

## **PERCEPTRON, INC.**

### **CHARTER FOR THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS (As Amended and Restated through August 6, 2007)**

#### **I. PURPOSE**

The primary purpose of the Audit Committee is to:

1. Oversee the accounting and financial reporting processes of the Company and the audits of the Company's financial statements.
2. Assist the Board of Directors (the "Board") in overseeing: (A) the integrity of the Company's financial statements; (B) the Company's compliance with legal and regulatory requirements; (C) the independent auditor's qualifications and independence; (D) the performance of the Company's independent auditors; and (E) the effectiveness of the Company's internal controls.
3. Prepare the report required by the rules of Securities and Exchange Commission ("SEC") to be included in the Company's annual proxy statement.
4. Act as the Company's qualified legal compliance committee ("QLCC").

The Audit Committee will undertake those specific duties and responsibilities listed below and such other duties as the Board of Directors may from time to time prescribe.

#### **II. AUTHORITY**

The Audit Committee shall have such authority as is required to fulfill its responsibilities and duties set forth in this charter, including, but not limited to, the following:

1. Sole authority for the appointment, compensation, retention and oversight of the Company's independent auditors, for the purpose of preparing or issuing any audit report or performing other audit, review or attest services.
2. Sole authority to approve in advance all audit services and permissible non-audit services provided by the independent auditors.
3. Authority to conduct or authorize investigations into any matters within its scope of responsibility.
4. Authority to engage, and determine funding for, independent counsel and other advisors, such as accountants, outside advisors, consultants or others, without Board approval, to assist in the conduct of an investigation or as the Audit Committee determines appropriate to advise or assist in the performance of its duties.

5. Authority to meet with and seek any information it requires from employees or external parties. Employees and external parties will be directed to cooperate and comply with the Audit Committee's requests.
6. Authority to take the actions set forth under "Duties, Responsibilities and Processes – Act as Qualified Legal Compliance Committee."

### **III. COMPOSITION**

#### **Appointment.**

The members of the Audit Committee shall be appointed annually by the Board of Directors at its annual meeting or as necessary to fill vacancies in the interim.

#### **Membership.**

The Audit Committee shall be comprised of three or more directors, as determined by the Board.

#### **Qualifications.**

The Audit Committee members shall be required to meet the following minimum requirements:

1. Each member of the Audit Committee shall be an "independent director" as determined under applicable rules of the Nasdaq Stock Market ("Nasdaq") and SEC. Under the Nasdaq rules, an "independent director" is a person other than an officer or employee of the Company or its subsidiaries, or any other individual having a relationship which, in the opinion of the Board of Directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. Directors having certain relationships specified under applicable Nasdaq and SEC rules are not independent. Under SEC rules, for a member of the Audit Committee to be independent, the member may not, other than in the member's capacity as a member of the board of directors and any board committee, (i) accept directly or indirectly any consulting, advisory, or other compensatory fee from the Company or any subsidiary or (ii) be an affiliated person of the Company or any subsidiary thereof.
2. Each member of the Audit Committee shall be able to read and understand fundamental financial statements.
3. At least one member of the Audit Committee shall have financial sophistication as a result of his or her past employment experience, professional certification, or other comparable experience or background.
4. No member of the Audit Committee may have participated in the preparation of the financial statements of the Company or any current subsidiary of the Company at any time during the past three years.

**Chairman of the Audit Committee.**

Unless a Chair is appointed by the Board of Directors, the members of the Audit Committee may designate a Chair.

**IV. MEETINGS**

**Number of Meetings.**

The Audit Committee shall meet at least four times annually, and more frequently if circumstances dictate.

**Executive Sessions.**

The Audit Committee shall meet at least quarterly with management and the independent auditors in separate executive sessions to discuss any matters that the Audit Committee or these groups believe should be discussed privately.

**V. FUNDING**

The Company shall provide appropriate funding to the Audit Committee, as determined by the Audit Committee, for payment of:

1. Compensation to any registered public accounting firm engaged for the purpose of rendering or issuing an audit report or related work or performing other audit, review or attestation services for the Company;
2. Any independent counsel or advisors employed by the Audit Committee; and
3. Ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties.

**VI. DUTIES, RESPONSIBILITIES AND PROCESSES**

To fulfill its oversight responsibilities and duties, the Audit Committee shall perform any activities consistent with this charter, the Company's Bylaws and governing law, as the Audit Committee or the Board deems necessary or appropriate. Specifically, the Audit Committee shall:

**Review, Engagement and Oversight of the Independent Auditors.**

1. Appoint, compensate, retain and oversee the Company and its subsidiaries' independent auditors. Selection of the independent auditors shall occur at least annually, considering their independence, evaluation of their services, and compensation for audit and non-audit services.
2. Determine appropriate compensation for independent auditors engaged for the purpose of rendering or issuing an audit report or related work or performing

other audit, review or attestation services for the Company or any of its subsidiaries.

