GENTEX CORP
Form 10-K
February 23, 2010

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For fiscal year ended December 31, 2009, or

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

For the transition period from _____ to _____.

Commission File No.: 0-10235

GENTEX CORPORATION

(Exact name of registrant as specified in its charter)

Michigan	38-2030505
(State or other jurisdiction of Incorporation of organization)	(I.R.S. Employer Identification No.)
600 N. Centennial Street, Zeeland, Michigan	49464
(Address of principal executive offices)	(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: þ No: o

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: o No: þ

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: þ No: o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).* Yes: o No: o

* The registrant has not yet been phased into the interactive data

requirements

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. o

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

Large Accelerated Filer þ	Accelerated Filer o	Non-Accelerated Filer o (Do not check if a smaller reporting company)	Smaller Reporting Company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes: o No: þ

As of June 30, 2009 (the last business day of the registrant s most recently completed second fiscal quarter), 131,241,753 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 $1,522,404,335 computed at the closing price on that date.

As of February 9, 2010, 138,931,893 shares of the registrant s common stock, par value $.06 per share, were outstanding.

Portions of the Company s Proxy Statement for its 2010 Annual Meeting of Shareholders are incorporated by reference into Part III.

Exhibit Index located at Page 51

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Part I

Item 1. Business.

(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 with electronic features and fire protection products. The Company also developed and manufactures variable dimmable windows for the aircraft industry and non-automatic-dimming rearview automotive mirrors with electronic features.

The Company was organized as a Michigan company in 1974 to manufacture residential smoke detectors, a product line that has since evolved into a more sophisticated group of fire protection products primarily for the commercial building industry. 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 mirror 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 2001, the Company announced a revolutionary new proprietary technology, called SmartBeam®, 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 high-beam headlamps during nighttime driving. During 2004, the Company began shipping auto-dimming mirrors with SmartBeam®. During 2009, the Company began shipping auto-dimming mirrors with SmartBeam® on fifteen additional models for Audi, Opel/Vauxhall, Bavarian Motor Works, A.G. (BMW), Toyota, Rolls Royce and Tata/Land Rover. Also during 2009, the Company expanded the capabilities of its SmartBeam® product to include Variable Forward Lighting (VFL) and Dynamic Forward Lighting (DFL). VFL also automates high-beam and low-beam switching. But, in addition, by communicating with the vehicle s dynamic-leveling headlamp systems, it produces continuously variable low beams automatically extending and contracting the low-beam patterns. This technology provides an added level of forward lighting optimization by maximizing both low and high beams. DFL can be used to control constant on high-beam systems. It works in conjunction with emerging future headlamp technology to generate glare-free block out zones that shield oncoming and preceding vehicles from headlamp glare. This allows light to be projected around the surrounding traffic, and optimize the capabilities of the SmartBeam® Intelligent Forward Lighting System.

During 2006, the Company announced development programs with several automakers for its Rear Camera Display (RCD) Mirror that shows the vehicle operator a panoramic video view of objects directly behind the vehicle in real time. During 2007, the Company announced a number of Original Equipment Manufacturer (OEM) programs and dealer or port-installed programs for its RCD Mirror. During 2008, the Company announced that its RCD Mirror was available through MITO Corporation, a distributor of high-quality aftermarket electronic products and accessories, in addition to announcing that its RCD Mirror was available on additional models. During 2009, the Company announced that its RCD Mirror is available on 34 additional vehicle models, as OEM programs or dealer or port-installed programs, for Acura, Daihatsu, Ford, General Motors, Hyundai/Kia, Mitsubishi, Nissan, Subaru and Toyota.

During 2005, the Company entered into 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.

The Company shipped the first set of variably dimmable aircraft windows for test planes in mid 2007. Based on the latest available information, Boeing now expects the first delivery of the 787 Dreamliner series of aircraft to occur in late 2010. The Company anticipates that it will begin to deliver windows to the Boeing production line in the first half of 2010. During 2008, the Company and PPG Aerospace announced that they will work together to supply dimmable windows to Hawker Beechcraft Corporation for passenger-cabin windows on the 2010 Beechcraft King Air 350i airplane. The Company began shipping parts for the King Air 350i airplane in mid-2009 in low volume.

