

GENTEX CORP  
Form DEF 14A  
April 03, 2017

600 North Centennial Street  
Zeeland, Michigan 49464

---

NOTICE OF 2017 ANNUAL MEETING OF SHAREHOLDERS

Dear Shareholder:

The Annual Meeting of the Shareholders of Gentex Corporation ("Company"), a Michigan corporation, will be held at The Pinnacle Center, 3330 Highland Drive, Hudsonville, Michigan, on Thursday, May 18, 2017, at 4:30 p.m. EDT, for the following purposes:

1. To elect nine directors as set forth in the Proxy Statement.
2. To ratify the appointment of Ernst & Young LLP as the Company's auditors for the fiscal year ended December 31, 2017.
3. To approve, on an advisory basis, the compensation of the Company's named executive officers.
4. To determine, on an advisory basis, whether future shareholder advisory votes on named executive officer compensation should occur every one, two, or three years.
5. To transact any other business that may properly come before the meeting, or any adjournment thereof.

The Board of Directors recommends that shareholders vote:

- A. FOR Item 1;
- B. FOR Item 2;
- C. FOR Item 3; and
- D. No recommendation on Item 4

Shareholders of record as of the close of business on March 20, 2017, are entitled to notice of, to attend, and to vote at the meeting and are being sent this Proxy Statement on or about April 3, 2017. We are pleased to offer multiple options for voting your shares. As detailed in the "Solicitation of Proxies" section of the Proxy Statement, you can vote your shares via the Internet, by telephone (1-800-690-6903), by mail, or by written ballot at the Annual Meeting. We encourage you to use the Internet to vote your shares as it is the most cost-effective method. If your shares are held in "street name," (that is held for your account by a broker or other nominee), you will receive instructions from the holder of record that you must follow for your shares to be voted.



(This page intentionally left mostly blank)

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders to be held on May 18, 2017

You are receiving this notice that the proxy materials for our 2017 Annual Meeting of Shareholders are available on the Internet. The following proxy materials can be found <https://www.proxyvote.com>:

Company's 2017 Proxy Statement;  
Company's Annual Report to Shareholders for the year ended December 31, 2016; and  
Proxy Card or Voting Instruction Form.

Whether or not you expect to be present at the meeting, you are urged to promptly vote your shares using one of the methods discussed above. If you do attend the meeting and wish to vote in person, you must withdraw your earlier-dated Proxy as set forth in the Proxy Statement, and provide proof of ownership of Company shares as of the record date of March 20, 2017.

BY ORDER OF THE BOARD OF DIRECTORS

Scott Ryan  
Corporate Secretary

April 3, 2017



GENTEX CORPORATION

600 North Centennial Street  
Zeeland, Michigan 49464

PROXY STATEMENT FOR ANNUAL MEETING  
OF SHAREHOLDERS TO BE HELD MAY 18, 2017

QUESTIONS & ANSWERS

PROXY STATEMENT

What is a Proxy and a Proxy Statement?

The Company's Board of Directors is soliciting proxies for the 2017 Annual Meeting of Shareholders. A proxy is your authorization for someone else to vote on your behalf in the way you want to vote and allows you to be represented at the Annual Meeting of Shareholders even if you are unable to attend. A Proxy Statement is the document the United States Securities and Exchange Commission requires and the Company provides to explain the matters you are being asked to vote on by proxy and to disclose certain relevant information.

On or about April 3, 2017, the Company mailed to shareholders of record as of March 20, 2017 (other than those who previously requested electronic delivery), a Notice of Internet Availability of Proxy Materials ("Notice") containing instructions on how to access the Proxy Statement and Annual Report for the year ended December 31, 2016. If you received a Notice by mail, you will not receive a printed copy of the proxy materials in the mail. The Notice instructs you on how to electronically access and review all the proxy materials, and these materials are available at <https://www.proxyvote.com>. The Notice also includes instructions about how you may request to receive proxy materials in printed form on a one-time or on-going basis.

What will I be voting on?

• Election of nine directors (see pages 11 - 13).

• Ratification of the appointment of Ernst & Young LLP as the Company's auditors for the fiscal year ending December 31, 2017 (see page 35).

• Approval, on an advisory basis, of the compensation of the Company's named executive officers (see page 36).

• Determination, on an advisory basis, of whether future shareholder advisory votes on named executive officer compensation should occur every one, two, or three years (see page 36).

The Board of Directors recommends a vote: FOR each of the nominees to the Board of Directors; FOR ratification of the appointment of Ernst & Young LLP as the Company's auditors for the fiscal year ending December 31, 2017; FOR approval, on an advisory basis, of the compensation of the Company's named

executive officers; and does not make a recommendation with respect to whether future shareholder advisory votes on named executive officer compensation should occur every one, two, or three years.

#### How do I vote?

You can vote either in person at the Annual Meeting or by Proxy without attending the Annual Meeting. We urge you to vote by Proxy even if you plan to attend the Annual Meeting so that we will know as soon as possible that enough votes will be present for us to hold and conduct business at the meeting. If you attend the meeting and wish to vote in person, you must withdraw your earlier-dated Proxy in accordance with this Proxy Statement and provide proof of ownership of Company shares as of the record date of March 20, 2017.

Please note that there are separate telephone and Internet arrangements, depending upon whether you are a holder of record [that is, if your shares are registered in your own name with the Company's transfer agent and you have possession of your stock certificate(s)] or whether you hold your shares in "street name" (that is, if your shares are held for you by a broker or other nominee).

Shareholders of record voting by Proxy may use one of the following three options:

- ✓Vote by Internet (log on to <https://www.proxyvote.com> and follow the directions there);
- ✓Vote by toll-free telephone (1-800-690-6903 - instructions are on the Proxy Card or Voting Instruction Form); or
- ✓Fill out the enclosed Proxy Card or Voting Instruction Form, sign it, and mail it.

If you hold your shares in "street name," please refer to the information forwarded by your broker or other nominee to see which options are available to you.

A beneficial owner who wants to cast a vote directly, rather than have a broker or other nominee do so, can either: become a registered owner; or ask the broker or nominee to execute a proxy on your behalf. You can become a registered owner by having your broker or other nominee "certificate" your position, in which case you will receive an actual certificate for your stock, or your share ownership can be moved into a "direct registration system." Alternatively, you can check a box on the Voting Instruction Form indicating your plan to attend the meeting and to vote your shares directly, in which case your broker or other nominee should then send you your proxy. Please contact your broker or other nominee for more details.

The telephone and Internet voting facilities for shareholders of record will close at 11:59 p.m. EDT on May 17, 2017. The telephone and Internet voting procedures are designed to authenticate shareholders by the use of control numbers and to allow you to confirm that instructions have been properly recorded.

Can I change my vote?

Yes. At any time before your Proxy is voted at the meeting, you may change your vote by:

- ✘ Revoking it by written notice to the Corporate Secretary at the address on the cover of the Proxy Statement;
- ✘ Delivering a later-dated Proxy (including a telephone or Internet vote);
- ✘ Voting by telephone or Internet at a subsequent time; or
- ✘ Voting in person at the meeting.

If you hold your shares in "street name," please refer to the information forwarded by your broker or other nominee for procedures on revoking or changing your Proxy.

How many votes do I have?

You will have one vote for every share of common stock that you owned on March 20, 2017.

How many shares are entitled to vote?

There were 287,364,734 shares of the Company common stock outstanding as of March 20, 2017, and entitled to vote at the meeting. Each share is entitled to one vote.

How many votes must be present to hold the meeting?

Under the Company's Bylaws, a majority of all of the voting shares of the capital stock issued and outstanding as of March 20, 2017, must be present in person or by Proxy to hold the Annual Meeting.

What if I do not vote for some or all the matters listed on my Proxy Card or Voting Instruction Form?

If you return a Proxy Card or Voting Instruction Form without indicating your vote for some or all of the matters, if permissible, your shares will be voted as follows for any matter you did not vote on:

- ✘ For the approval of the director nominees to the Board of Directors listed on the card.
- ✘ For ratification of Ernst & Young LLP as the Company's auditors for the fiscal year ended December 31, 2017.
- ✘ For the approval, on an advisory basis, of the compensation of the Company's named executive officers.
- ✘ Abstain with respect to whether future shareholder advisory votes on named executive officer should occur every one, two, or three years.

How many votes are needed for the approval of items upon which the shareholders are being asked to vote?

Under Michigan law, the nine nominees for director will be elected by a plurality of the votes cast. Notwithstanding the foregoing, the Company's Bylaws provide that if a director is elected by less than a majority of the votes cast, then such director shall promptly tender his or her resignation by written notice to the Board of Directors.



Ratification of Ernst & Young LLP as the Company's auditors for the fiscal year ended December 31, 2017, is by a majority votes cast.

The proposals to approve the compensation of the Company's named executive officers and to determine the frequency of future shareholder advisory votes on the compensation of named executive officers are advisory and the Board of Directors will take such votes into account when considering future actions.

What if I vote "abstain?"

A vote to "abstain" on the election of the directors or on ratification of Ernst & Young LLP as the Company's auditors will have no effect on the outcome. A vote to abstain with respect to approval of named executive officer compensation or on the frequency of shareholder advisory votes on named executive officer compensation will be taken into account by the Board of Directors in determining future action.

What if I do not return my Proxy Card or Voting Instruction Form and do not attend the Annual Meeting?

If you are a holder of record and you do not vote your shares, your shares will not be voted.

If you hold your shares in "street name," and you do not give your broker or other nominee specific voting instructions for your shares, your broker or other nominee may not be permitted to exercise voting discretion with respect to certain matters to be acted upon.

If you do not give your record holder specific voting instructions and your record holder does not vote on the matters to be voted upon, the votes will be "broker non-votes." "Broker non-votes" will have no effect on the vote for the election of directors or the other matters to be voted upon as set forth in this Proxy Statement.

Is my vote confidential?

Proxy instructions, ballots, and voting tabulations that identify individual shareholders are handled in a manner that protects your individual voting privacy. Your individual vote will not be disclosed either within the Company or to third parties, except:

- as necessary to meet applicable legal requirements;
- to allow for the tabulation of votes and certification of the vote; or
- to facilitate successful Proxy solicitation by our Board of Directors.

Occasionally, shareholders provide written comments on their Proxy Cards or Voting Instruction Forms which are then forwarded to the Company's management.

How can I receive a copy of the Company's Form 10-K?

You can obtain, free of charge, a copy of our Form 10-K for the year ended December 31, 2016, which we recently filed with the Securities and Exchange Commission, by writing to:

Corporate Secretary  
Gentex Corporation  
600 North Centennial Street  
Zeeland, Michigan 49464

You can also obtain a copy of the Company's Form 10-K and other periodic filings with the Securities and Exchange Commission (SEC) on the Company's Internet web site under the heading "SEC Filings" at: <http://ir.gentex.com>.

The Company's Form 10-K and other SEC filings mentioned above are also available from the SEC's EDGAR database at <http://www.sec.gov>.

Can I otherwise access the Company's proxy materials and Annual Report?

The proxy materials are also available on the Company's Internet website at: <http://ir.gentex.com>

What is "householding of proxy materials?"

Only one Notice will be sent to multiple shareholders sharing a single address, unless the Company has received instructions to the contrary from one or more shareholders. If a single copy of the Notice was delivered to an address that you share with another shareholder, and you prefer to receive additional copies, send your request to the Corporate Secretary (at 600 North Centennial Street, Zeeland, Michigan 49464, 1-616-772-1800), and we will promptly deliver a separate copy.

## BUSINESS HIGHLIGHTS

In 2016, the Company experienced record net sales, net income, and earnings per share. Highlights include (in thousands, except per share data):

|  | 2016        | 2015        | 2014        |
|--|-------------|-------------|-------------|
| Net Sales                                | \$1,678,925 | \$1,543,618 | \$1,375,501 |
| Operating Income                         | \$511,743   | \$458,766   | \$398,834   |
| Net Income                               | \$347,591   | \$318,470   | \$288,605   |
| Earnings Per Share (Fully Diluted)       | \$1.19      | \$1.08      | \$0.98      |
| Cash Dividends Declared Per Common Share | \$0.36      | \$0.34      | \$0.31      |
| Total Assets                             | \$2,309,620 | \$2,148,673 | \$2,022,540 |
| Long-Term Debt Outstanding at Year End   | \$178,125   | \$225,625   | \$258,125   |

## SOLICITATION OF PROXIES

This Proxy Statement is being furnished on or about April 3, 2017 to the shareholders of Gentex Corporation as of the record date, in connection with the solicitation by the Board of Directors of the Company of Proxies to be used at the Annual Meeting of Shareholders to be held on Thursday, May 18, 2017, at 4:30 p.m. EDT, at The Pinnacle Center, 3330 Highland Drive, Hudsonville, Michigan 49426.

