

Section 1: 10-Q (10-Q)

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

FORM 10-Q

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended
December 31, 2015.

Commission file number: 0-20206

PERCEPTRON, INC.

(Exact Name of Registrant as Specified in Its Charter)

Michigan

(State or Other Jurisdiction of
Incorporation or Organization)

47827 Halyard Drive, Plymouth, Michigan
(Address of Principal Executive Offices)

38-2381442

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

48170-2461
(Zip Code)

(734) 414-6100

(Registrant's Telephone Number, Including Area Code)

Not Applicable

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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

Yes

No

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

Yes

No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer
(Do not check if a smaller reporting company)

Smaller reporting company

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

Yes

No

The number of shares outstanding of each of the issuer's classes of common stock as of February 4, 2016, was:

Common Stock, \$0.01 par value

Class

9,348,846

Number of shares

PERCEPTRON, INC. AND SUBSIDIARIES
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For the Quarter Ended December 31, 2015

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PERCEPTRON, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(In Thousands, Except Per Share Amount)

December 31,
2015
(unaudited)

June 30,
2015

ASSETS

Current Assets

Cash and cash equivalents	\$ 4,818	\$ 11,502
Short-term investments	3,861	4,134
Receivables:		
Billed receivables, net of allowance for doubtful accounts of \$170 and \$214, respectively	25,307	29,182
Other receivables	1,381	904
Inventories, net of reserves of \$1,153 and \$1,436, respectively	13,248	11,898
Deferred income taxes	2,067	2,067
Other current assets	1,328	1,732
Total current assets	52,010	61,419

Property and Equipment

Building and land	6,537	6,529
Machinery and equipment	16,145	15,078
Furniture and fixtures	1,128	1,123
	23,810	22,730
Less - Accumulated depreciation	(16,276)	(15,890)
Net property and equipment	7,534	6,840

Goodwill

	7,403	7,499
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Intangible Assets, Net

	6,162	6,685
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Long-Term Investments

	813	827
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Deferred Income Tax Asset

	12,823	11,668
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Total Assets

	\$ 86,745	\$ 94,938
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LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities

Accounts payable	\$ 8,809	\$ 7,723
Accrued liabilities and expenses	4,147	5,761
Accrued compensation	1,880	3,001
Current portion of taxes payable	1,109	1,450
Deferred income taxes	284	289
Income taxes payable	308	1,251
Short-term notes payable	199	-
Deferred revenue	9,164	8,966
Total current liabilities	25,900	28,441

Long-Term Taxes Payable

	2,177	3,056
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Deferred Income Taxes

	1,345	1,509
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Other Long-Term Liabilities

	794	1,140
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Total Liabilities

	\$ 30,216	\$ 34,146
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Shareholders' Equity

Preferred stock, no par value, authorized 1,000 shares, issued none	-	-
Common stock, \$0.01 par value, authorized 19,000 shares, issued and outstanding 9,350 and 9,348, respectively	94	93
Accumulated other comprehensive loss	(3,417)	(2,371)
Additional paid-in capital	45,451	45,015
Retained earnings	14,401	18,055
Total shareholders' equity	56,529	60,792

Total Liabilities and Shareholders' Equity

	\$ 86,745	\$ 94,938
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The notes to the consolidated financial statements are an integral part of these statements.

PERCEPTRON, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

(In Thousands, Except Per Share Amounts)	Three Months Ended December 31,		Six Months Ended December 31,	
	2015	2014	2015	2014
Net Sales	\$ 17,211	\$ 23,566	\$ 32,279	\$ 34,783
Cost of Sales	12,116	12,253	22,758	20,363
Gross Profit	5,095	11,313	9,521	14,420
Operating Expenses				
Selling, general and administrative	5,386	4,926	10,656	9,040
Engineering, research and development	1,970	1,999	4,198	3,700
Total operating expenses	7,356	6,925	14,854	12,740
Operating Income (Loss)	(2,261)	4,388	(5,333)	1,680
Other Income and (Expenses)				
Interest income (expense), net	(25)	76	(46)	154
Foreign currency gain (loss)	58	(376)	59	(930)
Other income	86	58	145	123
Total other income (expense)	119	(242)	158	(653)
Income (Loss) Before Income Taxes	(2,142)	4,146	(5,175)	1,027
Income Tax Benefit (Expense)	596	(1,367)	1,521	(288)
Net Income (Loss)	\$ (1,546)	\$ 2,779	\$ (3,654)	\$ 739
Income (Loss) Per Common Share				
Basic	\$ (0.17)	\$ 0.30	\$ (0.39)	\$ 0.08
Diluted	(0.17)	0.30	(0.39)	0.08
Weighted Average Common Shares Outstanding				
Basic	9,351	9,218	9,351	9,185
Dilutive effect of stock options	-	145	-	160
Diluted	9,351	9,363	9,351	9,345

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

PERCEPTRON, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(UNAUDITED)

(In Thousands)	Three Months Ended December 31,		Six Months Ended December 31,	
	2015	2014	2015	2014
Net Income (Loss)	\$ (1,546)	\$ 2,779	\$ (3,654)	\$ 739
Other Comprehensive Loss:				
Foreign currency translation adjustments	(766)	(621)	(1,046)	(1,512)
Comprehensive Income (Loss)	\$ (2,312)	\$ 2,158	\$ (4,700)	\$ (773)

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

PERCEPTRON, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOW
(UNAUDITED)

(In Thousands)	Six Months Ended December 31,	
	2015	2014
Cash Flows from Operating Activities		
Net income (loss)	\$ (3,654)	\$ 739
Adjustments to reconcile net income (loss) to net cash provided from (used for) operating activities:		
Depreciation and amortization	1,043	370
Stock compensation expense	372	245
Deferred income taxes	(1,404)	(692)
(Gain) loss on disposal of assets and other	(829)	586
Allowance for doubtful accounts	(55)	18
Changes in assets and liabilities		
Receivables, net	2,566	(3,427)
Inventories	(1,529)	(1,505)
Accounts payable	2,205	3,429
Other current assets and liabilities	(4,251)	1,498
Net cash provided from (used for) operating activities	(5,536)	1,261
Cash Flows from Financing Activities		
Proceeds from short-term credit borrowings	201	-
Proceeds from stock plans	65	169
Net cash provided from financing activities	266	169
Cash Flows from Investing Activities		
Purchases of short-term investments	(1,832)	(3,074)
Sales of short-term investments	1,861	8,575
Capital expenditures	(1,263)	(677)
Other long-term assets	(129)	(562)
Net cash provided from (used for) investing activities	(1,363)	4,262
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(51)	(1,754)
Net Increase (Decrease) in Cash and Cash Equivalents	(6,684)	3,938
Cash and Cash Equivalents, July 1	11,502	23,070
Cash and Cash Equivalents, December 31	\$ 4,818	\$ 27,008

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

PERCEPTRON, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. Basis of Presentation

The accompanying Consolidated Financial Statements should be read in conjunction with the Company's 2015 Annual Report on Form 10-K. The Consolidated Financial Statements include the operating results of the Company's acquisitions of Next Metrology Software s.r.o., ("NMS"), which was consummated on January 29, 2015, and Coord3 S.r.l., ("Coord3"), which was consummated on February 27, 2015, from their acquisition dates. See Note 3, "Acquisitions", below. In the opinion of management, the unaudited information furnished herein reflects all adjustments necessary for a fair presentation of the financial statements for the periods presented. The results of operations for any interim period are not necessarily indicative of the results of operations for a full year.

2. New Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09), which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP. The standard will be effective for annual periods beginning after December 15, 2017 (as amended in August, 2015, by ASU 2015-14, *Deferral of the Effective Date*), and interim periods therein, using either of the following transition methods: (i) a full retrospective approach reflecting the applications of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption (which includes additional footnote disclosures). We are currently evaluating the impact of our pending adoption of ASU 2014-09 on our consolidated financial statements and have not yet determined the method by which we will adopt the standard in fiscal year 2019 (effective dates amended by ASU 2015-14).

In July 2015, the FASB issued Accounting Standards Update No. 2015-11, *Simplifying the Measurement of Inventory*, (ASU 2015-11), which changes the measurement of inventory at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. There were also amendments to the guidance to more clearly articulate the requirements for the measurement and disclosure of inventory. ASU 2015-11 is effective for the Company beginning July 1, 2017 and is not expected to have a significant impact on the Company's consolidated financial statements or disclosures.

In September 2015, the FASB issued Accounting Standards Update No. 2015-16, *Business Combinations – Simplifying the Accounting for Measurement-Period Adjustments*, (ASU 2015-16), which requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The amendments in this update require that the acquirer record, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. ASU 2015-16 is effective for the Company beginning July 1, 2016 and is not expected to have a significant impact on the Company's consolidated financial statements or disclosures.

In November 2015, the FASB issued Accounting Standards Update No. 2015-17, *Balance Sheet Classification of Deferred Taxes*, (ASU 2015-17), which requires all deferred tax assets and liabilities, included related valuation allowances, be classified as non-current on the Company's consolidated balance sheets. ASC 2015-17 is effective for the Company beginning July 1, 2017 and is not expected to have a significant impact on the Company's consolidated financial statements or disclosures.

In January 2016, the FASB issued Accounting Standards Update No. 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities (ASU2016-01)*, which amends certain aspects of recognition, measurement, presentation and disclosure of financial instruments. ASC 2016-01 is effective for the Company beginning July 1, 2018 and is not expected to have a significant impact on the Company's consolidated financial statements or disclosures.

3. Acquisitions

The Consolidated Financial Statements include the operating results of the Company's acquisitions of NMS, which was consummated on January 29, 2015, and Coord3, which was consummated on February 27, 2015, from their acquisition dates. The following proforma information for the three and six months ended December 31, 2014 is based on the assumption that the acquisitions of NMS and Coord3 occurred on July 1, 2014 (in thousands, except per share amounts):

	Three Months Ended 12/31/14	Six Months Ended 12/31/14
Revenue	\$ 26,910	\$ 42,340
Net Income	\$ 2,675	\$ 782
Income Per Common Share		
Basic	\$ 0.29	\$ 0.09
Diluted	0.29	0.08

4. Goodwill

Goodwill represents the excess purchase price over the fair value of the net amounts assigned to assets acquired and liabilities assumed in connection with the Company's acquisitions. Under FASB Accounting Standards Codification, or ASC Topic 805 "*Business Combinations*", the Company is required to test goodwill for impairment annually or more frequently, whenever events occur or circumstances change that would more likely than not reduce the fair value of a reporting unit with goodwill below its carrying amount. Application of the goodwill impairment test requires judgment, including assignment of assets and liabilities to reporting units, assignment of goodwill to reporting units, and determination of the fair value of each reporting unit.

The qualitative events or circumstances that could affect the fair value of a reporting unit could include economic conditions; industry and market considerations, including competition; increases in raw materials, labor, or other costs; overall financial performance such as negative or declining cash flows; relevant entity-specific events such as changes in management, key personnel, strategy, or customers; sale or disposition of a significant portion of a reporting unit; and regulatory or political developments. If based upon these qualitative factors, it is more likely than not that the fair value of the reporting unit is greater than its carrying amount, then the first and second steps of the goodwill impairment tests described below are not necessary.

If the qualitative review indicates it is more likely than not that the fair value of the reporting unit is less than its carrying amount, a two-step quantitative impairment test is performed to identify potential goodwill impairment and measure the amount of goodwill impairment loss to be recognized, if any. Step 1 is to identify potential impairment by comparing fair value of a reporting unit with its carrying value, including goodwill. If the fair value is lower than the carrying value, this is an indication of goodwill impairment and Step 2 must be performed. Under Step 2, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of that goodwill. This analysis requires significant judgments, including estimation of future cash flows, which is dependent on internal forecasts, estimation of the long-term rate of growth for the business, estimation of the useful life over which cash flows will occur, and determination of the Company's weighted average cost of capital. The estimates used to calculate the fair value of a reporting unit change from year to year based on operating results, market conditions, foreign currency fluctuations and other factors. Changes in these estimates and assumptions could materially affect the determination of fair value and could result in goodwill impairment for a reporting unit, negatively impacting the Company's results of operations for the period and financial position.

The valuation of assets and assumed liabilities, including goodwill, resulting from the acquisition of Coord3 and NMS is reflective of the reporting unit values based on the long-term financial forecast for the business. It is possible that the Company may not realize its forecasts. Given the value assigned to goodwill during the purchase price allocation, the Company will closely monitor the performance of the business versus the long-term forecast to determine if any impairments arise. Goodwill is recorded in the local currency of the acquired entities and foreign currency effects will continue to impact the balance of goodwill in future periods. Goodwill related to the acquisition of Coord3 and NMS as of June 30, 2015 was \$7,499,000 and as of December 31, 2015 was \$7,403,000. The change of \$96,000 was due to the change in foreign currency rates from June 30, 2015 to December 31, 2015.

5. Intangibles

The Company has acquired intangible assets in addition to goodwill in connection with the acquisition of Coord3 and NMS. These assets are susceptible to shortened estimated useful lives and changes in fair value due to changes in their use, market or economic changes, or other events or circumstances. The Company evaluates the potential impairment of these intangible assets whenever events or circumstances indicate their carrying value may not be recoverable. Factors that could trigger an impairment review include historical or projected results that are less than the assumptions used in the original valuation of an intangible asset, a change in the Company's business strategy or its use of an intangible asset, or negative economic or industry trends.

If an event or circumstance indicates that the carrying value of an intangible asset may not be recoverable, the Company assesses the recoverability of the asset by comparing the carrying value of the asset to the sum of the undiscounted future cash flows that the asset is expected to generate over its remaining economic life. If the carrying value exceeds the sum of the undiscounted future cash flows, the Company compares the fair value of the intangible asset to the carrying value and records an impairment loss for the difference. The Company generally estimates the fair value of its intangible assets using the income approach based upon a discounted cash flow model. The income approach requires the use of many assumptions and estimates including future revenues and expenses, discount factors, income tax rates, the

identification of groups of assets with highly independent cash flows, and assets' economic lives. Volatility in the global economy makes these assumptions and estimates more judgmental. Actual future operating results and the remaining economic lives of our other intangible assets could differ from those used in assessing the recoverability of these assets and could result in an impairment of other intangible assets in future periods. The change in intangible assets is shown below (in thousands):

	December 31, 2015		December 31, 2015		June 30, 2015		June 30, 2015	
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization
Customer/Distributor Relationships	\$ 3,123	(520)	\$ 2,603	\$ 3,172	(211)	\$ 2,961	\$ 2,961	(211)
Trade Name	2,426	(202)	2,224	2,463	(82)	2,381	2,381	(82)
Software	1,378	(127)	1,251	1,249	(12)	1,237	1,237	(12)
Other	118	(34)	84	120	(14)	106	106	(14)
Total	\$ 7,045	(883)	\$ 6,162	\$ 7,004	(319)	\$ 6,685	\$ 6,685	(319)

Amortization expense for the three month periods ended December 31, 2015 and 2014 was \$321,000 and \$0, respectively. Amortization expense for the six month periods ended December 31, 2015 and 2014 was \$585,000 and \$0, respectively.