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In 2009, the Company announced the development of its first Carbon Monoxide (CO) Alarm designed primarily for applications such as hotels, motels, hospitals, college dormitories and nursing homes.

(b) Financial Information About Segments

See Note 8 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. The Company also manufactures variable dimmable windows for the aircraft industry and non automatic-dimming rearview automotive mirrors with electronic features for the automotive industry.

Automotive Mirrors

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 interior auto-dimming mirror offers all of the continuous reflectance levels between its approximate 87% 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 by the sensors, an electric current causes the elctrochromic material to darken, decreasing the mirror s reflectance, thereby eliminating glare. 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® 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 small/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 2008, the Company began making shipments of its auto-dimming mirrors for additional small/mid-sized, medium-priced vehicles, including the Honda Civic and Accord; and the popular Ford Focus and Fiesta in Europe. The Company continues to expand its shipments of auto-dimming mirrors for this segment, including the Toyota IQ, Yaris and Verso; Ford Fusion; and the BMW 1 Series.

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 DaimlerChrylser s U-Connect® telematics system. During 2007, the Company began making shipments of its microphone mirrors as part of Ford s Sync® 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 in Europe and other select markets. During 2006 through 2008, the Company began shipping auto-dimming mirrors with SmartBeam® for the BMW 3, 5 and 6 Series in North America; BMW X5 and X6 models; Cadillac Escalade; Chrysler 300C; Audi A4, A5 and Q7; Opel Insignia; Chrysler Town & Country minivan and the Toyota Venza crossover sedan. During 2009, the Company began shipping auto-dimming mirrors with SmartBeam® for the BMW 1 Series, X1 and Z4 models; Tata Motors Land Rover Discovery 4, Range Rover and Range Rover Sport; Opel/Vauxhall Astra; Lexus RX350 and LS Sedan; Audi All Road, A5 Cabrio and A5 Sportback; and Rolls Royce Phantom, Ghost and Drophead Coupe. The Company shipped approximately 437,000 SmartBeam® units in calendar year 2009 and is currently shipping auto-dimming mirrors with SmartBeam® for 33 vehicle models.

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During 2006, the Company announced development programs with several automakers for its RCD Mirror that shows a panoramic video view of objects directly behind the vehicle in real time. During 2007, the Company began shipping auto-dimming mirrors with RCD for the Ford Expedition, Ford F150, Lincoln Navigator, Lincoln Mark LT and the Kia Mohave in the Korean market. The Company also began shipping auto-dimming mirrors with RCD for the Mazda CX-9 as a dealer or port-installed program. In addition, the Company began shipping auto-dimming mirrors with RCD for the Toyota Camry as a dealer or port-installed option through Gulf States Toyota, one of two independent Toyota distributorships that cover dealers in the states of Arkansas, Louisiana, Mississippi, Oklahoma and Texas. During 2008, the Company began shipping auto-dimming mirrors with RCD for the Hyundai Grandeur and the Kia Soul in the Korean market, Toyota Tacoma, FJ Cruiser and RAV4, Ford E-Series passenger van and the General Motors GMT 900 and Lambda platforms. In 2008, the Company also announced that its RCD Mirror is available through MITO Corporation, a distributor of high-quality aftermarket electronic products and accessories. During 2009, the Company began shipping auto-dimming mirrors with RCD for the Ford Fusion and Mustang; Mercury Milan; Kia Forte, Morning, Opirus and Sorento; Toyota Tundra, Sequoia, Prius and Corolla Verso; Lexus RX350; Daihatsu Mira Cocoa; Mitsubishi Eclipse and Eclipse Spyder; Acura MDX and RDX; GMC Terrain; and Chevy Equinox. The Company also began shipping auto-dimming mirrors with RCD for a number of dealer or port-installed programs for Mitsubishi, Toyota, Nissan and Subaru. The Company shipped approximately 573,000 RCD Mirror units in calendar year 2009 and is currently shipping auto-dimming mirrors with RCD for 56 vehicle models.

On February 28, 2008, the President signed into law the Kids Transportation Safety Act of 2007. The National Highway Traffic Safety Administration (NHTSA) had one year to initiate rulemaking to revise the federal standard to expand the field of view so that drivers can detect objects directly behind vehicles. NHTSA then has two years to determine how automakers must meet the rules, which may include the use of additional mirrors, sensors, rear back-up cameras (which could be in a mirror, navigation system or other LCD display). Once NHTSA publishes the new rules, automakers will have 48 months to comply with those rules for vehicles in the United States. The Company believes that its RCD Mirror is a cost competitive product that is relatively easy to implement and may be among the technologies that NHTSA will include as a means to meet the requirements of the legislation.

