SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C.

Form 10-Q

Quarterly Report Under Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the Quarter Ended June 30, 2006	Commission File Number 0-04041

ALLIED MOTION TECHNOLOGIES INC.
(Incorporated Under the Laws of the State of Colorado)

23 Inverness Way East, Suite 150
Englewood, Colorado 80112
Telephone: (303) 799-8520

84-0518115
(IRS Employer Identification Number)

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 ninety (90) days. Yes x No o

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

Large accelerated filer o   Accelerated filer o   Non-accelerated filer x

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

Number of Shares of the only class of Common Stock outstanding: 6,430,438 as of August 8, 2006

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ALLIED MOTION TECHNOLOGIES INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In Thousands, except per share data)
(Unaudited)

	June 30, 2006	December 31, 2005
Assets		
Current Assets:		
Cash and cash equivalents	$ 650	$ 624
Trade receivables, net of allowance for doubtful accounts of $406 and $281 at June 30, 2006 and December 31, 2005, respectively	11,747	10,087
Inventories, net	10,315	9,185
Deferred income taxes	577	402
Prepaid expenses and other	580	577
Total Current Assets	23,869	20,875
Property, plant and equipment, net	12,468	12,939
Deferred income taxes	388	582
Goodwill and intangible assets	18,649	18,941
Total Assets	$ 55,374	$ 53,337
Liabilities and Stockholders' Investment		
Current Liabilities:		
Current maturities of capital lease obligations	$ 163	$ 180
Debt obligations	10,146	7,155
Accounts payable	6,151	5,543
Accrued liabilities and other	4,590	3,877
Income taxes payable	906	664
Total Current Liabilities	21,956	17,419
Long-term capital lease obligations, net of current portion	45	92
Debt obligations, net of current portion	904	4,654
Deferred income taxes	1,954	1,862
Pension and post-retirement obligations	3,487	3,503
Total Liabilities	28,346	27,530
Commitments and Contingencies		
Stockholders' Investment:		
Preferred stock, par value $1.00 per share, authorized 5,000 shares; no shares issued or outstanding	—	—
Common stock, no par value, authorized 50,000 shares; 6,430 and 6,369 shares issued and outstanding at June 30, 2006 and December 31, 2005, respectively	15,123	14,991
Retained earnings	11,896	10,970
Other comprehensive income (loss)	9	(154)
Total Stockholders' Investment	27,028	25,807
Total Liabilities and Stockholders' Investment	$ 55,374	$ 53,337

See accompanying notes to financial statements.

ALLIED MOTION TECHNOLOGIES INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In Thousands, except per share data)
(Unaudited)

	For the three months ended June 30, 2006	For the three months ended June 30, 2005	For the six months ended June 30, 2006	For the six months ended June 30, 2005
Revenues	$ 22,155	$ 18,913	$ 43,354	$ 37,368
Cost of products sold	16,893	14,689	33,352	29,056
Gross margin	5,262	4,224	10,002	8,312
Operating costs and expenses:				
Selling	851	806	1,653	1,596
General and administrative	1,989	1,424	3,970	2,931
Engineering and development	986	910	1,908	1,897
Amortization of intangible assets	252	253	503	509
Total operating costs and expenses	4,078	3,393	8,034	6,933
Operating income	1,184	831	1,968	1,379
Other income (expense), net:				

Interest expense	(254)	(269)	(505)	(532)
Other income (expense), net	(13)	11	(32)	11
Total other expense, net	(267)	(258)	(537)	(521)
Income before income taxes	917	573	1,431	858
Provision for income taxes	(339)	(205)	(505)	(322)
Net income	$ 578	$ 368	$ 926	$ 536
Basic net income per share:				
Net income per share	$ 0.09	$ 0.06	$ 0.14	$ 0.09
Basic weighted average common shares	6,436	6,172	6,406	6,128
Diluted net income per share:				
Net income per share	$ 0.08	$ 0.05	$ 0.14	$ 0.08
Diluted weighted average common shares	6,847	6,784	6,791	7,007

See accompanying notes to financial statements.

ALLIED MOTION TECHNOLOGIES INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)
(Unaudited)

	For the six months ended June 30, 2006	2005
Cash Flows From Operating Activities:		
Net income	$ 926	$ 536
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,619	1,609
Provision for doubtful accounts	82	39
Provision for obsolete inventory	300	158
Deferred income taxes	77	36
Other	64	86
Changes in assets and liabilities, net of effects from acquisition:		
(Increase) decrease in -		
Trade receivables	(1,633)	(1,201)
Inventories, net	(1,321)	(633)
Prepaid expenses and other	5	141
Increase (decrease) in -		
Accounts payable	509	(300)
Accrued liabilities and other	866	(1,153)
Net cash provided by (used in) operating activities	1,494	(682)
Cash Flows From Investing Activities:		
Purchase of property and equipment	(623)	(1,247)
Acquisition costs for Owosso Corporation	—	(208)
Net cash used in investing activities	(623)	(1,455)
Cash Flows From Financing Activities:		
Borrowings on line-of-credit, net	233	2,565
Proceeds from sales/leaseback	51	—-
Repayments on term loans	(1,095)	(1,043)
Repayments of capital lease obligations	(119)	(37)
Stock transactions under employee benefit stock plans	82	696
Net cash provided by (used in) financing activities	(848)	2,181
Effect of foreign exchange rate changes on cash	3	(5)
Net increase in cash and cash equivalents	26	39
Cash and cash equivalents at beginning of period	624	456
Cash and cash equivalents at June 30	$ 650	$ 495
Supplemental disclosure of cash flow information:		
Net cash paid during the period for:		
Interest	$ 472	$ 492
Income taxes	$ 210	$ 251
Noncash Investing and Financing Activities:		
Stock-Based Compensation	$ 50	$ 8

See accompanying notes to financial statements.

ALLIED MOTION TECHNOLOGIES INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Preparation and Presentation

Allied Motion Technologies Inc. (the Company) is engaged in the business of designing, manufacturing and selling motion control products to a broad spectrum of customers throughout the world. The Company is organized into five subsidiaries: Emoteq, Computer Optical Products, Motor Products, Stature Electric and Premotec.

