividend to shareholders of record on May 6, 2005. The stock split increased the number of shares of common stock then outstanding from 78,020,342 to 156,040,684. Earnings per share and all share data have been restated in all prior periods to reflect these stock splits.

## Edgar Filing: GENTEX CORP - Form 10-K

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, including market 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. This share repurchase plan does not have an expiration date. During the quarter ended March 31, 2003, the Company repurchased 830,000 shares (post-split) at a cost of approximately \$10,247,000. On July 20, 2005, the Company announced that it had raised the price at which the Company may repurchase shares under the existing plan. During the quarter ended September 30, 2005, the Company repurchased approximately 1,496,000 shares at a cost of approximately \$25,215,000. 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

-16-

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. During 2006, the Company repurchased approximately 15,206,000 shares at a cost of approximately \$226,851,000 (see below). Approximately 6,468,000 shares remain authorized to be repurchased under the plan.

The following is a summary of share repurchase activity during 2006:

Period	Total Number Of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased As Part of a Publicly Announced Plan*	Maximum Number of Shares That May Yet Be Purchased Under the Plan*
January 2006	475,952	\$16.85	475,952	5,197,989
February 2006	1,630,596	16.88	1,630,596	3,567,393
March 2006	697,000	16.64	697,000	2,870,393
April 2006	750,006	14.74	750,006	2,120,387
May 2006	3,300,319	14.82	3,300,319	6,820,068
June 2006	3,150,756	14.16	3,150,756	3,669,312
July 2006	630,297	13.34	630,297	3,039,015
August 2006	1,763,771	13.97	1,763,771	9,275,244
September 2006	1,574,103	14.33	1,574,103	7,701,141
October 2006	525,679	15.51	525,679	7,175,462
November 2006	255,836	16.02	255,836	6,919,626
December 2006	451,369	16.03	451,369	6,468,257
	-----	-----	-----	-----
Total	15,205,684	\$14.92	15,205,684	
	=====	=====	=====	

\* See above paragraph for data on which plan was announced, the total number of shares approved for repurchase under the plan, and the expiration date (if any) of the plan.

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

Total Number of Shares Purchased	Cost of
-------------------------------------	---------

Edgar Filing: GENTEX CORP - Form 10-K

Quarter Ended	(Post-Split)	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
	-----	-----
Total	17,531,743	\$262,312,636
	=====	=====

-17-

ITEM 6. SELECTED FINANCIAL DATA

	(in thousands, except per share data)				
	2006	2005	2004	2003	2002
	-----	-----	-----	-----	-----
Net Sales	\$572,267	\$536,484	\$505,666	\$469,019	\$395,258
Net Income	108,761	109,528	112,657	106,761	85,771
Earnings Per Share*	\$ 0.73	\$ 0.70	\$ 0.72	\$ 0.69	\$ 0.56
Cash Dividends Declared per Common Share*	\$ 0.37	\$ 0.35	\$ 0.32	\$ 0.15	\$ --
Total Assets	\$785,028	\$922,646	\$856,859	\$762,530	\$609,173
Long-Term Debt Outstanding at Year End	\$ --	\$ --	\$ --	\$ --	\$ --

\* Adjusted for 2-for-1 stock split in May 2005.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

RESULTS OF OPERATIONS.

The following table sets forth for the periods indicated certain items from the Company's Consolidated Statements of Income expressed as a percentage of net sales and the percentage change in the dollar amount of each such item from that in the indicated previous year.

	Percentage of Net Sales			Percentage Change	
	Year Ended December 31,				
	2006	2005	2004	2006	2005
	-----	-----	-----	to 2005	to 2004
	-----	-----	-----	-----	-----
Net Sales	100.0%	100.0%	100.0%	6.7%	6.1%
Cost of Goods Sold	65.2	63.0	58.9	10.5	13.4
	-----	-----	-----	-----	-----

Edgar Filing: GENTEX CORP - Form 10-K

Gross Profit	34.8	37.0	41.1	0.2	(4.4)
Operating Expenses:					
Engineering, Research and Development	7.3	6.5	6.1	19.2	13.7
Selling, General and Administrative	5.4	5.1	5.3	13.2	1.6
	-----	-----	-----	-----	-----
Total Operating Expenses	12.7	11.6	11.4	16.5	8.1
	-----	-----	-----	-----	-----
Operating Income	22.1	25.4	29.7	(7.2)	(9.2)
Other Income	5.7	4.4	3.1	37.8	50.6
	-----	-----	-----	-----	-----
Income Before Provision for Income Taxes	27.8	29.8	32.8	(0.6)	(3.5)
Provision for Income Taxes	8.8	9.4	10.5	(0.3)	(5.1)
	-----	-----	-----	-----	-----
Net Income	19.0%	20.4%	22.3%	(0.7)%	(2.8)%
	=====	=====	=====	=====	=====

RESULTS OF OPERATIONS: 2006 TO 2005

Net Sales. Company net sales increased by \$35,783,000, or 7% compared to the prior year. Automotive net sales increased by 7% on a 7% increase in mirror shipments, from 12,570,000 to 13,427,000 units, primarily reflecting increased penetration of interior and exterior auto-dimming mirrors on European and Asian vehicles. North American mirror unit shipments increased by 1%, primarily due to takeover business from Magna Donnelly at General Motors partially offset by lower customer production volumes on light trucks and sport utility vehicles in North America. Overseas unit shipments increased by 12% during 2006 due to increased penetration at certain European and Asian automakers. Net sales of the Company's fire protection products increased 1%, primarily due to stronger sales of certain signal products.

Cost of Goods Sold. As a percentage of net sales, cost of goods sold increased from 63% to 65% primarily reflecting the impact of automotive customer price reductions. For the year ended December 31, 2006, stock option expense impacted cost of goods sold by \$2,266,000. Effective January 1, 2006, the Company adopted SFAS 123(R).

-18-

Operating Expenses. Engineering, research and development expenses increased approximately \$6,714,000, but remained at 7% of net sales. Excluding stock option expense of \$2,503,000, E,R & D expenses increased by 12%, primarily due to additional staffing for new electronic product development, including SmartBeam and telematics and new vehicle programs. Selling, general and administrative expenses increased approximately \$3,596,000, but remained at 5% of net sales. Excluding stock option expense of \$2,290,000, S, G & A expenses increased by 5%, primarily reflecting the continued expansion of the Company's overseas sales offices to support the Company's current and future overseas sales growth, partially offset by a reduction in non-income based state taxes.

Other Income - Net. Investment income increased \$3,715,000 in 2006, primarily due to increased interest income due to higher interest rates, partially offset by lower investable funds. Other income increased \$5,212,000 in 2006, primarily due to realized gains on the sale of equity investments.

Taxes. The provision for federal income taxes varied from the statutory rate in 2006 primarily due to Extra Territorial Income (ETI) Exclusion Act exempted taxable income from increased foreign sales and the domestic manufacturing deduction.

## Edgar Filing: GENTEX CORP - Form 10-K

Net Income. Net income decreased by \$767,000, or 1%. Excluding stock option expense of \$4,555,000, the Company's net income increased by 3% primarily reflecting the increase in other income, partially offset by decreased gross margin primarily due to the impact of automotive customer price reductions.

### RESULTS OF OPERATIONS: 2005 TO 2004

Net Sales. Automotive net sales increased by 6% on an 8% increase in mirror shipments, from 11,640,000 to 12,570,000 units, primarily reflecting increased penetration of interior and exterior auto-dimming mirrors on European vehicles. North American mirror unit shipments increased by 4%, as growth in Asian transplant vehicle penetration was partially offset by reduced shipments to domestic automakers due to their lower production volumes, while overseas unit shipments increased by 12% during 2005. Net sales of the Company's fire protection products increased 5%, primarily due to stronger sales of certain fire alarm and signal products.

Cost of Goods Sold. As a percentage of net sales, cost of goods sold increased from 59% to 63% primarily reflecting annual and other automotive customer price reductions, product mix, higher fixed overhead expenses, and yield issues on certain new exterior mirror production lines and in the microelectronics manufacturing area. Each factor is estimated to have impacted cost of goods sold by approximately 1-2%.

Operating Expenses. Engineering, research and development expenses increased approximately \$4,226,000, and increased from 6% to 7% of net sales, primarily due to additional staffing for new electronic product development, including SmartBeam and telematics, and new vehicle programs. Selling, general and administrative expenses increased approximately \$441,000, but remained at 5% of net sales, primarily reflecting the continued expansion of the Company's overseas sales offices to support the Company's current and future overseas sales growth, partially offset by a reduction in state taxes.

Other Income - Net. Investment income increased \$9,648,000 in 2005, primarily due to increased year-end mutual fund distribution income and increased interest income due to higher interest rates. Other income decreased \$1,714,000 in 2005, primarily due to decreased realized gains on the sale of equity investments.

Taxes. The provision for federal income taxes varied from the statutory rate in 2005 primarily due to Extra Territorial Income Exclusion Act exempted taxable income from increased foreign sales.