The Company shipped approximately 11,001,000 interior auto-dimming mirrors in 2007, approximately 10,505,000 in 2008, and 8,623,000 in 2009.

During 2009, interior total mirror unit shipments by the Company decreased primarily due to lower light vehicle production levels globally. The Company is currently shipping interior auto-dimming mirrors that are standard equipment or factory-installed options on certain trim levels to the following manufacturers:

BMW
-BMW
-Rolls Royce
Chrysler
-Chrysler
-Dodge
-Jeep
Fiat
-Alfa Romeo
-Fiat
-Lancia
-Maserati
Ford
-Ford
-Lincoln
-Mazda
-Mercury
-Volvo

General Motors
-Buick
-Cadillac
-Chevrolet
-Daewoo
-GMC
-Hummer
-Opel
-Pontiac
-Saab
-Saturn
Honda
-Acura
-Honda
Hongqi
Hyundai
-Hyundai
-Kia

Mercedes-Benz
Mitsubishi
Porsche
PSA
-Citroen
-Peugeot
Renault/Nissan
-Infiniti
-Nissan
-Samsung
SAIC
-Roewe
-Ssangyong
Subaru
Suzuki
Tata
-Jaguar
-Land Rover

Toyota
-Lexus
-Toyota
Volga
Volkswagen
-Audi
-Bentley
-SEAT
-Skoda
-Volkswagen

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Additional details regarding vehicle models are available on the Company s web-site at http://www.easyir.com/easyir/gentex/VehicleModelList.pdf

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 mirrors. 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 offers its exterior auto-dimming mirrors with turn-signal indicators and side blind zone features. 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 4,220,000 exterior auto-dimming mirror sub-assemblies during 2007, approximately 3,884,000 in 2008, and approximately 3,055,000 in 2009. During 2009, total exterior unit shipments by the Company decreased primarily due to lower light vehicle production levels globally.

The Company is currently shipping exterior auto-dimming mirrors that are standard equipment or a factory-installed option on certain trim levels to the following manufacturers:

BMW	Ford	Honda	Renault/Nissan	Volkswagen
-BMW	-Lincoln	-Acura	-Infiniti	-Audi
-Rolls Royce	General Motors	-Honda	-Nissan	-Bentley
Chrysler	-Buick	Hyundai	SAIC	-Skoda
-Chrysler	-Cadillac	-Hyundai	-Ssangyong	-Volkswagen
-Dodge	-Chevrolet	-Kia	Tata	
-Jeep	-Daewoo	Mercedes-Benz	-Jaguar	
Fiat	-GMC	Mitsubishi	-Land Rover	
-Lancia	-Hummer	PSA	Toyota	
-Maserati	-Opel	-Citroen	-Lexus	
	-Saturn		-Toyota	

Additional details regarding vehicle models are available on the Company s web-site at http://www.easyir.com/easyir/gentex/VehicleModelList.pdf

Non-Automatic-Dimming Rearview Mirrors.

In 2007, the Company began shipping non-auto-dimming exterior mirrors with electronic features (i.e. side blind zone indicators) in low volume. During 2009, unit shipments for non-auto-dimming exterior mirrors with electronic features continued in low volume.

Automotive Mirrors 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® mirror. During 2001, the Company announced a revolutionary new proprietary technology, called SmartBeam®, that uses a custom, active-pixel, CMOS sensor, and maximizes a driver s forward vision by significantly improving utilization of the vehicle s high-beam headlamps during nighttime driving. During 2004, the Company began shipping auto-dimming mirrors with SmartBeam®, its proprietary intelligent high-beam headlamp control feature. The Company is currently shipping auto-dimming mirrors with SmartBeam® for 33 vehicle models.