The accompanying unaudited condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant inter-company accounts and transactions have been eliminated in consolidation.

The assets and liabilities of the Company's foreign subsidiaries are translated into U.S. dollars using current exchange rates. Revenues and expenses are translated at average rates prevailing during the period. Nonmonetary assets and liabilities are translated at historical rates and monetary assets and liabilities are translated at exchange rates in effect at the balance sheet date. The resulting translation adjustments are included in the cumulative translation adjustment component of stockholders' investment in the accompanying consolidated balance sheets. Transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in the results of operations as incurred.

The condensed consolidated financial statements included herein have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission and include all adjustments which are, in the opinion of management, necessary for a fair presentation. Certain information and footnote disclosures normally included in financial statements which are prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to such rules and regulations. The Company believes that the disclosures herein are adequate to make the information presented not misleading. The financial data for the interim periods may not necessarily be indicative of results to be expected for the year.

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make certain estimates and assumptions. Such estimates and assumptions affect the reported amounts of assets and liabilities as well as disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

It is suggested that the accompanying condensed interim financial statements be read in conjunction with the Consolidated Financial Statements and related Notes to such statements included in the Annual Report on Form 10-K for the year ended December 31, 2005 that was previously filed by the Company.

Recent Accounting Pronouncements

In December 2004, the Financial Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 123 (revised 2004), *Share-Based Payment* ("SFAS 123R"), which is a revision of Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation* ("SFAS 123") and supersedes APB Opinion No. 25, *Accounting for Stock Issued to Employees*, and amends Statement of Financial Accounting Standards No. 95, *Statement of Cash Flows*. SFAS 123R requires measurement of all employee stock-based compensation awards using a fair-value method and the recording of such expense in the consolidated financial statements. The Company selected the Black-Scholes option-pricing model as the most appropriate fair-value method for stock option awards and will recognize compensation cost on a straight-line basis over the awards' vesting periods. The Company adopted SFAS 123R on January 1, 2006. See note 5 for further detail.

In November 2004, the FASB issued Statement of Financial Accounting Standards No. 151, *Inventory Costs* ("SFAS 151"), which amends the guidance in Accounting Research Bulletin No. 43, Chapter 4, *Inventory Pricing*. This statement requires abnormal amounts of idle facility expense, freight, handling costs and wasted material to be excluded from inventory costing and instead included as period expenses. In addition, this standard requires the allocation of fixed production overhead to be based on normal capacity of the production facilities. The Company adopted the standard on January 1, 2006 and it did not have an impact on our Condensed Consolidated Financial Statements.

2. Inventories

Inventories, valued at the lower of cost (first-in, first-out basis) or market, are as follows (in thousands):

	June 30, 2006	December 31, 2005
Parts and raw materials	$ 8,070	$ 7,739

Work-in process	2,182	1,418
Finished goods	1,799	1,710
	12,051	10,867
Less reserves	(1,736)	(1,682)
	$ 10,315	$ 9,185

3. Property, Plant and Equipment

Property, plant and equipment is classified as follows (in thousands):

	June 30, 2006	December 31, 2005
Land	$ 332	$ 332
Building and improvements	4,564	4,537
Machinery, equipment, tools and dies	15,693	15,271
Furniture, fixtures and other	855	764
	21,444	20,904
Less accumulated depreciation	(8,976)	(7,965)
	$ 12,468	$ 12,939

4. Stockholders' Investment

Changes in stockholders' investment for the six months ended June 30, 2006 and 2005, consisted of the following (in thousands):

	For the six months ended June 30, 2006		2005	
	Shares Outstanding	Amount	Shares Outstanding	Amount
Balances at beginning of period	6,369	$ 25,807	6,070	$ 24,360
Stock transactions under employee benefit stock plans and option exercises	22	82	219	547
Stock-based compensation — restricted stock	39	39	43	8
Stock-based compensation — stock options	—	11	—	—
Payment on loan to Employee Stock Ownership Plan	—	—	—	155
Tax benefit from NQ option exercises	—	—		26
Foreign currency translation adjustment	—	163	—	(286)
Net income	—	926	—	536
Balance at end of period	6,430	$ 27,028	6,332	$ 25,346

5. Stock-Based Compensation

The Company's Year 2000 Stock Incentive Plan provides for awards of stock options, stock appreciation rights and restricted stock to employees and directors, as determined by the board of directors.

Stock Options

Effective January 1, 2006, the Company implemented FASB Statement No. 123R (Statement 123R) *Accounting for Share-Based Payment*, an amendment of FASB Statement No. 123, adopting the modified prospective method of implementation. Statement 123R requires recognition of the grant-date fair value of stock options and other equity-based compensation issued to employees in the income statement. The cost of share based payments, using the fair value of the options at the grant date assuming the Black-Scholes option-pricing model, is recognized on a straight-line basis over the vesting period. During the quarter and six months ended June 30, 2006, the Company recognized $5,000 and $11,000 in compensation expense related to outstanding stock options. Total unrecognized compensation cost related to unvested stock-based awards as of June 30, 2006, was $5,000 and is expected to be recognized over the remaining vesting term through the third quarter 2006.