Net Income. Net income decreased by 3%, primarily reflecting the decreased gross margin partially offset by increased other income in 2005.

### LIQUIDITY AND CAPITAL RESOURCES

The Company's financial condition throughout the periods presented has remained very strong.

The Company's current ratio decreased from 10.7 as of December 31, 2005, to 7.8 as of December 31, 2006, primarily as a result of the decrease in cash and cash equivalents due to share repurchases during the year.

Cash flow from operating activities for the year ended December 31, 2006, increased \$5,196,000 to \$131,440,000, compared to \$126,244,000 for the

## Edgar Filing: GENTEX CORP - Form 10-K

same period last year, primarily due to a decrease in accounts receivable. Capital expenditures for the year ended December 31, 2006, decreased to \$48,193,000, compared to \$53,533,000 for the same period last year, primarily due to the completion of the new facilities in mid 2006. The Company currently anticipates capital expenditures of approximately \$40-45 million for equipment and an addition to its exterior automotive mirror manufacturing plant during 2007, financed from existing cash and/or cash equivalents on hand.

Cash and cash equivalents as of December 31, 2006, decreased approximately \$194,182,000 compared to December 31, 2005, primarily due to share repurchases.

Inventories as of December 31, 2006, increased approximately \$8,969,000 compared to December 31, 2005. The increase was primarily due to longer lead times on certain electronic components, smoothing out holiday schedules, and building up parts in anticipation of manufacturing line moves.

The increase in plant and equipment as of December 31, 2006, compared to December 31, 2005, is primarily due to new manufacturing equipment and the completion of the new facilities.

Management considers the Company's working capital of approximately \$389,515,000 and long-term investments of approximately \$146,216,000 at December 31, 2006, together with internally generated cash flow and an unsecured \$5,000,000 line of credit from a bank, to be sufficient to cover anticipated cash needs for the next year and for the foreseeable future.

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, including market 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. 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.

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

Quarter Ended -----	Total Number of Shares Purchased (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
	-----	-----
Total	17,531,743	\$262,312,636

6,468,257 shares remain authorized to be repurchased under the plan.

INFLATION, CHANGING PRICES AND OTHER



## Edgar Filing: GENTEX CORP - Form 10-K

The Company generally supplies auto-dimming mirrors to its customers worldwide under annual blanket purchase orders. During 2005, the Company negotiated an extension to its long-term agreement with General Motors (GM) in the ordinary course of the Company's business. Under the extension, the Company was sourced virtually all the interior auto-dimming rearview mirrors programs for GM and its worldwide affiliates through August 2009, except for two low-volume models that had previously been awarded to a competitor under a lifetime contract. The new business also included the GMT360 program, which is the mid-size

-20-

truck/SUV platform that previously did not offer auto-dimming mirrors. The GM programs were transferred to the Company by the 2007 model year. At that time we estimated that this new business represented incremental auto-dimming mirror units in the range of 500,000 on an annualized basis. The Company also negotiated a price reduction for the GM OnStar(R) feature in its auto-dimming mirrors, effective January 1, 2005, in connection with GM's stated plan to make their OnStar system standard across their vehicle models over the next several years.

During 2005, the Company negotiated an extension to its long-term agreement with DaimlerChrysler in the ordinary course of the Company's business. Under the extension, the Company will be sourced virtually all Mercedes and Chrysler interior and exterior auto-dimming rearview mirrors through December 2009. The Company's exterior auto-dimming mirror sub-assemblies are supplied by means of sales to exterior mirror suppliers.

The Company currently expects that auto-dimming mirror unit shipments will be approximately 5-10% percent higher and revenue growth will be toward the high end of this range in calendar 2007 compared with calendar 2006 due to the current forecast of product mix. These estimates are based on light vehicle production forecasts in the regions to which the Company ships product, as well as the estimated option rates for its mirrors on prospective vehicle models and anticipated product mix.

The Company utilizes the light vehicle production forecasting services of CSM Worldwide, and CSM's current forecasts for light vehicle production for calendar 2007 are approximately 15.3 million units for North America, 20.8 million for Europe and 14.5 million for Japan and Korea.

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

-21-

### MARKET RISK DISCLOSURE

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.

The Company has some assets, liabilities and operations outside the United States, including a Euro denominated account, which currently are not

## Edgar Filing: GENTEX CORP - Form 10-K

significant. Because the Company sells its automotive mirrors throughout the world, it could be significantly affected by weak economic conditions in foreign markets that could reduce demand for its products.

Most of the Company's non-U.S. sales are invoiced and paid in U.S. dollars; during 2006, approximately 13% of the Company's net sales were invoiced and paid in European euros. The Company currently expects that approximately 13% of the Company's net sales in 2007 will be invoiced and paid in European euros. The Company does not currently engage in hedging activities.

The Company manages interest rate risk and default risk in its fixed-income investment portfolio by investing in shorter-term maturities and investment grade issues. The Company's fixed-income investments' maturities at fair value (000,000), and average interest rates are as follows:

	2007	2008	2009	2010	Total Balance as of December 31,	
					2006	2005
U.S. Government						
Amount	--	--	--	--	--	\$ 5.0
Average Interest Rate			--	--	--	4%
Government Agency						
Amount	\$ 9.0	--	--	--	\$ 9.0	\$18.0
Average Interest Rate	5%	--			5%	3%
Municipal						
Amount	--	--	--	--	--	--
Average Interest Rate*			--	--	--	--
Certificates of Deposit						
Amount	\$71.2	--	--	--	\$71.2	\$26.2
Average Interest Rate	5%	--	--	--	5%	4%
Corporate						
Amount	--	\$ 0.3	--	--	\$ 0.3	\$17.2
Average Interest Rate	--	7%	--		7%	7%
Other						
Amount	\$ 2.5	--	--	--	\$ 2.5	\$ 1.2
Average Interest Rate	5%	--	--	--	5%	3%

\* After-tax

Most of the Company's equity investments are managed by a number of outside equity fund managers who invest primarily in large capitalization companies trading on the U.S. stock markets.

### CONTRACTUAL OBLIGATIONS AND OTHER COMMITMENTS

The Company has the following contractual obligations and other commitments (000,000) as of December 31, 2006:

	Total	Less than 1 Year	1-3 Years	After 3 Years
Long-term debt	\$ --	\$ --	\$ --	\$ --
Operating leases	1.0	.5	.4	.1

## Edgar Filing: GENTEX CORP - Form 10-K

Purchase obligations*	42.9	42.9	--	--
Dividends payable	13.5	13.5	--	--
	-----	-----	-----	-----
	\$57.4	\$56.9	\$ 0.4	\$ 0.1
	=====	=====	=====	=====

\* Primarily for inventory parts and capital equipment.

-22-

### CRITICAL ACCOUNTING POLICIES.

The Company's significant accounting policies are described in Note 1 to the consolidated financial statements. The policies described below represent those that are broadly applicable to its operations and involve additional management judgment due to the sensitivity of the methods, assumptions and estimates necessary in determining the related amounts.

**Revenue Recognition.** The Company recognizes revenue in accordance with SEC Staff Accounting Bulletin No. 104, Revenue Recognition in Financial Statements, as amended. Accordingly, revenue is recognized based on the terms of the customer purchase order that indicates title to the product and risk of ownership passes to the customer upon shipment. Sales are shown net of returns, which have not historically been significant. The Company does not generate sales from sale arrangements with multiple deliverables.

**Inventories.** Estimated inventory allowances for slow-moving and obsolete inventories are based on current assessments of future demands, market conditions and related management initiatives. If market conditions or customer requirements change and are less favorable than those projected by management, inventory allowances are adjusted accordingly.

**Investments.** The Company's investment committee regularly reviews its fixed income and equity investment portfolio for any unrealized losses that would be deemed other-than-temporary and require the recognition of an impairment loss in income. Management uses criteria such as the period of time that securities have been in an unrealized loss position, types of securities and their related industries, as well as published investment ratings and analyst reports to evaluate their portfolio. Management considers the unrealized losses at December 31, 2006, to be temporary in nature.

**Self Insurance.** The Company is self-insured for health and workers' compensation benefits up to certain stop-loss limits. Such costs are accrued based on known claims and an estimate of incurred, but not reported (IBNR) claims. IBNR claims are estimated using historical lag information and other data provided by claims administrators. This estimation process is subjective, and to the extent that future actual results differ from original estimates, adjustments to recorded accruals may be necessary.

**Stock-Based Compensation.** Effective January 1, 2006, the Company accounts for stock-based compensation in accordance with the fair value recognition provisions of SFAS No. 123(R). The Company utilizes the Black-Scholes model, which requires the input of subjective assumptions. These assumptions include estimating (a) the length of time employees will retain their vested stock options before exercising them ("expected term"), (b) the volatility of the Company's common stock price over the expected term, (c) the number of options that will ultimately not complete their vesting requirements ("forfeitures") and (d) expected dividends. Changes in the subjective

## Edgar Filing: GENTEX CORP - Form 10-K

assumptions can materially affect the estimate of fair value of stock-based compensation and consequently, the related amounts recognized on the consolidated condensed statements of operations.