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During 2009, the Company expanded the capabilities of its SmartBeam® product to include VFL and DFL. VFL also automates high-beam and low-beam switching. But, in addition, by communicating with the vehicle s dynamic-leveling headlamp systems, it produces continuously variable low beams automatically extending and contracting the low-beam patterns. This technology provides an added level of forward lighting optimization by maximizing both low and high beams. DFL can be used to control constant on high-beam systems. It works in conjunction with emerging future headlamp technology to generate glare-free block out zones that shield oncoming and preceding vehicles from headlamp glare. This allows light to be projected around the surrounding traffic, and optimize the capabilities of the SmartBeam® Intelligent Forward Lighting System.

During 2006, the Company announced development programs with several automakers for its RCD Mirror that consists of a proprietary 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 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 by the Company. The Company is currently shipping auto-dimming mirrors with its RCD Mirror for 56 vehicle models.

In addition, the Company has developed its own 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®, 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.

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® telematics system, beginning in 2003. During 2006, the Company s proprietary integrated hands-free microphone was available as part of an optional navigation package at Ford. Also, the Company continues to separately shipping its proprietary microphone units that are being incorporated into prismatic interior mirrors at a customer s request.

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 engineering, research, and development expenses are set forth as a separate line item in the Consolidated Statement of Income of the Company s Consolidated Financial Statements filed in this report.

Automotive Mirrors 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 Chrysler LLC under long-term agreements, entered into in the ordinary course of business. 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 included the GMT360 program (which is the mid-size truck/SUV platform that previously did not offer auto-dimming mirrors). During 2008, the Company negotiated another extension to the existing agreement, through August 1, 2012, in the ordinary course of the Company s business. GM intends to honor its existing agreements with the Company despite their Chapter 11 Bankruptcy filing in June 2009.

The Company had a long-term agreement with Daimler AG (formerly DaimlerChrysler AG) entered into in the ordinary course of the Company s business. Under the agreement, the Company was 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 2007, the Company negotiated an extension to its global supply agreement with Chrysler LLC in the ordinary course of the Company s business. Under the extension, the Company will be sourced virtually all Chrysler interior auto-dimming rearview mirrors through 2015. Chrysler intends to honor its agreements with the Company despite their Chapter 11 Bankruptcy filing in April 2009. From publicly available information, the Company does not believe that the Daimler sale of the Chrysler unit will significantly impact the Company s current business with Chrysler or Mercedes in the near term, but there may be other information of which the Company is not aware.

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The Company previously negotiated a multi-sourcing agreement with Ford Motor Company in the ordinary course of the Company s business. Under the agreement, the Company was sourced all existing interior auto-dimming rearview mirror programs as well as a number of new interior auto-dimming rearview mirror programs during the agreement term which ended on December 31, 2008.

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. The Company is currently supplying mirrors for Audi, BMW, Bentley, Citroen, Chrysler of Europe, Fiat, Ford of Europe, Honda of Europe, Jaguar, Tata/Land Rover, Mercedes-Benz, Nissan of Europe, Opel, Maserati, Peugeot, Porsche, Rolls Royce, Saab, SEAT, Skoda, Toyota of Europe, Volkswagen and Volvo in Europe.

In 1991, the Company began shipping electrochromic mirror assemblies for Nissan Motor Co., Ltd. under a reciprocal distribution agreement entered into the ordinary course of business 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 automomakers 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 eletrochromic 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 the Gentex electrochromic technology. During 2006, the agreement with Murakami Corporation was terminated and replaced with a Memorandum of Understanding. During 2007, the Company signed a new supplier agreement with Murakami Corporation in the ordinary course of the Company s business. During 2002, the Company established Gentex Technologies Korea Co., Ltd. as a sales and engineering office in Seoul, Korea. During 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, Chrysler, Ford, GM, Honda, Hyundai, Infiniti, Kia Motors, Lexus, Mazda, Mitsubishi, Nissan, Suzuki, Samsung, Toyota and Volkswagen/Audi in Asia.

The Company s auto-dimming mirror unit shipment mix by region has significantly changed over the past ten years. The following is a breakdown of unit shipment mix by region in 2009 vs. 1999 calendar years:

	2009	1999
Domestic	21%	69%
Transplants	13%	1%
North America	34%	70%
Europe	47%	23%
Asia-Pacific	19%	7%

	100%	100%

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Revenues by geographic area are disclosed in footnote 8 of the Consolidated Financial Statements.

Historically, new safety and comfort options have entered the original equipment automotive market at relatively low rates of 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 continue to become more well-known and acceptance grows.