The estimated amortization by year is as follows (in thousands):

Years Ending June 30,	Amount
2016 (excluding the six months ended December 31, 2015)	535
2017	1,339
2018	1,183
2019	1,206
2020	994
after 2020	905
	<u>\$ 6,162</u>

6. Revenue Recognition

The Company recognizes revenue related to products and services upon shipment when title and risk of loss have passed to the customer or upon completion of the service, there is persuasive evidence of an arrangement, the sales price is fixed or determinable, collection of the related receivable is reasonably assured and customer acceptance criteria, if any, have been successfully demonstrated.

The Company also has multiple element arrangements in its Measurement Solutions product line that may include elements such as, equipment, installation, labor support and/or training. Each element has value on a stand-alone basis and the delivered elements do not include general rights of return. Accordingly, each element is considered a separate unit of accounting. When available, the Company allocates arrangement consideration to each element in a multiple element arrangement based upon vendor specific objective evidence ("VSOE") of fair value of the respective elements. When VSOE cannot be established, the Company attempts to establish the selling price of each element based on relevant third-party evidence. The Company's products contain a significant level of proprietary technology, customization or differentiation such that comparable pricing of products with similar functionality cannot be obtained; in these cases, the Company uses its best estimate of selling price ("BESP"). The Company determines the BESP for a product or service by considering multiple factors including, but not limited to, pricing practices, internal costs, geographies and gross margin.

For multiple element arrangements, the Company defers from revenue recognition the greater of the relative fair value of any undelivered elements of the contract or the portion of the sales price of the contract that is not payable until the undelivered elements are completed. As part of this evaluation, the Company limits the amount of revenue recognized for delivered elements to the amount that is not contingent on the future delivery of products or services, including a consideration of payment terms that delay payment until those future deliveries are completed.

Some multiple element arrangements contain installment payment terms with a final payment ("final buy-off") due upon the Company's completion of all elements in the arrangement or when the customer's final acceptance is received. The Company recognizes revenue for each completed element of a contract when it is both earned and realizable. A provision for final customer acceptance generally does not preclude revenue recognition for the delivered equipment element because the Company rigorously tests equipment prior to shipment to ensure it will function in the customer's environment. The final acceptance amount is assigned to specific element(s) identified in the contract, or if not specified in the contract, to the last element or elements to be delivered that represent an amount at least equal to the final payment amount.

The Company's Measurement Solutions products are designed and configured to meet each customer's specific requirements. Timing for the delivery of each element in the arrangement is primarily determined by the customer's requirements and the number of elements ordered. Delivery of all of the multiple elements in an order will typically occur over a three to 15 month period after the order is received. The

Company does not have price protection agreements or requirements to buy back inventory. The Company's history demonstrates that sales returns have been insignificant.

7. Financial Instruments

For a discussion on the Company's fair value measurement policies for Financial Instruments, refer to Note 1 to the Consolidated Financial Statements, "Summary of Significant Accounting Policies – Financial Instruments", of the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2015.

The Company has not changed its valuation techniques in measuring the fair value of any financial assets and liabilities during the period.

The following table presents the Company's investments at December 31, 2015 and June 30, 2015 that are measured and recorded at fair value on a recurring basis consistent with the fair value hierarchy provisions of ASC 820, "Fair Value Measurements and Disclosures" (in thousands). The fair value of the Company's investments approximates their cost basis.

Description	December 31, 2015	Level 1	Level 2	Level 3
Mutual funds	\$ 75	\$ 75	\$ -	\$ -
Fixed deposits and certificates of deposit	3,786	-	3,786	-
Total	\$ 3,861	\$ 75	\$ 3,786	\$ -

Description	June 30, 2015	Level 1	Level 2	Level 3
Mutual funds	\$ 34	\$ 34	\$ -	\$ -
Fixed deposits and certificates of deposit	4,100	-	4,100	-
Total	\$ 4,134	\$ 34	\$ 4,100	\$ -

Fair value estimates are made at a specific point in time based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore, cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

8. Inventory

Inventory is stated at the lower of cost or market. The cost of inventory is determined by the first-in, first-out ("FIFO") method. The Company provides a reserve for obsolescence to recognize inventory impairment for the effects of engineering change orders, age and use of inventory that affect the value of the inventory. The reserve for obsolescence creates a new cost basis for the impaired inventory. When inventory that has previously been impaired is sold or disposed of, the related obsolescence reserve is reduced resulting in the reduced cost basis being reflected in cost of goods sold. A detailed review of the inventory is performed annually with quarterly updates for known changes that have occurred since the annual review. Inventory, net of reserves of \$1,153,000 and \$1,436,000 at December 31, 2015 and June 30, 2015, respectively, is comprised of the following (in thousands):

Inventory	December 31, 2015	June 30, 2015
Component parts	\$ 5,872	\$ 4,694
Work in process	2,481	1,989
Finished goods	4,895	5,215
Total	\$ 13,248	\$ 11,898

9. Short-Term and Long-Term Investments

The Company accounts for its investments in accordance with ASC 320, "Investments – Debt and Equity Securities." Investments with a maturity greater than three months and up to one year are classified as short-term investments. Investments with maturities beyond one year may be classified as short-term if the Company reasonably expects the investment to be realized in cash or sold or consumed during the normal operating cycle of the business. Investments available for sale are recorded at fair market value using the specific identification method. Investments expected to be held to maturity or until market conditions improve are measured at amortized cost in the statement of financial position if it is the Company's intent and ability to hold those securities long-term. At each balance sheet date, the Company evaluates its investments for possible other-than-temporary impairment, which involves significant judgment. In making this judgment, management reviews factors such as the length of time and extent to which fair value has been below the cost basis, the anticipated recovery period, the financial condition of the issuer, the credit rating of the instrument and the Company's ability and intent to hold the investment for a period of time which may be sufficient for recovery of the cost basis. Any unrealized gains and losses on securities are reported as other

comprehensive income as a separate component of shareholders' equity until realized or until a decline in fair value is determined to be other than temporary. Once a decline in fair value is determined to be other-than-temporary, an impairment charge is recorded in the income statement. If market, industry, and/or investee conditions deteriorate, future impairments may be incurred.

At December 31, 2015, the Company had \$3.9 million of short-term investments that primarily represented investments in time deposits. Included in short-term investments is restricted cash that serves as collateral for bank guarantees that provide financial assurance that the Company will fulfill certain customer obligations in China. The cash is restricted as to withdrawal or use while the related bank guarantees are outstanding. Interest is earned on the restricted cash and recorded as interest income. At December 31, 2015 and June 30, 2015, restricted cash in short-term investments was \$102,000 and \$238,000, respectively.

At December 31, 2015, the Company held a long-term investment in preferred stock that is not registered under the Securities Act of 1933, as amended, and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements. The preferred stock investment is currently recorded at \$725,000 after consideration of impairment charges recorded in fiscal years 2008 and 2009. The Company estimated that the fair market value of this investment at December 31, 2015 exceeded \$725,000 based on observable market activity and an internal valuation model which included the use of a discounted cash flow model. The fair market analysis considered the following key inputs, (i) the underlying structure of the security; (ii) the present value of the future principal, discounted at rates considered to reflect current market conditions; and (iii) the time horizon that the market value of the security could return to its cost and be sold. Under ASC 820, "Fair Value Measurements", such valuation assumptions are defined as Level 3 inputs.

The Company also held a long-term time deposit for \$88,000. This time deposit serves as collateral for a bank guarantee that provides financial assurance that the Company will fulfill certain customer obligations in China. The cash is restricted as to withdrawal or use while the related bank guarantee is outstanding. Interest is earned on the restricted cash and recorded as interest income.

10. Credit Facilities

The Company had approximately \$199,000 and no bank debt outstanding at December 31, 2015 and June 30, 2015, respectively.

On October 30, 2015, the Company entered into an Eighth Amendment to the Company's Amended and Restated Credit Agreement with Comerica Bank ("Credit Agreement"). The Eighth Amendment changed the Credit Agreement to an on-demand line of credit from a committed line of credit that previously required the Company to pay a commitment fee of .15% per annum. The maximum permitted borrowings increased from \$6.0 million to \$10.0 million. The borrowing base was amended to add an amount equal to the lesser of 50% of eligible inventory or \$4.0 million to the existing formula of the lesser of 80% of eligible receivables. At December 31, 2015, the Company's maximum borrowing under this facility was approximately \$4.5 million. Proceeds under the Credit Agreement may be used for working capital and capital expenditures. Security for the Credit Agreement is substantially all non-real estate assets of the Company held in the United States. Borrowings are designated as a Libor-based Advance or as a Prime-based Advance if the Libor-based Advance is not available. Interest on Libor-based Advances is calculated at 2.35% above the Libor Rate offered at the time for the period chosen, and is payable on the last day of the applicable period. The Company is required to maintain a Tangible Net Worth of at least \$29.0 million, down from the \$31.0 million requirement in effect prior to October 30, 2015. The Company was in compliance with the Tangible Net Worth financial covenant at December 31, 2015. The Company is also required to have no advances outstanding under the Credit Agreement for 30 days (which need not be consecutive) during each calendar year. At December 31, 2015, the Company did not have any borrowings outstanding under the Credit Agreement.

At December 31, 2015, the Company's German subsidiary ("GmbH") had an unsecured credit facility totaling 350,000 Euros (equivalent to approximately \$390,000). The facility allows 100,000 Euros to be used to finance working capital needs and equipment purchases or capital leases. The facility allows up to 250,000 Euros to be used for providing bank guarantees. Any borrowings for working capital needs will bear interest at 3.99%. Any outstanding bank guarantees will bear interest at 2.0%. The GmbH credit facility is cancelable at any time by either GmbH or the bank and any amounts then outstanding would become immediately due and payable. At December 31, 2015 and June 30, 2015, GmbH had no borrowings or bank guarantees outstanding.

During the second quarter of fiscal 2016, Coord3 entered into a secured credit facility totaling 200,000 Euros (equivalent to approximately \$220,000). This credit facility is collateralized by certain account receivable balances and has an annual effective interest rate of 1.91357%. The Coord3 credit facility is cancelable at any time by either Coord3 or the bank and any amounts then outstanding would become immediately due and payable. At December 31, 2015 there was an outstanding balance of 182,000 Euros (equivalent to approximately \$199,000).

11. Current and Long-Term Taxes Payable

The Company acquired current and long-term taxes payable as part of the purchase of Coord3. The tax liabilities represent income and payroll related taxes that are payable in accordance with government authorized installment payment plans. These installment plans require varying monthly payments through January 2021.

12. Other Long-Term Liabilities

Other long-term liabilities at December 31, 2015 and June 30, 2015 include long-term contractual and statutory severance liabilities for the Company's employees located in Italy that represent amounts which will be payable to employees upon termination of employment. At June 30, 2015, the Company also had a long-term liability of 300,000 Euros representing a deferred purchase price payable 18 months following the closing of the Coord3 acquisition to the extent not used to cover indemnification obligations. At December 31, 2015, this liability is recorded in current accrued liabilities.

13. Stock-Based Compensation

The Company maintains a 2004 Stock Incentive Plan ("2004 Plan") covering substantially all company employees, non-employee directors and certain other key persons. Options previously granted under a 1998 Global Team Member Stock Option Plan ("1998 Plan") will continue to be maintained until all options are exercised, cancelled or expire. No further grants are permitted to be made under the terms of the 1998 Plan. The 2004 Plan is administered by a committee of the Board of Directors, the Management Development, Compensation and Stock Option Committee. The 1998 Plan is administered by the President of the Company.

Awards under the 2004 Plan may be in the form of stock options, stock appreciation rights, restricted stock or restricted stock units, performance share awards, director stock purchase rights and deferred stock units; or any combination thereof. The terms of the awards will be determined by the Management Development, Compensation and Stock Option Committee, except as otherwise specified in the 2004 Plan.

Stock Options

Options outstanding under the 2004 Plan generally become exercisable at 25% or 33.3% per year beginning one year after the date of grant and expire ten years after the date of grant. All options outstanding under the 1998 Plan are vested and expire ten years from the date of grant. Option prices from options granted under these plans must not be less than fair market value of the Company's stock on the date of grant. The Company uses the Black-Scholes model for determining stock option valuations. The Black-Scholes model requires subjective assumptions, including future stock price volatility and expected time to exercise, which affect the calculated values. The expected term of option exercises is derived from historical data regarding employee exercises and post-vesting employment termination behavior. The risk-free rate of return is based on published U.S. Treasury rates in effect for the corresponding expected term. The expected volatility is based on historical volatility of the Company's stock price. These factors could change in the future, which would affect the stock-based compensation expense in future periods.

The Company recognized operating expense for non-cash stock-based compensation costs related to stock options in the amount of \$168,000 and \$263,000 in the three and six months ended December 31, 2015, respectively. The Company recognized operating expense for non-cash stock-based compensation costs related to stock options in the amount of \$74,000 and \$159,000 in the three and six months ended December 31, 2014, respectively. As of December 31, 2015, the total remaining unrecognized compensation cost related to non-vested stock options amounted to approximately \$1,383,000. The Company expects to recognize this cost over a weighted average vesting period of 2.65 years.

During the three months ended December 31, 2015 and 2014, the Company granted 187,420 and 100,000 stock options, respectively. The estimated fair value as of the date options were granted during the periods presented, using the Black-Scholes option-pricing model, is shown in the table below.

	Three Months Ended 12/31/2015	Three Months Ended 12/31/2014	Six Months Ended 12/31/2015	Six Months Ended 12/31/2014
Weighted average estimated fair value per share of options granted during the period	\$ 3.13	\$ 4.09	\$ 3.08	\$ 4.11
Assumptions:				
Dividend yield	-	1.20%	-	1.20%
Common stock price volatility	45.43%	46.85%	45.43%	46.85%
Risk free rate of return	1.70%	1.66%	1.60%	1.67%
Expected option term (in years)	6	6	6	6

The Company received approximately \$23,000 and \$46,000 in cash from option exercises under all share-based payment arrangements for the three and six months ended December 31, 2015, respectively. The Company received approximately \$151,000 and \$153,000 in cash from option exercises under all share-based payment arrangements for the three and six months ended December 31, 2014, respectively.

Restricted Stock and Restricted Stock Units

The Company's restricted stock and restricted stock units under the 2004 Plan have been awarded by three methods as follows: One, awards that are earned based on an individual's achievement of performance goals during the initial fiscal year with either a subsequent one year

service vesting period or with a one-third vesting requirement on the first, second and third anniversary of the issuance, provided the individual's employment has not terminated prior to the vesting date and are freely transferable after vesting; two, awards that are earned based on the Company achieving certain revenue and operating income results with a subsequent one-third vesting requirement on the first, second and third anniversary of the issuance provided the individual's employment has not terminated prior to the vesting date and are freely transferable after vesting; and three, awards to non-management members of the Board of Directors with a subsequent one-third vesting requirement on the first, second and third anniversary of the issuance provided the service of the non-management member of the Board of Directors has not terminated prior to the vesting date and are freely transferable after vesting. The grant date fair value associated with the restricted stock is calculated in accordance with ASC 718 "Compensation – Stock Compensation". Compensation expense related to restricted stock and restricted stock unit awards is based on the closing price of the Company's Common Stock on the grant date authorized by the Company's Board of Directors, multiplied by the number of restricted stock and restricted stock unit awards expected to be issued and vested and is amortized over the combined performance and service periods. The non-cash stock-based compensation expense recorded for restricted stock and restricted stock unit awards for the three months and six months ended December 31, 2015 was \$57,000 and \$109,000, respectively. The non-cash stock-based compensation expense recorded for restricted stock and restricted stock unit awards for the three months and six months ended December 31, 2014 was \$21,000 and \$86,000, respectively. As of December 31, 2015, the total remaining unrecognized compensation cost related to restricted stock and restricted stock unit awards amounted to \$223,230.