Prior to January 1, 2006, the Company accounted for its employee stock compensation plans as prescribed under Accounting Principles Boards Opinion No. 25, *Accounting for Stock Issued to Employees* (APB Opinion 25). All options granted had an exercise price equal to the market value of the underlying common stock on the date of grant and therefore no stock-based compensation cost was reflected in net income. Had compensation cost for the Company's stock-based compensation plan been determined using the fair value of the options at the grant date, assuming the Black-Scholes option-pricing model, the Company's net income and income per share would have been reduced to the pro forma amounts indicated below for the three and six months ended June 30, 2005 (in thousands):

	For the three months ended June 30, 2005	For the six months ended June 30, 2005
Net income		
Reported net income	$ 368	$ 536
Stock-based compensation expense, net of taxes	(40)	(66)

Pro forma net income	$	328	$	470
Basic net income per share:				
Reported basic net income per share	$	0.06	$	0.09
Pro forma basic net income per share		0.05		0.08
Diluted net income per share:				
Reported diluted net income per share		0.05		0.08
Pro forma diluted net income per share		0.05		0.07

The following is a summary of option activity, during the six - months ended June 30, 2006:

	Number of Shares		Weighted Average Exercise Price	Remaining Contractual Term		Intrinsic Value
Outstanding at beginning of period	1,448,650	$	3.62	4.1		
Granted	—		—			
Forfeited	(40,000)		4.88			
Exercised	(4,000)		1.77			
Outstanding at end of Period	1,404,650	$	3.58	3.4	$	2,452,000
Exercisable at end of period	1,397,650	$	3.59	3.4	$	2,429,000

There have been no options granted since October, 2004. During the six months ended June 30, 2006, options to purchase 4,000 shares were exercised with an aggregate intrinsic value totaling approximately $10,000.

Restricted Stock

On March 31, 2006, 42,000 of unvested restricted stock awards were granted with a value of $3.795 per share. The value at the date of grant is amortized to compensation expense over the related three year vesting period. During the quarter ended June 30, 2006 and 2005, compensation expense, net of forfeitures, of $27,000 and $8,000 was recorded, respectively. During the six-months ended June 30, 2006 and 2005, compensation expense, net of forfeitures, of $39,000 and $8,000 was recorded, respectively.

The following is a summary of restricted stock activity during the six-months ended June 30, 2006:

	Number of Restricted Shares
Outstanding at beginning of year	44,000
Granted	42,000
Forfeited	(2,000)
Vested	(14,009)
Outstanding at end of period	69,991

6. <u>Earnings per Share</u>

Basic income per share is computed by dividing net income by the weighted average number of shares of common stock outstanding. Diluted income per share is determined by dividing the net income or loss by the sum of (1) the weighted average number of common shares outstanding and (2) if not anti-dilutive, the effect of stock awards determined utilizing the treasury stock method. Outstanding options totaling 412,000 and 586,000 had a dilutive effect for the three months ended June 30, 2006 and 2005, respectively. Outstanding options totaling 385,000 and 866,000 had a dilutive effect for the six months ended June 30, 2006 and 2005, respectively. Stock options to purchase 379,000 and 271,000 shares of common stock were excluded from the calculation of diluted income per share for the three months ended June 30, 2006 and 2005, respectively, since the results would have been anti-dilutive. Stock options to purchase 679,000 and 133,000 shares of common stock were excluded from the calculation of diluted income per share for the six months ended June 30, 2006 and 2005, respectively, since the results would have been anti-dilutive.

7. <u>Segment Information</u>

SFAS No. 131, "*Disclosures about Segments of an Enterprise and Related Information*" requires disclosure of operating segments, which as defined, are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

The Company operates in one segment for the manufacture and marketing of motion control products for original equipment manufacturers and end user applications. In accordance with SFAS No. 131, the Company's chief operating decision maker has been identified as the Office of the President and Chief Operating Officer, which reviews operating results to make decisions about allocating resources and assessing performance for the entire company. SFAS No. 131, which is based on a management approach to segment reporting, establishes requirements to report selected segment information quarterly and to report annually entity-wide disclosures about products and services, major customers, and the countries in which the entity holds material assets and reports revenue. All material operating units qualify for aggregation under SFAS No. 131 due to their similar customer base and similarities in: economic characteristics; nature of products and services; and procurement, manufacturing and distribution processes. Since the Company operates in one segment, all financial information required by SFAS No. 131 can be found in the accompanying condensed consolidated financial statements and within this note.

The Company's wholly owned foreign subsidiary, Premotec, located in Dordrecht, The Netherlands is included in the accompanying condensed consolidated financial statements. Financial information related to the foreign subsidiaries is summarized below (in thousands):

	For the three months ended June 30,		For the six months ended June 30,	
	2006	2005	2006	2005
Revenues derived from foreign subsidiaries	$5,305	$3,370	$9,815	$ 6,762
Identifiable assets	$9,457	$8,211	$9,457	$ 8,211

Sales to customers outside of the United States by all subsidiaries were $6,944,000 and $5,049,000 for the quarters ended June 30, 2006 and 2005, respectively, and $13,485,000 and $10,150,000 for the six months ended June 30, 2006 and 2005, respectively.

During the quarters and six months ended June 30, 2006 and 2005, no single customer accounted for more than 10% of total revenues.

8. Comprehensive Income

Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period except those resulting from investments by and distributions to stockholders.

Comprehensive income is computed as follows (in thousands):

	For the three months ended June 30,		For the six months ended June 30,	
	2006	2005	2006	2005
Net income	$ 578	$ 368	$ 926	$ 536
Foreign currency translation adjustment	112	(158)	163	(286)
Comprehensive income	$ 690	$ 210	$ 1,089	$ 250

9. Goodwill and Intangible Assets

Included in goodwill and intangible assets on the Company's consolidated balance sheets are the following (in thousands):

	June 30, 2006	December 31, 2005	Estimated Life
Goodwill	$ 12,944	$ 12,818	
Amortizable intangible assets			
Customer lists	4,424	4,371	8 years
Trade name	1,340	1,340	10 years
Design and technologies	2,548	2,494	8 years
Accumulated amortization	(2,607)	(2,082)	
Net intangible assets	5,705	6,123	
Total goodwill and intangible assets	$ 18,649	$ 18,941	

The change in the carrying amount of goodwill for 2006 is as follows (in thousands):

	June 30, 2006	December 31, 2005
Balance at beginning of period	$ 12,818	$ 13,246

Effect of foreign currency translation	126	(326)
Other	—	(102)
Balance at end of period	$ 12,944	$ 12,818

Amortization expense for intangible assets was $252,000 and $253,000 for the quarters ended June 30, 2006 and 2005, respectively, and $503,000 and $509,000 for the six months ended June 30, 2006 and 2005, respectively.