Each shareholder as of the record date, as an owner of the Company, is entitled to vote on matters to come before the Annual Meeting. The use of Proxies allows a shareholder of the Company to be represented at the Annual Meeting if the shareholder is unable to attend in person.

There are four ways to vote your shares:

- 1) By Internet at <https://www.proxyvote.com> We encourage you to vote this way.
- 2) By toll-free telephone (1-800-690-6903)
- 3) By completing and mailing your Proxy Card or Voting Instruction Form
- 4) By written ballot at the Annual Meeting

If the form of Proxy accompanying this Proxy Statement is properly executed using any of the methods described above, the shares represented by the Proxy will be voted at the Annual Meeting of Shareholders and at any adjournment of the meeting. Where shareholders specify a choice, the Proxy will be voted as specified. If no choice is specified, the shares represented by Proxy will be voted FOR the election of all nominees named in the Proxy; FOR ratification of Ernst & Young LLP as the Company's auditors for the fiscal year ending December 31, 2017; FOR approval, on an advisory basis, of the compensation of the Company's named executive officers; and ABSTAIN with respect to whether future shareholder advisory votes on named executive officer compensation should occur every one, two, or three years. These proposals are described in this Proxy Statement. A Proxy may be revoked prior to its exercise by (1) delivering a written notice of revocation to the Corporate Secretary, (2) delivery of a later-dated Proxy, including a telephone or Internet vote, or (3) attending the meeting and voting in person, as discussed above.

## VOTING SECURITIES AND RECORD DATE

March 20, 2017, has been fixed by the Board of Directors as the record date for determining shareholders entitled to vote at the Annual Meeting. On that date, 287,364,734 shares of the Company's common stock, par value \$.06 per share, were issued and outstanding. Shareholders are entitled to one vote for each share of the Company's common

stock registered in their names at the close of business on the record date. Abstentions and broker non-votes are counted for the purposes of determining the presence or absence of a quorum for the transaction of business. Abstentions and broker non-votes are not, however, counted in tabulations of votes cast on matters presented to shareholders, though the Board will consider abstentions in determining future actions.

## ELECTION OF DIRECTORS

The Company's Restated Articles of Incorporation specify that the Board of Directors shall consist of at least six, but not more than nine members, with the exact number to be determined by the Board. The Board has currently set the number of directors at nine. The Restated Articles of Incorporation state that directors shall be elected annually for terms expiring at the next annual meeting of shareholders.

The majority of the members of the Company's Board of Directors qualify as "independent directors" as determined in accordance with the current listing standards of The NASDAQ Global Select Market ("NASDAQ"). Based on these current NASDAQ listing standards, the Company's Board has identified and affirmatively determined the following directors have no material relationships with the Company other than as a director and are independent: Leslie Brown, Gary Goode, Pete Hoekstra, James Hollars, John Mulder, Richard Schaum, Fred Sotok, and James Wallace. In making its independence determinations, the Board considered: the former employment and a former consulting arrangement of Mr. Mulder; the former employment of Mr. Hollars; and the fact that Mr. Sotok's son had an indirect interest in a former vendor of the Company. The Board determined that these circumstances do not interfere with the exercise of independent judgment in carrying out the responsibilities of a director. Mr. Wallace has been elected as Lead Independent Director under the Company's Lead Independent Director Policy.

Each of the current Board of Directors members have been determined to meet the required experience and qualifications set forth in the Company's Position Profile: Member of the Board of Directors, including, among them, high levels of personal and professional integrity, distinguished management careers, and the demonstrated ability to work effectively as Board members. Combined with the other desirable characteristics and experience of such individuals, these individuals have the experience, qualifications, attributes, and/or skills (which are described below) which led the Nominating and Corporate Governance Committee to recommend such individuals to the Board for nomination for election to the Board, and led the Board to conclude such individuals should be nominated for election to the Board.

The terms of all current Board of Directors members will expire upon the election of the directors to be elected at the 2017 Annual Meeting. The Board has (upon the recommendation of the Company's Nominating and Corporate Governance Committee), re-nominated Fred Bauer, Leslie Brown, Gary Goode, Pete Hoekstra, James Hollars, John Mulder, Richard Schaum, Fred Sotok, and James Wallace for election as directors at the Annual Meeting, each to serve a one-year term expiring in 2018.

Unless otherwise specifically directed by a shareholder's marking on the Proxy Card or Voting Instruction Form, or in directions given either via the Internet or telephone, the persons named as Proxy voters in the accompanying Proxy will vote for the nominees described above and below. If any of these nominees becomes unavailable, which is not now anticipated, the Board may designate a substitute nominee, under the recommendation of the Nominating and Corporate Governance Committee, in which case the accompanying Proxy will be voted for the substituted nominee. Proxies cannot be voted for a greater number of persons than the number of nominees named.

A plurality of votes cast by shareholders at the meeting is required to elect directors of the Company under Michigan law. Accordingly, the nominees who receive the largest number of affirmative votes will be elected, regardless of the number of votes received. Notwithstanding the foregoing, the Company, in response to a shareholder proposal and with the proponent's concurrence with the Company's implementation of the same, amended its Bylaws to provide that if a director is elected by less than a majority of the votes cast, then such director shall promptly tender his or her resignation by written notice to the Board of Directors. Each of the nominees has agreed to tender his or her resignation in writing to the Board if he or she is not elected by a majority of votes cast. Broker non-votes and votes withheld will not have a bearing on the outcome of the election (though the Nominating and Corporate Governance Committee and Board will consider abstentions in making future nominations). Votes will be counted by Inspectors of Election appointed by the presiding officer at the Annual Meeting.

The Board of Directors recommends a vote FOR the election of all persons nominated by the Board.

The content of the following table relating to age and business experience is based upon information furnished to the Company by the nominees and directors, as of February 16, 2017.

11

---

Name  
(Age) and Business Experience  
Position

Nominees for Terms to Expire in 2018

Fred Bauer (74) Director since 1981  
 Mr. Bauer is the Chairman and Chief Executive Officer of the Company, and he has held that position for more than five years. As a founder of the Company, Mr. Bauer offers a vast wealth of knowledge and experience with respect to the Company and the industries in which it operates that only comes with 40 plus years of dedicated service. Mr. Bauer thoroughly understands the Company's industries and has practical experience with the operational, sales, engineering, administrative, and financial aspects of the Company, due to the many roles in which he has served the Company over the years. Mr. Bauer has overseen the Company's increase in market capitalization from approximately \$17 million at its initial public offering in 1981 to approximately \$6.2 billion as of March 1, 2017. In addition, he is also the named inventor on a number of the Company's patents.

Leslie Brown (63) Director since 2016  
 Ms. Brown, since 2003, is the owner and chairperson of Metal Flow Corporation, a Holland, Michigan, based high volume producer of technically sophisticated custom metal (of various varieties) components through deep draw processes. Including operations in China, Metal Flow Corporation globally ships approximately 1.3 million parts daily for a variety of automotive applications, including airbags, decorative trim, emissions, fuel handling, sensors, and solenoids. As such, Ms. Brown has a significant understanding of, and experience with, challenges faced by manufacturing companies that supply the global automotive industry. In addition to her years of experience as an entrepreneurial automotive supplier, as a prominent local businesswoman serving on a variety of community organization boards of directors (including as chairperson of the Holland Hospital Board), Ms. Brown has demonstrated a high degree of professionalism and personal integrity. Ms. Brown offers insight and perspective especially in terms of developing and maintaining an entrepreneurial team. Ms. Brown has affirmatively been identified as an independent director by the Board of Directors.

Gary Goode (71) Director since 2003  
 Mr. Goode is the Chairman of Titan Distribution LLC, an Elkhart, Indiana company, that offers consulting and distribution services related to structural adhesives, and has held that position since 2004. He was previously employed at Arthur Andersen LLP ("Andersen") for 29 years, including 11 years as the managing partner of its West Michigan practice, until his retirement in 2001. He is currently a director and Chairman of the Audit Committee at Universal Forest Products, Inc. As an audit committee financial expert, Mr. Goode provides the Board with financial reporting and accounting expertise. His many years of public accounting experience provided Mr. Goode the opportunity to work with a great variety of small and large companies, including public companies, in a broad array of industries (including automotive and technology companies). Such experience allows Mr. Goode to provide excellent perspective to the Board. Mr. Goode has affirmatively been identified as an independent director by the Board of Directors and as an audit committee financial expert. He is the Chairman of the Company's Audit and Compensation Committees, and serves on the Company's Nominating and Corporate Governance Committee.

Pete Hoekstra (63) Director since 2013  
 Mr. Hoekstra serves as a senior director at Greenberg Traurig LLP in the firm's Government Law and Policy Group, where he provides business consulting in public policy, Congressional investigations, cyber security and data privacy solutions, government contracts, and government law and strategy. From 2011 to 2014, Mr. Hoekstra served as a senior adviser at Dickstein Shapiro LLP in that firm's Public Policy and Law Practice, providing business consulting. He served in the United States Congress for 18 years, representing Michigan's 2nd Congressional District from 1993 to 2011, and is in rare company as a former U.S. Congressman with experience as a Fortune 500 business executive. Before his election to Congress, he worked at Herman Miller, Inc. for 15 years, becoming vice president of marketing at the Zeeland, Michigan-based office furniture manufacturer during a period when that company's revenues grew

approximately 800%. At Herman Miller, Mr. Hoekstra worked in product development, product management, and dealer development as he rose through the ranks. Mr. Hoekstra provides the Board with a unique blend of expertise and perspective on the global marketplace and public policy implications. Mr. Hoekstra has affirmatively been identified as an independent director by the Board of Directors.

James  
Hollars  
(72)  
Director  
since 2014

Mr. Hollars was the Senior Vice President - Sales of the Company from 1999 to 2009. Mr. Hollars has an exceptional understanding of the sales process for suppliers to automotive OEMs, especially in Europe which continues to be an important geographic market for the Company. Mr. Hollars offers the Board unique insight into the decision-making process of automotive customers as regards sourcing. His familiarity with the Company's core business principles and what it takes to work in an entrepreneurial environment allow him to understand the Company more fully. Mr. Hollars has been affirmatively identified as an independent director by the Board.

John  
Mulder  
(80)  
Director  
since 1992

Mr. Mulder was the Vice President-Customer Relations of the Company from February 2000 to June 2002. Before that, he was Senior Vice President-Automotive Marketing of the Company from September 1998 to February 2000. Prior to September 1998, he was Vice President- Automotive Marketing of the Company for more than five years. Mr. Mulder's overall understanding of the Company's primary industry and intimate knowledge of selling to automotive OEMs provides insight to the Board of Directors. His familiarity with the Company's core business principles and close relationship developed over the years with relevant decision makers at the Company's customers offer the Board a valuable perspective. Mr. Mulder has affirmatively been identified as an independent director by the Board of Directors.



Richard  
Schaum  
(70)  
Director  
since  
2011

Mr. Schaum has been General Manager of 3rd Horizon Associates LLC, a technology assessment and development company, since May 2003. From October 2003 until June 2005, he was Vice President and General Manager of Vehicle Systems for WaveCrest Laboratories, Inc., a startup company involved in the commercialization of proprietary electric propulsion systems. Prior to that, for more than thirty years, he was with DaimlerChrysler Corporation, and its predecessor, Chrysler Corporation, including as Executive Vice President, Product Development, and General Manager of Powertrain Operations. His responsibilities over those years included product development, manufacturing, program management and quality.

Mr. Schaum is a fellow of the Society of Automotive Engineers and served as its President from 2007 to 2008. He is currently a director and a member of the Corporate Governance Committee of BorgWarner, Inc., a publicly-traded company that manufactures and sells technologies for engines and drive trains. He is also on the Board of Directors and is a member of the Audit and Compensation Committees of Sterling Construction, Inc., a heavy civil construction company. Mr. Schaum has extensive executive and management experience at all levels in a Fortune 100 company and more recent experience with an entrepreneurial start-up company, as well as knowledge of, and interest in, corporate governance matters, gained on the board of a Fortune 500 company. In addition, his technical background and operating experience contribute to the breadth and depth of the Board's interactions and deliberations. Mr. Schaum has been affirmatively identified as an independent director by the Board of Directors. Mr. Schaum serves on the Company's Audit and Compensation Committees.