### ITEM 7. A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

See "Market Risk Disclosure" in Management's Discussion and Analysis (Item 7).

-23-

### ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The following financial statements and reports of independent registered public accounting firm are filed with this report as pages 29 through 45 following the signature page:

Report of Independent Registered Public Accounting Firm

Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting

Consolidated Balance Sheets as of December 31, 2006 and 2005

Consolidated Statements of Income for the years ended December 31, 2006, 2005 and 2004

Consolidated Statements of Shareholders' Investment for the years ended December 31, 2006, 2005 and 2004

Consolidated Statements of Cash Flows for the years ended December 31, 2006, 2005 and 2004

Notes to Consolidated Financial Statements

Selected quarterly financial data for the past two years appears in the following table:

	Quarterly Results of Operations (in thousands, except per share data)						
	First		Second		Third		Fo
	2006	2005	2006	2005	2006	2005	2006
Net Sales	\$139,021	\$127,642	\$142,391	\$132,384	\$141,266	\$138,115	\$149,590
Gross Profit	48,233	48,053	50,896	49,566	47,879	51,196	52,096
Operating Income	30,282	33,236	33,421	33,756	29,605	35,293	33,139
Net Income	26,371	25,933	27,236	26,041	24,338	27,936	30,816
Earnings Per Share*	\$ .17	\$ .17	\$ .18	\$ .17	\$ .17	\$ .18	\$ .22

\* Diluted; adjusted for 2-for-1 stock split in May 2005.

### ITEM 9. CHANGES AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL

## Edgar Filing: GENTEX CORP - Form 10-K

DISCLOSURE.

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES.

DISCLOSURE CONTROLS AND PROCEDURES.

As of December 31, 2006, an evaluation was performed under the supervision and with the participation of the Company's management, including the CEO and CFO, of the effectiveness of the design and operation of the Company's disclosure controls and procedures [(as defined in Exchange Act Rules 13a - 15(e) and 15d - 15(e)]. Based on that evaluation, the Company's management, including the CEO and CFO, concluded that the Company's disclosure controls and procedures were adequate and effective as of December 31, 2006, to ensure that material information relating to the Company would be made known to them by others within the Company, particularly during the period in which this Form 10-K was being prepared. During the period covered by this annual report, there have been no changes in the Company's internal controls over financial reporting that have materially affected or are likely to materially affect the Company's internal controls over financial reporting. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect internal controls subsequent to December 31, 2006.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control -

-24-

Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in Internal Control - Integrated Framework our management concluded that our internal control over financial reporting was effective as of December 31, 2006. Our management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2006, has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in its attestation report on management's assessment, which is included on page 30 hereof.

ITEM 9B. OTHER INFORMATION.

Not applicable.

-25-

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

## Edgar Filing: GENTEX CORP - Form 10-K

Information relating to executive officers is included in this report in the last section of Part I under the caption "Executive Officers of the Registrant". Information relating to directors appearing under the caption "Election of Directors" in the definitive Proxy Statement for the 2007 Annual Meeting of Shareholders and filed with the Commission within 120 days after the Company's fiscal year end, December 31, 2006 (the "Proxy Statement"), is hereby incorporated herein by reference. Information concerning compliance with Section 16(a) of the Securities and Exchange Act of 1934 appearing under the caption "Section 16(A) Beneficial Ownership Reporting Compliance" in the definitive Proxy Statement is hereby incorporated herein by reference. Information relating to the Company's Audit Committee and Board of Directors concerning whether at least one member of the Audit Committee is an "audit committee financial expert" as that term is defined under Item 401 (h) of Regulation S-K appearing under the caption "Corporate Governance - Audit Committee" in the definitive Proxy Statement is hereby incorporated by reference.

The Company has adopted a Code of Ethics that applies to its principal executive officer, principal financial officer, and principal accounting officer. A copy of the Code of Ethics for Certain Senior Officers is available without charge, upon written request, from the Corporate Secretary of the Company, 600 N. Centennial Street, Zeeland, Michigan 49464. The Company intends to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding an amendment to, or waiver from, a provision of this Code of Ethics by posting such information on its website. Information contained in the Company's website, whether currently posted or posted in the future, is not part of this document or the documents incorporated by reference in this document.

### ITEM 11. EXECUTIVE COMPENSATION.

The information contained under the caption "Compensation Committee Report", "Compensation Discussion and Analysis," "Executive Compensation" and "Compensation Committee Interlocks and Insider Participation" contained in the definitive Proxy Statement is hereby incorporated herein by reference. The "Compensation Committee Report" shall not be deemed to be soliciting material or to be filed with the commission.

### ITEM 12. SECURITY OWNERSHIP OF MANAGEMENT AND EQUITY COMPENSATION PLAN INFORMATION.

The information contained under the captions "Securities Ownership of Management" and "Equity Compensation Plan Information" contained in the definitive Proxy Statement is hereby incorporated herein by reference.

### ITEM 13. CERTAIN RELATIONSHIPS, RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE.

The information contained under the caption "Certain Transactions" contained in the definitive Proxy Statement is hereby incorporated herein by reference. The information contained under the caption "Election of Directors" contained in the definitive proxy statement is hereby incorporated by reference.

### ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

Information regarding principal accounting fees and services set forth under the caption "Ratification of Appointment of Independent Auditors - Principal Accounting Fees and Services" in the definitive Proxy Statement is hereby incorporated herein by reference. Information concerning the policy adopted by the Audit Committee regarding the pre-approval of audit and non-audit services provided by the Company's independent auditors set forth under the caption "Corporate Governance - Audit Committee" in the definitive Proxy Statement is hereby incorporated by reference.

Edgar Filing: GENTEX CORP - Form 10-K

-26-

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

- (a) 1. Financial Statements. See Item 8.
- 2. Financial Statements Schedules. None required or not applicable.
- 3. Exhibits. See Exhibit Index located on page 46.
- (b) See (a) above.
- (c) See (a) above.

-27-

SIGNATURES

Pursuant to the requirements of Section 13 of 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: February 22, 2007

GENTEX CORPORATION

By: /s/ Fred Bauer

-----  
Fred Bauer, Chairman and Principal  
Executive Officer

and

/s/ Steven Dykman

-----  
Steven Dykman, Vice President-Finance  
and Principal Financial and  
Accounting Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on this 22nd day of February, 2007, by the following persons on behalf of the registrant and in the capacities indicated.

Each Director of the registrant whose signature appears below hereby appoints Enoch Jen and Steve Dykman, each of them individually, as his attorney-in-fact to sign in his name and on his behalf, and to file with the Commission any and all amendments to this report on Form 10-K to the same extent and with the same effect as if done personally.

/s/ Fred Bauer Director

-----  
Fred Bauer

/s/ Gary Goode Director

Edgar Filing: GENTEX CORP - Form 10-K

-----  
Gary Goode

/s/ Kenneth La Grand Director  
-----

Kenneth La Grand

/s/ Arlyn Lanting Director  
-----

Arlyn Lanting

/s/ John Mulder Director  
-----

John Mulder

/s/ Rande Somma Director  
-----

Rande Somma

/s/ Fred Sotok Director  
-----

Fred Sotok

/s/ Wallace Tsuha Director  
-----

Wallace Tsuha

-28-

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Gentex Corporation:

We have audited the accompanying consolidated balance sheets of Gentex Corporation and subsidiaries as of December 31, 2006 and 2005, and the related consolidated statements of income, shareholders' investment and cash flows for each of the three years in the period ended December 31, 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Gentex Corporation



## Edgar Filing: GENTEX CORP - Form 10-K

and subsidiaries at December 31, 2006 and 2005, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2006, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, in 2006 the Company changed its method of accounting for share-based payments in connection with the required adoption of Statement of Financial Accounting Standards No. 123(R).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Gentex Corporation's internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 9, 2007 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Grand Rapids, Michigan  
February 9, 2007

-29-

### REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Board of Directors and Shareholders of Gentex Corporation:

We have audited management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, that Gentex Corporation maintained effective internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Gentex Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2)

## Edgar Filing: GENTEX CORP - Form 10-K

provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that Gentex Corporation maintained effective internal control over financial reporting as of December 31, 2006, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, Gentex Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the 2006 consolidated financial statements of Gentex Corporation and subsidiaries and our report dated February 9, 2007 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Grand Rapids, Michigan  
February 9, 2007

-30-

### GENTEX CORPORATION AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2006 AND 2005

	2006	2005
	-----	-----
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 245,499,783	\$ 439,681,693
Short-term investments	82,727,927	67,331,928
Accounts receivable	58,337,396	60,924,437
Inventories	48,805,398	39,836,822
Prepaid expenses and other	11,507,590	11,212,647
	-----	-----
Total current assets	446,878,094	618,987,527
<b>PLANT AND EQUIPMENT:</b>		
Land, buildings and improvements	95,998,488	57,544,173
Machinery and equipment	231,526,281	196,878,770
Construction-in-process	12,393,019	40,858,633
	-----	-----
	339,917,788	295,281,576