10. Debt Obligations

Debt obligations consisted of the following (in thousands):

	June 30, 2006	December 31, 2005
Domestic revolving line-of-credit (A)	$ 5,123	$ 4,434
Foreign revolving line-of-credit (B)	113	547
Term loan payable to bank in monthly installments of $90 plus interest at 8.68%, due in May 2007, secured by machinery and equipment	993	1,535
Term loan payable to bank in monthly installments of $59 plus interest at the bank's prime rate plus 0.75% (9.0% as of June 30, 2006), plus balloon payment of $2,863, due in May 2007, secured by buildings, machinery and equipment	3,516	3,872
Term loan payable to bank in quarterly installments of EUR 80 ($100 at June 30, 2006 exchange rate) plus interest at 4.74% until August, 2006, then at EURIBOR plus 2.5% with a minimum of 4.74%, due in July 2009, secured by Allied Motion Technologies, B.V.shares	1,305	1,421
Total	11,050	11,809
Less current maturities	(10,146)	(7,155)
Long-term debt obligations	$ 904	$ 4,654

(A) Under the domestic revolving line-of-credit agreement (Agreement), the Company has available the lesser of (a)$10,500,000 or (b) the sum of 85% of eligible trade accounts receivable (excluding Premotec) and 50% of eligible inventory, as defined in the Agreement.

The line-of-credit expires in May 2007, unless extended. Under the Agreement, the Company utilizes lock-box arrangements whereby remittances from customers reduce the outstanding debt, therefore the line-of-credit balance has been classified as a current liability. Borrowings under the line-of-credit bear interest at a rate equal to the bank's prime rates plus 1% (9.25% as of June 30, 2006). All borrowings are collateralized by substantially all assets of the Company. The Agreement prohibits the Company from paying dividends and requires that the Company maintain compliance with certain covenants related to tangible net worth and fixed charge coverage. As of June 30, 2006, the Company was in compliance with such covenants. As of June 30, 2006, the amount available under the domestic line-of-credit was $4,550,000.

(B) Under the foreign line-of-credit agreement (Foreign Agreement), the Company has available the lesser of (a) EUR 1.25 million, or (b) 85% of eligible trade accounts receivable of Premotec as defined in the Foreign Agreement. The line-of-credit expires in August 2006, unless extended. Borrowings under the line-of-credit bear interest at a rate equal to the bank's base rate plus 1.75%, with a minimum of 4.75% (5.25% at June 30, 2006). Under the Foreign Agreement, remittances from customers reduce the outstanding debt, therefore the balance has been classified as a current liability. As of June 30, 2006, the amount available under the foreign line-of-credit was $1,013,000.

The Company has a bank overdraft facility payable to bank with no monthly repayments required, interest due at the bank's base rate plus 2%, minimum of 5.25% (5.5% as of June 30, 2006), due on demand, secured by Premotec's inventory. As of June 30, 2006, the amount available under the overdraft facility was $251,000.

11. Pension and Postretirement Welfare Plans

Pension Plan

Motor Products has a defined benefit pension plan covering substantially all of its hourly union employees hired prior to April 10, 2002. The benefits are based on years of service, the employee's compensation during the last three years of employment, and accumulated employee contributions.

Components of the net periodic pension expense included in the condensed consolidated statements of operations are as follows (in thousands):

	For the three months ended June 30,		For the six months ended June 30,	
	2006	2005	2006	2005
Service cost	$ 32	$ 31	$ 64	$ 67
Interest cost on projected benefit obligations	56	53	112	111
Expected return on assets	(72)	(69)	(144)	(138)
Amortization of gain	—	—	—	—

Net periodic pension expense	$ 16	$ 15	$ 32	$ 40

The minimum required contribution for 2005 of $74,446 is expected to be paid by the date the Company files its U.S. income tax return or September 15, 2006, whichever is earlier. The Company expects to contribute approximately $75,000 to the pension plan for 2006.

Postretirement Welfare Plan

Motor Products provides postretirement medical benefits and life insurance benefits to current and former employees hired before January 1, 1994 who retire from Motor Products. Employees who retire after January 1, 2005 must have twenty or more years of continuous service in order to be eligible for retiree medical benefits. Partial contributions from retirees are required for the medical insurance benefits. The Company's portion of the medical insurance premiums are

funded from the general assets of the Company. The Company recognizes the expected cost of providing such post-retirement benefits during employees' active service periods.

Net periodic postretirement benefit costs included in the condensed consolidated statements of operations are as follows (in thousands):

	For the three months ended June 30,		For the six months ended June 30,	
	2006	2005	2006	2005
Service cost	$ —	$ 21	$ 2	$ 41
Interest cost	—	52	7	99
Amortization of gain	—	9	1	17
Net periodic postretirement costs	$ —	$ 82	$ 10	$ 157

The Company contributed $17,000 and $39,000 to the postretirement welfare plan during the three and six months ended June 30, 2006. The Company expects to contribute approximately $79,000 to the postretirement welfare plan during 2006.

12. Deferred Compensation Plan

The Company has a Deferred Compensation Plan effective January 1, 2006. The Plan provides eligible key employees with the opportunity to defer the receipt of base compensation, bonuses, or a combination thereof, receive an allocation of any discretionary amount contributed to the Plan by the Company and receive an allocation of any performance based contributions by the Company. The discretionary contribution expense related to the plan for the quarter and six-months ended June 30, 2006 was $24,500. The Company's board of directors approved a performance contribution for 2006 based on the Company achieving a net profit target. As of June 30, 2006 the performance criteria has not been met and accordingly, no expense has been recorded.