Frederick  
Sotok  
(82)  
Director  
since  
2000

Mr. Sotok was Executive Vice President and Chief Operating Officer of Prince Corporation (manufacturer of automotive interior parts that was acquired by Johnson Controls in 1996) in the last five years of his employment which began in October 1977 and ended in October 1996. By virtue of Mr. Sotok's former position at a large automotive interior and electronic parts supplier, Mr. Sotok has a thorough understanding of the global automotive industry and the unique challenges faced by automotive suppliers, including both organizational and administrative issues. Mr. Sotok's 17 years of experience in manufacturing management at General Electric also provides the Board of Directors with manufacturing experience to draw upon. Mr. Sotok serves on the Company's Audit Committee. Mr. Sotok has affirmatively been identified as an independent director by the Board of Directors.

James  
Wallace  
(74)  
Director  
since  
2007

Mr. Wallace is Chairman of the Board of Cranel, Inc., a Columbus, Ohio, company that provides storage, imaging, and information technology services; data storage solutions; document imaging, storage, publishing, and duplication services; and support, to the storage and imaging industry. Previously, he served as President and Chief Executive Officer of Cranel, Inc. for more than five years. His experience in the information technology services industry offers the Board of Directors an understanding of evolving technologies, in addition to manufacturing expertise, especially while operating in an entrepreneurial environment. Mr. Wallace has affirmatively been identified as an independent director by the Board of Directors. Mr. Wallace is the Chairman of the Company's Nominating and Corporate Governance Committee and serves on the Company's Compensation Committee. He has been elected Lead Independent Director under the Company's Lead Independent Director Policy.

## COMMON STOCK OWNERSHIP OF MANAGEMENT

The following table contains information with respect to ownership of the Company's common stock by all directors, nominees for election as directors, executive officers named in the tables under the caption "EXECUTIVE COMPENSATION," and all directors and such executive officers as a group. The content of this table is based upon information supplied by the Company's named executive officers, directors and nominees for election as directors, and represents the Company's understanding of circumstances in existence as of March 1, 2017.

| Name of Beneficial Owner | Amount and Nature of | Percent<br>of Class |
|--------------------------|----------------------|---------------------|
|                          | Ownership            |                     |

Edgar Filing: GENTEX CORP - Form DEF 14A

|  | Shares<br>Beneficially<br>Owned (1) | Exercisable<br>Options (2) |      |
|--|-------------------------------------|----------------------------|------|
| Fred Bauer   | 6,508,128                           | 976,400                    | 2.3% |
| Leslie Brown   | 10,000                              | 7,000                      | *    |
| Steve Downing  | 79,615                              | 31,176                     | *    |
| Gary Goode   | 104,000                             | 88,000                     | *    |
| Pete Hoekstra  | 48,000 <sup>(3)</sup>               | 40,000                     | *    |
| James Hollars  | 64,904                              | 28,000                     | *    |
| Joe Matthews   | 18,716                              | 3,346                      | *    |
| John Mulder  | 147,104 <sup>(4)</sup>              | 40,000                     | *    |
| Kevin Nash   | 35,052                              | 1,694                      | *    |
| Scott Ryan   | 25,054                              | 15,410                     | *    |
| Richard Schaum   | 68,000                              | 64,000                     | *    |
| Frederick Sotok  | 53,348 <sup>(5)</sup>               | 26,000                     | *    |
| James Wallace  | 93,400                              | 76,000                     | *    |
| All directors and executive officers as a group (13 persons) | 7,255,321                           | 1,397,026                  | 2.5% |

\* Less than one percent.

- (1) Except as otherwise indicated by footnote, each named person claims sole voting and investment power with respect to the shares indicated.
- (2) This column reflects shares subject to options exercisable within 60 days, and these shares are included in the column captioned "Shares Beneficially Owned."
- (3) Includes 500 shares held by Mr. Hoekstra's wife in an individual retirement account.
- (4) Includes 60,000 shares held in a trust established by Mr. Mulder's spouse, and Mr. Mulder disclaims beneficial ownership of these shares.
- (5) Includes 348 shares owned by Mr. Sotok's spouse through a partnership, and Mr. Sotok disclaims beneficial ownership of these shares.

#### COMMON STOCK OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The following table contains information with respect to ownership of the Company's common stock by persons or entities that are beneficial owners of more than five percent of the Company's voting securities as of December 31, 2016.

| Name and Address of Beneficial Owner                              | Amount<br>and Nature<br>of<br>Beneficial<br>Ownership | Percent<br>of<br>Class |
|---|---|------------------------|
| Black Rock Inc.<br>40 East 52nd Street,<br>New York, NY 10022     | 22,005,877  | 7.7 %                  |
| The Vanguard Group<br>100 Vanguard Boulevard<br>Malvern, PA 19355 | 21,900,728  | 7.6 %                  |

#### CORPORATE GOVERNANCE

The Company operates within a comprehensive plan of corporate governance set forth in the Gentex Corporation Corporate Guidelines (\*) as adopted for the purpose of defining responsibilities, setting high standards of professionalism and personal conduct, and assuring compliance with such responsibilities and standards.

The Board of Directors has an Audit Committee, a Compensation Committee, and a Nominating and Corporate Governance Committee, and, in accordance with the Company's Bylaws, may appoint other committees from time to time. Each standing committee has a written charter. All such charters, as well as any documents marked with an asterisk (\*) in this Proxy Statement, are available under the heading "Corporate Governance" on the Company's web site at <http://ir.gentex.com>. A hard copy of any of these documents will be provided to any shareholder who submits a request in writing to the Corporate Secretary, Gentex Corporation, 600 North Centennial Street, Zeeland, MI 49464.

Each member of the Board of Directors is expected to abide by the Gentex Corporation Board of Directors Attendance and Overboarding Policy (\*), including the expectation to attend all meetings of the Board, all applicable committee meetings, and each annual meeting of shareholders. All then members of the Board attended the 2016 Annual Meeting of Shareholders. Each of the current members of the Board, including all nominees for the Board, is expected to attend the 2017 Annual Meeting of Shareholders. During 2016, the Board held five Board meetings. All directors attended at least 75 percent of the aggregate number of meetings of the Board and Board committees on which they served.

Responsiveness to Shareholders

The fact that the Company has declassified its Board of Directors and implemented majority voting for directors (in the form of a director resignation Bylaw) in response to shareholder proposals, as well as allowing its shareholder rights plan (poison pill) to expire, demonstrates responsiveness to expressed shareholder concerns. In fact, implementation of majority voting for directors (in the form

of a director resignation Bylaw) was done with the input and concurrence of the shareholder proponent as to form of adoption of the same.

The fact that the Company has implemented a Lead Independent Director Policy (\*) also demonstrates its commitment to good corporate governance and ongoing engagement with shareholders.

The Company has added a Sustainability section to its website and additional diversity considerations to its director nominating policies in response to suggestions from shareholders. Such diversity considerations, along with the actual practices of the Nominating and Corporate Governance Committee, have led to a broader and more diverse director candidate pool.

The Company's on-going efforts concerning diversity have led to increasing diversity through all levels of the organization.

In addition to demonstrating recent responsiveness to shareholder concerns, the Company has historically demonstrated its commitment toward corporate governance by its compensation system, which ensures that all team members share in financial opportunities and sacrifices so employees win when shareholders win. The Company does not have any "golden parachutes" or other excessive perquisites.

#### Lead Independent Director/Independent Directors

Under the Company's Lead Independent Director Policy, Mr. Wallace has been elected Lead Independent Director by the Board of Directors independent directors.

In addition to acting as a liaison between the independent directors and the Chairman, the Lead Independent Director has such duties and responsibilities as the Board of Directors may assign to him or her, including: presiding at all meetings of the Board at which the Chairman is not present; presiding at all executive sessions of independent directors and the ability to call such meetings; approving all information being sent to the Board, including meeting agendas and board meeting schedules (to ensure enough time for discussion of all agenda items); being available for meetings with major shareholders upon request; and retaining advisors.

In accordance with the NASDAQ Stock Market Rules, in order for a director to qualify as "independent," the Board of Directors must affirmatively determine that the director has no material relationship with the Company that would impair the director's independence. The Board has affirmatively determined a majority of its members are independent, and they include Ms. Brown and Messrs. Goode, Hoekstra, Hollars, Mulder, Schaum, Sotok, and Wallace. Given the foregoing, a majority of the Board is comprised of independent directors as defined in the NASDAQ Stock Market Rules. In fact, a super majority of Board members are independent.

A meeting of the independent directors, separate from management, is an agenda item at each Board of Directors meeting. During 2016, the independent directors met on 5 occasions.

#### Board of Directors Leadership Structure

Fred Bauer has served as Chairman of the Board of Directors and Chief Executive Officer (CEO) of the Company for 40 plus years. The Company's market capitalization has increased from approximately \$17 million at the initial public offering in 1981 to approximately \$6.2 billion as of March 1, 2017. As a founder of the Company, Mr. Bauer is uniquely situated to serve as Chairman and CEO, which has been demonstrated by the Company's historical performance.

As noted above, the Board also has a Lead Independent Director and the independent members of the Board have as an agenda item, in connection with each Board meeting, the opportunity to meet (and have met on other occasions as well). The Company acknowledges that independent board leadership is important and believes that it is already getting such leadership from its independent directors, which has been bolstered by election of a Lead Independent Director. As such, there is no need at this time to separate the Chairman and CEO roles as a matter of policy (although it could be appropriate to do so in the future).

The Company continues to believe it is important that the Board have flexibility to determine the most qualified person to serve as Board Chairman rather than unduly impairing such flexibility with any policy requiring an

independent Board Chairman.

The Board continues to believe that the Company is fortunate to have Mr. Bauer, a founder of the Company, serve as Chairman of the Board and Chief Executive Officer of the Company, as his 40 plus years of experience makes him the best choice for each of these roles.

15

---

The Board has also determined that having Mr. Bauer serve in each of these roles has allowed the Company to speak with one voice, avoid the dilution of leadership, and empowered Mr. Bauer to act with determination, all of which have benefited the Company and its shareholders. The Board believes that having the flexibility to choose the Chairman best suited to serve in the future is important as well.

#### Audit Committee

The Company's Audit Committee currently includes Messrs. Goode (Chairman), Schaum, and Sotok. The Audit Committee met four times during the fiscal year ended December 31, 2016. Information regarding the functions performed by the Committee is set forth in the following "Report of the Audit Committee".

The Board of Directors has affirmatively determined that all members of the Audit Committee meet the appropriate tests for independence, including those set forth in the NASDAQ Stock Market Rules.

All Audit Committee members possess the required level of financial literacy and the Board of Directors has determined that at least one member of the Audit Committee, Mr. Goode, meets the current standard of audit committee financial expert as required by the Sarbanes-Oxley Act.

The Audit Committee operates pursuant to the Gentex Corporation Audit Committee Charter (\*).

The Company's independent auditors report directly to the Audit Committee.

The Audit Committee, consistent with the Sarbanes-Oxley Act and the rules adopted thereunder, meets with management and the auditors prior to the filing of officer certifications with the SEC to receive information concerning, among other things, any significant deficiencies or material weaknesses in the design or operation of internal controls.

The Audit Committee's policy regarding the pre-approval of audit and non-audit services provided by the Company's independent auditors is outlined in a document called "Revised Audit Committee Procedures for Approval of Audit and Non-Audit Services by Independent Auditors," which is attached as Appendix A to this Proxy Statement.

The Audit Committee has adopted a policy titled "Complaint Procedures for Accounting and Auditing Matters" (\*) to enable confidential and anonymous reporting to the Audit Committee.

The Audit Committee reviews and approves all related-party transactions in accordance with its Charter. This review and approval covers all manners of related-party transactions, which are viewed in light of applicable disclosure requirements, independence standards for directors, and applicable Company codes and policies.

#### Compensation Committee

The Company's Compensation Committee currently includes Messrs. Goode (Chairman), Schaum, and Wallace. The Compensation Committee met 7 times during the fiscal year ended December 31, 2016. The Compensation Committee is responsible for administering the Company's stock-based incentive plans and supervising other compensation arrangements for executive officers of the Company. Information regarding functions performed by the Committee is set forth in the following "Compensation Committee Report".

The Board of Directors has affirmatively determined that all members of the Compensation Committee meet the appropriate tests for independence, including those set forth in the NASDAQ Stock Market Rules.

The Compensation Committee operates pursuant to the Gentex Corporation Compensation Committee Charter (\*).

More information regarding the scope of authority of the Compensation Committee, any delegation of its authority, and the role of executive officers is set forth in the "Compensation Discussion and Analysis" below.

Although the Compensation Committee has authority under its Charter to hire consultants, it has not done so to date and, as such, compensation consultants and other advisors have played no role in determining or recommending the amounts or form of executive officer and director compensation.

The Board of Directors, based on the recommendation of the Compensation Committee, has also adopted an "Anti-Hedging and Anti-Pledging Policy" (\*) and "Clawback Policy" (\*).

The Compensation Committee does not believe that the Company's compensation policies and practices are reasonably likely to have a material adverse effect on the Company.