A summary of the status of restricted stock and restricted stock unit awards issued at December 31, 2015 is presented in the table below.

	Non-vested Restricted Shares/Units	Weighted Average Grant Date Fair Value
Non-vested at June 30, 2015	61,014	\$ 10.76
Granted	-	-
Vested	(33,007)	11.69
Forfeited or expired	-	-
Non-vested at December 31, 2015	<u>28,007</u>	<u>\$ 9.66</u>

14. Earnings Per Share

Basic earnings per share ("EPS") is calculated by dividing net income by the weighted average number of common shares outstanding during the period. Other obligations, such as stock options, are considered to be potentially dilutive common shares. Diluted EPS assumes the issuance of potential dilutive common shares outstanding during the period and adjusts for any changes in income and the repurchase of common shares that would have occurred from the assumed issuance, unless such effect is anti-dilutive. The calculation of diluted shares also takes into effect the average unrecognized non-cash stock-based compensation expense and additional adjustments for tax benefits related to non-cash stock-based compensation expense.

The Company excludes all options to purchase common stock from the computation of diluted EPS in periods of net losses because the effect is anti-dilutive. Options to purchase 709,634 and 313,250 shares of common stock outstanding in the three months ended December 31, 2015 and 2014, respectively, were not included in the computation of diluted EPS because the effect would have been anti-dilutive. Options to purchase 449,464 and 286,516 shares of common stock outstanding in the six months ended December 31, 2015 and 2014, respectively, were not included in the computation of diluted EPS, because the effect would have been anti-dilutive.

15. Commitments and Contingencies

The Company may, from time to time, be subject to litigation and other claims in the ordinary course of its business. The Company accrues for estimated losses arising from such litigation or claims if it is probable that an asset has been impaired or a liability has been incurred and the amount of the loss can be reasonably estimated. To estimate whether a loss contingency should be accrued by a charge to income, the Company evaluates, among other factors, the degree of probability of an unfavorable outcome and the ability to make a reasonable estimate of the amount of the loss. Since the outcome of litigation and claims is subject to significant uncertainty, changes in the factors used in the Company's evaluation could materially impact the Company's financial position or results of operations.

Management is currently unaware of any significant pending litigation affecting the Company other than the matters set forth below.

The Company is a party to a civil suit filed by 3CEMS, a Cayman Islands and People's Republic of China corporation, in the U.S. District Court for the Eastern District of Michigan and served on the Company on or about January 7, 2015. The suit alleges that the Company breached its contractual obligations by failing to pay for component parts to be used to manufacture optical video scopes for the Company's discontinued Commercial Products Business Unit. 3CEMS alleged that it purchased the component parts in advance of the receipt of orders from the Company based upon instructions they claimed to have received from the Company. The suit alleged damages of not less than \$4.0 million. The Company intends to vigorously defend against 3CEMS' claims. Because of the inherent uncertainty of litigation and claims such as the 3CEMS Matter, the Company is unable to reasonably estimate a possible loss or range of loss relating to the 3CEMS Matter.

As part of routine evaluation procedures, the Company identified a potential concern regarding the employment status and withholding for several individuals in one of the Company's foreign jurisdictions. During the third quarter of fiscal 2015, the Company estimated a range of the potential financial liability related to this matter of 486,000 Euros to 1 million Euros. The Company is not able to reasonably estimate the amount within this range that it will be required to pay for this matter. As a result, the Company recorded a reserve of 486,000 Euros (equivalent to approximately \$547,000) representing the minimum amount the Company estimates will be paid. During the first half of fiscal 2016, the Company paid approximately 449,000 Euros leaving a balance in the reserve of approximately 37,000 Euros. The Company expects final resolution of this matter in the next few months. The Company does not expect that the resolution of this matter will have a detrimental effect on the conduct of the Company's business in this foreign jurisdiction.

16. Subsequent Events

On January 26, 2016, the Company entered into a Release Agreement with its former Chief Executive Officer ("CEO") in connection with resignation of his employment with the Company as well as membership on the Company's Board of Directors. The Company agreed to (i) the continuation of payment of his annual base salary of \$367,500 for the 12 months following this termination, (ii) payment of a prorated portion of any bonus he would have earned for fiscal 2016, (iii) reimbursement of premiums associated with COBRA benefits related to dental and vision for the 12 months following this termination, (iv) continuation of premiums related to the current executive life insurance policy and supplemental executive disability policy for the severance period, and (v) continuation of payment of his car benefit allowance of \$850 per calendar month for the severance period. In addition, if the Company incurs a change in control within six months after the termination, he shall receive additional severance payments/benefits. The former CEO agreed to release, waive and discharge the Company from all claims, rights and liabilities.

As a result of this resignation, the Company appointed the current Chairman of the Board of Directors as interim President and CEO.

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

SAFE HARBOR STATEMENT

Certain statements in this Management's Discussion and Analysis of Financial Condition and Results of Operations may be "forward-looking statements" within the meaning of the Securities Exchange Act of 1934, including the Company's expectation as to its fiscal year 2016, and future results, operating data, new order bookings, revenue, expenses, income and backlog levels, the timing of revenue and income from new products which we have recently released or have not yet released, the timing of the introduction of new products and expansion into new industry sectors, our ability to fund our fiscal year 2016 and future cash flow requirements. Whenever possible, we have identified these forward-looking statements by words such as "will," "should," "believes," "expects," "anticipates," "estimates," "prospects," "outlook" or similar expressions. We claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 for all of our forward-looking statements. While we believe that our forward-looking statements are reasonable, you should not place undue reliance on any such forward-looking statements, which speak only as of the date made. Because these forward-looking statements are based on estimates and assumptions that are subject to significant business, economic and competitive uncertainties, many of which are beyond our control or are subject to change, actual results could be materially different. Factors that might cause such a difference include, without limitation, the risks and uncertainties discussed from time to time in our periodic reports filed with the Securities and Exchange Commission, including those listed in "Item 1A – Risk Factors" of our Annual Report on Form 10-K for fiscal 2015. Except as required by applicable law, we do not undertake, and expressly disclaim, any obligation to publicly update or alter our statements whether as a result of new information, events or circumstances occurring after the date of this report or otherwise.

OVERVIEW

Perceptron, Inc. ("Perceptron" or the "Company") develops, produces and sells a comprehensive range of automated industrial metrology products and solutions to manufacturing organizations for dimensional gauging, dimensional inspection and 3D scanning. The Company's primary operations are in North America, Europe and Asia. The Company has one operating segment, because all of our products rely on our core laser technology. However, products are divided into three lines:

- In-Line and Near-Line Measurement Solutions consist of engineered metrology systems for industrial automated process control and assembly using fixed and robot mounted laser scanners. The Company also provides Value Added Services including training, field service, calibration, launch support services, consulting services, maintenance agreements and repairs, related to In-Line and Near-Line Measurement Solutions.
- Off-Line Measurement Solutions consist of tailored metrology products for industrial gauging and dimensional inspection using standalone robot mounted laser scanners and Coordinate Measuring Machines ("CMM"), which may include training, calibration maintenance agreements and repairs.
- 3D Scanning Products consist of laser scanner products that target the digitizing, reverse engineering, inspection and original equipment manufacturers wheel alignment markets.

The largest end-use market we served is the automotive industry.

New automotive vehicle tooling programs represent the most important selling opportunity for the Company's In-Line and Near-Line Measurement Solutions products. The number and timing of new vehicle tooling programs varies based on the plan of the individual automotive manufacturers. The existing installed base of In-Line and Near-Line Measurement Solutions products also provides a continuous revenue stream in the form of system additions, upgrades and modifications as well as Value Added Services such as customer training and support.

The Company's Off-Line and 3D Scanning products, including our newly acquired CMM products, are used by and targeted to a wide variety of industrial customers, with the automotive industry representing the largest market for industrial metrology products. The Company acquired Coord3 and NextMetrology in the third quarter of fiscal 2015. We have developed a number of new products in the past year for the 3D Scanning and CMM markets. Our marketing and sales efforts remain in the early stages and the acceptance and adoption rate in the market will be better understood over the next several quarters.

RESULTS OF OPERATIONS

Three Months Ended December 31, 2015 Compared to Three Months Ended December 31, 2014

Overview – The Company reported a net loss of \$1.5 million, or (\$0.17) per diluted share, for the second quarter of fiscal 2016 compared with a net income of \$2.8 million, or \$0.30 per diluted share, for the second quarter of fiscal 2015.

Our quarterly results vary from quarter to quarter and are dependent upon delivery and installation schedules determined by our customers. These schedules are subject to change by the customer and are not controlled by the Company.

Bookings – Bookings represent new orders received from our customers. We expect the level of new orders to fluctuate from quarter to quarter and do not believe new order bookings during any particular period are indicative of the future operating performance of the Company.

Bookings by geographic location were:

Bookings (by location) (in millions)	Second Quarter 2016		Second Quarter 2015		Increase/(Decrease)	
Americas	\$ 7.4	35.9%	\$ 4.3	33.9%	\$ 3.1	72.1%
Europe	8.8	42.7%	3.7	29.1%	5.1	137.8%
Asia	4.4	21.4%	4.7	37.0%	(0.3)	(6.4)%
Totals	<u>\$ 20.6</u>	<u>100.0%</u>	<u>\$ 12.7</u>	<u>100.0%</u>	<u>\$ 7.9</u>	<u>62.2%</u>

Bookings were \$20.6 million in the second quarter of fiscal 2016, an increase of \$7.9 million or 62.2% from bookings in the second quarter of fiscal 2015. The increase was primarily related to the third quarter of fiscal year 2015 acquisition of Coord3, which resulted in new CMM bookings in every region, primarily in Europe and the Americas. The Europe region bookings increased \$3.4 million due to CMM bookings, as well as increased orders for In-Line and Near-Line Measurement Solutions, partially offset by an unfavorable foreign currency impact of approximately \$0.9 million, due to the weakening of the Euro. The Americas region bookings were higher, primarily due to increased orders for In-Line and Near-Line Measurement Solutions and \$1.1 million from CMM bookings, partially offset by lower 3D Scanning Products sales. The decrease in Asia was primarily due to lower In-Line and Near-Line Measurement Solutions orders, which were deferred due to soft economic conditions, primarily in China, as well as an unfavorable foreign currency impact, primarily from the Chinese Yuan, partially offset by increased bookings of \$0.3 million from CMM.

Backlog – Backlog represents orders or bookings received by the Company that have not yet been filled. We believe that the level of backlog during any particular period is not necessarily indicative of the future operating performance of the Company. Although most of the backlog is subject to cancellation by the customer, we expect to fill substantially all of the orders in the backlog during the following twelve months.

Backlog by geographic location was:

Backlog (by location) (in millions)	Second Quarter 2016		Second Quarter 2015		Increase/(Decrease)	
Americas	\$ 13.0	32.2%	\$ 10.8	27.7%	\$ 2.2	20.4%
Europe	15.8	39.1%	14.2	36.4%	1.6	11.3%
Asia	11.6	28.7%	14.0	35.9%	(2.4)	(17.1)%
Totals	<u>\$ 40.4</u>	<u>100.0%</u>	<u>\$ 39.0</u>	<u>100.0%</u>	<u>\$ 1.4</u>	<u>3.6%</u>

Backlog at December 31, 2015 was \$40.4 million, an increase of \$1.4 million or 3.6% compared to December 31, 2014. The backlog increased primarily as a result of \$4.8 million related to CMM orders, partially offset by declines for In-Line and Near-Line Measurement Solutions.

Sales – Sales of \$17.2 million for the second quarter of fiscal 2016 decreased \$6.4 million, or 27.1%, when compared to the same period a year ago.

Net sales by geographic location were:

Sales (by location) (in millions)	Second Quarter 2016		Second Quarter 2015		Increase/(Decrease)	
Americas	\$ 4.3	25.0%	8.3	35.2%	\$ (4.0)	(48.2)%
Europe	8.0	46.5%	10.8	45.7%	(2.8)	(25.9)%
Asia	4.9	28.5%	4.5	19.1%	0.4	8.9%
Totals	<u>\$ 17.2</u>	<u>100.0%</u>	<u>\$ 23.6</u>	<u>100.0%</u>	<u>\$ (6.4)</u>	<u>(27.1)%</u>

The sales decrease of \$6.4 million is primarily due to lower shipments and installations of In-Line and Near-Line Measurement Solutions in the Americas and Europe regions, as well as an unfavorable foreign currency impact of \$0.7 million due to the impact of a stronger US dollar

compared to the Euro and \$0.2 million due to the strength of the US dollar against both the Chinese Yuan and the Japanese Yen. These unfavorable impacts were partially offset by an increase in our new CMM products of \$3.4 million in our Europe region, \$0.4 million in the Americas region and \$0.2 million in the Asia region.

Gross Profit –Gross profit percentage was 29.6% in the second quarter of fiscal 2016 compared to 48.0% in the same quarter a year ago. The lower gross profit percentage in the fiscal 2016 quarter was primarily the result of the inclusion of the CMM product line at a lower gross profit percentage compared to our traditional products as well as unfavorable currency impact and lower absorption of fixed costs as a result of the lower sales level.

Selling, General and Administrative (SG&A) Expenses – SG&A expenses were approximately \$5.4 million in the second quarter of fiscal 2016, an increase of \$0.5 million compared to the second quarter a year ago. The increase is primarily due to legal costs incurred as the plaintiff in defense of our proprietary information and a related dispute with a former contractor as well as inclusion of the CMM business partially offset by direct transaction costs incurred during the second quarter of fiscal 2015 related to the acquisitions that concluded in the third quarter of fiscal 2015.

Engineering, Research and Development (R&D) Expenses – Engineering, research and development expenses was approximately \$2.0 million in both the second quarter of fiscal 2016 and 2015.

Interest Income (Expense), net – Net interest expense was \$25,000 in the second quarter of fiscal 2016 compared with net interest income of \$76,000 in the second quarter of fiscal 2015. This change was due to the decrease in interest income, primarily as a result of lower invested cash balances in 2016 compared to 2015, as well as the addition of interest expense on liabilities acquired in the Coord3 acquisition.

Foreign Currency Gain (Loss) – Foreign Currency gain (loss) in the second quarter of fiscal 2016 was a net gain of \$58,000 compared to a net loss of \$376,000 in the second quarter of fiscal year 2015. The favorable change was primarily related to the volatility of the Brazilian Real, Euro, and to a lesser extent the Indian Rupee, in the second quarter of fiscal 2015.