Edgar Filing: GENTEX CORP - Form 10-K

Less-Accumulated depreciation and amortization	(155,783,415)	(131,251,235)
	-----	-----
	184,134,373	164,030,341
OTHER ASSETS:		
Long-term investments	146,215,929	132,524,966
Patents and other assets, net	7,800,004	7,102,968
	-----	-----
	154,015,933	139,627,934
	-----	-----
	\$ 785,028,400	\$ 922,645,802
	=====	=====
LIABILITIES AND SHAREHOLDERS' INVESTMENT		
CURRENT LIABILITIES:		
Accounts payable	\$ 23,881,973	\$ 23,607,927
Accrued liabilities:		
Salaries, wages and vacation	4,288,825	3,798,648
Income taxes	4,744,765	2,739,364
Royalties	5,091,886	7,467,491
Dividends declared	13,535,237	14,043,959
Other	5,820,292	6,430,870
	-----	-----
Total current liabilities	57,362,978	58,088,259
DEFERRED INCOME TAXES	24,971,133	22,962,168
SHAREHOLDERS' INVESTMENT:		
Preferred stock, no par value, 5,000,000 shares authorized; none issued or outstanding	--	--
Common stock, par value \$.06 per share; 200,000,000 shares authorized	8,548,571	9,362,639
Additional paid-in capital	196,901,488	194,476,306
Retained earnings	472,192,400	623,301,775
Deferred compensation	--	(4,847,659)
Accumulated other comprehensive income:		
Unrealized gain on investments	23,246,788	18,795,360
Cumulative translation adjustment	1,805,042	506,954
	-----	-----
Total shareholders' investment	702,694,289	841,595,375
	-----	-----
	\$ 785,028,400	\$ 922,645,802
	=====	=====

The accompanying notes are an integral part of these consolidated financial statements.

- 31 -

GENTEX CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2006, 2005 AND 2004

2006	2005	2004
-----	-----	-----

Edgar Filing: GENTEX CORP - Form 10-K

NET SALES	\$572,267,073	\$536,483,974	\$505,666,335
COST OF GOODS SOLD	373,163,484	337,843,632	297,920,747
	-----	-----	-----
Gross profit	199,103,589	198,640,342	207,745,588
OPERATING EXPENSES:			
Engineering, research and development	41,773,792	35,059,401	30,833,627
Selling, general and administrative	30,882,821	27,286,404	26,845,748
	-----	-----	-----
Total operating expenses	72,656,613	62,345,805	57,679,375
	-----	-----	-----
Income from operations	126,446,976	136,294,537	150,066,213
OTHER INCOME:			
Interest and dividend income	24,004,833	20,289,908	10,642,129
Other, net	8,521,789	3,310,066	5,024,176
	-----	-----	-----
Total other income	32,526,622	23,599,974	15,666,305
	-----	-----	-----
Income before provision for income taxes	158,973,598	159,894,511	165,732,518
PROVISION FOR INCOME TAXES	50,212,596	50,367,000	53,076,000
	-----	-----	-----
NET INCOME	\$108,761,002	\$109,527,511	\$112,656,518
	=====	=====	=====
EARNINGS PER SHARE:			
Basic	\$ 0.74	\$ 0.70	\$ 0.73
	=====	=====	=====
Diluted	\$ 0.73	\$ 0.70	\$ 0.72
	=====	=====	=====
Cash Dividends Declared per Share	\$ 0.37	\$ 0.35	\$ 0.32

The accompanying notes are an integral part of these consolidated financial statements.

- 32 -

GENTEX CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF SHAREHOLDERS' INVESTMENT  
FOR THE YEARS ENDED DECEMBER 31, 2006, 2005 and 2004

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Comprehensive Income (Loss)
-----				
BALANCE AS OF DECEMBER 31, 2003	77,040,816	\$4,622,449	\$152,874,325	
Issuance of common stock and the tax benefit of stock plan transactions	825,935	49,556	22,391,789	
Dividends declared (\$.32 per share)	-	-	-	
Amortization of deferred compensation	-	-	-	
Comprehensive income:				

Edgar Filing: GENTEX CORP - Form 10-K

Net income	-	-	-	\$112,656,518
Other comprehensive income (loss):				
Foreign currency translation adjustment	-	-	-	860,738
Unrealized gain on investments, net of tax of \$2,098,093	-	-	-	3,896,458
				-----
Other comprehensive income	-	-	-	4,757,196
				-----
Comprehensive income	-	-	-	\$117,413,714
				=====
BALANCE AS OF DECEMBER 31, 2004	77,866,751	4,672,005	175,266,114	
Issuance of common stock and the tax benefit of stock plan transactions	1,652,948	99,177	25,641,802	
2 for 1 Common Stock Split	78,020,342	4,681,221	(4,681,221)	
Repurchases of common stock	(1,496,059)	(89,764)	(1,750,389)	
Dividends declared (\$.35 per share)	-	-	-	
Amortization of deferred compensation	-	-	-	
Comprehensive income:				
Net income	-	-	-	\$109,527,511
Other comprehensive income (loss):				
Foreign currency translation adjustment	-	-	-	(1,138,244)
Unrealized gain on investments, net of tax of \$1,743,097	-	-	-	3,237,180
				-----
Other comprehensive income	-	-	-	2,098,936
				-----
Comprehensive income	-	-	-	\$111,626,447
				=====
BALANCE AS OF DECEMBER 31, 2005	156,043,982	9,362,639	194,476,306	
Reclassification of Deferred Compensation upon adopting [SFAS123(R)]	-	-	(4,847,659)	
Issuance of common stock and the tax benefit of stock plan transactions	1,637,883	98,273	18,854,905	
Stock-based compensation expense related to stock options, employee stock purchases and restricted stock			8,481,871	
Repurchases of common stock	(15,205,684)	(912,341)	(20,063,935)	
Dividends declared (\$.37 per share)	-	-	-	
Comprehensive income:				
Net income	-	-	-	\$108,761,002
Other comprehensive income (loss):				
Foreign currency translation adjustment	-	-	-	1,298,088

Edgar Filing: GENTEX CORP - Form 10-K

Unrealized gain on investments, net of tax of \$2,396,923	-	-	-	4,451,428
Other comprehensive income	-	-	-	5,749,516
Comprehensive income	-	-	-	\$114,510,518
-----				
BALANCE AS OF DECEMBER 31, 2006	142,476,181	\$8,548,571	\$196,901,488	
=====				

	Retained Earnings	Deferred Compensation	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
-----				
BALANCE AS OF DECEMBER 31, 2003	\$528,358,825	(\$4,658,450)	\$12,446,182	\$693,600,000
Issuance of common stock and the tax benefit of stock plan transactions	-	(2,323,123)	-	20,100,000
Dividends declared (\$.32 per share)	(49,469,017)	-	-	(49,469,017)
Amortization of deferred compensation	-	1,573,722	-	1,573,722
Comprehensive income:				
Net income	112,656,518	-	-	112,656,518
Other comprehensive income (loss):				
Foreign currency translation adjustment	-	-	-	-
Unrealized gain on investments, net of tax of \$2,098,093	-	-	-	-
Other comprehensive income	-	-	4,757,196	4,757,196
Comprehensive income	-	-	-	-
-----				
BALANCE AS OF DECEMBER 31, 2004	591,546,326	(5,407,851)	17,203,378	783,200,000
Issuance of common stock and the tax benefit of stock plan transactions	-	(1,069,507)	-	24,600,000
2 for 1 Common Stock Split				
Repurchases of common stock	(23,374,420)	-	-	(23,374,420)
Dividends declared (\$.35 per share)	(54,397,642)	-	-	(54,397,642)
Amortization of deferred compensation	-	1,629,699	-	1,629,699
Comprehensive income:				
Net income	109,527,511	-	-	109,527,511
Other comprehensive income (loss):				
Foreign currency translation adjustment	-	-	-	-
Unrealized gain on				

Edgar Filing: GENTEX CORP - Form 10-K

investments, net of tax of \$1,743,097	-	-	-	
Other comprehensive income	-	-	2,098,936	2,0
Comprehensive income	-	-	-	
-----				
BALANCE AS OF DECEMBER 31, 2005	623,301,775	(4,847,659)	19,302,314	841,5
Reclassification of Deferred Compensation upon adopting [SFAS123(R)]	-	4,847,659	-	
Issuance of common stock and the tax benefit of stock plan transactions	-	-	-	18,9
Stock-based compensation expense related to stock options, employee stock purchases and restricted stock				8,4
Repurchases of common stock	(205,874,977)	-	-	(226,8
Dividends declared (\$.37 per share)	(53,995,400)	-	-	(53,9
Comprehensive income:				
Net income	108,761,002	-	-	108,7
Other comprehensive income (loss):				
Foreign currency translation adjustment	-	-	-	
Unrealized gain on investments, net of tax of \$2,396,923	-	-	-	
Other comprehensive income	-	-	5,749,516	5,7
Comprehensive income	-	-	-	
-----				
BALANCE AS OF DECEMBER 31, 2006	\$472,192,400	\$ -	\$25,051,830	\$702,6
=====				

The accompanying notes are an integral part of these consolidated financial statements.