13. Reclassifications

Certain prior year balances were reclassified to conform to the current year presentation. Those reclassifications had no impact on net income, stockholders' investment or cash flows from operations as previously reported.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

All statements contained herein that are not statements of historical fact constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include, without limitation, any statement that may predict, forecast, indicate, or imply future results, performance, or achievements, and may contain the word "believe," "anticipate," "expect," "project," "intend," "will continue," "will likely result," "should" or words or phrases of similar meaning. Forward-looking statements involve known and unknown risks and uncertainties that may cause actual results of the Company to differ materially from the forward-looking statements. The risks and uncertainties include international, national and local general business and economic conditions in the Company's motion markets, introduction of new technologies, products and competitors, the ability to protect the Company's intellectual property, the ability of the Company to sustain, manage or forecast its growth and product acceptance, success of new corporation strategies and implementation of defined critical issues designed for growth and improvement in profits, the continued success of the Company's customers to allow the Company to realize revenues from its order backlog and to support the Company's expected delivery schedules, the continued viability of the Company's customers and their ability to adapt to changing technology and product demand, the ability of the Company to meet the technical specifications of its customers, the continued availability of parts and components, increased competition and changes in competitor responses to the Company's products and services, changes in government regulations, availability of financing, the ability of the Company's lenders and financial institutions *to provide additional funds if needed for operations or for making future acquisitions or the ability of the Company to obtain alternate financing if present sources of financing are terminated, the ability to attract and retain qualified personnel who can design new applications and products for the motion industry, the ability of the Company to identify and consummate favorable acquisitions to support external growth and new technology, the ability of the Company to establish Chinese manufacturing and component sourcing capabilities, and the ability of the Company to control costs for the purpose of improving profitability. The Company's ability to compete in this market depends upon its capacity to anticipate the need for new products, and to continue to design and market those products to meet customers' needs in a competitive world. Actual results, events and performance may differ materially. Readers are cautioned not to place undue reliance on these forward-looking statements as a prediction of actual results. The Company has no obligation or intent to release publicly any revisions to any forward looking statements, whether as a result of new information, future events, or otherwise.*

New risk factors emerge from time to time and it is not possible for management to predict all such risk factors, nor can it assess the impact of all such risk factors on its business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. The Company's expectations, beliefs and projections are expressed in good faith and are believed to have a reasonable basis; however, the Company makes no assurance that expectations, beliefs or projections will be achieved.

Overview

Allied Motion designs, manufactures and sells motion products to a broad spectrum of customers throughout the world primarily for the commercial motor, industrial motion control, and aerospace and defense markets. The Company's products are used in demanding applications in medical equipment, HVAC systems for trucks, busses and off-road vehicles, the specialty automotive market, industrial automation, pumps, health-fitness, defense, aerospace, semiconductor manufacturing, fiber optic-based telecommunications, printing, and graphic imaging market sectors, to name a few.

Today, five subsidiary companies form the core of Allied Motion. The subsidiaries, Emoteq, Computer Optical Products, Motor Products, Stature Electric and Premotec offer a wide range of standard motors, encoders and drives for original equipment manufacturers (OEM) and end user applications. A particular strength of each company is its ability to design and manufacture custom motion control solutions to meet the needs of its customers.

The Company has made considerable progress in implementing its new corporate strategy, the driving force of which is "Applied Motion Technology/Know How". The Company's commitment to Allied's Systematic Tools, or AST for short, is driving continuous improvement in quality, delivery, cost and growth.

One of the Company's major challenges is to maintain and improve price competitiveness. The Company's customers are continually being challenged by their markets and competitors to be price competitive and they are requiring their suppliers to deliver the highest quality product at the lowest price possible. Currently, the Company is producing some of its motor sub-assemblies and finished products at a sub-contract manufacturing facility in China. The Company will continue to look for opportunities where production in China for certain projects will result in increased profits.

The Company's products contain certain metals, and the Company has been experiencing increases in the costs of these metals, particularly copper, steel and zinc, which are key materials in its products. The Company has reacted by aggressively sourcing material at lower cost from Asian markets, combining the sourcing of metals to benefit from volume purchasing and by passing on surcharges to its customers.

The Company has an aggressive motor development plan for new standalone products and new product lines that leverage the combined technology base of the Allied Motion companies. The Company continues to focus on new product designs that design-out cost, provide higher performance and meet the needs of its served markets. Early in 2006, the Company announced several new motor designs targeted at various markets. Each of these motors are targeted at precision motor applications. It normally takes twelve months to get new products designed into new customer applications. All product development efforts are focused on adding value for its customers in its served markets.

Management believes the strategy it has developed for the Company will accomplish its long term goals of increasing shareholder value through the continued strengthening of the foundation necessary to achieve growth in sales and profitability.

Operating Results

Quarter Ended June 30, 2006 compared to Quarter Ended June 30, 2005

(in thousands)	For the three months ended June 30, 2006	2005	Increase (decrease) $	%
Revenues	$ 22,155	$ 18,913	$ 3,242	17%
Cost of products sold	16,893	14,689	2,204	15%
Gross margin	5,262	4,224	1,038	25%
Gross margin percentage	24%	22%	—	—
Operating costs and expenses:				
Selling	851	806	45	6%
General and administrative	1,989	1,424	565	40%
Engineering and development	986	910	76	8%
Amortization of intangible assets	252	253	(1)	0%
Total operating costs and expenses	4,078	3,393	685	20%
Operating income	1,184	831	353	42%
Other income (expense), net:				
Interest expense	(254)	(269)	(15)	(6)%
Other (expense) income, net	(13)	11	24	218%
Total other (expense) income, net	(267)	(258)	9	(3)%
Income before income taxes	917	573	344	60%

Provision for income taxes	(339)	(205)	(134)	(65)%
Net income	$ 578	$ 368	$ 210	57%

NET INCOME The Company had net income of $578,000 or $.08 per diluted share for the second quarter 2006 compared to net income of $368,000 or $.05 per diluted share for the same quarter last year.

EBITDA EBITDA was $1,978,000 for the second quarter 2006 compared to $1,638,000 for the same quarter last year. EBITDA is a non-GAAP measurement that consists of income before interest expense, provision for income taxes and depreciation and amortization. See information included in "Non - GAAP Measures" below for a reconciliation of net income to EBITDA.