Other Income – Other income primarily represents dividend income received on the Company’s long term investments.

Income Taxes – The effective tax rate for the second quarter of fiscal year 2016 was 27.8% compared to 33.0% in the second quarter of fiscal year 2015. The effective tax rate in both fiscal quarters primarily reflects the effect of the mix of pre-tax income and loss across the Company’s various tax jurisdictions and their respective tax rates.

Six Months Ended December 31, 2015 Compared to Six Months Ended December 31, 2014

Overview – For the first half of fiscal 2016, the Company reported net loss of \$3.7 million or (\$0.39) per diluted share, compared to net income of \$739,000 or \$0.08 per diluted share, for the first half of fiscal 2015.

Bookings – Bookings represent new orders received from customers. New order bookings for the six months ended December 31, 2015 were \$33.8 million compared to \$34.4 million for the same period one year ago. We expect the level of new orders to fluctuate from period to period and do not believe new order bookings during any particular period are indicative of the future operating performance of the Company.

Bookings by geographic location were:

Bookings (by location) (in millions)	Six Months Ended 12/31/15		Six Months Ended 12/31/14		Increase/(Decrease)	
Americas	\$ 12.1	35.8%	\$ 14.2	41.3%	\$ (2.1)	(14.8)%
Europe	15.5	45.9%	10.7	31.1%	4.8	44.9%
Asia	6.2	18.3%	9.5	27.6%	(3.3)	(34.7)%
Totals	<u>\$ 33.8</u>	<u>100.0%</u>	<u>\$ 34.4</u>	<u>100.0%</u>	<u>\$ (0.6)</u>	<u>(1.7)%</u>

The overall slight decrease in bookings of \$0.6 million for the six-month period of fiscal 2016 compared to the six-month period of fiscal 2015 was primarily due to our Asia and Americas regions, partially offset by increases in our Europe region. The decrease in our Asia region is primarily due to orders being deferred due to the soft economic conditions, primarily in China, as well as an unfavorable foreign exchange impact primarily from the Chinese Yuan, partially offset by increased bookings from the new CMM product line of \$0.3 million. The decrease in our Americas region was due to lower bookings in our In-Line and Near-Line Measurement product lines as well as unfavorable foreign currency impact of \$0.1 million related to a weaker Brazilian Real to US dollar exchange rate, partially offset by an increase of \$1.7 million from our new CMM product. The increase in our Europe region is primarily related to \$6.3 million from our new CMM product line, partially offset by an unfavorable foreign currency impact of \$1.5 million due to the weaker Euro to US dollar exchange rate.

Sales – Net sales in the first six months of fiscal 2016 were \$32.3 million, compared to \$34.8 million for the six months of fiscal 2015. Net sales by geographic location were:

Sales (by location) (in millions)	Six Months Ended 12/31/15		Six Months Ended 12/31/14		Increase/(Decrease)	
	\$		\$		\$	
Americas	9.5	29.4%	13.7	39.4%	(4.2)	(30.7)%
Europe	15.1	46.8%	13.8	39.6%	1.3	9.4%
Asia	7.7	23.8%	7.3	21.0%	0.4	5.5%
Totals	<u>\$ 32.3</u>	<u>100.0%</u>	<u>\$ 34.8</u>	<u>100.0%</u>	<u>\$ (2.5)</u>	<u>(7.2)%</u>

The \$2.5 million decrease in sales was primarily due to the Americas region due to lower shipment and installations of our In-Line Measurement product line, partially offset by an increase of \$1.1 million from our new CMM product line. This decrease in the Americas region is partially offset by increases in our Europe region, due to \$6.1 million from our new CMM product line, partially offset by \$1.3 million of unfavorable currency impact due to the US dollar strengthening against the Euro and declines in shipments and installations of our In-Line Measurement product line. Our Asia region also had a slight increase in sales, primarily due to \$0.4 million from our new CMM product line, partially offset by unfavorable currency impacts resulting from the strengthening of the US dollar against both of the Chinese Yuan and Japanese Yen.

Gross Profit – Gross profit was \$9.5 million, or 29.5% of sales, in the first half of fiscal 2016, as compared to \$14.4 million, or 41.5% of sales, in the first half of fiscal 2015. This decrease was primarily due to the inclusion of the CMM product line, increased payroll-related and contractor costs and the impact of fixed overhead costs on the lower sales level.

Selling, General and Administrative (SG&A) Expenses – SG&A expenses were \$10.7 million in the first half of fiscal 2016 compared to \$9.0 million in the same period one year ago. This increase of \$1.7 million was primarily due to legal costs incurred as the plaintiff in defense of our proprietary information and a related dispute with a former contractor as well as inclusion of the CMM business, partially offset by direct acquisition costs incurred during the first half of fiscal 2015.

Engineering, Research and Development (R&D) Expenses – Engineering and R&D expenses were \$4.2 million for the six months ended December 31, 2015 compared to \$3.7 million for the six-month period a year ago. The \$0.5 million increase was primarily due to higher engineering materials to support new product development of approximately \$0.3 million, increased payroll-related costs of approximately \$0.1 million and R&D related expenses for our two newly acquired companies of \$0.1 million.

Interest Income (Expense), net – Net interest expense was \$46,000 in the first half of fiscal 2016 compared with net interest income of \$154,000 in the first half of fiscal 2015. This change was due to the decrease in interest income, primarily as a result of lower invested cash balances in 2016 compared to 2015, as well as the addition of interest expense on liabilities acquired in the Coord3 acquisition.

Foreign Currency Gain (Loss) – Foreign Currency gain (loss) in the first half of fiscal 2016 was a net gain of \$59,000 compared to a net loss of \$930,000 in the first half of fiscal year 2015. The favorable change was primarily related to the volatility of the Euro, Japanese Yen and to a lesser extent the Brazilian Real, in the first half of fiscal 2015.

Other Income – Other income primarily represents dividend income received on the Company's long term investments.

Income Taxes – The effective tax rate for the first six months of fiscal 2016 was 29.4% compared to 28.1% in the first half of fiscal 2015. The effective tax rate in both fiscal periods primarily reflected the effect of the mix of pre-tax income and loss among the Company's various operating entities and their countries' respective tax rates.

LIQUIDITY AND CAPITAL RESOURCES

Cash on Hand. The Company's cash and cash equivalents were \$4.8 million at December 31, 2015, compared to \$11.5 million at June 30, 2015. The \$6.7 million decrease in cash primarily related to \$5.5 million of cash used for operations, net of non-cash items and approximately \$1.3 million of cash used for capital expenditures.

Cash Flow. Cash used from operations resulted from a net loss of \$3.7 million, non-cash items totaling (\$0.8) million and the use of cash related to working capital changes of \$1.0 million. Cash used from changes in working capital items resulted from inventory purchases of \$1.5 million and changes in other current assets and liabilities of \$4.3 million, partially offset by a decrease in receivables of \$2.6 million and higher accounts payable of \$2.2 million. Inventories increased primarily due to timing of shipments to our end customers. The increase in accounts payable represents normal fluctuations in the timing of payments. The decrease in accounts receivables relates to the timing of cash collections as well as lower sales levels for the first half of fiscal 2016 compared to the first half of fiscal 2015. The change in other current assets and liabilities related primarily to the timing of accrued expense payments and payroll-related items, partially offset by an increase in deferred revenue as a result of the normal timing of revenue recognition.

The Company provides a reserve for obsolescence to recognize inventory impairment for the effects of engineering change orders, age and use of inventory that affect the value of the inventory. The reserve for obsolescence creates a new cost basis for the impaired inventory. When inventory that has previously been impaired is sold or disposed of, the related obsolescence reserve is reduced resulting in the reduced cost basis being reflected in cost of goods sold. A detailed review of the inventory is performed annually with quarterly updates for known changes that have occurred since the annual review. During the six-month period ended December 31, 2015, the Company decreased its reserve for obsolescence by a net \$283,000, which primarily resulted from disposals of inventory previously reserved against.

The Company determines its allowance for doubtful accounts by considering a number of factors, including the length of time trade accounts receivable are past due, the Company's previous loss history, the customer's current ability to pay its obligation to the Company, and the condition of the general economy and the industry as a whole. The Company writes-off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts. The Company decreased its allowance for doubtful accounts by a net \$44,000 during the six-month period ended December 31, 2015 which primarily resulted from a write-off of a balance related to one customer.

At December 31, 2015, the Company had \$8.7 million in cash, cash equivalents and short-term investments of which \$6.7 million or 77% was held in foreign bank accounts. Included in short-term investments at December 31, 2015 is \$0.1 million of restricted cash that serves as collateral for bank guarantees that provide financial assurance that the Company will fulfill certain customer obligations in China. The cash is restricted as to withdrawal or use while the related bank guarantees are outstanding. Interest is earned on the restricted cash and recorded as interest income. The Company does not repatriate its foreign earnings and based on its business plan, current cash, cash equivalents and short-term investments and existing credit facilities, the level of cash, cash equivalents and short-term investments in foreign bank accounts is not expected to have a material adverse impact on the Company's liquidity.

Investments. At December 31, 2015, the Company had a long-term investment valued at \$725,000. See Note 9 to the Consolidated Financial Statements, "Short-Term and Long-Term Investments", contained in this Quarterly Report on Form 10-Q, for further information on the Company's investments and their current valuation. The market for the long-term investment is currently illiquid. At December 31, 2015, the Company also held a long-term time deposit for \$88,000. This time deposit serves as collateral for a bank guarantee that provides financial assurance that the Company will fulfill certain customer obligations in China. The cash is restricted as to withdrawal or use while the related bank guarantee is outstanding. Interest is earned on the restricted cash and recorded as interest income.

Credit Facilities. The Company had approximately \$199,000 and no bank debt outstanding at December 31, 2015 and June 30, 2015, respectively.

On October 30, 2015, the Company entered into an Eighth Amendment to the Company's Amended and Restated Credit Agreement with Comerica Bank ("Credit Agreement"). The Eighth Amendment changed the Credit Agreement to an on demand line of credit from a committed line of credit that previously required the Company to pay a commitment fee of .15% per annum. The maximum permitted borrowings increased from \$6.0 million to \$10.0 million. The borrowing base was amended to add an amount equal to the lesser of 50% of eligible inventory or \$4.0 million to the existing formula of the lesser of 80% of eligible receivables. At December 31, 2015, the Company's maximum borrowing under this facility was approximately \$4.5 million. Proceeds under the Credit Agreement may be used for working capital and capital expenditures. Security for the Credit Agreement is substantially all non-real estate assets of the Company held in the United States. Borrowings are designated as a Libor-based Advance or as a Prime-based Advance if the Libor-based Advance is not available. Interest on Libor-based Advances is calculated at 2.35% above the Libor Rate offered at the time for the period chosen, and is payable on the last day of the applicable period. The Company is required to maintain a Tangible Net Worth of at least \$29.0 million, down from the \$31.0 million requirement in effect prior to October 30, 2015. The Company was in compliance with the Tangible Net Worth financial covenant at December 31, 2015. The Company is also required to have no advances outstanding under the Credit Agreement for 30 days (which need not be consecutive) during each calendar year. At December 31, 2015, the Company did not have any borrowings outstanding under the Credit Agreement.

At December 31, 2015, the Company's German subsidiary ("GmbH") had an unsecured credit facility totaling 350,000 Euros (equivalent to approximately \$390,000). The facility allows 100,000 Euros to be used to finance working capital needs and equipment purchases or capital leases. The facility allows up to 250,000 Euros to be used for providing bank guarantees. Any borrowings for working capital needs will bear interest at 3.99%. Any outstanding bank guarantees will bear interest at 2.0%. The GmbH credit facility is cancelable at any time by either GmbH or the bank and any amounts then outstanding would become immediately due and payable. At December 31, 2015 and June 30, 2015, GmbH had no borrowings or bank guarantees outstanding.

During the second quarter of 2016, Coord3 entered into a secured credit facility totaling 200,000 Euros (equivalent to approximately \$220,000). This credit facility is collateralized by certain account receivable balances and has an annual effective interest rate of 1.91357%. The Coord3 credit facility is cancelable at any time by either Coord3 or the bank and any amounts then outstanding would become immediately due and payable. At December 31, 2015 there was an outstanding balance of 182,000 Euros (equivalent to approximately \$199,000).

As part of routine evaluation procedures, the Company identified a potential concern regarding the employment status and withholding for several individuals in one of the Company's foreign jurisdictions. During the third quarter of fiscal 2015, the Company estimated a range of

the potential financial liability related to this matter of 486,000 Euros to 1 million Euros. The Company is not able to reasonably estimate the amount within this range that it will be required to pay for this matter. As a result, the Company recorded a reserve of 486,000 Euros (equivalent to approximately \$547,000) representing the minimum amount the Company estimates will be paid. During the first half of fiscal 2016, the Company paid approximately 449,000 Euros leaving a balance in the reserve of approximately 37,000 Euros. The Company expects final resolution of this matter in the next few months. The Company does not expect that the resolution of this matter will have a detrimental effect on the conduct of the Company's business in this foreign jurisdiction.

See Note 15 to the Consolidated Financial Statements, "Commitments and Contingencies", contained in this Quarterly Report on Form 10-Q, and Item 3, "Legal Proceedings" and Note 6 to the Consolidated Financial Statements, "Contingencies", of the Company's Annual Report on Form 10-K for fiscal year 2015 for a discussion of certain other contingencies relating to the Company's liquidity, financial position and results of operations. See also, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies - Litigation and Other Contingencies" of the Company's Annual Report on Form 10-K for fiscal year 2015.

Capital Spending. The Company spent \$1.3 million on capital equipment in the first six months of fiscal year 2016 and expects to spend up to an aggregate of approximately \$2.2 million for capital expenditures during fiscal year 2016, although there generally is no binding commitment to do so.

Based on the Company's current business plan, the Company believes that available cash on hand, short-term investments and existing credit facilities will be sufficient to fund anticipated fiscal year 2016 cash flow requirements, except to the extent that the Company implements business development opportunities, which would be financed as discussed below. The Company does not believe that inflation has significantly impacted historical operations and does not expect any significant near-term inflationary impact.

The Company will consider evaluating business opportunities that fit its strategic plans. There can be no assurance that the Company will identify any additional opportunities that fits its strategic plans or will be able to enter into agreements with identified business opportunities on terms acceptable to the Company. The Company anticipates that it would finance any such business opportunities from available cash on hand, issuance of additional shares of its stock or additional sources of financing, as circumstances warrant.

CRITICAL ACCOUNTING POLICIES

A summary of critical accounting policies is presented in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies" of the Company's Annual Report on Form 10-K for fiscal year 2015.

MARKET RISK INFORMATION

Perceptron's primary market risk is related to foreign exchange rates. The foreign exchange risk is derived from the operations of its international subsidiaries, which are primarily located in Germany, Italy, China and Japan and for which products are produced in the U.S or in Italy. The Company may from time to time have interest rate risk in connection with the investment of its cash.