3. Approve in advance all audit and permissible non-audit services (other than de minimus non-audit services as defined under SEC rules and as permitted under Audit Committee policies regarding preapprovals) to be provided by the independent auditors.
4. Adopt and review annually any Audit Committee policies regarding preapproval of audit and permissible non-audit services.
5. Ensure that the independent auditors prepare and deliver annually to the Audit Committee a formal written statement delineating all relationships between such independent auditors and the Company, consistent with Independent Standards Board Standard No. 1; actively engage in a dialogue with the independent auditors with respect to all relationships or services disclosed in the statement that may impact the auditors' objectivity and independence; and take, or recommend that the full Board of Directors take, appropriate action to satisfy itself of the independent auditors' independence.
6. At least annually, obtain and review a report by the independent auditors describing the accounting firm's internal quality-control procedures, and any material issues raised by the most recent internal quality-control review, or peer review, of the accounting firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues.

**Review of Annual Financial Statements and Audit.**

7. Review and discuss with the Company's independent auditors, at a time when the annual audit plan is being developed, its scope, purpose and procedures to be utilized.
8. Discuss the annual earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies.
9. Review and discuss with corporate management and the independent auditors the audited financial statements, the proposed footnotes to be included in the Company's Annual Report on Form 10-K, the Company's disclosures under "Management Discussion and Analysis of Financial Condition and Results of Operations", and any other annual reports or financial information submitted to any governmental body, or the public, including any certification, report, opinion or review rendered by the independent auditors.
10. Discuss matters required to be communicated to the Audit Committee by the independent auditor under generally accepted auditing standards. Such matters shall include, but not be limited to the following:

- Matters required or referred to in SAS 61;
  - All critical accounting policies and practices to be used;
  - All alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditors; and
  - Other material written communications between the registered public accounting firm and the management, such as any management letter or schedule of unadjusted differences.
11. Receive reports by each of management and the independent auditors regarding any significant judgments made in management's preparation of the financial statements and the view of each as to the appropriateness of such judgments.
  12. In consultation with the independent auditors, review the integrity of the financial reporting process, both internal and external.
  13. Consider the independent auditors' judgments about the quality and appropriateness of the Company's accounting principles as applied to its financial reporting.
  14. Receive, discuss with management and the independent auditors and approve, if appropriate, any significant changes to the Company's accounting and auditing principles, practices, policies and controls.
  15. Review any significant disagreement among management and the independent auditors which, if not resolved to the independent auditors' satisfaction, would have caused them to issue a qualified report on the financial statements. "Disagreements" for this purpose shall be those contemplated by Item 304 of Regulation S-K (or any successor rule).
  16. Review with the independent auditor, upon completion of the annual audit, its experience, any restrictions on its work, cooperation received, significant difficulties encountered, its findings and its recommendations and management's response.
  17. Report annually to the Board of Directors whether, based on the review and discussions noted above, the Audit Committee recommends to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for filing with the Securities and Exchange Commission (the "SEC").
  18. Prepare a Report of the Audit Committee, in accordance with applicable SEC rules, for inclusion in the Company's Annual Meeting Proxy Statements.

19. Oversee compliance with the requirements of Nasdaq and the SEC for disclosure of auditors' services and audit committee members, member qualifications and activities.
20. Perform the Audit Committee's annual duties and responsibilities described under "Review, Engagement and Oversight of the Independent Auditors" and "Review of Internal Controls".

### **Review of Quarterly Financial Statements.**

21. Discuss the quarterly earnings press release, as well as quarterly financial information and earnings guidance provided to analysts and rating agencies.
22. Discuss matters required to be communicated to the Audit Committee by the independent auditors under generally accepted auditing standards. Such matters shall include, but not be limited to the following:
  - All changes to critical accounting policies and practices made in the quarter, and all new critical accounting policies and practices adopted in the quarter;
  - All alternative treatments of financial information within generally accepted accounting principles that have been discussed with management during the quarter, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditors; and
  - Other material written communications between the registered public accounting firm and the management relating to the quarterly financial statements.
23. Receive reports by each of management and the independent auditors regarding any significant judgments made in management's preparation of the financial statements and the view of each as to the appropriateness of such judgments.
24. In consultation with the independent auditors, review the integrity of the financial reporting process, both internal and external.
25. Consider the independent auditors' judgments about the quality and appropriateness of the Company's accounting principles as applied to its financial reporting.
26. Receive, discuss with management and the independent auditors and approve, if appropriate, all reports regarding any significant changes to the Company's accounting and auditing principles, practices, policies and controls.
27. Review any significant disagreement among management and the independent auditors which, if not resolved to the independent auditors' satisfaction, would have caused them to issue a qualified report on the financial statements, if such a

report had been required. “Disagreements” for this purpose shall be those contemplated by Item 304 of Regulation S-K (or any successor rule).

28. Confirm with the independent auditors their continued independence.
29. Perform the Audit Committee’s quarterly duties and responsibilities described under “Review of Internal Controls.”
30. Review, in accordance with policies developed by the Audit Committee, the Company’s Quarterly Report on Form 10-Q, including the quarterly reviewed financial statements.