REVENUES Revenues were $22,155,000 in the quarter ended June 30, 2006 compared to $18,913,000 for the quarter ended June 30, 2005. This 17% increase is primarily attributable to increased sales in medical, industrial and electronics markets.

ORDER BACKLOG At June 30, 2006, order backlog was $27,952,000 which is an 11% increase over December 31, 2005.

GROSS MARGINS Gross margin as a percentage of revenues increased to 24% for the quarter ended June 30, 2006 from 22% for the same quarter last year. This improvement reflects the increase in sales of the Company's industrial market solutions business which provides a higher gross margin from its sales, the cost reductions realized from products being produced at the Company's contract manufacturing facility in China, and the continuous improvement in efficiencies and productivity from implementation of the Company's AST tools.

SELLING EXPENSES Selling expenses in the second quarter were $851,000 compared to $806,000 for the second quarter last year. Selling expense as a percentage of revenues decreased to 3.8% in the quarter ended June 30, 2006 compared to 4.3% in the same quarter last year and such percentage decrease relates to a decrease in sales upon which commissions are paid.

GENERAL AND ADMINISTRATIVE EXPENSES General and administrative expenses were $1,989,000 in the quarter ended June 30, 2006 compared to $1,424,000 in the quarter ended June 30, 2005. Of this $565,000 increase, approximately 63% related to increased employee incentive bonus expense and employee benefits, 20% related to legal and professional fees.

ENGINEERING AND DEVELOPMENT EXPENSES Engineering and development expenses were $986,000 in the second quarter and $910,000 in the same quarter last year. The Company continues to focus resources on new motor designs to meet the needs of its served markets.

AMORTIZATION Amortization expense was $252,000 in the quarter ended June 30, 2006 and $253,000 in the same quarter last year. These costs relate to the amortizable intangible assets acquired in the Motor Products, Stature and Premotec acquisitions.

INTEREST EXPENSE Interest expense for the second quarter ended June 30, 2006 was $254,000 compared to $269,000 in the quarter ended June 30, 2005. The decrease in interest is directly attributed to the decrease in outstanding debt obligations partially offset by higher interest rates.

INCOME TAXES Provision for income taxes was $339,000 for the second quarter this year compared to $205,000 in the second quarter last year. The effective rate used to record income taxes is based on projected income for the fiscal year and differs from the statutory amounts primarily due to the impact of differences in state and foreign tax rates. The effective income tax rate as a percentage of income before income taxes was 37% and 36% in the quarters ended June 30, 2006 and 2005, respectively.

Six Months Ended June 30, 2006 compared to Six Months Ended June 30, 2005

	For the six months ended June 30,		Increase (decrease)	
(in thousands)	**2006**	**2005**	**$**	**%**
Revenues	$ 43,354	$ 37,368	$ 5,986	16%
Cost of products sold	33,352	29,056	4,296	15%
Gross margin	10,002	8,312	1,690	20%
Gross margin percentage	23%	22%	—	—
Operating costs and expenses:				
Selling	1,653	1,596	57	4%
General and administrative	3,970	2,931	1,039	35%
Engineering and development	1,908	1,897	11	1%
Amortization of intangible assets	503	509	(6)	(1)%
Total operating costs and expenses	8,034	6,933	1,101	16%
Operating income	1,968	1,379	589	43%
Other income (expense), net:				
Interest expense	(505)	(532)	(27)	(5)%
Other (expense) income, net	(32)	11	43	391%

Total other (expense) income, net	(537)	(521)	16	3%
Income before income taxes	1,431	858	573	67%
Provision for income taxes	(505)	(322)	183	(57)%
Net income	$ 926	$ 536	$ 390	73%

NET INCOME The Company had net income of $926,000 or $.14 per diluted share for the first six months of 2006 compared to net income of $536,000 or $.08 per diluted share for the same six months last year.

EBITDA EBITDA was $3,555,000 for the six months ended June 30, 2006 compared to $2,999,000 for the six months ended June 30, 2005. EBITDA is a non-GAAP measurement that consists of income before interest expense, provision for income taxes and depreciation and amortization. See information included in “Non - GAAP Measures” below for a reconciliation of net income to EBITDA.

REVENUES Revenues were $43,354,000 in the six months ended June 30, 2006 compared to $37,368,000 for the six months ended June 30, 2005. This 16% increase is primarily attributable to increased sales in medical, industrial and electronics markets.

GROSS MARGINS Gross margin as a percentage of revenues increased to 23% for the six months ended June 30, 2006 from 22% for the same period last year. This improvement reflects the increase in sales of the Company’s industrial market solutions business which provides a higher gross margin from its sales, the cost reductions realized from products being produced at the Company’s contract manufacturing facility in China, and the continuous improvement in efficiencies and productivity from implementation of the Company’s AST tools.

SELLING EXPENSES Selling expenses in the first six months were $1,653,000 compared to $1,596,000 for the first six months last year. Selling expense as a percentage of revenues decreased to 3.8% in the six months

ended June 30, 2006 compared to 4.3% in the six months ended June 30, 2005 and such percentage decrease relates to a decrease in sales upon which commissions are paid.

GENERAL AND ADMINISTRATIVE EXPENSES General and administrative expenses were $3,970,000 in the six months ended June 30, 2006 compared to $2,931,000 in the six months ended June 30, 2005. Of this $1,039,000 increase, 60% related to increased compensation, employee incentive bonus and employee benefit expenses and the remainder related to increased audit legal and professional expenses.

ENGINEERING AND DEVELOPMENT EXPENSES Engineering and development expenses were $1,908,000 in the six months ended June 30, 2006 compared to $1,897,000 in the same six months last year. The Company continues to focus resources on new motor designs to meet the needs of its served markets.

AMORTIZATION Amortization expense was $503,000 in the six months ended June 30, 2006 and $509,000 in the same six months last year.

INTEREST EXPENSE Interest expense for the six months ended June 30, 2006 was $505,000 compared to $532,000 in the six months ended June 30, 2005. The decrease in interest is directly attributed to the decrease in outstanding debt obligations partially offset by higher interest rates.