Foreign Currency Risk

The Company has foreign currency exchange risk in its international operations arising from the time period between sales commitment and delivery for contracts in non-United States currencies. For sales commitments entered into in non-United States currencies, the currency rate risk exposure is predominantly less than one year with the majority in the 120 to 150 day range. At December 31, 2015, the Company's percentage of sales commitments in non-United States currencies was approximately 67.7% or \$27.4 million, compared to 70.1% or \$27.6 million at December 31, 2014. The Company is most vulnerable to changes in U.S. Dollar/Euro, U.S. Dollar/Chinese Yuan, U.S. Dollar/Brazilian Real and U.S. Dollar/Japanese Yen exchange rates.

The Company's potential loss in net income that would have resulted from a hypothetical 10% adverse change in quoted foreign currency exchange rates related to the translation of foreign denominated revenues and expenses into U.S. Dollars for the three and six months ended December 31, 2015, would have been approximately \$36,000 and \$143,000, respectively. This sensitivity analysis assumes there are no changes other than the exchange rates. This analysis has inherent limitations, including that it disregards the possibility that (i) the exchange rates of multiple foreign currencies may not always move in the same direction or percentage amount relative to the value of the U.S. Dollar and (ii) changes in exchange rates may impact the volume of sales.

Interest Rate Risk

The Company invests its cash and cash equivalents in high quality, short-term investments with primarily a term of three months or less. A 100 basis point rise in interest rates would not be expected to have a material adverse impact on the fair value of the Company's cash and cash equivalents. As a result, the Company does not currently hedge these interest rate exposures.

Uncertainties in Credit Markets

At December 31, 2015, the Company holds a long-term investment in preferred stock that is not registered under the Securities Act of 1933, as amended, and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements. The Company's long-term investment is subject to risk due to a decline in value of the investment. The investment is currently recorded at \$725,000 after consideration of impairment charges recorded in fiscal years 2008 and 2009.

Based on the Company's current business plan, cash and short-term investments of \$8.7 million at December 31, 2015 and its existing credit facilities, the Company does not currently anticipate that the lack of liquidity in its long-term investment will affect the Company's ability to operate or fund its currently anticipated fiscal 2016 cash flow requirements.

New Accounting Pronouncements

For a discussion of new accounting pronouncements, see Note 2 to the Consolidated Financial Statements, "New Accounting Pronouncements".

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information required pursuant to this item is incorporated by reference herein from Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations – Market Risk Information."

ITEM 4. CONTROLS AND PROCEDURES

The Company carried out an evaluation, under the supervision and with the participation of the Company's management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rule 13a-15(b) of the Securities Exchange Act of 1934 (the "1934 Act"). Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2015, the Company's disclosure controls and procedures were effective. Rule 13a-15(e) of the 1934 Act defines "disclosure controls and procedures" as controls and other procedures of the Company that are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the 1934 Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the 1934 Act is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

There have been no changes in the Company's internal controls over financial reporting during the quarter ended December 31, 2015 identified in connection with the Company's evaluation that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

PART II. OTHER INFORMATION

ITEM 1A. RISK FACTORS

There have been no material changes made to the risk factors listed in "Item 1A – Risk Factors" of the Company's Annual Report on Form 10-K for fiscal year 2015.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The Company's purchase of its common stock during the second quarter of fiscal 2016 were as follows:

Period	Total Number of Share/Units Purchased	Average Price Paid Per Share/Unit	Total Number of Shares/Units Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number of Shares that May Yet Be Purchased under the Plans or Programs (1)
October 1 to October 31	5,483	\$ 7.80	-	-
November 1 to November 30	-	\$ -	-	-
December 1 to December 31	-	\$ -	-	-
Total	5,483	\$ 7.80		

- (1) During the second quarter of fiscal 2016, the Company withheld these shares from restricted stock grants under the Company's 2004 Stock Incentive Plan (the "Plan") to satisfy the Company's tax withholding obligations upon the vesting of the related restricted stock grants, as provided for in the Plan.

ITEM 6. EXHIBITS

3.3*	Amended and Restated Bylaws, as amended to date.
10.44	Release Agreement, dated January 26, 2016 between Jeffrey M. Armstrong and the Company is incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on January 27, 2016
10.45*	Form of Non-Qualified Stock Option Agreement Terms -- Board of Directors under the Perceptron, Inc. 2004 Stock Incentive Plan.
10.46	Non-Qualified Stock Option Agreement, dated February 2, 2016, between W. Richard Marz and the Company is incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on February 4, 2016.
10.47	Restricted Stock Award Agreement, dated February 2, 2016, between W. Richard Marz and the Company is incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed on February 4, 2016.
31.1*	Certification by the Chief Executive Officer of the Company pursuant to Rule 13a – 14(a) of the Securities Exchange Act of 1934.
31.2*	Certification by the Chief Financial Officer of the Company pursuant to Rule 13a – 14(a) of the Securities Exchange Act of 1934.
32*	Certification pursuant to 18 U.S.C. Section 1350 and Rule 13a – 14(b) of the Securities Exchange Act of 1934.
101.INS*	XBRL Instance Document
101.SCH*	Taxonomy Extension Schema
101.CAL*	Taxonomy Extension Calculation Linkbase
101.LAB*	XBRL Taxonomy Extension Label Linkbase
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase

* Filed Herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Perceptron, Inc.
(Registrant)

Date: February 9, 2016

By: /s/ W. Richard Marz
W. Richard Marz
Chairman of the Board, President and Chief Executive Officer

Date: February 9, 2016

By: /s/ David L. Watza
David L. Watza
Senior Vice President, Finance and Chief Financial Officer
(Principal Financial and Principal Accounting Officer)

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Section 2: EX-3.3 (EX-3.3)

Exhibit 3.3

AMENDED AND RESTATED BYLAWS

OF

PERCEPTRON, INC.

(As Amended and Restated through November 12, 2007)

ARTICLE I.

SHAREHOLDERS

Section 1. ANNUAL MEETING. The annual meeting of shareholders shall be held within one hundred eighty (180) days after the close of the Corporation's fiscal year, at a date, time and place, within or without the State of Michigan, to be fixed by the Board of Directors for the purpose of electing directors and for the transaction of such other business as may properly be brought before the meeting.

Section 2. SPECIAL MEETING. Special meetings of the shareholders may be called by the President and shall be called by the President or Secretary at the direction of the Board of Directors or by the holders of at least ten (10%) percent of the Common Stock then outstanding and entitled to vote at such meeting, or as may otherwise be provided by law. Such meetings shall be held at such time and place,

within or without the State of Michigan, as shall be designated from time to time by the Board of Directors and stated in the Notice of Meeting. Any request for such meeting shall state the purpose or purposes of the proposed meeting.

Section 3. NOTICE OF MEETINGS. Notice of the time, place and purpose of each meeting of the shareholders, signed by the President or a Vice-President or the Secretary or an Assistant Secretary and stating the authority upon which issued, shall be served either personally or by mail upon each shareholder of record entitled to vote at such meeting not less than 10 nor more than 60 days before the meeting; provided, that no notice of adjourned meetings need be given unless the Board of Directors fixes a new record date for the adjourned meeting. If mailed, the notice shall be directed to each shareholder entitled to notice at his address as it appears on the stock books of the Corporation unless he shall have filed with the Secretary thereof a written request that notices intended for him be mailed to some other address, in which case it shall be mailed to the address designated in such request. Such further notice shall be given as may be required by law. Meetings may be held without notice if all shareholders entitled to vote thereat are present in person or by proxy or if notice of the time, place and purpose of such meeting is waived by telegram, radiogram, cablegram, or other writing, either before or after the holding thereof, by all shareholders not present and entitled to vote at such meeting.

Section 4. WAIVER OF NOTICE. Notice of the time, place and purpose of any meeting of the Corporation, whether Board of Directors or shareholders, may be waived by telegram, radiogram, cablegram or other writing either before or after such meeting has been held.

Section 5. QUORUM. At every meeting of shareholders, the holders of a majority in number of all the shares of capital stock entitled to vote at such meeting, whether present in person or represented by proxy, shall constitute a quorum. If less than a quorum shall be present at any meeting of shareholders, those holders of record of outstanding shares of stock of the Corporation entitled to vote at such meeting, present in person or represented by proxy, may adjourn the meeting from time to time without further notice other than by announcement at the meeting, until a quorum shall have been obtained, at which time any business may be transacted which might have been transacted at the meeting as first convened had there been a quorum.

Section 6. CONDUCT OF MEETINGS. Meetings of shareholders shall be presided over by the President or, if he is not present, by the Vice-President or, if he is not present, by a chairman to be chosen at the meeting. The Secretary of the Corporation or, in his absence, a person chosen at the meeting shall act as secretary of the meeting. If an action, other than the election of directors, is to be taken by a vote of the shareholders, it shall be authorized by a majority of the votes cast by the holders of shares entitled to vote on the action, unless a greater vote is required by the Articles of Incorporation or by law. Except as otherwise may be provided in the Articles of Incorporation, Directors shall be elected by a plurality of the votes cast in the election.

Section 7. VOTING. Each holder of stock entitled to vote at any meeting of shareholders shall have the right to cast one vote in person or by proxy for each share of stock standing in his name unless otherwise provided by law, the Articles of Incorporation or any agreement to which all the shareholders and the Corporation are parties. At any election of Directors, the entire number of Directors to be elected shall be balloted for at one and the same time and not separately unless otherwise provided by law, the Articles of Incorporation or any agreement to which all the shareholders and the Corporation are parties.

Section 8. VOTE BY SHAREHOLDER CORPORATION. Any other corporation owning voting shares of this Corporation may vote the same by the President of such shareholder corporation, or by proxy appointed by him, unless some other person shall be appointed to vote such shares by resolution of the Board of Directors of such shareholder corporation, and provided a certified copy of such resolution shall be presented to the meeting.

Section 9. INSPECTORS OF ELECTION. Whenever any shareholder present in person or by proxy at a meeting of the shareholders shall request the appointment of inspectors, the chairman of the meeting shall appoint one or more inspectors, who need not be shareholders. The inspectors shall determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum, the validity and effect of proxies, and shall receive votes, ballots or consents, hear and determine challenges and questions arising in connection with the right to vote, count and tabulate votes, ballots or consents, determine the result, and do such acts as are proper to conduct the election or vote with fairness to all shareholders. On request of the chairman of the meeting or a shareholder entitled to vote thereat, the inspectors shall make and execute a written report to the person presiding at the meeting of any of the facts found by them and matters determined by them.

ARTICLE II.

DIRECTORS

Section 1. NUMBER, QUALIFICATIONS AND TERM OF OFFICE. The property, business and affairs of the Corporation shall be managed by its Board of Directors, to consist of at least seven (7) but not more than eleven (11) members, as determined by the Directors from time to time. Directors need not be shareholders. The Directors shall be elected at the annual meeting of the shareholders in each year and shall hold office, unless sooner displaced, until the next succeeding annual meeting of the shareholders and thereafter until their successors shall be elected and qualified in their stead, or until their resignation or removal.

Section 2. QUORUM. A majority of the Directors then in office shall constitute a quorum for the transaction of business and except as set forth in the Articles of Incorporation or any agreement to which shareholders and the Corporation are parties, the action of a majority of the Directors present at a meeting at which a quorum is present shall be the action of the Board of Directors, except as action by a majority of the Directors then in office may be specifically required by other sections of these By-Laws. A Director may participate in a meeting by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation shall constitute presence at the meeting. If at any meeting of the Board there shall be less than a quorum present, a majority of those present may adjourn the meeting from time to time until a quorum shall have been obtained.

Section 3. VACANCIES. Whenever any vacancy shall have occurred in the Board of Directors by reason of death, resignation, removal, or otherwise a plurality of the Directors then in office may fill such a vacancy at any meeting, and the person so elected shall be a Director until his successor is elected by shareholders at the next annual meeting of the shareholders, or at any special meeting duly called for that purpose and held thereto. The resignation of a Director shall be effective upon its receipt by the Corporation or a subsequent time as set forth in the notice of resignation. A Director may be removed, with or without cause, by vote of the holders of a majority of shares of the capital stock.

Section 4. REGULAR MEETINGS. Regular meetings of the Board of Directors may be held without notice at such times or intervals and at such places within or without the State of Michigan as may from time to time be determined by resolution of the Board, which resolution may authorize the President to fix the specific date and place of each of such regular meetings, in which case notice of the time and place of such regular meetings shall be given in the manner hereinafter provided with respect to special meetings of the Board.

Section 5. SPECIAL MEETINGS. Special meetings of the Board of Directors may be held at any time or place within or without the State of Michigan upon the call of the President or by the President or Secretary at the direction of any two directors then in office. Oral, telegraphic or written notice of the time and place of all special meetings of the Board shall be duly served on or sent, mailed or telegraphed to each director not less than two nor more than 10 days before the meeting, but no notice of adjourned meetings need be given. Meetings may be held at any time without notice if all the directors are present or if those not present waive notice of the time, place

and purpose of such meeting by telegram, radiogram, cablegram or other writing, either before or after the holding thereof.

Section 6. GENERAL POWERS AS TO NEGOTIABLE PAPER. The Board of Directors shall, from time to time, prescribe the manner of making, signature or endorsement of checks, drafts, notes, acceptances, bills of exchange, obligations and other negotiable paper or other instruments for the payment of money and designate the officer or officers, agent or agents, who shall from time to time be authorized to make, sign or endorse the same on behalf of the Corporation.

Section 7. POWERS AS TO OTHER DOCUMENTS. The Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or execute or deliver any conveyance or other instrument in the name of the Corporation, and such authority may be general or confined to specific instances. When the execution of a contract, conveyance, or other instrument has been authorized without specification of the officers authorized to execute, the same may be executed on behalf of the Corporation by the President or Vice-President.

Section 8. ELECTION OF OFFICERS. The Board of Directors of the Corporation shall select a President, a Secretary and a Treasurer, and one person may occupy one or more offices, and may select a Chairperson, one or more Vice-Presidents, Assistant Secretaries and Assistant Treasurers. None of said officers need be a Director.

Section 9. OTHER OFFICERS AND AGENTS. The Board of Directors shall have power to appoint such other officers and agents as the Board may deem as necessary for the transaction of the business of the Corporation, including the power to appoint one or more attorneys-in-fact to convey or deal with corporate real estate.

Section 10. REMOVAL OF OFFICERS AND AGENTS. Any officers or agents appointed by the Board of Directors with or without cause.

Section 11. POWER TO FILL VACANCIES. The Board shall have power to fill any vacancy in any office occurring for any reason whatsoever.

Section 12. DELEGATION OF POWERS. For any reason deemed sufficient by the Board of Directors, whether occasioned by absence or otherwise, the Board may delegate all or any of the powers and duties of any officer to any other officer or Director but no officer or Director shall execute, acknowledge or verify any instrument in more than one capacity.

Section 13. BONDS. The Board of Directors may require any officers, employee or agent to file with the Corporation a satisfactory bond conditioned for the faithful performance of his duties.

Section 14. COMPENSATION. The compensation of Directors, officers, employees and agents may be fixed only by the Board.

ARTICLE III.