## Nominating and Corporate Governance Committee

The Company's Nominating and Corporate Governance Committee currently includes Messrs. Wallace (Chairman) and Goode.

The Nominating and Corporate Governance Committee met formally one time during the fiscal year ended December 31, 2016 (holding other discussions at regularly scheduled Board of Directors meetings, including consideration of potential candidates for nomination to the Board). The Nominating and Corporate Governance Committee is responsible for identifying and recommending qualified individuals to serve as members of the Company's Board and met in February 2017 in accordance with such responsibilities.

The Board of Directors has affirmatively determined that all members of the Nominating and Corporate Governance Committee meet the appropriate tests for independence, including those set forth in the NASDAQ Stock Market Rules.

The Nominating and Corporate Governance Committee operates pursuant to the Gentex Corporation Nominating and Corporate Governance Committee Charter (\*).

The Nominating and Corporate Governance Committee has adopted certain procedures contained in a document called "Selection Process for Board Candidates" (\*) to consider candidates for director nominations. Generally, for each election of directors the Chair of the Nominating and Corporate Governance Committee identifies candidates, from a variety of resources to ensure a diverse pool of candidates, with support of the other committee member(s), other board members, and management, as needed. Candidates that meet the established criteria are identified and presented to the entire Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee will then conduct interviews and reviews, as appropriate and necessary. The Nominating and Corporate Governance Committee then meets to consider and approve the most qualified candidates so it can make its recommendation to the full Board of Directors.

The Nominating and Corporate Governance Committee has established the minimum qualifications for candidates, which are contained in a document called "Position Profile: Member of the Board of Directors" (\*). Those required qualifications include: working and/or experience with an entrepreneurial company; high level of personal and professional integrity; successful and distinguished business management career (using the Company's core principles); understanding of the Company's markets; and ability to work effectively with current Board members. The Position Profile also sets forth other desirable experience and qualifications, including gender, race, ethnic, and country of origin diversity.

The Nominating and Corporate Governance Committee has not, to date, paid any third party a fee to assist in identifying and evaluating nominees, but has the authority to do so.

The Nominating and Corporate Governance Committee has not, to date, received any potential director candidates for nomination from any shareholder that beneficially owns more than five percent of the Company's common stock.

The Nominating and Corporate Governance Committee will consider nominees for the Board of Directors from a variety of sources, including current directors, management, retained third-party search firms, and shareholders. The Nominating and Corporate Governance Committee avails itself of a variety of available resources for candidates (and from non-executive positions and/or non-traditional environments). If you want to recommend a director candidate, you may do so in accordance with the Company's procedures or the Company's Restated Articles of Incorporation. If a shareholder desires to recommend a candidate for consideration by the Nominating and Corporate Governance Committee for inclusion in the Company's 2018 Proxy Statement as a Board nominee, that recommendation should be submitted in writing, together with appropriate biographical information, to the Chairman of the Nominating and Corporate Governance Committee, c/o Corporate Secretary's Office, Gentex Corporation, 600 North Centennial Street, Zeeland, Michigan 49464. Any such nominations should be received by the Chairman of the Nominating and Corporate Governance Committee by no later than December 31, 2017, to allow adequate time for consideration of the nominee. Other nominations by shareholders for any directorship may be submitted to the Board of Directors by written notice as set forth in the Company's Restated Articles of Incorporation and Bylaws, or pursuant to the rules and regulations promulgated under the Securities Exchange Act of 1934.

- In accordance with the above-referenced Selection Process for Board Candidates and the Position Profile, the independent directors approved the slate of nominees standing for election at the 2017 Annual Meeting of

Shareholders, and recommended the same to the entire Board of Directors.

The Nominating and Corporate Governance Committee now has corporate responsibilities as delegated by the Board of Directors.

## Codes

- The Board of Directors has adopted a "Code of Ethics for Certain Senior Officers" (\*) that applies to certain of the Company's officers and including the chief executive officer, principal financial officer and principal accounting officer. Information concerning any alleged violations is to be reported to the Audit Committee.
  - The Company has also adopted a "Code of Business Conduct and Ethics" (\*). This Code applies to all directors, officers and employees of the Company.
- No waivers of either of the foregoing codes have occurred to date.

## Shareholder Communication with Members of the Board of Directors

You may contact any of our directors by writing them: Board of Directors, c/o Corporate Secretary's Office, Gentex Corporation, 600 North Centennial, Zeeland, Michigan 49464. Employees and others who wish to contact the Board or any member of the Audit Committee may do so anonymously, if they wish, by using this address. Such correspondence will not be screened and will be forwarded in its entirety.

## Personal Loans to Executive Officers and Directors

The Company complies with and will operate in a manner consistent with an act of legislation outlawing extensions of credit in the form of personal loans to or for its directors and executive officers.

## Director and Executive Officer Stock Transactions

Under the regulations of the Securities and Exchange Commission (SEC), directors and executive officers are required to file notice with the SEC within two (2) business days of any purchase or sale of the Company's stock. Information on filings made by any of our directors or executive officers can be found on the Company's web site under "SEC Filings" at <http://ir.gentex.com>.

## Risk Oversight

While the Board of Directors oversees risk management, management of the Company is charged with managing risk through appropriate internal processes and internal controls. On behalf of the Board, the Audit Committee oversees Company risk policies and procedures relating to its financial statements and financial reporting processes, cyber security risks, credit risks, and liquidity risks. Further, in accordance with the Audit Committee Charter, the Audit Committee periodically discusses with management the Company's risk assessment and risk management and steps taken by management to control and mitigate risk exposure (other than risks arising from the Company's compensation policies and practices, which are overseen by the Compensation Committee on behalf of the Board). Such discussions with management and the independent auditors address significant risks, exposures, and judgments as well as steps taken by management to address them. The Audit Committee and the Compensation Committee, respectively, report to the Board periodically with respect to such topics. This oversight does not necessarily have any material effect on the Company's leadership structure. The Board also annually reviews the Company's various insurance coverages.

## Report of the Audit Committee

The primary purpose of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities for management's conduct of the Company's accounting and financial reporting processes and the Company's system of internal controls regarding finance, accounting, legal compliance and ethics. The Audit Committee's function is more fully described in its Charter, which the Board has adopted and is available on the Company's website. The Audit Committee reviews this Charter on an annual basis. The Board annually reviews the NASDAQ listing standards' definition of independence for audit committee members and has determined that each member of the Audit Committee meets that standard.

Management is responsible for the preparation, presentation, and integrity of the Company's financial statements, and financial reporting principles, internal controls and procedures designed to ensure compliance with accounting standards, applicable laws and regulations. The Company's independent auditors, Ernst & Young LLP, are responsible for performing an independent audit of the consolidated financial statements and expressing an opinion on the conformity of those financial statements with generally accepted accounting principles.

Pursuant to a meeting of the Audit Committee on February 15, 2017 the Audit Committee reports that it has: (i) reviewed and discussed the Company's audited financial statements with management; (ii) discussed with the independent auditors the matters required to be discussed by the statement on Auditing Standards No. 1301, as amended (AICPA, Professional Standards, Vol. 1. AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T; and (iii) received the written disclosures and the letter from the independent accountants required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the Audit Committee concerning independence, and has discussed with the independent accountant the independent accountant's independence. Based on the review and discussions referred to in Items (i)-(iii) above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company's annual report on Form 10-K for the year ended December 31, 2016, for filing with the Securities and Exchange Commission.

The Audit Committee has selected Ernst & Young LLP as the Company's independent auditors for the year ending December 31, 2017, and has submitted the same to the shareholders for ratification at the Annual Meeting.

This report of the Audit Committee does not constitute "soliciting material" and should not be deemed "filed" or incorporated by reference into any of the other Company filings under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent the Company specifically requests that the information be treated as soliciting material or specifically incorporates this report by reference therein.

Audit Committee: Gary Goode, Chairman  
Richard Schaum  
Fred Sotok

February 15, 2017

## Compensation Committee Report

The primary purpose of the Compensation Committee of the Board of Directors of the Company is to assist the Board in discharging its responsibilities related to compensation of the Company's executives. The Compensation Committee's function is more fully described in its Charter, which the Board has adopted and is available on the Company's website. The Compensation Committee reviews its Charter on an annual basis, recommending changes to the Board when and as appropriate. The Compensation Committee is comprised of three members, each of whom the Board has determined meets the appropriate independence tests for compensation committee members under the NASDAQ listing standards.

Pursuant to a meeting of the Compensation Committee held on February 15, 2017 the Compensation Committee reports that it has reviewed and discussed the Company's Compensation Discussion and Analysis with management. Based on the above-referenced review and discussions, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Company's annual report on Form 10-K for the year ended December 31, 2016, and this Proxy Statement, for filing with the Securities and Exchange Commission.

This report of the Compensation Committee does not constitute "soliciting material" and should not be deemed "filed" or incorporated by reference into any of the other Company filings under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent the Company specifically requests that the information be treated as soliciting material or specifically incorporates this report by reference therein.

Compensation Committee: Gary Goode, Chairman  
Richard Schaum  
James Wallace

February 15, 2017

## COMPENSATION DISCUSSION AND ANALYSIS

### Introduction

#### Overview of Our Compensation System

#### The Primary Objectives Are

- create and maintain an entrepreneurial culture
- motivate employees to:
  - continue technical developments
  - improve customer satisfaction
- create and maintain teamwork
- maintain a performance-based model balancing short-term and long-term performance of individuals and the Company

#### The Elements Comprise

- base salary
- bonuses
- stock-based incentives

#### What We Do

- emphasize performance-based incentives pay and equity awards
- align executive and employee interests with the interests of our shareholders (appropriately structured so as to not encourage inappropriate risk taking)
- performance-based and stock-based compensation may be "clawed-back" in appropriate circumstances

#### What We Do Not Do

- no "golden parachute" agreements
- no excessive perquisites
- no pension arrangements
- no option repricing
- no hedging or monetizing transactions by directors or employees to lock in the value of Company stock
- no purchasing Company stock on margin, borrowing against Company stock on margin, or pledging of Company stock

#### Responsibilities

**Compensation Committee** The Compensation Committee of our Board of Directors is appointed to assist our Board in discharging its responsibilities relating to the compensation of our executives. The Compensation Committee:

- is comprised of three directors, each of whom has been determined by our Board to be independent under applicable standards and none of whom receive any consulting, advisory, or other compensation fee (other than fees for service as Board or committee members)
- operates under and in accordance with the written Compensation Committee Charter
- has a chair that sets meeting agendas and the calendar for meetings

The Chief Executive Officer and other members of management attend meetings of the Compensation Committee at the request of the Committee. The Compensation Committee does, however, meet in executive session as appropriate. The Compensation Committee has the authority to engage outside consultants and advisors to advise the Committee with respect to compensation of executives, in its discretion, but has not done so to date.

**Board of Directors** The Board of Directors has responsibility to annually assess our director compensation program. Members of management attend meetings of the Board at the Board's request, but the Board meets in executive session as appropriate.

#### Role of Executives in Establishing Compensation

While the Compensation Committee is responsible for recommending CEO and other executive officer compensation to the Board of Directors for approval in accordance with the Compensation Committee Charter, the CEO in particular provides input and makes recommendations to the Compensation Committee with respect to compensation decisions for non-CEO executive officers. In fact, the CEO (along with other senior management) is primarily responsible for making compensation decisions for our other employees within guidelines established by the Compensation Committee. The Compensation Committee does, however, review and approve all stock-based awards and, for named executive officers, other performance-based bonuses. Since the Compensation Committee and the entire Board recognize that the CEO and other executive officers have the greatest opportunity to influence our performance, our Compensation Committee concentrates its efforts on establishing proper rewards and incentives for executive officers. This structure provides our CEO and executive officers the freedom to influence and motivate our employees to positively impact our Company performance (within the guidelines established by the Compensation Committee).

#### Compensation Committee Activity

During fiscal year 2016, the Compensation Committee met 7 times and also met in February 2017 to: approve the Compensation Committee Report; review and approve other compensation disclosures included in the Proxy Statement; set targets with respect to, and review and approve performance-based bonuses; and do reviews of non-CEO executive officers. Included in the activities of the Compensation Committee is a review of each element of compensation payable to named executive officers, as well as the total compensation payable to them, which includes use of an executive officer equity compensation tally sheet (including stock appreciation). These tally sheets help reflect compensation for a certain number of previous years so that compensation decisions of the Compensation Committee and the Board can be placed in the appropriate context.

#### Consistency

The Company has not wavered its compensation philosophy which is to ensure its compensation program structure and features align the interests of executives and employees with those of our shareholders. While the Company updates aspects of its compensation model from time to time as appropriate, the core elements, which are consistent with the compensation philosophy, have remained.