Since 1998, Gentex Corporation has contracted with MITO Corporation in the ordinary course of business 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. In 2008, the Company announced that its RCD Mirror is available through MITO Corporation as well. It is management s belief that these sales have limited potential until the Company achieves a significantly higher penetration of the OEM market.

Automotive Mirrors Competition. The Company continues to be the leading producer of auto-dimming rearview mirrors in the world and currently is the dominant supplier to the automotive industry with an approximate 83% market share worldwide in 2009 and 2008. While the Company believes it will retain a dominant position in auto-dimming rearview mirrors for some time, one other U.S. manufacturer (Magna Mirrors) 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 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 continues to sell certain automatic-dimming rearview mirror sub-assemblies to Magna.

The Company believes its electrochromic automatic mirrors and mirrors with advanced electronic features offer significant performance advantages over competing products. However, the Company recognizes that Magna Mirrors, 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 is not known at this time.

There are numerous other companies in the world conducting research on various technologies, including eletrochromics, for controlling light transmission and reflection. The Company currently 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, the Company currently believes that each of these technologies have inherent cost or performance limitations as compared to our technologies.

The Company s RCD Mirror feature competes in the market place with backup sensors and other rear backup cameras (which could be in a mirror, navigation system or other LCD displays). The Company believes that its RCD Mirror is an optimum, ergonomic, easily adaptable method to display the output of a rear camera for increased safety. Ultrasonic sensors cost less but may be less effective. Any color display in a vehicle is relatively costly. When a color display is required for other features such as navigation, radio or other vehicle functions, then it may be less costly on a per-feature basis to display the output of the backup camera in that in-dash display, offering significant competition to the RCD Mirror. The long-term success of the RCD Mirror may depend on automakers willingness and desire to display other information in the RCD Mirror, driving down the per-feature cost.

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Fire Protection Products

The Company manufactures approximately 60 different models of smoke alarms and smoke detectors, combined with over 150 different models of signaling appliances. All 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.

In 2009, the Company announced the development and subsequent UL listing of its first Carbon Monoxide (CO) Alarm as well as an alarm that combines both CO and smoke alarm sensing technology into one unit. These products are designed primarily for applications such as hotels, motels, hospitals, college dormitories and nursing homes. The alarm utilizes photoelectric smoke sensing technology and an established CO sensing technology to deliver both smoke and CO protection in one unit. The new products are in compliance with Underwriters Laboratories (UL) 2034, UL217, and National Fire Protection Association 72 and 720. The new product comes at a time when over twenty states are currently mandating CO detection in residential occupancies.

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.

In 2005, the Company received Underwriters Laboratory (UL) listing on a series of commercial residential smoke alarms. The Company continues to believe this product fits well into new markets and customers. This series of smoke alarms consists of four models and is 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. This speaker series meets 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 continue to experience a significant number of mergers and consolidations. The Company markets its fire protection products globally 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 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.

Dimmable Aircraft Windows

During 2005, the Company reached an agreement with PPG Aerospace to work together to provide variably dimmable windows for the passenger compartment on the new Boeing 787 Dreamliner series of aircraft. The Company will ship about 100 windows for the passenger compartment of each 787. The Company believes that the commercially viable

market for variably dimmable windows is currently limited to the aerospace industry. The Company began shipping parts for test planes in mid 2007. Based on the latest information available, Boeing now expects the first delivery of the 787 Dreamliner Series of aircraft to occur in late 2010. Delays were due to the impact of the machinists strike, fastener replacement work, and production issues due to complexity, which did not relate to the Company s product. The Company anticipates that it will begin to deliver our windows to the production line in the first half of 2010. During 2008, the Company and PPG Aerospace announced that they will work together to supply dimmable windows to Hawker Beechcraft Corporation for the passenger cabin windows of the 2010 Beechcraft King Air 350i airplane. The Company began shipping parts for the King Air 350i airplane in mid-2009 in low volume.

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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 the automotive, architectural and aerospace markets. Progress in adapting electrochromic technology to the specialized requirements of the window market continued in 2009. 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. The Company jointly markets and sells its variable dimmable windows to aircraft manufacturers with PPG Aerospace.

Competition. The Company s variable dimmable aircraft windows are the first commercialized product for original equipment installation in the aircraft industry. Other manufacturers are attempting to develop competing products utilizing other technology in the aircraft industry for aftermarket or original equipment installation.