ACTION BY WRITTEN CONSENT

Section 1. ACTION BY UNANIMOUS WRITTEN CONSENT OF DIRECTORS. Notwithstanding any other provision of these By-Laws, if and when the Directors of this Corporation shall severally or collectively consent in writing to any action to be taken by the Corporation, such action shall be as valid a corporate action as though it had been authorized at a meeting of the Board of Directors, whether such consent is given before or after the action is taken, and said consent in writing and the action taken thereon shall be evidenced by appropriate memorandum in the minute book of this Corporation; and the execution of said consent in writing by any Directors shall constitute a waiver of the notice requirements set forth in the statutes of the state of incorporation of this Corporation, or By-Laws of this Corporation which might otherwise invalidate said action.

Section 2. ACTION BY WRITTEN CONSENT OF SHAREHOLDERS. Any action required or permitted to be taken at an annual or special meeting of shareholders may be taken without a meeting, without prior notice and without a vote, if consents in writing, setting forth the action so taken, are signed by the holders of outstanding shares having not less than the minimum number of votes that would be necessary to authorize or take the action at a meeting at which all shares entitled to vote on the action were present and voted. The written consents shall bear the date of signature of each shareholder who signs the consent. No written consents shall be effective to take the corporate action referred to unless, within 60 days after the record date for determining shareholders entitled to express consent to or to dissent from a proposal without a meeting, written consents signed by a sufficient number of shareholders to take the action are delivered to the Corporation. Delivery shall be to the Corporation's registered office, its principal place of business, or an officer or agent of the Corporation having custody of the minutes of the proceedings of its shareholders. Delivery made to the Corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to shareholders who have not consented in writing.

ARTICLE IV.

OFFICERS

Section 1. CHAIRPERSON OF THE BOARD. The Chairperson of the Board shall preside at all meetings of shareholders and of Directors and shall have supervisory authority, on behalf of the Board of Directors, over the other executive officers of the Corporation.

Section 2. PRESIDENT. The President shall be selected by the Board of Directors. He shall be the chief executive officer of the Corporation. He shall preside at all meetings of shareholders and of the Board of Directors. He shall, subject to the control of the Board of Directors, have general and active management of the business of the Corporation, with such general powers and duties of supervision and management as are usually vested in the office of President of the Corporation. He shall see that all orders and resolutions of the Board of Directors

are carried into effect, and shall have such other powers and duties as may be assigned to him by the Board of Directors.

Section 3. VICE-PRESIDENT. The Board of Directors may select one or more Vice-Presidents who, subject to the control of the President, shall have such powers and duties as may be assigned to each of them by the Board of Directors.

Section 4. SECRETARY. The Secretary shall be selected by the Board of Directors. Subject to the control of the President, he shall attend all meetings of the shareholders and of the Board of Directors, and shall preserve in books of the Corporation the minutes of the proceedings at all such meetings. He shall also have such additional powers and duties as may be assigned to him by the Board of Directors.

Section 5. TREASURER. The Treasurer shall be selected by the Board of Directors. Subject to the control of the President, he shall have custody of all corporate funds and securities, and shall keep in books belonging to the Corporation full and accurate accounts of all receipts and disbursements. He shall deposit all moneys, securities and other valuable effects in the name of the Corporation in such depositories as may be designated for that purpose by the Board of Directors. He shall disburse the funds of the Corporation as may be ordered by the Board, taking proper vouchers for such disbursements, and shall render to the President and Directors at the regular meetings of the Board and whenever requested by them, an account of all his transactions as Treasurer. He shall in general perform all duties incident to the office of Treasurer, and shall have such additional powers and duties as may be assigned to him by the Board of Directors.

Section 6. ASSISTANT SECRETARY. The Board of Directors may select one or more assistant secretaries. Subject to the control of the president and the Secretary, the Assistant Secretary shall have such powers and perform such duties as may be assigned to him by the Board of Directors. The Assistant Secretary, in the absence or disability of the Secretary, shall perform the duties and exercise the powers of the Secretary.

Section 7. ASSISTANT TREASURER. The Board of Directors may select one or more assistant treasurers. Subject to the control of the President and the Treasurer, the Assistant Treasurer shall have such powers and perform such duties as may be assigned to him by the Board of Directors. The Assistant Treasurer, in the absence or disability of the Treasurer, shall perform the duties and exercise the powers of the Treasurer.

ARTICLE V.

INDEMNIFICATION OF OFFICERS, DIRECTORS AND EMPLOYEES

Section 1. INDEMNIFICATION BY THE CORPORATION. To the fullest extent permitted by law, no Director of the Corporation shall be personally liable for damages for breach of the Director's fiduciary duty. The Corporation shall, to the fullest extent now or hereafter permitted by law, indemnify and pay in advance the defense expenses of any person who was or is a party to or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding by reason of the fact that such person is or was a Director or officer of the Corporation, or is or was serving at the request of the Corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise, against expenses including

attorneys' fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding. The indemnification herein provided for shall continue as to a person who has ceased to be a director or officer of the Corporation and/or of another corporation and shall inure to the benefit of the heirs, executors and administrators of such person.

ARTICLE VI.

ISSUE, TRANSFER AND RECORDS OF STOCK

Section 1. FORM, SIGNATURE AND REGISTRATION. The interest of each shareholder in the Corporation shall be evidenced by a certificate or certificates, certifying the number and class of shares represented thereby in such form as the Board of Directors may, from time to time, prescribe in accordance with the laws of the State of Michigan. The certificates of stock of the Corporation shall be signed by or in the name of the Corporation by the Chairperson, President or Vice-President and may also be signed by another officer of the Corporation, and may be sealed with the seal of the Corporation or a facsimile thereof and countersigned and registered in such a manner, if any, as the Board of Directors may by resolution prescribe; and to this end the Board of Directors may, from time to time, appoint such transfer agents and registrars of stock of any class within or outside of the State of Michigan which it may deem expedient; provided, that, where such certificate is countersigned by a transfer agent or registered by a registrar other than the Corporation itself or its employee, the signatures of any such President, Vice-President, or other officer may be facsimiles. In case any officer or officers who shall have signed, or whose facsimile signature or signatures shall have been used on any certificate or certificates, shall cease to be such officer or officers, whether because of death, resignation, or otherwise before such certificate or certificates shall have been delivered by the Corporation, such certificate or certificates may nevertheless be issued by the Corporation and delivered as though the person or persons who signed such certificate or certificates or whose facsimile signature or signatures shall have been used thereon had not ceased to be such officer or officers of the Corporation. If the Corporation shall be authorized to issue more than one class of stock or more than one series of any class, the powers, designations, preferences and relative, participating, options or other special rights of each class of stock or series thereof and the qualification, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate which the Corporation shall issue to represent such class or series of stock, provided that, except as otherwise provided by statute, in lieu of the foregoing requirements, there may be set forth on the face or back of the certificate which the Corporation shall issue to represent such class or series of stock, a statement that the Corporation will furnish without charge to each shareholder who so requests the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights. Notwithstanding the foregoing, the Corporation may issue some or all of the shares without certificates to the fullest extent permitted by law. Within a reasonable time after the issuance or transfer of shares without certificates, the Corporation shall send the shareholder a written statement of the information required on certificates by applicable law.

Section 2. TRANSFER. Subject to the provisions of Section 3 of this Article VI, certificated shares of stock of the Corporation may be transferred on the books of the Corporation

in the manner prescribed by the laws of the State of Michigan by the holder thereof in person or by his duly authorized attorney upon surrender for cancellation of certificates for the same number of shares of the same class with an assignment and power of attorney duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, and such proof of the authenticity of the signature as the Corporation or its agents may reasonably require. Transfers of uncertificated shares shall be made by such written instrument as the Board of Directors shall from time to time specify, and such proof of the authenticity of the signature as the Corporation or its agents may reasonably require. All transfers must also be accompanied by sufficient funds (or appropriate documentary stamps) for payment of applicable transfer taxes as may be imposed by the federal, state or local governments.

Section 3. STOCK LEDGER AND INSPECTION THEREOF. The original or duplicate stock ledger, or the stock transfer books, or a list containing the names and addresses of all persons who are shareholders of the Corporation, alphabetically arranged within each class and series, and the number, class and series of shares of stock held by each shareholder respectively, with indication of the dates when they respectively became holders of record thereof, shall at all times be kept at the registered office of the Corporation in the State of Michigan or at the office of its transfer agent within or without the State of Michigan. A complete list of shareholders entitled to vote at a shareholders' meeting, certified by the Secretary or other officer or agent of the Corporation, shall be produced and shall be subject to inspection at the time and place where said meeting is to be held for the duration of such meeting. A person who is a shareholder of record of the Corporation, upon at least five business days' written demand, may examine for any proper purpose in person or by agent or attorney, during usual business hours, such record of shareholders and make extracts therefrom at the places where such records are kept. The Corporation may require the shareholder to pay a reasonable charge, covering the cost of labor and material, for copies of the documents provided to the shareholder. A holder of a voting trust certificate representing shares of the Corporation is deemed to be a shareholder for the purpose of this Section 3 of Article VI.

Section 4. STOLEN, LOST OR DESTROYED CERTIFICATES. In case a certificate for shares or fractional shares of capital stock of the Corporation is claimed by the owner of such certificate to have been lost, destroyed or wrongfully taken, the Corporation is obligated to issue a new certificate or uncertificated shares in place of the original certificate, if the owner so requests before the Corporation has notice that the certificate has been acquired by a bona fide purchaser. The Board of Directors may require the owner of such lost, destroyed or wrongfully taken shares to file with the Corporation a sufficient indemnity bond indemnifying the Corporation and the transfer agents and registrars, if any, in a form satisfactory to said Board of Directors and such transfer agents and registrars, and may impose any other reasonable requirements upon the owner of such shares.

Section 5. RECORD DATE. The Board of Directors may fix in advance a date as the record date for the purpose of determining shareholders entitled to notice of and to vote at a meeting of shareholders or an adjournment thereof, or to express consent or dissent from a proposal without a meeting, or for the purpose of determining shareholders entitled to receive payment of a dividend or allotment of a right, or for the purpose of any other action. The date shall not be more than sixty (60) nor less than ten (10) days before the date of the meeting, nor more than sixty (60) days before any other action. This Section shall not affect the rights between a shareholder and

his transferor or transferee. When a determination of shareholders of record entitled to notice of or to vote at a meeting of shareholders has been made as provided in this section, the determination applies to any adjournment of the meeting, unless the Board of Directors fixes a new record date under this section for the adjourned meeting.

ARTICLE VII.

DIVIDENDS AND RESERVES

Section 1. SOURCES. The Board of Directors shall have power and authority to declare dividends in any lawful manner.

Section 2. MANNER OF PAYMENT. Dividends may be paid in cash, in property, in bonds of the Corporation, or in shares of the capital stock of the Corporation.

Section 3. RESERVES. The Board of Directors shall have power and authority to set apart, out of any funds available for dividends, such reserve or reserves, for any proper purpose, as the Board in its discretion shall approve; and the Board shall have power and authority to abolish any reserve created by the Board.

ARTICLE VIII.

BANK DEPOSIT ACCOUNTS

Section 1. Any two officers of the Corporation designated by the Board of Directors from time to time shall have the power to open and maintain deposit accounts at any one or more financial institutions as deemed advisable.

Section 2. The Bank so designated shall be and it is hereby authorized to accept for credit to the account of this Corporation and/or for collection, any and all checks, drafts, notes and other instruments for the payment of money when endorsed in the name of this Corporation, in writing, by rubber stamp, or otherwise, with or without a title designation to the party making such endorsement.

Section 3. Any and all funds standing to the credit of this Corporation with any Bank so designated, in any account (except an account specifically covered by a contrary resolution) may be paid out or withdrawn by checks, drafts, notes, receipts, orders or other instruments for the payment of money, when signed in the name of this Corporation by any officer of this Corporation designated by the Board of Directors from time to time and such Bank hereby is authorized to honor, certify, or pay any and all checks, drafts, notes, receipts, order or other instruments for the payment of money so signed, with or without title designation, whether creating an overdraft or not, without inquiry as to the circumstances of issue or the disposition of the proceeds thereof, whether drawn to the individual order, or tendered in payment of individual obligations, or for deposit to the individual accounts of any of the authorized signatories or officers of this Corporation, or otherwise.

Section 4. The Secretary or Assistant Secretary shall certify to any other Bank the names, official signatures and titles, if any, of the persons who are authorized to sign for this

Corporation, and shall from time to time hereafter as changes or additions in the persons who are authorized to sign are made, immediately certify such changes or additions to the Bank; and said Bank shall be fully protected in relying on such certifications of the Secretary or Assistant Secretary and may be indemnified and saved harmless from any claims, demands, expenses, loss, or damage resulting from or growing out of, honoring the signature of any officer or person so certified, or refusing to honor any signature not so certified.

Section 5. Such Bank shall recognize said signature for the transaction of any and all business of this Corporation.

Section 6. Subject to their prior review by legal counsel to this Corporation, this Corporation may assent to and agree to be bound by all of the bylaws, rules, regulations, terms and conditions of the Bank pertaining to deposit accounts.

Section 7. The Secretary, or Assistant Secretary of this Corporation is hereby directed and authorized to certify the continued existence and effect of these Bylaws to any such Bank.

Section 8. Any two officers acting with the advice of legal counsel to this Corporation shall have the power to adopt on behalf of the Corporation, the standard form of resolution required by the Bank which are not inconsistent with the powers granted herein.

ARTICLE IX.

FISCAL YEAR; SEAL; NOTICES

Section 1. FISCAL YEAR. The fiscal year of the Corporation shall be fixed by resolution of the Board of Directors.

Section 2. CORPORATE SEAL. The Board of Directors may provide a suitable corporate seal for use by the Corporation.

Section 3. NOTICES. Any notice required by statute or by these Bylaws to be given to the shareholders, to the Directors or to any officers of the Corporation, unless otherwise provided herein or in any statute, shall be sufficient if given by depositing the same in a post office box or receptacle in a sealed, postpaid wrapper, addressed to such shareholder, director or officer at his last address as the same appears on the records of the Corporation, and such notice shall be deemed to have been given at the time of such mailing.

ARTICLE X

AMENDMENT OF BYLAWS

Shareholders or the Board of Directors of the Corporation shall have the power at any regular or special meeting of shareholders or Board to alter, amend, add to, rescind or repeal the Bylaws of the Corporation by the affirmative vote of a majority of the outstanding shares of stock of the Corporation entitled to vote at such meeting, or by a majority of the Directors in office, including any vacancies, at the time of the meeting of the Board at which such change is sought to be adopted, provided that the Directors may not amend the Bylaws so as to affect the qualifications,

classification, or term of office or the rights of any class of shareholders and further, provided that notice of such alteration, amendment, repeal or adoption of new Bylaws be contained in the notice of such meeting.

ARTICLE XI

MICHIGAN CONTROL SHARE ACQUISITION ACT

The Michigan Control Share Acquisition Act (MCLA §§ 450.1790-.1799) shall not apply to control share acquisitions of shares of the Company.