-33-

GENTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2006, 2005 AND 2004

	2006	200
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		

Edgar Filing: GENTEX CORP - Form 10-K

Net income	\$ 108,761,002	\$ 109,52
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	27,762,710	23,82
Loss on disposal of assets	117,872	42
Gain on sale of investments	(11,041,851)	(5,71
Loss on sale of investments	4,674,676	2,51
Deferred income taxes	(1,754,219)	(2,17
Stock based compensation expense related to employee stock options, employee stock purchases and restricted stock	8,481,871	1,62
Tax benefit of stock plan transactions	0	3,18
Excess tax benefits from stock based compensation	(235,410)	
Change in operating assets and liabilities:		
Accounts receivable	2,587,041	(4,83
Inventories	(8,968,576)	(9,23
Prepaid expenses and other	1,071,317	49
Accounts payable	274,046	3,75
Accrued liabilities	(290,328)	2,85
	-----	-----
Net cash provided by operating activities	131,440,151	126,24
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Activity in available-for-sale securities:		
Sales proceeds	60,550,849	30,05
Maturities and calls	64,240,000	101,15
Purchases	(140,662,282)	(101,37
Plant and equipment additions	(48,193,083)	(53,53
Proceeds from sale of plant and equipment	500,665	1,14
Decrease (increase) in other assets	308,855	(2,04
	-----	-----
Net cash provided by (used for) investing activities	(63,254,996)	(24,60
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of common stock from stock plan transactions	18,953,178	21,49
Cash dividends paid	(54,704,400)	(53,77
Repurchases of common stock	(226,851,253)	(25,21
Excess tax benefits from stock based compensation	235,410	
	-----	-----
Net cash provided by (used for) financing activities	(262,367,065)	(57,50
	-----	-----
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(194,181,910)	44,14
CASH AND CASH EQUIVALENTS, Beginning of year	439,681,693	395,53
	-----	-----
CASH AND CASH EQUIVALENTS, End of year	\$ 245,499,783	\$ 439,68
	=====	=====



## Edgar Filing: GENTEX CORP - Form 10-K

The accompanying notes are an integral part of these consolidated financial statements.

- 34 -

### GENTEX CORPORATION AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### (1) SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

##### The Company

Gentex Corporation designs, develops, manufactures and markets proprietary electro-optical products: automatic-dimming rearview mirrors for the automotive industry and fire protection products for the commercial building industry. A substantial portion of the Company's net sales and accounts receivable result from transactions with domestic and foreign automotive manufacturers and tier one suppliers. The Company's fire protection products are primarily sold to domestic distributors and original equipment manufacturers of fire and security systems. The Company does not require collateral or other security for trade accounts receivable.

Significant accounting policies of the Company not described elsewhere are as follows:

##### Consolidation

The consolidated financial statements include the accounts of Gentex Corporation and all of its wholly-owned subsidiaries (together the "Company"). All significant intercompany accounts and transactions have been eliminated.

##### Cash Equivalents

Cash equivalents consist of funds invested in bank accounts and money market funds that have daily liquidity.

##### Investments

At December 31, 2006, investment securities are available for sale and are stated at fair value based on quoted market prices. Adjustments to the fair value of investments are recorded as increases or decreases, net of income taxes, within accumulated other comprehensive income (loss) in shareholders' investment.

The amortized cost, unrealized gains and losses, and market value of investment securities are shown as of December 31, 2006 and 2005:

Edgar Filing: GENTEX CORP - Form 10-K

2006	Cost	Unrealized		Market Value
		Gains	Losses	
Government Agency	\$ 8,992,336	\$ --	\$ (3,796)	\$ 8,988,540
Certificates of Deposit	71,200,000	--	--	71,200,000
Corporate Bonds	297,579	--	(4,926)	292,653
Other Fixed Income	2,539,387	--	--	2,539,387
Equity	110,150,262	36,173,199	(400,185)	145,923,276
	\$193,179,564	\$36,173,199	\$ (408,907)	\$228,943,856
	=====	=====	=====	=====

  

2005	Cost	Unrealized		Market Value
		Gains	Losses	
U.S. Government	\$ 5,000,000	\$ --	\$ --	\$ 5,000,000
Government Agency	18,024,332	--	(33,462)	17,990,870
Certificates of Deposit	26,200,000	--	--	26,200,000
Corporate Bonds	17,288,250	--	(93,899)	17,194,351
Other Fixed Income	1,215,708	--	--	1,215,708
Equity	103,212,665	30,802,826	(1,759,526)	132,255,965
	\$170,940,955	\$30,802,826	\$ (1,886,887)	\$199,856,894
	=====	=====	=====	=====

Unrealized losses on investments as of December 31, 2006, are as follows:

	Aggregate Unrealized Losses	Aggregate Fair Value
Less than one year	\$351,434	\$ 7,451,508
Greater than one year	57,473	10,210,915

-35-

GENTEX CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES, continued

Management has reviewed the unrealized losses in the Company's fixed-income and equity securities as of December 31, 2006, and has determined that they are temporary in nature; accordingly, no losses have been recognized in income as of December 31, 2006.

Fixed income securities as of December 31, 2006, have contractual maturities as follows:

## Edgar Filing: GENTEX CORP - Form 10-K

Due within one year	\$82,731,723
Due between one and five years	297,579
Due over five years	--
	-----
	\$83,029,302
	=====

### Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, investments, accounts receivable and accounts payable. The Company's estimate of the fair values of these financial instruments approximates their carrying amounts at December 31, 2006 and 2005.

### Inventories

Inventories include material, direct labor and manufacturing overhead and are valued at the lower of first-in, first-out (FIFO) cost or market. Inventories consisted of the following as of December 31, 2006 and 2005:

	2006	2005
	-----	-----
Raw materials	\$31,727,666	\$24,628,200
Work-in-process	4,681,714	3,739,394
Finished goods	12,396,018	11,469,228
	-----	-----
	\$48,805,398	\$39,836,822
	=====	=====

Allowances for slow-moving and obsolete inventories were not significant as of December 31, 2006 and 2005.

### Plant and Equipment

Plant and equipment are stated at cost. Depreciation and amortization are computed for financial reporting purposes using the straight-line method, with estimated useful lives of 7 to 40 years for buildings and improvements, and 3 to 10 years for machinery and equipment.

### Impairment or Disposal of Long-Lived Assets

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such assets are determined to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

### Patents

The Company's policy is to capitalize costs incurred to obtain patents. The cost of patents is amortized over their useful lives. The cost of patents in process is not amortized until issuance. Accumulated amortization was approximately \$3,510,000 and \$3,218,000 at December 31, 2006 and 2005, respectively. At December 31, 2006, patents had a weighted average amortization life of 13 years. Patent amortization expense was approximately \$292,000, \$233,000, and \$193,000 in 2006, 2005 and 2004,

## Edgar Filing: GENTEX CORP - Form 10-K

respectively. For each of the next five years, patent amortization expense will approximate \$362,000 annually.

### Revenue Recognition

The Company's revenue is generated from sales of its products. Sales are recognized when the product is shipped and legal title has passed to the customer. The Company does not generate sales from arrangements with multiple deliverables.

-36-

### GENTEX CORPORATION AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### (1) SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES, continued

##### Advertising and Promotional Materials

All advertising and promotional costs are expensed as incurred and amounted to approximately \$1,250,000, \$1,458,000 and \$1,314,000, in 2006, 2005 and 2004, respectively.

##### Repairs and Maintenance

Major renewals and improvements of property and equipment are capitalized, and repairs and maintenance are expensed as incurred. The Company incurred expenses relating to the repair and maintenance of plant and equipment of approximately \$6,727,000, \$5,770,000 and \$5,171,000, in 2006, 2005 and 2004, respectively.

##### Self-Insurance

The Company is self-insured for a portion of its risk on workers' compensation and employee medical costs. The arrangements provide for stop loss insurance to manage the Company's risk. Operations are charged with the cost of claims reported and an estimate of claims incurred but not reported based upon historical claims lag information and other data.

##### Product Warranty

The Company periodically incurs product warranty costs. Any liabilities associated with product warranty are estimated based on known facts and circumstances and are not significant at December 31, 2006 and 2005. The Company does not offer extended warranties on its products.