#### Objectives of Compensation Program

**Compensation Philosophy.** Our compensation program is comprised of three fundamental elements:

- base salary
- bonuses
- stock-based incentives

These elements are intended to reflect our cultural emphasis on all team members sharing in the financial opportunities and sacrifices at our Company, just as our shareholders do and are intended and structured to avoid encouraging excessive and unnecessary risk taking. The compensation program is designed in light of our desire to maintain an entrepreneurial culture and to incentivize desired performance and growth. The elements of compensation are utilized to accomplish several objectives, including:



- attract, motivate, and retain management personnel;
- encourage continued technical development and improve customer satisfaction;
- stay competitive for talent;
- encourage and reward individual achievement as well as overall Company performance; and

balance short-term performance and long-term performance by aligning the interests of our team with the interests of our shareholders

Except with respect to certain performance-based bonuses, timing of certain restricted stock grants, and stock option expiration, the compensation program is generally available to all of our salaried employees and in operation provides for the same method of allocation of benefits between executive and non-executive participants. The only differences between executive officers and other salaried employees is that: certain potential bonuses for executive officers are subject to performance metrics (further emphasizing performance-based compensation); the stock option term for executive officers may be somewhat longer; and restricted stock grants are considered annually rather than every three years (in part due to the Company's Stock Ownership Guidelines) for non-CEO named executive officers. Our compensation program is reviewed and compared to market periodically, though its core elements remain since those elements continue to accomplish the objectives of the compensation program. Ingenuity of our employees, employee turnover, employee morale, ability to hire, and individual and Company performance are important factors in determining whether our compensation program is consistent with our philosophy and is meeting its objectives.

### Compensation Elements in General

As noted above, the compensation program is comprised of three fundamental elements: (1) base salary; (2) bonuses; and (3) stock-based incentives.

Base Pay. Base compensation for executive officers is predicated primarily on:

- competitive circumstances for managerial talent; and
- positions reflecting comparable responsibility

Historically, base salaries for our employees have been below market, and incentive compensation has received more emphasis to encourage and implement our entrepreneurial culture. A variety of factors are considered concerning executive officer compensation which are discussed in more detail below.

Bonuses. Bonus compensation is comprised of two elements:

- Profit-Sharing Bonus payments (including a further performance-based element); and
- bonuses, including performance-based bonuses for executive officers and certain other key employees

All of our full-time employees, including the CEO and other executive officers, are eligible to share in our Profit-Sharing Bonuses. A percentage of pre-tax income after a minimum threshold of profitability has been achieved is paid to eligible employees quarterly. This structure is intended to incentivize employees to produce above industry average financial performance, thereby aligning employee and shareholder interests. For 2016, Profit-Sharing Bonus payments in the total amount of approximately \$42.6 million were made to approximately 5,147 employees. Historically, those Profit-Sharing Bonuses have paid employees between 0% to 25% percent of base salary, which supplements base salaries (since base salaries have been historically lower than market), consistent with our philosophy that employees win when shareholders win. The percentage of base pay that determines Profit-Sharing Bonus payments may be adjusted periodically, based on changes in base pay and as market conditions dictate.

In addition, the Company has adopted an additional bonus based on the Profit-Sharing Bonuses already paid (in accordance with the Company's Performance-Based Bonus Plan). Under that plan, certain key employees, including the CEO and executive officers, were eligible to receive a ten percent (10%) increase in the Profit-Sharing Bonus percentage for each one percent (1%) by which net sales for 2016 exceeded net sales for 2015 (less payments of Profit-Sharing Bonuses already made for such year). The plan is designed to even further align shareholder return with executive officer compensation, in that incentive is provided to continue growing the Company. For 2017, the Board

of Directors set that increase at thirteen percent (13%). The change was made to maintain the same incentive and potential benefit of the additional Profit-Sharing Bonus in the context of an overall increase in base pay throughout the organization and a decrease in the Profit-Sharing Bonus percentage payable to all employees.

In addition, performance-based bonuses are awarded under the Performance-Based Bonus Plan based on pre-established performance metrics of EBITDA, Diluted Earnings per Share, and Quality (each factor being weighted one-third). The Compensation Committee selected these measures to provide a balanced focus and because they tend to impact shareholder value. The Compensation Committee will periodically renew performance metrics and will adjust them as appropriate to ensure incentives are working as intended. During 2016, the Compensation Committee discussed, considered, reviewed, and set a threshold and a target for each of the foregoing performance metrics (based on IHS light vehicle production data, internal estimates of take rates and volumes, and expense budgets). There is no bonus payable under the plan until the pre-established threshold for a performance metric is exceeded and a maximum bonus of ten percent (10%) of base salary is payable for achievement of all targets. Pro rata bonuses (based on the percentage of the target achieved in excess of the threshold) are payable based upon exceeding the thresholds but not meeting or exceeding the targets.

The Compensation Committee met in February of 2017 to verify the achievement of the above-described additional profit-sharing bonus and the performance metrics for the performance-based bonuses for 2016 and to set a threshold and target for each performance metric for 2017. Under the Performance-Based Bonus Plan, the Compensation Committee retains the right, based on performance, to increase performance bonuses up to twenty-five percent (25%) of the performance-based bonus and to pay non-CEO employee participants bonuses for personal goal achievement of up to twenty-five percent (25%) of base salary as well. The Company has a Clawback Policy such that in the event of a restatement of the Company's financial statements, the bonuses payable under the Performance-Based Bonus Plan may be clawed back.

**Stock-Based Compensation.** Stock-based compensation is intended to align the interests of shareholders and executives and other employees by making our executives and other employees shareholders in a meaningful amount. We attempt to foster and maintain an entrepreneurial culture that seems to work best when our employees are owners and, therefore, win when our shareholders win. History and the current climate have confirmed for us that stock-based compensation provides appropriate incentives to incent long-term performance and is also a good retention tool. Stock-based compensation includes:

- stock options; and
- restricted stock.

Stock options are granted under our existing Employee Stock Option Plan, as amended, and restricted stock is granted under our Second Restricted Stock Plan, as amended, each of which has been approved by our shareholders. Our stock-based incentives vest over time to encourage our employees to take a long-term perspective. U.S. employees are now given a choice between stock options or restricted stock. To the extent an employee selects restricted stock, said employee receives one share of restricted stock for each three and one-third shares of options to acquire shares that would otherwise have been granted.

#### Details of Compensation Program Design

The fundamental elements of our compensation program allow compensation to be impacted by our overall performance and by individual performance as well.

#### Impact of Performance on Compensation

Each year, the Compensation Committee undertakes a CEO performance review which involves a multi-step process. First, the entire Board of Directors evaluates CEO performance on a variety of factors including:

- leadership;
- strategic planning;

financial results;  
succession planning;  
human resources/diversity;  
communications with the Board, management, employees, and shareholders;  
external relations; and  
Board relations.

24

---

The Compensation Committee gathers the results of this evaluation. The Compensation Committee then considers these evaluations and discusses the same with the CEO. Based on the foregoing, the Compensation Committee then makes CEO compensation recommendations to the entire Board of Directors. Pursuant to this process, the CEO's base salary and stock-based awards are determined and approved by the Board. Evaluations, as set forth herein, are also undertaken for non-CEO executive officers. Through these evaluation processes, the Compensation Committee and the Board can exercise positive or negative discretion concerning compensation decisions. Evaluations of our employees otherwise take place on or about the employee's anniversary date of employment, except the CEO evaluation which occurs in August and evaluations of non-CEO executive officers which occur in February of each year to coincide with the Compensation Committee verification of achievement of the performance metrics related to payment of the additional profit-sharing bonuses and performance-based bonuses.

The Compensation Committee considers the foregoing factors in varying degrees. In its 2016 review of CEO performance which occurred in August 2016, the Compensation Committee and the Board highlighted positive reviews with respect to financial results, strategy, product development, and personnel development. Succession planning was also covered in the 2016 CEO performance review.

#### Specifics on Elements of Compensation for 2016

Tables. The "Summary Compensation Table for 2016" shows the base salary, bonuses (including performance-based bonuses and personal goal achievement bonuses), restricted stock awards, stock option awards and other compensation for each of our named executive officers. Total compensation for each applicable named executive officer is also reflected in that Table. The "Grants of Plan-Based Awards for 2016" Table sets forth stock-based compensation. The "Outstanding Equity Awards at Fiscal Year-End December 31, 2016," Table and the "Option Exercises and Stock Vested for 2016" Table further demonstrate efforts to align our executive officers' interests with those of our shareholders. We continue to believe these compensation elements and the mix of these elements are appropriate for the Company given its culture, performance, industry, and current opportunities and challenges.

Base Salary. The base salaries for our named executive officers are set forth in the "Summary Compensation Table for 2016." The Company approved guidelines for 2016 that salaried employees, including executive officers, were eligible for an increase in base salary of up to 5 percent per year for performance alone, and up to 10 percent per year total if increased responsibilities are undertaken (or, potentially more in the case of a promotion). These guidelines have been left in place for 2017.

For 2016, our CEO received a 4.5 percent increase in base pay, based on Company guidelines of 0-5 percent. Mr. Downing received a 20 percent increase in base pay due to an increase in responsibilities, Mr. Nash received a 15 percent increase in base pay. Mr. Ryan received an 10 percent increase in base pay. Mr. Matthews received a 7 percent increase in base pay.

Increases were predicated largely on financial performance of the Company during the previous twelve months. The qualitative factors included above in the review of CEO performance also impacted other executive officer compensation determinations.

Base salaries for executives still remain below market as performance-based (including stock-based), incentive compensation is emphasized, consistent with the Company's entrepreneurial culture.

Bonuses. Profit-Sharing Bonuses and other performance-based bonuses, as described herein, and personal goal achievement bonuses for named executive officers are also set forth in the "Summary Compensation Table for 2016." The Company has approved a guideline such that employees are eligible for personal goal achievement bonuses of up to 50 percent of base salary (or, potentially more, in the case of exemplary performance). The additional profit-sharing bonuses and performance-based bonuses earned in 2016 under the Performance-Based Bonus Plan based on a

achievement of performance metrics are set forth in the Non-Equity Incentive Plan Compensation column of the "Summary Compensation Table for 2016." Personal goal achievement bonuses earned in 2016 are set forth in the Bonus Column of the "Summary Compensation Table for 2016."

For 2016, participants in the Performance-Based Bonus Plan became eligible for an increase in the Profit-Sharing Bonus percentage due to a 9 percent year-over-year increase in sales, with such bonus calculated as set forth herein.

With respect to the performance metrics for the performance bonus under the Performance-Based Bonus Plan for 2016:

| Performance Metric         | Weighting Factor | Threshold     | Target        | Actual Result       |
|----------------------------|------------------|---------------|---------------|---------------------|
| EBITDA                     | 1/3              | \$485,428,000 | \$585,174,000 | In excess of Target |
| Diluted Earnings Per Share | 1/3              | \$0.97        | \$1.14        | In excess of Target |
| Quality                    | 1/3              | *             | *             | In excess of Target |

\*Quality thresholds and targets are a non-variable calculation based on parts per million plus over-all corporate cost of quality.

In February 2017, the Compensation Committee verified achievement of a year-over-year increase in sales and performance in excess of the foregoing targets, as well as set performance metrics under the Performance-Based Bonus Plan for 2017. For 2016, each executive officer was awarded an additional Profit-Sharing Bonus and a performance bonus of a combined 29.5 percent (29.5%) of base salary, as set forth in the "Summary Compensation Table for 2016" and as set forth in Part III, Item 11 of the Company's form 10-K for the year ended December 31, 2016.

Personal goal achievement bonuses reflect our Compensation Committee's and Board of Directors' positive and negative discretion. As noted, the Compensation Committee and the Board generally prefer to emphasize stock-based compensation for the CEO, which is evidenced by the CEO not receiving any personal goal achievement bonuses for 2016, 2015, or 2014. For the non-CEO executive officers, the Compensation Committee and the Board exercised available discretion under the Performance-Based Bonus Plan to increase the bonuses earned thereunder as authorized in such plan, based on the criteria established in such plan.

Stock-Based Compensation. Our named executive officers are also eligible to receive grants of stock options under our Employee Stock Option Plan and grants of restricted stock under our Second Restricted Stock Plan. The Company has approved guidelines so that stock option awards up to an established percentage may be made under our Employee Stock Option Plan and restricted stock awards of up to an established percentage may be made under our Second Restricted Stock Plan. During 2016:

- CEO - 141,000 stock option shares granted
- Other Executive Officers - 4,580 to 17,730 stock option shares granted; and
- Restricted Stock Awards of 1,650 shares to 6,300 shares

These awards are predicated on both individual and company performance, while creating incentives to help achieve our long-term goals and align employee interests with those of our shareholders. In particular, in the case of our CEO, the Compensation Committee prefers stock option grants rather than more significantly increasing base pay or bonuses to a level that might be more commensurate with the market for chief executive talent. In light of the fact that our CEO's base pay is low, and the fact that he received no personal goal achievement bonus or restricted stock award, along with the Company's emphasis on incentive compensation, our CEO was granted the foregoing stock option award in 2016, which will only benefit him if our shareholders benefit as well.