AMENDMENT, DATED NOVEMBER 10, 2015, TO**AMENDED AND RESTATED BYLAWS****OF****PERCEPTRON, INC.****(As Amended and Restated through November 12, 2007)**

1. Article I SHAREHOLDERS of the Amended and Restated Bylaws of Perceptron, Inc. (as amended and restated November 12, 2007) is hereby amended to add the following Section 10, subject to approval by the Corporation's shareholders:

"Section 10. ADVANCE NOTICE PROVISIONS FOR SHAREHOLDER BUSINESS AND NOMINATIONS.

(a) Director Nominations.

(1) Only persons who are nominated in accordance with the procedures set forth in this Section 10 shall be eligible to serve as directors of the Corporation. Nominations of persons for election to the Board of Directors may be made at an annual or special meeting of shareholders (i) by or at the direction of the board of directors or any duly authorized committee thereof (including, without limitation, by making reference to the nominees in the proxy statement delivered to shareholders on behalf of the board of directors), or (ii) by any shareholder of the Corporation who was a shareholder of record both at the time of giving of notice provided for in this Section 10 and at the time of the shareholders meeting, who is entitled to vote at the meeting, who complies with the notice procedures set forth in this Section 10, who attends, or whose duly qualified representative attends, the meeting and makes such nomination(s) and, in the case of nominations for election at a special meeting, only if the board of directors or a court has first determined that directors are to be elected at such meeting. Unless otherwise provided in the Corporation's articles of incorporation, Section 10(1)(ii) shall be the exclusive means for a shareholder to propose or make any nomination of a person or persons for election to the board to be considered by the shareholders at an annual meeting or special meeting.

(2) Except as may be otherwise required by law, for nominations to be made by a shareholder at an annual meeting or, if the board of directors has first determined that directors are to be elected at a special meeting, at a special meeting, the shareholder must (i) provide Timely Notice thereof in writing and in proper form (as provided in Section 10 (a)(3)) to the secretary of the Corporation at the Corporation's principal office and (ii) provide any updates or supplements to such notice at the times and in the form required by Section 10(c).

(3) To be in proper form for purposes of this Section 10(a), a shareholder's notice must set forth the following information:

(i) as to each person whom the shareholder proposes to nominate for election or reelection as a director (A) all information relating to such proposed nominee that would be required to be set forth in a shareholder's notice pursuant to this Section 10 if such proposed nominee were a Proposing Person, (B) all information relating to such proposed nominee that is required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors in a contested election pursuant to Section 14 under the Exchange Act and the rules and regulations thereunder (including such proposed nominee's written consent to being named in the proxy statement as a nominee and to serving as a director if elected), (C) a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any other material relationships, arrangements or understandings between or among any Proposing Person and each proposed nominee, and his or her respective affiliates and associates, and (D) an undertaking from each such person to be nominated that, if elected to the board of directors, they will comply with all corporate governance, conflict of interest, confidentiality and stock ownership and trading policies and guidelines and other policies of the Corporation that are generally applicable from time to time to directors who are not employees of the Corporation;

(ii) as to each Proposing Person, (A) the name and address of such Proposing Person and, as to the shareholder providing the notice, such name and address as they appear on the Corporation's books, (B) a statement describing and quantifying in reasonable detail any Material Ownership Interests, (C) the amount of any equity securities beneficially owned (as defined in Rule 13d-3 (or any successor thereof) under the Exchange Act) in any direct competitor of the Corporation or its operating subsidiaries if such nominee(s) and the Proposing Persons, in the aggregate, beneficially own 5% or more of any class of equity securities of such direct competitor, and (D) whether the Proposing Person intends to solicit proxies from shareholders in support of such nominee(s); and

(iii) a representation that the shareholder providing the notice intends to appear in person or by proxy at the meeting to nominate the person(s) named in its notice.

(4) The shareholder providing the notice shall furnish such other information as may reasonably be requested by the Corporation to determine the eligibility of such proposed nominee to serve as an independent director of the Corporation or that could be material to a reasonable shareholder's understanding of the independence or lack of independence of such nominee.

(5) Notwithstanding anything in the Timely Notice requirement in Section 10(a)(2) to the contrary, in the event that the number of directors to be elected to the board of directors is increased and there is no Public Announcement by the Corporation naming all of the nominees for director or, in the alternative, specifying the size of the increased board of directors at least 70 days prior to the first anniversary of the preceding year's annual meeting of shareholders, a shareholder's notice required by this Section 10 shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to or mailed and received by the secretary at the principal executive offices of the Corporation not later than the close of business on the 10th day following the day on which such Public Announcement is first made by the Corporation.

(b) Other Business.

(1) At any annual or special meeting of shareholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before a shareholders meeting, business (except as provided in the next sentence), must be (A) specified in the notice of meeting given by or at the direction of the board of directors (or any duly authorized committee thereof), (B) brought before the meeting by or at the direction of the board of directors, the chairperson or the president, or (C) otherwise properly brought by any shareholder of the Corporation who was a shareholder of record both at the time of giving of notice provided for in this Section and at the time of the meeting of shareholders, who is entitled to vote at the meeting, who complies with the notice procedures set forth in this Section 10(b) and who attends, or whose duly qualified representative attends, the meeting and presents such business to the meeting. Except (i) for proposals made in accordance with the procedures and conditions set forth in Rule 14a-8 (or any successor thereof) under the Exchange Act and included in the notice of meeting and proxy statement given by or at the direction of the board of directors (or any duly authorized committee thereof), (ii) for director nominations (which shall be governed by Section 10(a)) and (iii) as otherwise required by applicable law, this Section 10(b) shall be the exclusive means for a shareholder to propose business to be brought before any meeting of shareholders.

(2) Except as may be otherwise required by law, for business to be properly brought before an annual or special meeting by a shareholder or shareholders pursuant to this Section 10(b), (i) the business must otherwise be a proper matter for shareholder action under applicable law and (ii) the shareholder must (A) provide Timely Notice thereof in writing and in proper form to the secretary of the Corporation at the Corporation's principal office and (B) provide any updates or supplements to such notice at the times and in the form required by Section 10(c).

(3) To be in proper form for purposes of this Section 10(b), a shareholder's notice shall set forth the following information:

(i) a brief description of the business desired to be brought before the meeting (including the text of any resolutions or bylaw amendments proposed for consideration) and the reasons for conducting such business at the meeting;

(ii) all information relating to such proposed business that is required to be included in a proxy statement or other filings required to be made in connection with solicitations of proxies pursuant to Section 14 under the Exchange Act and the rules and regulations thereunder in connection with the meeting at which such proposed business is to be acted upon;

(iii) a brief description of any material interest in such business of each Proposing Person and a brief description of all agreements, arrangements and understandings between such Proposing Person and any other person or persons (including their names) in connection with the proposal of such business;

(iv) as to each Proposing Person, (A) the name and address of such Proposing Person and, as to the shareholder providing the notice, such name and address as they

appear on the Corporation's books, (B) a statement describing and quantifying in reasonable detail any Material Ownership Interests, and (C) whether the Proposing Person intends to solicit proxies from shareholders in support of such business; and

(v) a representation that the shareholder providing the notice intends to appear in person or by proxy at the meeting to propose the business identified in the shareholder's notice.

(c) Requirement to Update Information. A shareholder providing any notice as provided in Section 10 (a) or (b) shall further update and supplement such notice, if necessary, so that the information provided or required to be provided in such notice pursuant to Section 10 or 10(b), as applicable, shall be true and correct as of the record date for the meeting and as of the date that is ten (10) business days prior to the meeting date or any adjournment or postponement thereof, and such update and supplement shall be delivered to or otherwise received by the secretary at the principal executive offices of the Corporation not later than two (2) business days after the record date for the meeting (in the case of the update and supplement required to be made as of the record date) and not later than eight (8) business days prior to the date for the meeting or any adjournment or postponement thereof (in the case of the update and supplement required to be made as of ten (10) business days prior to the meeting or any adjournment or postponement thereof).

(d) Determination of Improperly Brought Nomination or Business. The chairperson of the meeting shall, if the facts so warrant, determine and declare to the meeting that one or more nominations or other business was not properly brought before the meeting in accordance with the provisions of this Section 10 and, if the chairperson should so determine, the chairperson shall so declare to the meeting and any such defective nomination shall be disregarded and any such improperly brought business shall not be transacted, notwithstanding that proxies in respect of such vote may have been received by the Corporation.

(e) Definitions. As used in this Section 10, the following terms have the meanings ascribed to them below.

(1) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(2) "Material Ownership Interests" means (i) the class or series and number of shares of the Corporation which are, directly or indirectly, owned beneficially (as defined in Rule 13d-3 (or any successor thereof) under the Exchange Act) and of record by such Proposing Person, (ii) any option, warrant, convertible security, stock appreciation right, or similar right with an exercise or conversion privilege or a settlement payment or mechanism at a price related to any class or series of shares of the Corporation or with a value derived in whole or in part from the value of any class or series of shares of the Corporation (a "Derivative Instrument") directly or indirectly owned beneficially by such Proposing Person, (iii) any proxy, contract, arrangement, understanding, or relationship pursuant to which such Proposing Person has a right to vote any shares of any security of the Corporation, (iv) any short interest beneficially owned or held by such Proposing Person in any security of the Corporation, (v) any rights to dividends on the shares of the Corporation owned beneficially by such Proposing Person that are separated or separable from the underlying shares of the Corporation, (vi) any proportionate interest in shares of the Corporation or Derivative Instruments held, directly or indirectly, by a (A) limited liability

company in which the Proposing Person is a member or, directly or indirectly, beneficially owns an interest in a member, or (B) general or limited partnership in which such Proposing Person is a general partner or, directly or indirectly, beneficially owns an interest in a general partner, and (vii) any performance related fees (other than an asset-based fee) to which such Proposing Person is entitled based on any increase or decrease in the value of shares of the Corporation or Derivative Instruments, if any, as of the date of such notice.

(3) "Proposing Person" means (i) the shareholder providing the notice of the nomination or business proposed to be made or presented at the meeting, (ii) the beneficial owner, if different, on whose behalf the nomination or business proposed to be made or presented at the meeting is made, (iii) any affiliate or associate of such beneficial owner (as such terms are defined in Rule 12b-2 (or any successor thereof) under the Exchange Act), and (iv) any other person with whom such shareholder or such beneficial owner (or any of their respective affiliates or associates) is acting in concert.

(4) "Public Announcement" means disclosure in a press release reported by the Dow Jones News Service, Associated Press, Prime Newswire, Marketwire, PR Newswire or comparable news service or in a document furnished to or filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act and publicly available.

(5) "Timely Notice."

(i) With respect to an annual meeting, a notice is a Timely Notice if it (A) is delivered to the secretary at the principal executive offices of the Corporation not earlier than the close of business on the 90th day and not later than the close of business on the 60th day prior to the one-year anniversary of the preceding year's annual meeting, and (B) contains all of the information required to be contained therein by the applicable provisions of this Section 10; provided, however, that in the event that the date of the annual meeting is advanced by more than 30 days or delayed by more than 70 days from such anniversary date or if the Corporation did not hold an annual meeting in the preceding fiscal year, notice by the shareholder to be timely must be so delivered not earlier than the close of business on the 90th day prior to such annual meeting and not later than the close of business on the 60th day prior to such annual meeting or, if later, the 10th day following the day on which a Public Announcement of the date of such meeting is first made by the Corporation.

(ii) With respect to a special meeting, a notice is a Timely Notice if it (A) (I) is delivered to the secretary at the principal executive offices of the Corporation not earlier than the close of business on the 90th day prior to such special meeting and not later than the close of business on the later of the 60th day prior to such special meeting or, if later, the 10th day following the day on which a Public Announcement is first made of the date of the special meeting, or (II) is delivered at the time a request for a special meeting is submitted in proper form to the secretary, by Proposing Persons, if the special meeting is called at the request of shareholders and (B) contains all of the information required to be contained therein by the applicable provisions of Section 10.

(iii) In no event shall the public announcement of a postponement or adjournment of an annual or special meeting to a later date or time commence a new time period for the giving of a shareholder's notice as described above.

(f) Compliance With Applicable Law. Notwithstanding the foregoing provisions of this Section 10, a shareholder shall also comply with all applicable requirements of state law and of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section. Nothing in this Section shall be deemed to affect any rights of (i) shareholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 (or any successor thereof) under the Exchange Act, or (ii) the holders of any series of Preferred Stock to elect directors pursuant to any applicable provisions of the articles of incorporation.”

2. Except as specifically amended by this Amendment, the Restated Bylaws shall remain in full force and effect and are hereby ratified and confirmed.

3. This Amendment shall be construed as one with the Restated Bylaws, and the Restated Bylaws shall, where the context requires, be read and construed throughout so as to incorporate this Amendment.

AMENDMENT, DATED NOVEMBER 10, 2015, TO

AMENDED AND RESTATED BYLAWS

OF

PERCEPTRON, INC.

(As Amended and Restated through November 12, 2007)

1. Article X. AMENDMENT OF BYLAWS of the Restated Bylaws is hereby amended and restated, to read as follows, subject to approval by the Corporation's shareholders:

"ARTICLE X

AMENDMENT OF BYLAWS

Shareholders or the Board of Directors of the Corporation shall have the power at any regular or special meeting of shareholders or Board to alter, amend, add to, rescind or repeal the Bylaws of the Corporation by the affirmative vote of a majority of the outstanding shares of stock of the Corporation entitled to vote at such meeting, or by a majority of the Directors in office, including any vacancies, at the time of the meeting of the Board at which such change is sought to be adopted, provided that notice of such alteration, amendment, repeal or adoption of new Bylaws be contained in the notice of such meeting."

2. Except as specifically amended by this Amendment, the Restated Bylaws shall remain in full force and effect and are hereby ratified and confirmed.

3. This Amendment shall be construed as one with the Restated Bylaws, and the Restated Bylaws shall, where the context requires, be read and construed throughout so as to incorporate this Amendment.

AMENDMENT, DATED January 26, 2016, TO
AMENDED AND RESTATED BYLAWS
OF
PERCEPTRON, INC.

(As Amended and Restated through November 12, 2007)

1. Article II DIRECTORS, Section 1 NUMBER, QUALIFICATIONS AND TERM OF OFFICE of the Restated Bylaws is hereby amended and restated, to read as follows, subject to approval by the Corporation's shareholders:

“Section 1. NUMBER, QUALIFICATIONS AND TERM OF OFFICE. The property, business and affairs of the Corporation shall be managed by its Board of Directors, to consist of at least five (5) but not more than eleven (11) members, as determined by the Directors from time to time. Directors need not be shareholders. The Directors shall be elected at the annual meeting of the shareholders in each year and shall hold office, unless sooner displaced, until the next succeeding annual meeting of the shareholders and thereafter until their successors shall be elected and qualified in their stead, or until their resignation or removal.”

2. Except as specifically amended by this Amendment, the Restated Bylaws shall remain in full force and effect and are hereby ratified and confirmed.

3. This Amendment shall be construed as one with the Restated Bylaws, and the Restated Bylaws shall, where the context requires, be read and construed throughout so as to incorporate this Amendment.