#### **Review of Internal Controls.**

31. Review on a continuing basis the adequacy of internal controls, including meeting periodically with management and the independent auditors to review the adequacy of such controls.
32. Review before release the disclosure regarding the Company’s system of internal controls required under SEC rules to be contained in the Company’s periodic filings.
33. Review before release management’s annual report on internal control over financial reporting required by applicable SEC rules to be contained in the Company’s Annual Report on Form 10-K and the attestations or reports by the independent auditors relating to such report.
34. Receive quarterly a report from the Company’s Chief Executive Officer and Chief Financial Officer of the following:
  - 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
  - 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.

#### **Implement and Monitor Process Improvement Activities.**

35. Review periodically, and at least annually, with the independent auditors and management changes or improvements in financial or accounting practices and monitor the extent to which changes or improvements, as approved by the Audit Committee, have been implemented.
36. Establish procedures for (a) the receipt and retention of complaints received by the Company or the Audit Committee regarding accounting, internal accounting

controls, or auditing matters, (b) the confidential, anonymous submission by employees of the Company of concerns regarding accounting or auditing matters and (c) the treatment of such complaints and submissions.

**Review Legal Compliance.**

37. Review, with company counsel, legal compliance matters, including corporate securities trading policies.
38. Review, with company counsel, any legal matter that could have a significant impact on the financial statements.
39. Review systems that management has established to ensure that the financial statements, reports and other financial information disseminated to governmental organizations and the public satisfy all applicable legal requirements.

**Act as Qualified Legal Compliance Committee.**

40. Adopt written procedures for the confidential receipt, retention, and consideration of any report by an attorney covered by the Company's SEC Rule 205 Compliance Policy of evidence of a material violation by the Company or any of its officers, directors, employees or agents, of an applicable U.S. federal or state securities law, a material breach of a fiduciary duty arising under U.S. federal or state law, or similar material violation of any U.S. federal or state law.
41. Inform the Company's chief legal officer and chief executive officer (or the equivalents thereof) of any report of evidence of a material violation or breach referred to above (unless such report to the chief legal officer and chief executive officer would be futile).
42. Determine whether an investigation is necessary regarding any report of evidence of any material violation or breach by the Company, its officers, directors, employees or agents referred to above and, if it determines an investigation is necessary or appropriate: (a) notify the full Board of Directors; (b) initiate an investigation, which may be conducted either by the chief legal officer (or the equivalent thereof) or by outside attorneys; and (c) retain such additional expert personnel as the Committee deems necessary.
43. At the conclusion of an investigation: (a) recommend, by majority vote, that the issuer implement an "appropriate response" to evidence of a material violation; and (b) inform the chief legal officer and the chief executive officer (or the equivalents thereof) and the Board of Directors of the results of any such investigation and the appropriate remedial measures to be adopted.
44. Acting by majority vote, take all other appropriate action, including notifying the SEC if necessary, in the event the Company fails in any material respect to implement an appropriate response that the QLCC has recommended the Company take.

**Oversee Related Party Transactions.**

45. Review and approve any related-party transactions required to be disclosed in the Company's annual proxy statement pursuant to Item 404 of Regulation S-K.

**Monitor Risk Management.**

46. Discuss policies with respect to risk assessment and risk management.

**Review of Finance and Accounting Department**

47. Review annually the performance of the Chief Financial Officer, Controller and other key finance and accounting personnel as the Audit Committee determines appropriate, discuss its review with the employee being reviewed and provide its review to the Management Development, Compensation and Stock Option Committee.
48. Review annually the Company's finance and accounting resources, including staffing levels, experience levels, software and other resources.
49. Set hiring policies for employees or former employees of the independent auditors.

While the Audit Committee has the duties and responsibilities set forth in this charter, the Audit Committee is not responsible for planning or conducting the audit or for determining whether the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. In fulfilling their responsibilities hereunder, it is recognized that members of the Audit Committee are not full-time employees of the Company, that it is not the duty or responsibility of the Audit Committee or its members to conduct "field work" or other types of auditing or accounting reviews or procedures or to set auditor independence standards, and that each member of the Audit Committee shall be entitled to rely on (i) the integrity of those persons and organizations within and outside the Company from which it receives information, (ii) the accuracy of the financial and other information provided to the Audit Committee absent actual knowledge to the contrary (which shall be promptly reported to the Board of Directors) and (iii) statements made by management or third parties as to any information technology, internal audit and other non-audit services provided by the auditors to the Company.

**VII. REPORTING**

The Audit Committee shall have the following reporting responsibilities:

1. Maintain minutes of all Audit Committee meetings and submit such minutes to the Board of Directors.
2. Satisfy its annual reporting requirements to the Board of Directors as set forth under "Duties, Responsibilities and Processes – Review of Annual Financial Statements and Audit."

3. Report periodically to the Board of Directors, as it deems appropriate, concerning the activities of the Audit Committee.

### **VIII. ANNUAL REVIEW**

The Audit Committee shall conduct, on an annual basis:

1. A review and assessment of the adequacy of this charter, and
2. An evaluation of the Audit Committee's performance in carrying out the duties and responsibilities under this charter.

Based on this annual review, the Audit Committee shall recommend to the Board of Directors changes in the authority, responsibility or duties of the Audit Committee and in this charter.

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