Our Employee Stock Option Plan, as amended and restated, makes stock options generally available to all of our salaried employees. All options are granted to employees around the end of the quarter in which their anniversary date of employment occurs at scheduled meetings of the Compensation Committee (except in the case of named executive



officer stock option grants, which are done when approved by the entire Board of Directors as discussed herein). Stock options are only granted at their fair market value on the date of Compensation Committee meetings with all such grants being reviewed and approved by the Compensation Committee (except named executive officer stock option grants, which are only granted at their fair market value on the date approved by the entire Board). Generally, stock option awards to officers

have a seven-year term and become exercisable (as long as employment continues), for 20 percent of the shares on each anniversary of the grant date commencing on the first anniversary of the grant date, although a five-year term might be used in order to accommodate certain circumstances. Stock options for other employees generally carry a five- to seven-year term and similarly vest over time.

Restricted stock awards are granted at the discretion of the Compensation Committee at scheduled meetings of the Compensation Committee (except in the case of named executive officer restricted stock awards which are made when approved by the entire Board of Directors as noted herein). Historically, grants of restricted stock to eligible employees, including executive officers, are considered once every three years for each eligible employee. The Compensation Committee now grants restricted stock awards annually for non-CEO named executive officers at the time of the reviews of such individuals. Usually these share grants are restricted for five years from the date of grant, and as such are viewed as a retention tool. Dividends are paid on restricted shares so granted if, and to the extent, we pay dividends on our common stock. The vesting schedules associated with stock option and restricted stock awards, in part, discourage excessive and unnecessary risk-taking (especially when considered in connection with the stock ownership guidelines for executive officers).

As stated above, U.S. employees are now given a choice between receiving stock option grants and restricted stock grants as further discussed herein.

Other Compensation. All other compensation for named executive officers set forth in the "Summary Compensation Table for 2016" includes "matching" contributions by the Company pursuant to our 401(k) plan, restricted stock dividends, the personal use of automobiles by certain executive officers, and certain costs associated with the personal use of Company aircraft, as detailed in the notes to the "Summary Compensation Table for 2016." Also, membership fees at a local country club are paid as detailed in the notes to the "Summary Compensation Table for 2016." We make available to our executives Company aircraft for personal use, provided it does not conflict with any business purpose for the aircraft. All executives are assessed the value of the incremental costs of personal use of Company aircraft. The cost to the Company related to personal use of Company aircraft is calculated using the SIFL (Standard Industry Fare Level) rates as outlined by the IRS in accordance with Treasury Regulation Section 1.61-21 (Taxation of fringe benefits). Certain costs associated with the personal use of Company aircraft are considered a taxable fringe benefit as reflected in the notes to the "Summary Compensation Table for 2016." For tax purposes, the additional income that is considered a taxable fringe benefit is subject to income inclusion as reflected in the notes to the "Summary Compensation Table for 2016."

#### Director Compensation

Our Board of Directors has responsibility for periodically assessing our director compensation program.

Each director who was not an employee of the Company receives:

- \$14,400 annual directors' retainer fee (\$3,600 per quarter);
- \$2,100 for each Board meeting attended;
- \$1,500 for each Committee meeting attended; and
- ▲An option to purchase 7,000 shares of our common stock.

The Lead Independent Director receives an additional retainer fee in the amount of \$10,000. The Chairmen of our Compensation and Audit Committees also received an additional retainer fee in the amount of \$5,000 for each committee. The non-employee directors annual option to purchase 7,000 shares of our common stock is at a price per share equal to the closing price of our stock on the NASDAQ on the date of each annual meeting of shareholders in accordance with our shareholder approved 2012 Amended and Restated Non-employee Director Stock Option Plan, as

amended. See the "Director Compensation Table for 2016." Like executives, Board members may make personal use of Company aircraft if such use does not conflict with any business purpose for the aircraft. The cost to the Company related to such personal use by directors is calculated using SIFL (Standard Industry Fare Level) rates as discussed above. We believe this director compensation to be reasonable and appropriate.

## Stock Ownership

The Company has adopted Stock Ownership Guidelines (\*) providing that executive officers should own three times their annual base salaries in Company common stock and directors should own two times their annual director fees in Company common stock. As noted above, such guidelines help discourage excessive and unnecessary risk-taking in the context of the Company's emphasis on stock-based compensation. In addition, the Company's Anti-Hedging and Anti-Pledging Policy prohibit directors and executive officers from leveraging their ownership of Company stock or pledging Company stock to secure personal loans.

## Impact of Regulatory Requirements

In making compensation design and award decisions, we have considered the ability to deduct compensation in accordance with Internal Revenue Code Section 162(m). We have also considered the impact of Section 16 of the Securities and Exchange Act of 1934 and rules promulgated thereunder. Since we do not have a deferred compensation plan, consideration of the impact of Internal Revenue Code Section 409A in compensation design and award decisions has not been significant. We have also in the past undertaken certain actions disclosed in our SEC filings with respect to the impact of expensing stock-based awards (including stock options) under FASB ASC Topic 718. The executive compensation disclosure rules applicable to annual reports and proxy statements with respect to the disclosure of compensation-related risks for all employees, certain matters related to compensation consultants, reporting of equity awards in the Summary Compensation table, and the provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act related to compensation have had no material impact on our decisions regarding compensation. The shareholder advisory vote on named executive officer compensation occurring this year, as well as future shareholder advisory votes on named executive officer compensation will be considered by the Compensation Committee and Board of Directors in making future compensation decisions.

## Conclusion

We have reached the conclusion that each individual element of compensation, as well as the total compensation, delivered to our named executive officers and to our directors during 2016 are reasonable, appropriate, and in the best interests of our Company and our shareholders. That determination is based on a continuation of our compensation philosophy and practices which we believe align both the short-term and long-term interests of our employees with those of our shareholders. It remains the case that each element of our compensation program is important to accomplishing the Company's goals of creating an entrepreneurial environment so that our employees are motivated to remain with us, individually perform to the best of their abilities, and focus on our long-term success.

## EXECUTIVE COMPENSATION

## Summary Compensation

The following table sets forth the compensation earned by the principal executive officer, principal financial officer, and other executive officers for services rendered to the Company for the fiscal year ended December 31, 2016.

## Summary Compensation Table for 2016

| Name and Principal Position                           | Year | Salary<br>(\$) | Bonus<br>(\$) | (1)<br>Stock<br>Awards<br>(\$) | (2)<br>Option<br>Awards<br>(\$) | (3)<br>Non-Equity<br>Incentive<br>Plan<br>Compensation | Change in<br>Pension<br>Value and<br>Non-qualified<br>Deferred<br>Compensation<br>Earnings<br>(\$) | (4)<br>All Other<br>Compensation<br>(\$) | Total (\$) |
|---|------|----------------|---------------|--------------------------------|---------------------------------|--|--|--|------------|
| Fred Bauer,<br>Chairman and CEO                       | 2016 | 542,195        | 159,983       | —                              | 698,184                         | 187,046  | —  | 96,168                                   | 1,683,576  |
|   | 2015 | 523,102        | 118,033       | —                              | 662,466                         | 204,022  | —  | 29,076                                   | 1,536,699  |
|   | 2014 | 496,513        | 119,097       | —                              | 1,224,080                       | —  | —  | 93,902                                   | 1,933,592  |
| Steve Downing,<br>Senior Vice President and<br>CFO    | 2016 | 335,949        | 98,609        | 92,610                         | 62,783                          | 113,749  | —  | 87,126                                   | 790,826    |
|   | 2015 | 253,846        | 60,307        | 93,000                         | 66,515                          | 126,026  | —  | 53,413                                   | 653,107    |
| Kevin Nash,<br>Vice President – Accounting<br>and CAO | 2014 | 193,209        | 116,569       | —                              | 80,933                          | —  | —  | 28,140                                   | 418,851    |
|   | 2016 | 187,808        | 75,094        | 46,305                         | 29,993                          | 63,355   | —  | 80,116                                   | 482,671    |
| Scott Ryan,<br>Assistant General Counsel              | 2015 | 163,046        | 64,793        | 46,500                         | 31,760                          | 68,773   | —  | 42,177                                   | 417,049    |
|   | 2014 | 149,827        | 68,953        | 160,620                        | 52,732                          | —  | —  | 28,513                                   | 460,645    |
| Joseph Matthews,<br>Vice President - Purchasing       | 2016 | 210,497        | 61,541        | 24,255                         | 16,218                          | 69,382   | —  | 48,447                                   | 430,340    |
|   | 2015 | 184,424        | 44,121        | 26,416                         | 18,446                          | 83,656   | —  | 24,060                                   | 381,123    |
|   | 2016 | 156,171        | 45,715        | 37,779                         | 18,767                          | 52,246   | —  | 25,227                                   | 335,905    |
|   | 2015 | 147,430        | 83,765        | —                              | 23,586                          | 54,596   | —  | 24,060                                   | 333,437    |
|   | 2014 | 133,121        | 51,883        | 107,080                        | 40,205                          | —  | —  | 14,428                                   | 346,717    |

(1) For each outstanding restricted stock award, the value shown is the aggregate grant date fair value computed in accordance with FASB ASC Topic 718 (as opposed to what is included in the Company's financial statements). See the Company's Annual Report (Footnote 5) for the years ended December 31, 2016, 2015, and 2014 for the assumptions made in the valuation of restricted stock. The actual number of restricted shares granted is shown in the "Grants of Plan-based Awards for 2016" table included in this Proxy Statement. Assuming continued employment with the Company, restrictions on shares lapse upon expiration of five years from date of grant. Dividends are and will be paid on the shares if, and to the same extent, paid on the Company's common stock. Executive officers are eligible to receive restricted stock awards at the discretion of the Compensation Committee in accordance with the Second Restricted Stock Plan and as discussed in the "Compensation Discussion and Analysis" section of this Proxy Statement.

(2) For each outstanding stock option award, the value shown is the aggregate grant date fair value computed in accordance with FASB ASC Topic 718 (as opposed to what is included in the Company's financial statements). See the Company's Annual Report (Footnote 5) for the years ended December 31, 2016, 2015, and 2014 for the assumptions made in the valuation of stock options. The actual number of stock options granted is shown in the "Grants of Plan-based Awards for 2016" table included in this Proxy Statement.

(3) Amounts set forth relate to the additional profit sharing bonuses and performance-based bonuses earned in 2016 under the Performance Based Bonus Plan based on the achievement of performance metrics set forth therein and are discussed further in the "Compensation Discussion and Analysis" section of this Proxy Statement.

(4) Other compensation includes the sum of restricted stock dividends and "matching" contributions by the Company pursuant to its 401(k) Plan. In addition, other compensation includes the use of Company automobiles or reimbursement for the use of personal automobiles pursuant to the Company's policy for use of such vehicles and membership fees at a local country club for Messrs. Bauer, Downing, Nash, and Ryan. Other compensation for

Messrs. Bauer, Downing, Nash and Ryan also includes certain costs associated with the personal use of Company aircraft which is subject to income inclusion as a taxable fringe benefit.

#### Grant of Plan-Based Awards

The following table discloses the actual number of restricted stock awards and stock options granted and the grant date of those awards. It also captures potential future payouts under the Company's non-equity and equity incentive plans.