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Section 3: EX-10.45 (EX-10.45)

Exhibit 10.45

Initial Usage Date: 12/1/15

**NON-QUALIFIED STOCK OPTION AGREEMENT TERMS – BOARD OF DIRECTORS
 UNDER THE PERCEPTRON, INC. 2004 STOCK INCENTIVE PLAN**

THESE STOCK OPTION AGREEMENT TERMS pertain to stock options granted effective _____, under the 2004 Stock Incentive Plan (the “Plan”) as detailed in the accompanying Notice of Grant of Stock Options and Option Agreement (the “Notice”) between Perceptron, Inc., a Michigan corporation (the “Corporation”), and the member of the Board of Directors named in the Notice (the “Optionee”). A copy of the 2004 Stock Incentive Plan is not attached hereto but is available upon written request made to the Secretary of the Corporation.

1. **Grant of Option.** Subject to the terms and conditions hereof, the Corporation hereby grants to the Optionee an option to purchase from the Corporation up to, but not exceeding in the aggregate, the number of shares of the Corporation's Common Stock detailed in the accompanying Notice at the price per share designated in the Notice. This option is not intended to constitute an "incentive stock option" within the meaning of Section 422 of the Internal Revenue Code ("Code").
2. **Right to Exercise Option.** Unless otherwise indicated in the Notice, the Optionee may purchase from the Corporation on and after the first anniversary of the date of grant, 33 1/3% of the shares covered by this option, and on each succeeding one year anniversary thereof may exercise an additional 33 1/3% of the shares covered by the option, so that on the third anniversary of the date of grant this option shall be fully exercisable. To the extent not exercised, installments shall accumulate and the Optionee may exercise them in whole or in part in any subsequent period. Unless a shorter period is specified in the Notice under the "Expiration" column, and notwithstanding any provision of this Agreement, no portion of this option shall be exercisable on or after the tenth anniversary of the date of grant. The Committee (as defined in the Plan), in its sole discretion, may accelerate the time at which this option may be exercised in whole or in part.
3. **Termination of Service.** If, prior to the date that this option shall first become exercisable, the Optionee ceases to serve as a member of the Board of Directors of the Corporation and is not otherwise employed by the Corporation or any of its subsidiaries as an employee or independent contractor, the Optionee's right to exercise this option shall terminate and all rights hereunder shall cease. As used in this Agreement, the term "subsidiary" of the Corporation means any "subsidiary corporation" as defined in Section 424(f) of the Code and the term "disability" means "total and permanent disability," as defined in Section 22(e) of the Code.

If, on or after the date that this option shall first become exercisable, the Optionee, for any reason other than death or disability, ceases to serve as a member of the Board of Directors of the Corporation and is not otherwise employed by the Corporation or any of its subsidiaries as an employee or independent contractor, the Optionee shall have the right to exercise this option to the extent that it shall have been exercisable and unexercised on the date of such termination of services, at any time on or before the earlier of: (i) the expiration date of the option, or (ii) three (3) months after the date of such termination of employment, subject to any other limitation on the exercise of such option in effect at the date of exercise.

If, on or after the date that this option shall first become exercisable, the Optionee, due to death or disability, ceases to serve as a member of the Board of Directors of the Corporation and is not otherwise employed by the Corporation or any of its subsidiaries as an employee or independent contractor, the Optionee or the executor or administrator of the estate of the Optionee (as the case may be) or the person or persons to whom the option shall have been transferred by will or by the laws of descent and distribution, shall have the right to exercise this option, at any time on or before the earlier of:

- (a) the expiration date of the option, or,
- (b) one (1) year from the date of the Optionee's death or disability, to the extent that it was exercisable and unexercised on the date of the Optionee's death or disability, subject to any other limitation on exercise in effect at the date of exercise.

The transfer of the Optionee from one corporation to another among the Corporation and any of its subsidiaries, or a leave of absence with the written consent of the Corporation, shall not be a termination of services for purposes of this option.

4. **Acceleration of Vesting.** Notwithstanding the provisions of Section 2 "Right to Exercise Option" and Section 3 "Termination of Service" of this Agreement, (i) in the event of a termination by the Corporation of the Optionee's membership on the Board of Directors or failure to renominate the Optionee for election to the Board of Directors, or voluntary resignation by the Optionee from the Board of Directors at the request of the Board of Directors, following a change in Control of the Company, (ii) failure of the Optionee to be reelected to the Board of Directors after being renominated for election by the Board of Directors, or (iii) in the event of a Change in Control, any portion of this option that is then not exercisable shall become immediately exercisable. For purposes hereof, a "Change in Control" shall be deemed to have occurred in the event of (i) a merger involving the Corporation in which the Corporation is not the surviving corporation (other than a merger with a wholly-owned subsidiary of the Corporation formed for the purpose of changing the Corporation's corporate domicile); (ii) a share exchange in which the shareholders of the Corporation exchange their stock in the Corporation for stock of another corporation (other than a share exchange in which all or substantially all of the holders of the voting stock of the Corporation, immediately prior to the transaction, exchange, on a pro rata basis, their voting stock of the Corporation for more than 50% of the voting stock of such other corporation); (iii) the sale of all or substantially all of the assets of the Corporation; or (iv) any person or group of persons (as defined by Section 13(d) of the Securities Exchange Act of 1934, as amended) (other than any employee benefit plan or employee benefit trust benefiting the employees of the Corporation) becoming a beneficial owner, directly or indirectly, of securities of the Corporation representing more than fifty (50%) percent of either the then outstanding Common Stock of the Corporation, or the combined voting power of the Corporation's then outstanding voting securities.

In the event of a Change of Control, the Committee may, in its sole discretion and without the consent of the Optionee, cancel this option in exchange for a payment with respect to each vested share of Common Stock as provided in Section 9.2(b) of the Plan.

5. **Exercise of Option.**

- (a) At any time that this option may be exercised as provided in this Agreement, the Optionee may exercise any portion of this option which is then exercisable, in whole or in part, by delivery to the Corporation of a written notice, in the form attached hereto, signed by the Optionee.
- (b) In addition, the Optionee shall deliver, on the date of exercise:
 - (i) cash equal to the purchase price of the shares being purchased,
 - (ii) such documents as are or may be required under the terms of Section 2.4(b) of the Plan to effect a cashless exercise, except to the extent that the Corporation determines that the Optionee is not permitted to use a cashless exercise under applicable law, or
 - (iii) Permitted Shares with a Fair Market Value (as defined in the Plan and determined as of the date of exercise of the option) and equal to the purchase price of the shares being purchased and in accordance with Section 2.4 of the Plan (the "Delivered Shares Method").
- (c) "Permitted Shares" are shares of Corporation Common Stock to be delivered to pay the exercise price of the option (the "Delivered Shares"):

- (i) which have been owned by the Optionee for at least six months prior to the date of delivery, or,
 - (ii) if they have not been owned by the Optionee for at least six months prior to the date of delivery, the Optionee then owns, and has owned for at least six months prior thereto, a number of shares of Corporation Common Stock at least equal in number to the Delivered Shares.
 - (d) Shares which have been counted during the prior six months as owned by the Optionee for purposes of determining whether the Optionee may exercise options to purchase Common Stock pursuant to the Delivered Shares Method:
 - (i) may not be used as Delivered Shares, and
 - (ii) may not be counted as owned by the Optionee for purposes of making calculations under the Delivered Shares Method.
6. **Compliance with Securities Laws.** Anything to the contrary herein notwithstanding, the Corporation's obligation to sell and deliver stock under this option is subject to such compliance with federal and state laws, rules and regulations applying to the authorization, issuance or sale of securities, and applicable stock exchange requirements, as the Corporation deems necessary or advisable.
7. **Non-Assignability.** The option hereby granted shall not be transferable by the Optionee other than by will or the laws of descent and distribution, and the option may be exercised during the Optionee's lifetime only by the Optionee. Any transferee of the option shall take the same subject to the terms and conditions of this Agreement. No such transfer of the option shall be effective to bind the Corporation unless the Corporation shall have been furnished with written notice thereof and a copy of the will and/or such other evidence as the Corporation may deem necessary to establish the validity of the transfer and the acceptance by the transferee or transferees of the terms and conditions of this Agreement. No assignment or transfer of this option, or of the rights represented thereby, whether voluntary or involuntary, by operation of law or otherwise, except a transfer by the Optionee by will or by the laws of descent and distribution, shall vest in the purported assignee or transferee any interest or right herein whatsoever.
8. **Disputes.** As a condition of the granting of the option granted hereby, the Optionee and the Optionee's successors and assigns agree that any dispute or disagreement which shall arise under or as a result of this Agreement shall be determined by the Committee in its sole discretion and judgment and that any such determination and any interpretation by the Committee of the terms of this Agreement shall be final and shall be binding and conclusive for all purposes.
9. **Adjustments.** In the event of any stock dividend, subdivision or combination of shares, reclassification, or similar transaction affecting the shares covered by this option, determined by the Committee to be covered by this Section 9, a proposed dissolution or liquidation of the Corporation, a merger of the Corporation with or into another corporation where the Corporation is not the surviving corporation, but its stock is exchanged for stock of the parent Corporation of the other party to the merger, the sale of substantially all of the assets of the Corporation, the reorganization of the Corporation or other similar transaction determined by the Committee to be covered by this Section 9, a proposed spin-off or a transfer by the Corporation of a portion of its assets resulting in the employment of the Optionee by the spin-off entity or the entity acquiring assets of the Corporation, the rights of the Optionee shall be as provided in Section 9.1 of the Plan and any adjustment therein provided shall be made in accordance with Section 9.1 of the Plan.
10. **Rights as Shareholder.** The Optionee shall have no rights as a shareholder of the Corporation with respect to any of the shares covered by this option until the issuance of a stock certificate or certificates upon the exercise of the option in full or in part, and then only with respect to the shares represented by such certificate or certificates.

11. **Notices.** Every notice relating to this Agreement shall be in writing and if given by mail shall be given by registered or certified mail with return receipt requested. All notices to the Corporation shall be delivered to the Secretary of the Corporation at the Corporation's headquarters or addressed to the Secretary of the Corporation at the Corporation's headquarters. All notices by the Corporation to the Optionee shall be delivered to the Optionee personally or addressed to the Optionee at the Optionee's last residence address as then contained in the records of the Corporation or such other address as the Optionee may designate. Either party by notice to the other may designate a different address to which notices shall be addressed. Any notice given by the Corporation to the Optionee at the Optionee's last designated address shall be effective to bind any other person who shall acquire rights hereunder.
12. **"Optionee" to Include Certain Transferees.** Whenever the word "Optionee" is used in any provision of this Agreement under circumstances where the provision should logically apply to any other person or persons to whom the option, in accordance with the provisions of Section 6 hereof, may be transferred, the word "Optionee" shall be deemed to include such person or persons.
13. **Governing Law.** This Agreement has been made in and shall be construed in accordance with the laws of the State of Michigan, without regard to its choice of law rules.
14. **Provisions of Plan Controlling.** The provisions hereof are subject to the terms and provisions of the Plan, copies of which are available for review upon request. In the event of any conflict between the provisions of this option and the provisions of the Plan, the provisions of the Plan shall control, except to the extent that the provisions of this option limit or restrict the rights of the Optionee to a greater extent than set forth in the Plan.
15. **Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.
16. **Captions.** The captions to the sections and subsections contained in this Agreement are for reference only, do not form a substantive part of this Agreement and shall not restrict or enlarge substantive provisions of this Agreement.
17. **Parties in Interest.** This Agreement shall bind and shall inure to the benefit of the parties hereto, their respective permitted successors and assigns.
18. **Complete Agreement.** This Agreement shall constitute the entire agreement between the parties hereto and shall supersede all proposals, oral or written, and all other communications between the parties relating to the subject matter of this Agreement.
19. **Modifications.** The terms of this Agreement cannot be modified except in writing and signed by each of the parties hereto.
20. **Severability.** In the event that any one or more of the provisions of this Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.
21. **Withholding.** The Optionee hereby authorizes the Corporation to withhold from his compensation or agrees to tender the applicable amount to the Corporation to satisfy any requirements for withholding of income and employment taxes in connection with the exercise of the option granted hereby.

**NOTICE OF EXERCISE OF NON-QUALIFIED STOCK OPTION
UNDER THE PERCEPTRON, INC.
2004 STOCK INCENTIVE PLAN**

Perceptron, Inc.
47827 Halyard Drive
Plymouth, MI 48170

Dear Sir:

A non-qualified stock option was granted to me on _____ to purchase _____ shares of Perceptron, Inc. Common Stock at a price of \$_____ per share.

I hereby elect to exercise my non-qualified stock option with respect to _____ shares for an aggregate purchase price of \$_____. I hereby elect to pay for such shares as follows:

Personal Check	\$	_____
Cash	\$	_____
Bank Draft	\$	_____
Money Order	\$	_____
Cashless Exercise	\$	_____
Perceptron Common Stock	\$	_____
Tax Withholding	\$	_____
TOTAL	\$	_____

[A personal check [or cash, bank draft or money order] for the purchase price is enclosed herewith.]

[Documents as are required to effect a cashless exercise are enclosed.]

[I hereby elect to exercise my stock option with respect to _____ shares through a combination of cash payments and shares of Perceptron, Inc. Common Stock, as described on the attached Exhibit A. A personal check for the purchase price to be paid in cash is enclosed herewith. Certificates for _____ shares of Perceptron, Inc. Common Stock are enclosed herewith, along with a duly executed stock power in proper form for transfer, with all signatures properly guaranteed by a national bank or member firm of the NYSE or AMEX. I represent that the shares of Perceptron, Inc. Common Stock enclosed herewith have been owned by me for more than six months or I currently own more than _____ shares of Perceptron, Inc. Common Stock which have been owned by me for more than six months. Such shares have not been counted during the prior six months as owned by me for purposes of determining whether I may exercise options to purchase Common Stock pursuant to the Delivered Shares Method.]

[I represent that the shares of stock that I am purchasing upon this exercise of my option are being purchased for investment purposes and not with a view to resale. This representation shall not be binding upon me if the shares of Common Stock that I am purchasing are subject to an effective Registration Statement under the Securities Act of 1933.]

Optionee: _____

Date: _____

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Section 4: EX-31.1 (EX-31.1)

I, W. Richard Marz, certify that:

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

Date: February 9, 2016

/s/W. Richard Marz
W. Richard Marz
Chairman of the Board, President and
Chief Executive Officer

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Section 5: EX-31.2 (EX-31.2)

EXHIBIT 31.2

Certification Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934

I, David L. Wata, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Perceptron, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the

registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 9, 2016

/s/ David L. Watza

David L. Watza

Senior Vice President, Finance and Chief Financial Officer

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Section 6: EX-32 (EX-32)

EXHIBIT 32

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Perceptron, Inc. (the "Company") on Form 10-Q for the period ending December 31, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, W. Richard Marz, Chairman of the Board, President and Chief Executive Officer of the Company, and David L. Watza, Senior Vice President, Finance and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the

financial condition and results of operations of the Company.

/s/ W. Richard Marz

W. Richard Marz

Chairman of the Board, President and Chief Executive Officer

February 9, 2016

/s/ David L. Watza

David L. Watza

Senior Vice President, Finance and Chief Financial Officer

February 9, 2016

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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