Trademarks and Patents

The Company owns 20 U.S. trademarks and 326 U.S. patents, 321 of which relate to electrochromic technology, automotive rearview mirrors, microphones, displays and/or sensor technology. These patents expire between 2010 and 2028. 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 47 foreign trademarks and 208 foreign patents, 202 of which relate to electrochromic technology, automotive rearview mirrors, microphones, displays and/or sensor technology. These patents expire at various times between 2010 and 2026. 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 owns 12 U.S. patents and 3 foreign patents that 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 s remaining 15 U.S. patents and remaining 1 foreign patent owned by the Company relate to the Company s variable dimmable windows, and the Company believes that the competitive advantage provided by these patents is relatively small.

The Company also has in process 131 U.S. patent applications, 277 foreign patent applications, and 24 trademark applications. The Company continuously seeks to improve its core technologies and apply those technologies to new and 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-dimming rearview mirrors and non- automatic-dimming rearview mirrors for the automotive industry, fire protection products for the commercial building industry and variable dimmable windows for the aircraft industry. The Company has several important customers within the automotive industry, six of which each account for 10% or more of the Company s annual sales (includes direct sales to OEM customer and sales through their Tier 1 suppliers): Toyota Motor Corporation, Volkswagen/Audi, General Motors Corporation, Daimler AG, Ford 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 $184,350,730 and $114,086,978 at February 1, 2010, and 2009, respectively.

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At February 1, 2010, the Company had 2,371 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.

(d) Financial Information About Geographic Areas.

See Markets and Marketing in Narrative Description of Business (Item 1(c)) and footnote 8 to the Consolidated Financial Statements for certain information regarding geographic areas.

(e) Available Information.

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. The SEC maintains an internet website (http://www.sec.gov) that contains reports, proxy and information statements, and other information regarding issues that a company files electronically with the SEC.

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 ability to control and leverage fixed manufacturing overhead costs, unit shipment and revenue growth rates, the ability to control E,R&D and S,G&A expenses, gross margins and the Company itself. Words like anticipates, believes, confident, estimates, expects, forecast, hopes, likely, plans, projects, optimistic and should, and variations of such words and similar exp 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, worldwide automotive production, the maintenance of the Company s market share, the ability to achieve purchasing cost reductions, competitive pricing pressures, currency fluctuations, interest rates, equity prices, the financial strength/stability of the Company s customers (including their Tier 1 suppliers), supply chain disruptions, potential sale of OEM business segments or suppliers, potential additional customer (including their Tier 1 suppliers) bankruptcies, the mix of products purchased by customers, the ability to continue to make product innovations, the success of certain products (e.g. SmartBeam® and Rear Camera Display Mirror), and other risks identified in the Company s other 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. 97% of our net sales are to customers within the automotive industry. The current state of the automotive industry has been well publicized and the auto industry has always been cyclical and highly impacted by levels of economic activity. The current environment (global recession, credit crisis, decline in consumer confidence, government loans to certain OEM s that require certain conditions to be met) continues to be uncertain and continues to cause increased financial and production stresses evidenced by volatile production levels, supplier part shortages, customer and supplier bankruptcies, automotive plant shutdowns, commodity material cost increases, consumer preference shift to smaller vehicles due to fuel costs and environmental concerns where we have a lower penetration rate and lower content per vehicle. If additional automotive customers (including their Tier 1 suppliers) experience bankruptcies, work stoppages, strikes, part shortages, etc., it could disrupt our shipments to these customers, which could adversely affect our sales, margins, profitability and, as a result, our share price. Automakers continue to experience 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 volatility and uncertainty has made it more difficult for us to forecast future sales, effectively manage costs and utilize capital, engineering, research and development, and human resource investments.

The global governmental vehicle stimulus programs, such as the Cash for Clunkers program in the United Stated, did not have a significant direct effect on our production levels in 2009, since the smaller vehicles that people were mostly purchasing were those that typically did not contain significant Gentex content. However, there may have been some indirect effect due to the increased showroom traffic that those programs created. While the governmental stimulus programs were in effect, automotive vehicle sales were temporarily higher than automotive production levels. Now that sales levels have decreased and the scenario has reversed, automakers, at some point, we believe, will need to adjust their production plans for the lower sales levels.