INCOME TAXES Provision for income taxes was $505,000 for the first six months this year compared to $322,000 in the same six months last year. The effective rate used to record income taxes is based on projected income for the fiscal year and differs from the statutory amounts primarily due to the impact of differences in state and foreign tax rates. The effective income tax rate as a percentage of income before income taxes was 35% and 37% in the six months ended June 30, 2006 and 2005, respectively. The difference in the effective tax rates between periods was primarily due to a greater portion of income derived from a foreign jurisdiction with a lower tax rate.

Non-GAAP Measures

EBITDA is provided for information purposes only and is not a measure of financial performance under generally accepted accounting principles. The Company believes EBITDA is often a useful measure of a Company’s operating performance and is a significant basis used by the Company’s management to measure the operating performance of the Company’s business because EBITDA excludes charges for depreciation, amortization and interest expense that have resulted from our debt financings, as well as our provision for income tax expense. Accordingly, the Company believes that EBITDA provides helpful information about the operating performance of its business, apart from the expenses associated with its physical assets or capital structure. EBITDA is frequently used as one of the bases for comparing businesses in the Company’s industry, however, the Company’s measure of EBITDA may not be identical to similarly titled measures of other companies. EBITDA does not represent and should not be considered as an alternative to net income, operating income, net cash provided by operating activities or any other measure for determining operating performance or liquidity that is calculated in accordance with generally accepted accounting principles.

The Company’s calculation of EBITDA for the three and six months ended June 30, 2006 and 2005 is as follows (in thousands):

	For the three months ended June 30,		For the six months ended June 30,	
	2006	2005	2006	2005
Net income	$ 578	$ 368	$ 926	$ 536
Interest expense	254	269	505	532
Provision for income tax	339	205	505	322
Depreciation and amortization	807	796	1,619	1,609
Income before interest expense, provision for income taxes and depreciation and amortization (EBITDA)	$ 1,978	$ 1,638	$ 3,555	$ 2,999

Liquidity and Capital Resources

The Company's cash and cash equivalents increased $26,000 during the six months to $650,000 at June 30, 2006. The increase compares to an increase of $39,000 in the same period last year.

Net cash provided by operating activities was $1,494,000 for the six months ended June 30, 2006 compared to cash used in operating activities of $682,000 for the six months ended June 30, 2005. Cash provided by operations included net income of $926,000 plus non-cash charges for depreciation and amortization of $1,619,000, provisions for doubtful accounts, obsolete inventory and deferred income taxes totaling $459,000 and other non-cash adjustments of $64,000. Cash provided by operating activities included an increase in trade receivables and inventories of $1,633,000 and $1,321,000 respectively, partially offset by increases in accounts payable and accrued liabilities of $509,000 and $866,000 respectively. These increases are primarily due to increased business levels.

Net cash used in investing activities was $623,000 and $1,455,000 for the six months ended June 30, 2006 and 2005, respectively. Purchases of property and equipment were $623,000 and $1,247,000 in the six months ended June 30, 2006 and 2005, respectively. Most of the equipment purchases during the six months ended June 30, 2005 were related to the set-up of motor sub-assembly manufacturing in China. During the six months ended June 30, 2006 and 2005, the Company paid zero and $208,000, respectively, related to the acquisition of Owosso.

Net cash used in financing activities was $848,000 for the six months ended June 30, 2006 compared to net cash provided of $2,181,000 for the six months ended June 30, 2005. In the six months ended June 30, 2006, the Company had net borrowings on lines-of-credit of $233,000 compared to $2,565,000 in the same period last year. The Company repaid $1,095,000 and $1,043,000 on term loans during the six months ended June 30, 2006 and 2005, respectively. The Company repaid $119,000 and $37,000 on capital leases during the six months ended June 30, 2006 and 2005, respectively. During the six months ended June 30, 2006 the Company received $82,000 from employee stock options exercises compared to $696,000 received from stock transactions under employee benefit stock plans in the first six months last year. Of this $696,000, the Company received $172,000 from its employee stock ownership plan, $129,000 from its employee stock purchase plan and $401,000 from stock option exercises offset by $6,000 of treasury stock purchased from employees in the first six months last year.

The Company's working capital, capital expenditure and debt service requirements are expected to be funded from cash provided by operations, the Company's existing cash balance and amounts available under its line-of-credit facilities. As of June 30, 2006, approximately $5.8 million was available on the lines-of-credit and overdraft facility. The Company believes the capital currently available to it is sufficient for its currently anticipated needs for the next twelve months. There is no guarantee that the Company will be able to obtain financing on terms acceptable to the Company or at all. A key component of the Company's liquidity relates to the availability of amounts under its lines-of-credit. Any lack of availability of these facilities could have a material adverse impact on the Company's liquidity position.

At June 30, 2006, the Company had $11,050,000 of bank debt obligations representing borrowings on lines-of-credit, term loans and an overdraft facility.

Under the domestic revolving line-of-credit agreement (Agreement), the Company has available the lesser of (a)$10,500,000 or (b) the sum of 85% of eligible trade accounts receivable (excluding Premotec) and 50% of eligible inventory, as defined in the Agreement. The line-of-credit expires in May 2007, unless extended. Under the Agreement, the Company utilizes lock-box arrangements whereby remittances from customers reduce the outstanding debt, and therefore the line-of-credit balance has been classified as a current liability. Borrowings under the line-of-credit bear interest at a rate equal to the bank's prime rates plus 1% (9.25% as of June 30, 2006). All borrowings are collateralized by substantially all assets of the

Company. The Agreement prohibits the Company from paying dividends and requires that the Company maintain compliance with certain covenants related to tangible net worth and fixed charge coverage. As of June 30, 2006, the Company was in compliance with such covenants. As of June 30, 2006, the amount available under the domestic line-of-credit was $4,550,000.