##### Earnings Per Share

The following table reconciles the numerators and denominators used in the calculations of basic and diluted earnings per share (EPS) for each of the last three years:

	2006	2005	2004
Numerators:	-----	-----	-----

## Edgar Filing: GENTEX CORP - Form 10-K

Numerator for both basic and diluted EPS, net income	\$108,761,002	\$109,527,511	\$112,656,518
Denominators:			
Denominator for basic EPS, weighted-average common shares outstanding	147,950,666	155,438,834	154,321,342
Potentially dilutive shares resulting from stock option plans	543,697	1,591,790	2,399,890
	-----	-----	-----
Denominator for diluted EPS	148,494,363	157,030,624	156,721,232
	=====	=====	=====

For the years ended December 31, 2006, 2005 and 2004, 6,564,622, 3,517,373 and 1,512,782 shares, respectively, related to stock option plans were not included in diluted average common shares outstanding because their effect would be antidilutive.

### Other Comprehensive Income (Loss)

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 investments and foreign currency translation adjustments.

### Foreign Currency Translation

The financial position and results of operations of the Company's foreign subsidiaries are measured using the local currency as the functional currency. Assets and liabilities are translated at the exchange rate in effect at year-end. Income statement accounts are translated at the average rate of exchange in effect during the year. The resulting translation adjustment is recorded as a separate component of shareholders' investment. Gains and losses arising from re-measuring foreign currency transactions into the appropriate currency are included in the determination of net income.

-37-

### GENTEX CORPORATION AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### (1) SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES, continued

##### Stock-Based Compensation Plans

At December 31, 2006, the Company had two stock option plans, a restricted plan and an employee stock purchase plan, which are described more fully in Note 6. Effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123 (revised), "Shares-Based Payment" [SFAS 123(R)] utilizing the modified prospective approach. Prior to the adoption of SFAS 123(R) we accounted for stock option grants under the recognition and measurement principles of APB Opinion No. 25 (Accounting for Stock Issued to Employees) and related interpretations, and accordingly, recognized no compensation expense for stock option grants in net income.

## Edgar Filing: GENTEX CORP - Form 10-K

Under the modified prospective approach, SFAS 123(R) applies to new awards and to awards that were outstanding on December 31, 2005. Under the modified prospective approach, compensation cost recognized in 2006 includes compensation cost for all share-based payments granted prior to, but not yet vested as of December 31, 2005, based on the grant-date fair value estimated in accordance with the original provisions of SFAS 123, and compensation cost for all share-based payments granted subsequent to December 31, 2005, based on the grant-date fair value estimated in accordance with the provisions of SFAS 123 (R). Prior periods were not restated to reflect the impact of adopting the new standard.

As a result of adopting SFAS 123(R) on January 1, 2006, the Company's income before taxes, net income and basic and diluted earnings per share for the year ended December 31, 2006, were \$7,058,135, \$4,554,731 and \$.03 lower, respectively, than if we had continued to account for stock-based compensation under APB Opinion No. 25 for our stock option grants. Compensation cost capitalized as part of inventory as of December 31, 2006, was \$95,111. The cumulative effect of the change in accounting for forfeitures was not material.

We receive a tax deduction for certain stock option exercises during the period the options are exercised, generally for the excess of the price at which the options are sold over the exercise price of the options. Prior to the adoption of SFAS 123(R), we reported all tax benefits resulting from the exercise of stock options as operating cash flows in our consolidated statement of cash flows. In accordance with SFAS 123(R), for the twelve months ended December 31, 2006, we revised our consolidated statement of cash flows presentation to report the tax benefits from the exercise of stock options as financing cash flows. For the twelve months ended December 31, 2006, \$235,410 of tax benefits from the exercise of stock options and vested restricted stock were reported as financing cash flows rather than operating cash flows.

Net cash proceeds from the exercise of stock options and employee stock purchases were \$18,953,178, for the year ended December 31, 2006. The actual income tax benefit realized from stock option exercises and vested restricted stock were \$1,608,341 for the year.

The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation," to stock-based employee compensation:

	2005 -----	2004 -----
Net Income, as reported	\$109,527,511	\$112,656,518
Deduct: Total stock-based employee compensation expense determined under fair value-based method of all awards, net of tax effects	(19,982,017)	(14,541,115)
Pro forma net income	\$ 89,545,494 =====	\$ 98,115,403 =====
 Earnings per share:		
Basic - as reported	\$ .70	\$ .73
Basic - pro forma	\$ .58	\$ .64
Diluted - as reported	\$ .70	\$ .72
Diluted - pro forma	\$ .57	\$ .63

## Edgar Filing: GENTEX CORP - Form 10-K

On March 30, 2005, in response to the required implementation of SFAS No. 123(R), the Company accelerated the vesting of current "under water" stock options. As a result of the vesting acceleration, approximately 2.3 million shares became immediately exercisable and an additional approximate \$13.6 million of proforma stock-based employee compensation expense was recognized in the first quarter 2005, that otherwise would have been recognized as follows: \$6.1 million in 2005;

-38-

### GENTEX CORPORATION AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### (1) SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES, continued

##### Stock-Based Compensation Plans, continued

\$4.5 million in 2006; \$2.2 million in 2007 and \$0.8 million in 2008-2009. The objective of this Company action was primarily to avoid recognizing compensation expense associated with these options in future financial statements, upon the Company's adoption of SFAS 123(R), effective January 1, 2006. In addition, the Company also received shareholder approval of an amendment to its Employee Stock Option Plan to allow the grant of non-qualified stock options.

##### Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

##### New Accounting Standards

In July 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes." This interpretation clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB statement No. 109, "Accounting for Income Taxes." Interpretation No. 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This Interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. This Interpretation is effective for fiscal years beginning after December 15, 2006. The adoption of Interpretation No. 48 is not expected to have any significant effect on the Company's consolidated financial position or results of operations.

#### (2) LINE OF CREDIT

The Company has available an unsecured \$5,000,000 line of credit from a bank at an interest rate equal to the lower of the bank's prime rate or

## Edgar Filing: GENTEX CORP - Form 10-K

1.5% above the LIBOR rate. No borrowings were outstanding under this line in 2006 or 2005. No compensating balances are required under this line.

### (3) INCOME TAXES

The provision for income taxes is based on the earnings reported in the accompanying consolidated financial statements. The Company recognizes deferred income tax liabilities and assets for the expected future tax consequences of events that have been included in the consolidated financial statements or tax returns. Under this method, deferred income tax liabilities and assets are determined based on the cumulative temporary differences between the financial statement and tax bases of assets and liabilities using enacted tax rates. Deferred income tax expense is measured by the net change in deferred income tax assets and liabilities during the year.

The components of the provision for income taxes are as follows:

	2006	2005	2004
	-----	-----	-----
Currently payable:			
Federal	\$51,411,596	\$52,375,000	\$50,497,000
State	144,000	(246,000)	167,000
Foreign	411,000	411,000	8,000
	-----	-----	-----
Total	51,966,596	52,540,000	50,672,000
	-----	-----	-----
Net deferred:			
Primarily federal	(1,754,000)	(2,173,000)	2,404,000
	-----	-----	-----
Provision for income taxes	\$50,212,596	\$50,367,000	\$53,076,000
	=====	=====	=====

The currently payable provision is further reduced by the tax benefits associated with the exercise, vesting or disposition of stock under the stock plans described in Note 6. These reductions totaled approximately \$1,608,000, \$3,180,000 and \$3,512,000 in 2006, 2005 and 2004, respectively, and were recognized as an adjustment of additional paid-in capital.

-39-

GENTEX CORPORATION AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 (Continued)

### (3) INCOME TAXES (continued)

The effective income tax rates are different from the statutory federal income tax rates for the following reasons:

	2006	2005	2004
	----	----	----
Statutory federal income tax rate	35.0%	35.0%	35.0%



Edgar Filing: GENTEX CORP - Form 10-K

State income taxes, net of federal income tax benefit	0.1	(0.1)	0.1
Foreign source exempted income	(2.0)	(2.4)	(2.8)
Domestic production exclusion	(1.0)	(0.9)	--
Tax-exempt investment income	(0.5)	(0.6)	(0.2)
Other	--	0.5	(0.1)
	----	----	----
Effective income tax rate	31.6%	31.5%	32.0%
	====	====	====

The tax effect of temporary differences which give rise to deferred income tax assets and liabilities at December 31, 2006 and 2005, are as follows:

	2006		2005	
	Current	Non-Current	Current	Non-Current
<b>Assets:</b>				
Accruals not currently deductible	\$2,676,168	\$ 164,603	\$2,755,501	\$ 164,603
Stock based compensation	1,530,018	1,405,334	--	1,294,506
Other	2,038,409	14,147	2,056,759	5,010
	-----	-----	-----	-----
Total deferred income tax assets	6,244,595	1,584,084	4,812,260	1,464,119
<b>Liabilities:</b>				
Excess tax over book depreciation	--	(12,759,431)	--	(13,286,196)
Patent costs	--	(1,278,283)	--	(1,019,513)
Unrealized gain on investments	--	(12,517,503)	--	(10,120,578)
Other	(779,998)	--	(713,923)	--
	-----	-----	-----	-----
Net deferred incomes taxes	\$5,464,597	\$ (24,971,133)	\$4,098,337	\$ (22,962,168)
	=====	=====	=====	=====

Income taxes paid in cash were approximately \$49,061,000, \$47,582,000 and \$48,556,000, in 2006, 2005 and 2004, respectively.