#### Grants of Plan-Based Awards for 2016

| Name               | (1)<br>Grant<br>Date | (2)<br>Estimated Future<br>Payouts Under<br>Non-Equity Incentive<br>Plans |                 | Estimated<br>Future<br>Payouts<br>Under<br>Equity<br>Incentive<br>Plan Awards |                 | All<br>Other<br>Stock<br>Awards<br>Number<br>of<br>Shares<br>of<br>Stock<br>or<br>Units<br>(#) | (3)<br>All<br>Other<br>Option<br>Awards:<br>Number<br>of<br>Securities<br>Underlying<br>Options<br>(#) |                  | (4)<br>Exercise or Base Price of<br>Option Awards<br>(\$/Sh) | (5)<br>Grant<br>Date Fair<br>Value of<br>Stock<br>and<br>Option<br>Awards<br>(\$) |
|--------------------|----------------------|---|-----------------|---|-----------------|--|--|------------------|--|---|
|                    |                      | Threshold<br>(\$)   | Maximum<br>(\$) | Target<br>(\$)  | Maximum<br>(\$) |  | Option<br>Awards   | Option<br>Awards |  |   |
| Fred Bauer         | 08/18/16             | \$167,470   | \$201,821       | —   | —               | —  | 141,000  | \$17.97          |  | \$698,184   |
| Steve<br>Downing   | 02/22/16             | \$117,709   | \$142,034       | —   | —               | 6,300  | 17,730   | \$14.70          |  | \$155,393   |
| Kevin Nash         | 02/22/16             | \$62,761  | \$75,730        | —   | —               | 3,150  | 8,470  | \$14.70          |  | \$76,298  |
| Scott Ryan         | 02/22/16             | \$66,632  | \$80,401        | —   | —               | 1,650  | 4,580  | \$14.70          |  | \$40,473  |
| Joseph<br>Matthews | 02/22/16             | \$48,449  | \$58,461        | —   | —               | 2,570  | 5,300  | \$14.70          |  | \$56,546  |

(1) The Grant Date is the date when the Compensation Committee's recommendation was approved by the entire Board of Directors.

(2) Estimated future payouts under the Company's Performance-Based Bonus Plan is based on the plan guidelines as approved by the Board of Directors as of February 16, 2017. Estimated "Target" payments are based on the Company achieving growth and performance metrics at the mid-point of its estimated 2017 public guidance as disclosed in the Company's Form 8-K on January 27, 2017. "Maximum" payments are based on the Company achieving growth and performance metrics at the top end of the range disclosed in the Form 8-K referenced in the previous sentence. Should the Company achieve growth above the top end of its guided range, or if the Compensation Committee exercises certain discretion it has under the Performance-Based Bonus Plan, "Maximum" payments could increase beyond what is shown in this table.

(3) The option grants for Messrs. Bauer, Downing, Nash, Ryan, and Matthews are seven-year options that become exercisable, as long as the employment with the Company continues, for 20 percent of the shares on each anniversary of the grant date commencing with the first anniversary of the grant date.

(4) The exercise price was the closing price of the stock as of the day when the Compensation Committee's recommendation was approved by the entire Board of Directors. The exercise price may be paid in cash, in shares of the Company's common stock, and/or by the surrender of the exercisable options valued at the difference between the exercise price and the market value of the underlying shares.

(5) Stock option grant date fair values are based on the Black-Scholes option valuation model in accordance with FASB ASC Topic 718. Restricted stock awards represent the aggregate value at the date of grant for shares of common stock awarded under the Company's Second Restricted Stock Plan. See the Company's Annual Report (Footnote 5) for the year ended December 31, 2016, for the assumptions made in the valuation of stock options.

Outstanding Equity Awards at Fiscal Year End

The following table shows outstanding stock option awards classified as exercisable and unexercisable as of December 31, 2016, for the named executive officers. It also shows restricted stock awards not yet vested as of December 31, 2016. The information contained in this table is based on the 2 for 1 common stock split effected as of December 31, 2014 in the form of a 100% stock dividend.



Outstanding Equity Awards at Fiscal Year-End at December 31, 2016

| Name          | Option Awards  |  |   |                                   |                        | Stock Awards   |   | Equity Incentive Plan Awards: Market Payout Value of Unearned Shares, Other Rights That Have Not Vested (\$) |  |
|---------------|--|--|---|-----------------------------------|------------------------|--|---|--|--|
|               | (1)<br>Number of Securities Underlying Unexercised Options (#) Exercisable | (1)<br>Number of Securities Underlying Unexercised Options (#) Unexercisable | Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#) | (2)<br>Option Exercise Price (\$) | Option Expiration Date | (3)<br>Number of Shares or Units of Stock That Have Not Vested (#) | (4)<br>Market Value of Shares or Units of Stock That Have Not Vested (\$) | Equity Incentive Plan Awards: Number of Shares, Other Rights That Have Not Vested (#)                        | Equity Incentive Plan Awards: Market Payout Value of Unearned Shares, Other Rights That Have Not Vested (\$) |
| Fred Bauer    | 239,400  | —  | —   | 9.12                              | 12-Aug-2017            | —  | —   | —  | —  |
|               | 250,000  | —  | —   | 12.35                             | 11-Aug-2018            | —  | —   | —  | —  |
|               | 200,000  | 50,000   | —   | 9.12                              | 16-Aug-2019            | —  | —   | —  | —  |
|               | 156,000  | 104,000  | —   | 11.28                             | 15-Aug-2020            | —  | —   | —  | —  |
|               | 104,000  | 156,000  | —   | 14.69                             | 20-Sep-2021            | —  | —   | —  | —  |
|               | 27,000   | 108,000  | —   | 15.89                             | 19-Aug-2022            | —  | —   | —  | —  |
|               | —  | 141,000  | —   | 17.97                             | 17-Aug-2023            | —  | —   | —  | —  |
|               | 976,400  | 559,000  | —   |                                   |                        | —  | —   | —  | —  |
|               | —  | —  | —   |                                   | 27-Sep-2017            | 8,000  | 165,440   | —  | —  |
|               | —  | —  | —   |                                   | 27-Sep-2018            | 18,000   | 372,240   | —  | —  |
| Steve Downing | 8,000  | 2,000  | —   | 8.64                              | 27-Sep-2019            | —  | —   | —  | —  |
|               | 10,800   | 7,200  | —   | 12.80                             | 30-Sep-2020            | 6,000  | 124,080   | —  | —  |
|               | —  | —  | —   |                                   | 22-Feb-2021            | 6,300  | 130,284   | —  | —  |
|               | 9,000  | 13,500   | —   | 13.39                             | 30-Sep-2021            | —  | —   | —  | —  |
|               | 3,376  | 13,504   | —   | 15.50                             | 30-Sep-2022            | —  | —   | —  | —  |
|               | —  | 17,730   | —   | 14.70                             | 22-Feb-2023            | —  | —   | —  | —  |
|               | 31,176   | 53,934   | —   |                                   |                        | 38,300   | 792,044   | —  | —  |
|               | —  | —  | —   |                                   | 27-Sep-2017            | 4,320  | 89,338  | —  | —  |
|               | —  | —  | —   |                                   | 27-Sep-2018            | 6,000  | 124,080   | —  | —  |
|               | —  | 3,330  | —   | 12.80                             | 30-Sep-2018            | —  | —   | —  | —  |
| Kevin Nash    | —  | —  | —   |                                   | 30-Sep-2019            | 12,000   | 248,160   | —  | —  |
|               | —  | —  | —   |                                   | 30-Sep-2020            | 3,000  | 62,040  | —  | —  |
|               | —  | —  | —   |                                   | 22-Feb-2021            | 3,150  | 65,142  | —  | —  |
|               | 2,932  | 8,796  | —   | 13.39                             | 30-Sep-2021            | —  | —   | —  | —  |
|               | 1,612  | 6,448  | —   | 15.50                             | 30-Sep-2022            | —  | —   | —  | —  |
|               | —  | 8,470  | —   | 14.70                             | 22-Feb-2023            | —  | —   | —  | —  |
|               | 4,544  | 27,044   | —   |                                   |                        | 28,470   | 588,760   | —  | —  |
|               | 4,920  | —  | —   | 9.38                              | 27-Dec-2017            | —  | —   | —  | —  |
|               | 5,414  | 1,806  | —   | 16.42                             | 30-Dec-2018            | —  | —   | —  | —  |
|               | —  | —  | —   |                                   | 30-Dec-2018            | 3,000  | 62,040  | —  | —  |

Edgar Filing: GENTEX CORP - Form DEF 14A

|          |        |        |   |       |             |        |         |   |   |
|----------|--------|--------|---|-------|-------------|--------|---------|---|---|
|          | 4,160  | 4,160  | — | 18.31 | 30-Dec-2019 | —      | —       | — | — |
|          | —      | —      | — |       | 31-Dec-2020 | 1,650  | 34,122  | — | — |
|          | —      | —      | — |       | 22-Feb-2021 | 1,650  | 34,122  | — | — |
|          | 916    | 3,664  | — | 16.01 | 31-Dec-2022 | —      | —       | — | — |
|          | —      | 4,580  | — | 14.70 | 22-Feb-2023 | —      | —       | — | — |
|          | 15,410 | 14,210 | — |       |             | 6,300  | 130,284 | — | — |
|          | —      | 2,246  | — | 10.12 | 27-Mar-2018 | —      | —       | — | — |
|          | —      | —      | — |       | 27-Mar-2018 | 4,800  | 99,264  | — | — |
|          | 2,356  | 4,710  | — | 15.41 | 28-Mar-2019 | —      | —       | — | — |
| Joseph   | —      | —      | — |       | 30-Sep-2019 | 8,000  | 165,440 | — | — |
| Matthews | —      | —      | — |       | 22-Feb-2021 | 2,570  | 53,148  | — | — |
|          | 990    | 3,960  | — | 18.30 | 31-Mar-2022 | —      | —       | — | — |
|          | —      | 5,300  | — | 14.70 | 22-Feb-2023 | —      | —       | — | — |
|          | 3,346  | 16,216 | — |       |             | 15,370 | 317,852 | — | — |

(1) These options become exercisable, as long as employment with the Company continues, for 20 percent of the shares on each anniversary of the grant date commencing with the first anniversary of the grant date. Mr. Matthews has 6,956 five-year options that become exercisable, as long as employment with the Company continues, for 25 percent of the shares on each anniversary of the grant date commencing with the first anniversary of the grant date. These options were granted to Mr. Matthews before he became an executive officer of the Company. Mr. Nash has 3,330 five-year options that become exercisable, as long as employment with the Company continues, for 25 percent of the shares on each anniversary of the grant date commencing with the first anniversary of the grant date. These options were granted to Mr. Nash before he became an executive officer of the Company. Mr. Ryan has 5,966 five-

year options that became exercisable, as long as employment with the Company continues, for 25 percent of the shares granted on each anniversary of the grant date commencing with the first anniversary of the grant date. These options were granted to Mr. Ryan before he became an executive officer of the Company.

(2) The exercise price was the closing price of the stock on the date the Compensation Committee met to approve the option grants, or when the Compensation Committee's recommendation was approved by the entire Board of Directors. The exercise price may be paid in cash, in shares of the Company's common stock, and/or by the surrender of the exercisable options valued at the difference between the exercise price and the market value of the underlying shares.

(3) Assuming continued employment with the Company, restrictions on shares lapse upon the expiration of five years from the date of grant. Dividends are and will be paid on these shares if, and to the same extent, paid on the Company's common stock.

(4) Represents the aggregate market value as of December 31, 2016, for shares of common stock awarded under the Company's Second Restricted Stock Plan.

#### Option Exercises and Stock Vested

The following table contains information regarding the exercise of stock options during the fiscal year ended December 31, 2016, by the following executive officers:

#### Option Exercises and Stock Vested for 2016

| Name            | Option Awards                             |                                 | Stock Awards                             |                                |
|-----------------|---|---------------------------------|--|--------------------------------|
|                 | Number of Shares Acquired on Exercise (#) | Value Realized on Exercise (\$) | Number of Shares Acquired on Vesting (#) | Value Realized on Vesting (\$) |
| Fred Bauer      | 228,000                                   | 1,871,880                       | —  | —                              |
| Steve Downing   | 8,820                                     | 45,306                          | —  | —                              |
| Kevin Nash      | 12,622                                    | 65,394                          | —  | —                              |
| Scott Ryan      | 4,726                                     | 13,375                          | —  | —                              |
| Joseph Matthews | 4,384                                     | 26,846                          | —  | —                              |

The Company has not adopted any long-term incentive plan, defined benefit or actuarial plan, or non-qualified deferred compensation plan, as those terms are defined in applicable laws, rules, and regulation promulgated by the Securities and Exchange Commission. The Company does not have any contracts with its named executive officers linked to a change in control of the Company other than with respect to vesting certain restricted stock or stock option awards which provisions are applicable to all employees receiving such awards.

#### DIRECTOR COMPENSATION

The following table discloses the cash, stock option awards, and other compensation earned, paid, or awarded to each of the Company's directors during the fiscal year 2016.