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Key Customers. We have a number of large customers, including six automotive customers which each account for 10% or more of our annual net sales (includes direct sales to OEM customers and sales through their Tier 1 suppliers): Toyota Motor Corporation, Volkswagen/Audi, General Motors Corporation, Daimler AG, Ford and BMW. The loss of all or a substantial portion of the sales to, or decreases in production by, any of these customers (or certain other significant customers) would have a material adverse effect on our sales, margins, profitability and, as a result, our share price. Toyota Motor Corporation recently announced a number of vehicle recalls that will impact their production in the near term. The impact to Gentex will depend upon the length and depth of their production cuts resulting from the announced vehicle recalls. To date, the impact is not material. Effective October 1, 2003, General Motors Corporation 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.

Credit Risk. In light of the continuing well publicized financial stresses within the worldwide automotive industry, certain automakers have filed for bankruptcy and other automakers and Tier 1 mirror customers are considering bankruptcy and/or the sale of certain business segments. Should one or more of our larger customers (including sales through their Tier 1 suppliers) declare bankruptcy or sell their business, it could adversely affect the collection of receivables, our sales, margins, profitability and, as a result, our share price. The on-going uncertain economic environment continues to cause increased financial pressures and production stresses on our customers, which could impact timely customer payments and ultimately the collectability of receivables.

We have been paid for all pre-petition bankruptcy receivables relating to Chrysler who filed for bankruptcy protection under Chapter 11 of the United States Bankruptcy Code on April 30, 2009. We have also received payment for all pre-petition bankruptcy receivables relating to General Motors who filed for bankruptcy protection under Chapter 11 of the United States Bankruptcy Code on June 1, 2009.

Our increased allowance for doubtful accounts in 2008 related to financially distressed Tier 1 mirror customers. While we have made progress in collecting a portion of the significantly past due account balances from certain Tier 1 mirror customers, we did incur a bad debt write off of approximately $1.1 million in 2009, which was part of the 2008 increase in allowance for doubtful accounts. The remaining overall allowance for doubtful accounts related to all financially distressed Tier 1 mirror customers remains unchanged. We continue to work with certain financially distressed Tier 1 mirror customers in collecting past due balances. Refer to Footnote 1 of the Consolidated Financial Statements for additional details regarding our allowance for doubtful accounts.

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, part shortages, 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.

Pricing Pressures. In addition to price reductions over the life of our long-term agreements, we continue to experience significant 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, all of which pose increasing challenges in the current automotive production environment. In addition, financial pressures at certain automakers are resulting in increased cost reduction efforts by them, including requests for additional price reductions, decontenting certain features from vehicles, customer market testing of future business, dual sourcing initiatives and warranty cost-sharing programs, which could adversely impact our sales growth, margins, profitability and, as a result, our share price.

Competition. We recognize that Magna Mirrors, our main competitor and a wholly-owned subsidiary of Magna International, is considerably larger than we are 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.

Our RCD Mirror feature competes in the market place with backup sensors and rear backup cameras (which could be in the mirror, navigation system or other LCD displays). We believe that our RCD Mirror is an optimum, ergonomic, easily adaptable method to display the output of a rear camera for increased safety. Ultrasonic sensors cost less but may be less effective. Any color display in a vehicle is relatively costly. When a color display is required for other

features such as navigation, radio or other vehicle functions, then it may be less costly on a per-feature basis to display the output of the backup camera in that in-dash display, offering significant competition to the RCD Mirror. The long-term success of our RCD Mirror may depend on automakers willingness and desire to display other information in the RCD Mirror, driving down the per-feature cost.

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Our SmartBeam® product is a single function feature that competes with large electronic automotive suppliers who are marketing multi-function vision systems. Our single function SmartBeam® feature is a cost competitive product when compared to other high-beam assist features. While we expect RCD Mirrors and SmartBeam® to drive growth over the next several years, competition could impact our expectations.

New Technology and Product Development. We continue to invest a significant portion of our annual sales in engineering, research and development projects as set forth in our Consolidated Statement of Income of our Consolidated Financial Statements filed with this report. 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 (but none of our patents individually is required for the success of our products). The loss of any significant combination of patents and trade secrets regarding our products 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 affect our profitability and future 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 in our business and the uncertainty of intellectual property litigation significantly increases these risks. Any of these adverse consequences could potentially have an effect on our business, financial condition and results of operations.