(4) EMPLOYEE BENEFIT PLAN

The Company has a 401(k) retirement savings plan in which substantially all of its employees may participate. The plan includes a provision for the Company to match a percentage of the employee's contributions at a rate determined by the Company's Board of Directors. In 2006, 2005 and 2004, the Company's contributions were approximately \$1,715,000, \$1,601,000 and \$1,306,000, respectively.

The Company does not provide health care benefits to retired employees.

(5) SHAREHOLDER PROTECTION RIGHTS PLAN

The Company has a Shareholder Protection Rights Plan (the Plan). The Plan is designed to protect shareholders against unsolicited attempts to acquire control of the Company in a manner that does not offer a fair price to all shareholders.

Under the Plan, one purchase Right automatically trades with each share of the Company's common stock. Each Right entitles a shareholder to purchase 1/100 of a share of junior participating preferred stock at a price of \$55, if any person or group attempts certain hostile takeover tactics toward the

## Edgar Filing: GENTEX CORP - Form 10-K

Company. Under certain hostile takeover circumstances, each Right may entitle the holder to purchase the Company's common stock at one-half its market value or to purchase the securities of any acquiring entity at one-half their market value. Rights are subject to redemption by the Company at \$.0025 per Right and, unless earlier redeemed, will expire on March 29, 2011. Rights beneficially owned by holders of 15 percent or more of the Company's common stock, or their transferees, automatically become void.

-40-

### GENTEX CORPORATION AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### (6) STOCK-BASED COMPENSATION PLANS

##### Employee Stock Option Plan

In 2004, a new Employee Stock Option Plan was approved, replacing the prior plan. The Company may grant options for up to 18,000,000 shares under its new Employee Stock Option Plan. The Company has granted options on 5,460,775 shares (net of shares from canceled options) under the new plan through December 31, 2006. Under the plans, 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.

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:

	2006	2005	2004
	-----	-----	-----
Dividend yield	2.0%	2.0%	1.8%
Expected volatility	30.0%	36.3%	48.5%
Risk-free interest rate	4.8%	4.1%	3.4%
Expected term of options (in years)	4.5	4.4	4.4
Weighted-average grant-date fair value	\$ 4	\$ 4	\$ 7

The Company determined that all employee groups exhibit similar exercise and post-vesting termination behavior to determine the expected term.

As of December 31, 2006, there was \$9,401,859 of unrecognized compensation cost related to share-based payments which is expected to be recognized over the remaining vesting periods, with a weighted-average period of 4.2 years.

A summary of the status of the Company's employee stock option plan at December 31, 2006, 2005, and 2004, and changes during the same periods are presented in the tables and narrative below:

2006

Edgar Filing: GENTEX CORP - Form 10-K

	Shares 000	Wtd. Avg. Ex. Price	Wtd. Avg. Remaining Contract Life	Aggregate Intrinsic Value \$000
Outstanding at Beginning of Year	10,510	\$17		
Granted	1,691	15		
Exercised	(1,320)	13		\$4,205
Forfeited	(481)	18		
Outstanding at End of Year	10,400	17	2.9 Yrs	\$5,614
Exercisable at End of Year	6,904	\$17	2.2 Yrs	\$3,690

2005

	Shares 000	Wtd. Avg. Ex. Price	Wtd. Avg. Remaining Contract Life	Aggregate Intrinsic Value \$000
Outstanding at Beginning of Year	10,586	\$16		
Granted	1,931	17		
Exercised	(1,580)	12		\$ 9,152
Forfeited	(427)	18		
Outstanding at End of Year	10,510	17	3.2 Yrs	\$33,881
Exercisable at End of Year	7,440	\$17	2.8 Yrs	\$23,525

-41-

GENTEX CORPORATION AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 (Continued)

(6) STOCK-BASED COMPENSATION PLANS, continued

2004

	Shares 000	Wtd. Avg. Ex. Price	Wtd. Avg. Remaining Contract Life	Aggregate Intrinsic Value \$000
Outstanding at Beginning of Year	9,102	\$14		
Granted	2,864	19		
Exercised	(1,258)	12		\$ 8,865
Forfeited	(122)	16		
Outstanding at End of Year	10,586	16	3.4 Yrs	\$33,116
Exercisable at End of Year	3,988	\$14	2.2 Yrs	\$19,107

Edgar Filing: GENTEX CORP - Form 10-K

A summary of the status of the Company's non-vested employee stock option activity for the years ended December 31, 2006, 2005, and 2004, are presented in the table and narrative below:

	2006		2005		2004	
	Shares 000	Wtd. Avg Grant Date Fair Value	Shares 000	Wtd. Avg Grant Date Fair Value	Shares 000	Wtd. Avg Grant Date Fair Value
Nonvested stock options at						
Beginning of Year	3,069	\$6	6,598	\$7	5,911	\$7
Granted	1,691	4	1,931	4	2,864	7
Vested	(1,124)	6	(5,345)	7	(2,063)	7
Forfeited	(140)	5	(115)	6	(114)	7
	-----	---	-----	---	-----	---
Nonvested stock options at End of Year	3,496	\$5	3,069	\$6	6,598	\$7

Non-employee Director Stock Option Plan

The Company has a Non-employee Director Stock Option Plan covering 1,000,000 shares that was approved, replacing a prior plan. The Company has granted options on 315,240 shares (net of shares from canceled options) under the current plan through December 31, 2006. Under the plan, the option exercise price equals the stock's market price on date of grant. The options vest after six months, and expire after ten years.

The fair value of each option grant in the Nonemployee Director Stock Option Plans was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions for the indicated periods:

	2006	2005	2004
	-----	-----	-----
Dividend yield	1.8%	1.9%	1.7%
Expected volatility	30.7%	42.3%	49.2%
Risk-free interest rate	5.0%	4.1%	4.9%
Expected term of options (in years)	8.9	8.6	8.5
Weighted-average grant-date fair value	\$ 6	\$ 8	\$ 9

As of December 31, 2006, there was no unrecognized compensation cost related to share-based payments under this plan.

## Edgar Filing: GENTEX CORP - Form 10-K

### (6) STOCK-BASED COMPENSATION PLANS, continued

A summary of the status of the Company's Non-employee Director Stock Option Plan at December 31, 2006, 2005, and 2004, and changes during the same periods are presented in the tables and narrative below:

2006				
	Shares 000	Wtd. Avg. Ex. Price	Wtd. Avg. Remaining Contract Life	Aggregate Intrinsic Value \$000
Outstanding at Beginning of Year	445	\$14		
Granted	48	15		
Exercised	(80)	6		\$662
Forfeited	(72)	16		
	---	---		
Outstanding at End of Year	341	15	6.1 Yrs	\$450
	---	---	-----	-----
Exercisable at End of Year	341	\$15	6.1 Yrs	\$450
2005				
	Shares 000	Wtd. Avg. Ex. Price	Wtd. Avg. Remaining Contract Life	Aggregate Intrinsic Value \$000
Outstanding at Beginning of Year	510	\$13		
Granted	48	18		
Exercised	(101)	10		\$ 756
Forfeited	(12)	18		
	----	----		
Outstanding at End of Year	445	14	5.6 Yrs	\$2,617
	----	----	-----	-----
Exercisable at End of Year	445	\$14	5.6 Yrs	\$2,617
2004				
	Shares 000	Wtd. Avg. Ex. Price	Wtd. Avg. Remaining Contract Life	Aggregate Intrinsic Value \$000
Outstanding at Beginning of Year	626	\$9		
Granted	96	18		
Exercised	(212)	5		\$2,940
Forfeited	0	0		
	----	----		
Outstanding at End of Year	510	13	5.8 Yrs	\$2,992
	----	----	-----	-----
Exercisable at End of Year	510	\$13	5.8 Yrs	\$2,992

## Edgar Filing: GENTEX CORP - Form 10-K

A summary of the status of the Company's non-vested non-employee director stock option plan activity for the years ended December 31, 2006, 2005, and 2004, are presented in the table and narrative below:

	2006		2005		2004	
	Shares 000	Wtd. Avg Grant Date Fair Value	Shares 000	Wtd. Avg Grant Date Fair Value	Shares 000	Wtd. Avg Grant Date Fair Value
Nonvested stock options at						
Beginning of Year	0	\$0	0	\$0	6	\$11
Granted	48	6	48	8	96	9
Vested	(48)	6	(48)	8	(102)	9
Forfeited	0	0	0	0	0	0
	---	---	---	---	---	---
Nonvested stock options at End						
of Year	0	\$0	0	\$0	0	\$ 0

-43-

GENTEX CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

(6) STOCK-BASED COMPENSATION PLANS

Employee Stock Purchase Plan

In 2003, a new Employee Stock Purchase Plan covering 1,200,000 shares was approved, replacing a prior plan. The Company has sold to employees 130,876 shares, 135,409 shares and 111,808 shares under the new plan in 2006, 2005, and 2004, respectively, and has sold a total of 441,127 shares under the new plan through December 31, 2006. The Company sells shares at 85% of the stock's market price at date of purchase. The weighted average fair value of shares sold in 2006 was approximately \$13.08.