## Director Compensation for 2016

| Name           | (1)<br>Fees<br>Earned<br>or<br>Paid in<br>Cash<br>(\$) | Stock<br>Awards<br>(\$) | (2)<br>Option<br>Awards<br>(\$) | Non-Equity<br>Incentive Plan<br>Compen-sation<br>(\$) | Change in<br>Pension<br>Value and<br>Nonqualified<br>Deferred<br>Compensation<br>Earnings | (3)<br>All Other<br>Compensation<br>(\$) | Total<br>Compensation<br>(\$) |
|----------------|--|-------------------------|---------------------------------|---|---|--|-------------------------------|
| Leslie Brown   | 15,600   | —                       | 31,132                          | —   | —   | —  | 46,732                        |
| Gary Goode     | 54,850   | —                       | 31,132                          | —   | —   | —  | 85,982                        |
| Pete Hoekstra  | 25,100   | —                       | 31,132                          | —   | —   | —  | 56,232                        |
| James Hollars  | 25,100   | —                       | 31,132                          | —   | —   | —  | 56,232                        |
| John Mulder    | 25,100   | —                       | 31,132                          | —   | —   | —  | 56,232                        |
| Richard Schaum | 40,350   | —                       | 31,132                          | —   | —   | —  | 71,482                        |
| Fred Sotok     | 30,600   | —                       | 31,132                          | —   | —   | —  | 61,732                        |
| James Wallace  | 48,100   | —                       | 31,132                          | —   | —   | —  | 79,232                        |

(1) Directors who are employees of the Company receive no compensation for services as a director. Directors who are not employees of the Company receive a director's retainer in the amount of \$14,400 per year (\$3,600 per quarter) plus \$2,100 for each meeting of the Board attended and \$1,500 for each committee meeting attended. Directors who chair the Compensation Committee and/or the Audit Committee each receive an additional retainer fee in the amount of \$5,000 per year. The Lead Independent Director receives an additional annual retainer fee in the amount of \$10,000 as well.

(2) Immediately following each Annual Meeting of Shareholders non-employee directors are entitled to receive an option to purchase 7,000 shares of the Company's common stock at a price per share equal to the closing price of the Company's stock on NASDAQ on that date. Each option has a term of ten years and becomes exercisable in full six months after the date of grant. For each outstanding stock option award, the value shown is the aggregate grant date fair value computed in accordance with FASB ASC Topic 718 (as opposed to what is included in the Company's financial statements). See the Company's Annual Report (Footnote 5) for the years ended December 31, 2016, 2015, and 2014 for the assumptions made in the valuation of stock options.

(3) The Company also makes Company aircraft available to directors for personal use if such use does not conflict with any business purpose for the aircraft. The cost of the flight is calculated using the SIFL (Standard Industry Fare Level) rates published by the IRS in accordance with Treasury Regulation Section 1.61-21 (Taxation of fringe benefits).

The following table summarizes securities issued and to be issued under the Company's equity compensation plans as of December 31, 2016:

## Executive Compensation Plan Summary

| Plan Category | Number of securities to be issued upon exercise of outstanding options, warrants and rights | Weighted average price of outstanding options, warrants and rights | Number of securities remaining available for future issuance under equity compensation plans (excluding |
|---------------|---|--|---|
|               |   |  |   |

|  |            |      |  |
|--|------------|------|--|
|  |            |      | securities<br>reflected in<br>the first<br>column) |
| Equity compensation Plans approved by Shareholders     | 16,165,426 | 13.5 | 16,165,426   |
| Equity Compensation Plans not approved by Shareholders | —          | —    | —  |
| Total  | 16,165,426 | 13.5 | 16,165,426   |

Compensation Committee Interlocks and  
Insider Participation

The Compensation Committee, which includes Messrs. Goode (Chairman), Schaum, and Wallace, is currently comprised solely of members of the Company's Board of Directors who are independent under the applicable NASDAQ listing standards. The Compensation Committee is responsible for supervising the Company's executive

compensation arrangements, including the making of decisions with respect to the award of stock-based incentives for executive officers.

#### CERTAIN TRANSACTIONS

The Audit Committee of the Company reviews and approves all related party transactions in accordance with its Charter. The Code of Business Conduct and Ethics requires directors, officers, and employees to report these types of matters. In addition, the Company uses questionnaires for its directors and officers annually in part to discover any unreported related-party transactions. The approval of the Audit Committee is required for related-party transactions.

Since 1978, prior to the time the Company became a publicly held corporation, the Company has leased a building that previously housed its main office, manufacturing and warehouse facilities, and currently houses production operations for the Company's fire protection products. The lessor for that building is G & C Associates, a general partnership, and nearly all of the partnership interests in G & C Associates are held by persons related to Fred Bauer. The lease is a "net" lease, obligating the Company to pay all expenses for maintenance, taxes, and insurance, in addition to rent. During 2016, the rent paid to this partnership was \$52,153, and the rent for the current fiscal year is the same (as it has been for a number of years). The Board of Directors believes that the terms of this lease are at least as favorable to the Company as could have been obtained from unrelated parties.

The Company is highly selective, and hires new employees based upon merit. Employees may also be eligible for certain other benefits which are similarly available on no less favorable terms to other employees of the Company at the same level and pay rate. Family members of any employee are not discouraged from seeking employment.

**RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS – PRINCIPAL ACCOUNTING FEES AND SERVICES**

The Audit Committee and Board of Directors have selected, and submits to shareholders for ratification, Ernst & Young LLP to serve as the Company’s independent auditors for the fiscal year ending December 31, 2017. The following fees were billed by Ernst & Young LLP, the Company’s independent auditors, for the services provided to the Company during the fiscal years ended December 31:

|               | 2016      | 2015      |
|---------------|-----------|-----------|
| Audit Fees    | \$420,000 | \$380,000 |
| Audit-Related | 42,000    | —         |
| Tax Fees      | —         | 8,000     |
| All Other     | —         | —         |
| Total         | \$462,000 | \$388,000 |

Audit fees include the annual audit of the Company’s consolidated financial statements, the audit of internal control over financial reporting, and timely quarterly reviews. Audit-Related fees principally consist of consultations concerning accounting matters associated with the annual audit, incremental consent filings, and other out-of-scope work. Tax fees principally consist of fees for tax advice. All non-audit services, including those indicated above, are pre-approved by the Audit Committee pursuant to the Revised Audit Committee Procedures for Approval of Audit and Non-audit Services by Independent Auditors, which is attached as Appendix A to this Proxy Statement.

The quality of the staff of Ernst & Young LLP, historical and current performance, expertise in the Company's industries, reasonableness of fees, and independence are all factors that went into the Audit Committee's decision to select Ernst & Young LLP as the Company's independent auditors. Although ratification of the independent auditors by the Company’s shareholders is not legally required, our Audit Committee and Board of Directors believes that submission of this matter to the shareholders follows sound business practice and is in the best interest of shareholders in the current environment. If the shareholders do not approve the selection of Ernst & Young LLP, the selection of such firm as our independent auditors will be reconsidered by the Audit Committee. Accordingly, you may vote on the following resolution at the 2016 Annual Meeting of Shareholders:

RESOLVED, that Ernst & Young LLP be and hereby is ratified to serve as the independent auditors of the Company for the fiscal year ended December 31, 2017.

A representative of Ernst & Young LLP is expected to be present at the Annual Meeting to respond to appropriate questions and will have an opportunity to make a statement if they desire.

The Board of Directors unanimously recommends a vote FOR the ratification of Ernst & Young LLP to serve as the Company's independent auditors for fiscal year ended December 31, 2017.



## ADVISORY VOTE ON EXECUTIVE COMPENSATION

As described in the detail under the Compensation Discussion and Analysis, the Company's compensation system is intended to create and maintain an entrepreneurial culture; motivate employees to continue technical developments and improve customer satisfaction; and create and maintain teamwork. The Company's base pay has, historically, been below market, in favor of incentive-based compensation. The Company believes that by emphasizing incentive compensation, the interests of our named executive officers (and all salaried employees) are aligned with the interests of our shareholders, while remaining appropriately structured so as not to encourage inappropriate risk taking. Shareholders are encouraged to read the Compensation Discussion and Analysis, the Company compensation tables, and the related narrative disclosure.

In accordance with certain legislation, the Company is providing shareholders with an advisory (nonbinding) vote on compensation programs for named executive officers (sometimes referred to as "say-on-pay"). Accordingly, you may vote on the following resolution at the 2017 Annual Meeting of Shareholders:

RESOLVED, that the compensation of the Company's named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including Compensation Discussion and Analysis, compensation tables, and narrative disclosure is hereby APPROVED.

This vote is non-binding. The Board of Directors and the Compensation Committee, which is comprised of independent directors, expect to take into account the outcome this advisory vote when considering future executive compensation decisions, to the extent they can determine the cause or causes of any significant negative voting results.

The Board of Directors unanimously recommends that you vote FOR the approval, on an advisory basis, of the compensation of our named executive officers as disclosed pursuant to Item 402 of Resolution S-K, including Compensation Discussion and Analysis, compensation tables, and narrative disclosure.

## ADVISORY VOTE ON THE FREQUENCY OF ADVISORY VOTE ON EXECUTIVE COMPENSATION

In addition to providing shareholders with the opportunity to cast an advisory vote on named executive officer compensation as set forth above, the Company is providing shareholders with an advisory vote on whether an advisory vote on named executive officer compensation should be held every one, two, or three years. The Board of Directors intends to carefully consider the shareholder vote on this proposal, but does not make any recommendation as there are advantages and disadvantages on more frequent or less frequent votes.

The Proxy Card provides shareholders with the opportunity to choose among four options (holding the vote every one, two, or three years, or abstaining)

Although this advisory vote on the frequency of the say-on-pay is nonbinding, the Board and the Compensation Committee will, as indicated, take into account the outcome of the vote when considering the frequency of future advisory votes on named executive officer compensation.

Accordingly, you may vote on the following resolution at the 2017 Annual Meeting of Shareholders:

RESOLVED, that the shareholders wish the Company to include an advisory vote on the compensation of the Company's named executive officers every:

- year;
- two years; or
- three years.



**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Based upon a review of Forms 3, 4, and 5 furnished to the Company during or with respect to the preceding fiscal year and written representations from certain reporting persons, the Company is not aware of any failure by any reporting person to make timely filings of those Forms as required by Section 16(a) of the Securities Exchange Act of 1934.

**SHAREHOLDER PROPOSALS**

Any proposal of a shareholder intended to be presented at the 2018 Annual Meeting of the Company must be received by the Company at its headquarters, c/o Corporate Secretary's Office, 600 North Centennial Street, Zeeland, Michigan 49464, no later than December 9, 2017, if the shareholder wishes the proposal to be included in the Company's Proxy Statement relating to that meeting. In addition, the Company's Bylaws contain certain notice and procedural requirements applicable to shareholder proposals, irrespective of whether the proposal is to be included in the Company's Proxy materials. To be timely, such a shareholder's notice must be delivered, or mailed and received at, the Company's headquarters as set forth in the Company's Bylaws. A copy of the Company's Bylaws is filed with the Securities and Exchange Commission and can be obtained from the Public Reference Section of the Commission or the Company.

**MISCELLANEOUS**

The Company's Annual Report to Shareholders, including financial statements, is being delivered to shareholders with this Proxy Statement.

Management is not aware of any matters to be presented for action at the Annual Meeting other than as set forth in this Proxy Statement. If other business should come before the meeting, it is the intention of the persons named as Proxy holders in the accompanying Proxy to vote the shares in accordance with their judgment. Discretionary authority to do so is included in the Proxy.

The cost of the solicitation of Proxies will be borne by the Company. In addition to the use of the mail and e-mail, Proxies may be solicited personally or by telephone or facsimile by a few regular employees of the Company without additional compensation. The Company has not retained any third party to help solicit proxies but reserves the right to do so. In addition, the Company will reimburse brokers, nominees, custodians, and other fiduciaries for their expenses in connection with sending Proxy materials to registered and beneficial owners and obtaining their Proxies.

Shareholders are urged to promptly vote your shares either on the Internet (preferred method), via telephone, or by dating, signing, and returning the accompanying Proxy in the enclosed envelope.

**BY ORDER OF THE BOARD OF DIRECTORS**

Scott Ryan  
Corporate Secretary

April 3, 2017

(This page intentionally left blank)

APPENDIX A

Revised Audit Committee  
Procedures for Approval of Audit and Non-Audit  
Services by Independent Auditors

The following procedure is adopted by the Audit Committee relating to the approval of audit and non-audit services provided by the Company's independent auditors.

1. The Committee has reviewed and approved work to be performed by the independent auditors in the areas of tax, audit and advisory services and subcategories within each category as designated on the attached schedule.
2. Any additional audit and non-audit work performed by the independent auditors that is not included on the attached schedule must be specifically pre-approved as follows:
  - a. If the proposed independent auditors' engagement is equal to or less than \$50,000, the Chairman of the Audit Committee must pre-approve the work and will communicate his approval to the full Audit Committee at the next regularly scheduled meeting of the Audit Committee.
  - b. If the proposed independent auditors' engagement is greater than \$50,000, the full Audit Committee must pre-approve the work.
3. The independent auditors may not conduct any work that is prohibited by applicable SEC rules or regulations.

Effective February 20, 2014