Business Disruptions. Manufacturing of our proprietary products employing electro-optic technology is performed at our 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 some of these potential costs. Our inability to conduct normal business operations for a period of time may have an adverse impact on our business, financial condition, and results of operations.

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

We have implemented the first phase of a new Enterprise Resource Planning (ERP) System effective July 1, 2009, which covered key core business areas at our Zeeland, Michigan locations. To date, we have not experienced any significant issues during the implementation process. However, there is no guarantee that all system components will function as intended in the future. In addition, we have implemented our new ERP system for one of its overseas offices effective December 1, 2009. To date, we have not experienced any significant issues during the overseas office implementation process. The implementation of additional lean manufacturing production line scheduling and business reporting capabilities are still in process as of December 31, 2009. While we believe that all necessary system development processes, testing procedures and user training that is planned will be adequate and completed prior to final implementation, there is no guarantee that all system components will function as intended at the time of implementation. Unanticipated failure(s) could cause delays in our ability to produce or ship our products, process transactions, or otherwise conduct business in our markets, resulting in material financial risk.

General economic conditions continue to be of concern in many of the regions in which we do business. Continued adverse worldwide economic conditions, currency exchange rates, war or significant terrorist acts, could each affect worldwide automotive sales and production levels.

Changes in the commodity prices of the materials used in our products. We continue to experience pressure for select raw material cost increases.

Manufacturing yield issues may negatively impact our margins and profitability.

Our ability to attract or retain key employees to operate our manufacturing facilities and to staff our corporate office. We are dependent on the services of our management team. Losing 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.

Uncertain equity markets could negatively impact our financial performance due to an increase in realized losses on the sale of equity investments and/or recognized losses due to an other-than-temporary impairment adjustment on available-for-sale securities (mark to market adjustment).

Our ability to successfully design and execute strategic and operating plans, including continuing to obtain new business.

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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. In addition, such provisions 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.

Fluctuations in Market Price. The market price for our common stock has fluctuated, ranging between $18.36 and $7.01 during 2009. 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 and in particular our primary industry;

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.

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 at a total cost of approximately $38 million, 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, which was funded from cash and cash equivalents on hand.

In January 2007, the Company announced plans to expand its automotive exterior mirror manufacturing facility in Zeeland, Michigan, with the construction of a 60,000 square-foot building addition. The Company completed the building addition to its automotive exterior mirror manufacturing facility in January 2008 at a cost of approximately $6 million, which was funded from cash and cash equivalents on hand.

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The Company s three automotive interior mirror manufacturing facilities currently have an estimated building capacity to manufacture approximately 15-20 million mirror units annually, based on the current product mix. The Company evaluates equipment capacity on an annual basis and adds equipment as needed. In 2009, the Company shipped approximately 8,623,000 interior auto-dimming mirrors.

The Company s expanded automotive exterior mirror manufacturing facility has an estimated building capacity to manufacture approximately 9 million units annually, based on the current product mix. The Company evaluates equipment capacity on an annual basis and adds equipment as needed. In 2009, the Company shipped approximately 3,055,000 exterior 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 generally elected at the meeting of the Board of Directors following the annual meeting of shareholders.

NAME	AGE	POSITION	POSITION HELD SINCE
Fred Bauer	67	Chief Executive Officer	May 1986
Enoch Jen	58	Senior Vice President	January 2007
Mark Newton	50	Senior Vice President, Electronics, Purchasing & North American Sales	August 2009
Steve Dykman	44	Vice President, Finance and Treasurer	January 2007

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

Mark Newton had previously served as Senior Vice President, Electrical Engineering and Purchasing since June 2008, as Vice President, Purchasing and Advanced Technology since July 2007, as Vice President Purchasing and Photonics since July 2006, as Photonics Engineering Manager since July 2005 and joined the Company as Advanced Lighting Developer in August 2004. Prior to that time, Mr. Newton served as Vice President of Unity Microelectronics, Inc. since 2000. Mr. Newton became an executive officer of the Company on January 1, 2008.

Steve Dykman had previously served as Treasurer and Director of Accounting and Finance 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.

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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®. As of February 9, 2010, there were 2,282 record-holders of the Company s common stock. Ranges of high and low sale prices 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