Restricted Stock Plan

The Company has a Restricted Stock Plan covering 1,000,000 shares of common stock that was approved, the purpose of which 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 a committee, appointed by the Board of Directors, but may not exceed ten years. The Company has 572,910 shares outstanding as of December 31, 2006. During 2006, 2005, and 2004, 182,530, 80,700, and 122,520 shares, respectively, were granted with a restriction period of five years at market prices ranging from \$14.00 to \$17.09 in 2006, \$15.93 to \$19.50 in 2005, and \$17.37 to \$21.10 in 2004 and has unearned stock-based compensation of \$5,495,816 associated with these restricted stock grants.

## Edgar Filing: GENTEX CORP - Form 10-K

The unearned stock-based compensation related to these grants is being amortized to compensation expense over the applicable restriction periods. Amortization of restricted stock for 2006 was \$1,423,736.

(7) STOCK SPLIT

On April 1, 2005, the Company's Board of Directors declared a two-for-one stock split effected in the form of a 100% common stock dividend to shareholders of record on May 6, 2005. The stock split increased the number of shares of common stock then outstanding from 78,020,342 to 156,040,684.

Earnings per share and all share data have been restated in all prior periods to reflect these stock splits.

(8) 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.

-44-

GENTEX CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

(9) SEGMENT REPORTING

SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information," requires that a public enterprise report financial and descriptive information about its reportable operating segments subject to certain aggregation criteria and quantitative thresholds. Operating segments are defined by SFAS No. 131 as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision-makers in deciding how to allocate resources and in assessing performance.

	2006	2005	2004
	-----	-----	-----
Revenue:			
Automotive Products			
United States	\$230,152,102	\$236,708,606	\$230,075,562
Germany	127,531,636	99,339,847	86,432,114
Japan	56,547,995	52,215,691	54,336,447
Other	134,172,464	124,532,388	112,306,599
Fire Protection Products	23,862,876	23,687,442	22,515,613
	-----	-----	-----
Total	\$572,267,073	\$536,483,974	\$505,666,335
	=====	=====	=====

Income from Operations:

Edgar Filing: GENTEX CORP - Form 10-K

Automotive Products	\$121,766,143	\$131,165,600	\$145,622,021
Fire Protection Products	4,680,833	5,128,937	4,444,192
	-----	-----	-----
Total	\$126,446,976	\$136,294,537	\$150,066,213
	=====	=====	=====
Assets:			
Automotive Products	\$275,022,400	\$248,568,391	\$202,052,906
Fire Protection Products	5,090,934	4,334,747	4,252,818
Other	504,915,066	669,742,664	650,553,704
	-----	-----	-----
Total	\$785,028,400	\$922,645,802	\$856,859,428
	=====	=====	=====
Depreciation & Amortization:			
Automotive Products	\$ 25,218,267	\$ 21,407,276	\$ 19,323,047
Fire Protection Products	253,879	207,336	228,844
Other	2,290,564	2,208,715	2,188,941
	-----	-----	-----
Total	\$ 27,762,710	\$ 23,823,327	\$ 21,740,832
	=====	=====	=====
Capital Expenditures:			
Automotive Products	\$ 45,846,127	\$ 52,966,667	\$ 29,233,220
Fire Protection Products	868,296	131,821	251,492
Other	1,478,660	434,747	1,050,462
	-----	-----	-----
Total	\$ 48,193,083	\$ 53,533,235	\$ 30,535,174
	=====	=====	=====

Other assets are principally cash and cash equivalents, investments, deferred income taxes and corporate fixed assets. Substantially all long-lived assets are located in the U.S.

Automotive Products revenues in the "Other" category are sales to automotive manufacturing plants in Canada, Mexico and Korea, as well as other foreign automotive customers. Most of the Company's non-U.S. sales are invoiced and paid in U.S. dollars. During 2006, approximately 13% of the Company's net sales were invoiced and paid in European euros.

During the years presented, the Company had four automotive customers, which individually accounted for 10% or more of net sales as follows:

	Customer			
	#1	#2	#3	#4
	---	---	---	---
2006	22%	15%	13%	12%
2005	24%	12%	14%	11%
2004	31%	13%	13%	*

\* less than 10%



## Edgar Filing: GENTEX CORP - Form 10-K

### EXHIBIT INDEX

EXHIBIT NO. -----	DESCRIPTION -----	PAGE -----
3(a) (1)	Registrant's Restated Articles of Incorporation, adopted on August 20, 2004, were filed as Exhibit 3(a) to Registrant's Report on Form 10-Q dated November 2, 2004, and the same is hereby incorporated herein by reference.	
3(b) (1)	Registrant's Bylaws as amended and restated February 27, 2003, was filed as Exhibit 3(b) (1) to Registrant's report on Form 10-Q dated May 5, 2003, and the same is hereby incorporated herein by reference.	
4(a)	A specimen form of certificate for the Registrant's common stock, par value \$.06 per share, was filed as part of a Registration Statement (Registration Number 2-74226C) as Exhibit 3(a), as amended by Amendment No. 3 to such Registration Statement, and the same is hereby incorporated herein by reference.	
4(b)	Amended and Restated Shareholder Protection Rights Agreement, dated as of March 29, 2001, including as Exhibit A the form of Certificate of Adoption of Resolution Establishing Series of Shares of Junior Participating Preferred Stock of the Company, and as Exhibit B the form of Rights Certificate and of Election to Exercise, was filed as Exhibit 4(b) to Registrant's Report on Form 10-Q on April 27, 2001, and the same is hereby incorporated herein by reference.	
10(a) (1)	A Lease, dated August 15, 1981, was filed as part of a Registration Statement (Registration Number 2-74226C) as Exhibit 9(a) (1), and the same is hereby incorporated herein by reference.	
10(a) (2)	A First Amendment to Lease, dated June 28, 1985, was filed as Exhibit 10(m) to Registrant's Report on Form 10-K dated March 18, 1986, and the same is hereby incorporated herein by reference.	
*10(b) (1)	Gentex Corporation Qualified Stock Option Plan (as amended and restated, effective February 26, 2004) was included in Registrant's Proxy Statement dated April 6, 2004, filed with the Commission on April 6, 2004, and the same is hereby incorporated herein by reference, and the same became the Gentex Corporation Employee Stock Option Plan and was amended as of March 4, 2005 by the First Amendment to the Gentex Corporation Qualified Stock Option Plan, which amendment was included in the Registrant's Proxy Statement dated April 1, 2005, filed with the Commission on April 1, 2005, and the same is incorporated herein by reference.	
*10(b) (2)	Specimen form of Grant Agreement for the Gentex Corporation Qualified Stock Option Plan (as amended and restated, effective February 26, 2004 and as amended March 4, 2005), was filed as Exhibit 10(b) (3) to Registrant's Report on	

## Edgar Filing: GENTEX CORP - Form 10-K

Form 10-Q dated November 1, 2005, and the same is hereby incorporated herein by reference.

*10(b) (3)	Gentex Corporation Second Restricted Stock Plan was filed as Exhibit 10(b) (2) to Registrant's Report on Form 10-Q dated April 27, 2001, and the same is hereby incorporated herein by reference.	
*10(b) (4)	Specimen form of Grant Agreement for the Gentex Corporation Restricted Stock Plan (as amended and restated, effective February 26, 2004), was filed as Exhibit 10(b) (4) to Registrant's Report on Form 10-Q dated November 2, 2004, and the same is hereby incorporated herein by reference.	
*10(b) (5)	Gentex Corporation 2002 Nonemployee Director Stock Option Plan (adopted March 6, 2002) was filed as Exhibit 10(b) (4) to Registrant's Report on Form 10-Q dated April 30, 2002, and the same is hereby incorporated herein by reference.	
*10(b) (6)	Specimen form of Grant Agreement for the Gentex Corporation 2002 Non-Employee Director Stock Option Plan (as amended and restated, effective February 26, 2004), was filed as Exhibit 10(b) (6) to Registrant's Report on Form 10-Q dated November 2, 2004, and the same is hereby incorporated herein by reference.	
*10(b) (7)	Confidential Severance Agreement and Release between Gentex Corporation and Garth Deur was filed as Exhibit 10(b) (8) to Registrant's Report on Form 10-Q dated August 1, 2006, and the same is incorporated herein by reference.	
10(e)	The form of Indemnity Agreement between Registrant and each of the Registrant's directors and certain officers was filed as Exhibit 10(e) to Registrant's Report on Form 10-Q dated October 31, 2002, and the same is hereby incorporated herein by reference.	
21	List of Company Subsidiaries	48
23(a)	Consent of Independent Registered Public Accounting Firm	49
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).	50
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).	51
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. Section 1350).	52

\* Indicates a compensatory plan or arrangement.

-47-