Under the foreign line-of-credit agreement (Foreign Agreement), the Company has available the lesser of (a) EUR 1.25 million, or (b) 85% of eligible trade accounts receivable of Premotec as defined in the Foreign Agreement. The line-of-credit expires in August 2006. The Company is currently in discussions with the bank regarding renewal of its foreign line-of-credit and believes it will be successful in renewing the agreement. Borrowings under the line-of-credit bear interest at a rate equal to the bank's base rate plus 1.75%, with a minimum of 4.75% (5.25% at June 30, 2006). Under the Foreign Agreement, remittances from customers reduce the outstanding debt, therefore the balance has been classified as a current liability. As of June 30, 2006, the amount available under the foreign line-of-credit was $1,013,000.

The EUR 200,000 bank overdraft facility bears an interest rate equal to the bank's base rate plus 2%, with a minimum of 5.25% (5.5% at June 30, 2006). The facility has no expiration date. As of June 30, 2006, the amount available under the overdraft facility was $251,000.

Critical Accounting Policies

The Company has prepared its financial statements in conformity with accounting principles generally accepted in the United States, and these statements necessarily include some amounts that are based on informed judgments and estimates of management. The Company's significant accounting policies are discussed in Note 1 in the December 31, 2005 Annual Report on Form 10-K. The policies are reviewed on a regular basis. The Company's critical accounting policies are subject to judgments and uncertainties which affect the application of such policies. The Company uses historical experience and all available information to make these judgments and estimates. As discussed below the Company's financial position or results of operations may be materially different when reported under different conditions or when using different assumptions in the application of such policies. In the event estimates or assumptions prove to be different from actual amounts, adjustments are made in subsequent periods to reflect more current information. The Company's critical accounting policies include:

The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. The allowance is based on historical experience and judgments based on current economic and customer specific factors. Significant judgments are made by management in connection with establishing the Company's customers' ability to pay at the time of shipment. Despite this assessment, from time to time, the Company's customers are unable to meet their payment obligations. The Company continues to monitor customers' credit worthiness, and use judgment in establishing the estimated amount s of customer receivables which may not be collected. A significant change in the liquidity or financial position of the Company's customers could have a material adverse impact on the collectibility of accounts receivable and future operating results.

Inventory is valued at the lower of cost or market. The Company monitors and forecasts expected inventory needs based on sales forecasts. Inventory is written down or written off when it becomes obsolete or when it is deemed excess. These determinations involve the exercise of significant judgment by management. If actual market conditions are significantly different from those projected by management the recorded reserve may be adjusted, and such adjustments may have a significant impact on the Company's results of operations. Demand for the Company's products can fluctuate significantly, and in the past the Company has recorded substantial charges for inventory obsolescence and excess inventories.

The Company records deferred tax assets and liabilities for the estimated future tax effects of temporary differences between the tax basis of assets and liabilities and amounts recorded in the consolidated financial statements, and for operating loss and tax credit carryforwards. Realization of the recorded deferred tax assets is dependent upon the Company generating sufficient taxable income in the appropriate tax jurisdiction in future years to obtain benefit from the reversal of net deductible temporary differences and from tax credit and operating loss carryforwards. A valuation allowance is provided to the extent that

management deems it more likely than not that the net deferred tax assets will not be realized. The amount of deferred tax assets considered realizable is subject to adjustment in future periods if estimates of future taxable income are changed.

The Company reviews the carrying values of its long-lived assets, including goodwill and identifiable intangibles, in accordance with SFAS No. 142. SFAS No. 142 provides a fair value test to evaluate goodwill and long-lived asset impairment. As part of the review, the Company estimates future cash flows. Depending upon future assessments of fair value and estimated future cash flows, there could be impairment recorded related to goodwill and other long-lived assets.

The Company provides pension and postretirement benefits for certain domestic retirees and records the cost of the obligations based on estimates. The net periodic costs are recognized as employees render the services necessary to earn the benefits. Several assumptions are used to calculate the expense and liability related to the plans including the discount rate, the expected rate of return on plan assets, the future rate of compensation increases and health care cost increases. The discount rate is selected based on a bond pricing model that relates to the projected future cash flows of benefit obligations. Actuarial assumptions used are based on demographic factors such as retirement and mortality. Actual results could vary materially from the Company's actuarial assumptions, which may have an impact on the amount of reported expense or liability for pension or postretirement benefits.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk represents the risk of loss that may impact the financial position, results of operations or cash flows of the Company due to adverse changes in financial and commodity market prices and rates. The Company is exposed to market risk in the areas of changes in interest rates and changes in foreign currency exchange rates as measured against the United States dollar. These exposures are directly related to its normal operating and funding activities.

Interest Rate Risk

The interest payable on the Company's domestic and foreign lines-of-credit and its foreign term loan are variable based on the prime rate and Euribor, and are effected by changes in market interest rates. The Company does not believe that reasonably possible near-term changes in interest rates will result in a material effect on future earnings, fair values or cash flows of the Company. A change in the interest rate of 1% on the Company's variable rate debt would have the impact of changing interest expense by approximately $88,000 annually.

Foreign Currency Risk

On August 23, 2004, the Company completed the acquisition of Premotec, located in The Netherlands. Sales from this operation are denominated in Euros, thereby creating exposures to changes in exchange rates. The changes in the Euro/U.S. exchange rate may positively or negatively affect the Company's sales, gross margins, net income and retained earnings. The Company does not believe that reasonably possible near-term changes in exchange rates will result in a material effect on future earnings, fair values or cash flows of the Company.

Item 4. Controls and Procedures

The Company's controls and procedures include those designed to ensure that material information is accumulated and communicated to the Company's management as appropriate to allow timely decisions regarding required disclosure. As of June 30, 2006 the Company's chief executive officer and chief financial officer evaluated the effectiveness of the Company's disclosure controls and procedures designed to ensure that information is recorded, processed, summarized and reported in a timely manner as required by Exchange Act reports such as this Form 10-Q and concluded that they are effective.

There has not been any changes in the Company's internal controls over financial reporting during the quarter or six months ended June 30, 2006 that has materially affected or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. **OTHER INFORMATION**

Item 6. Exhibits

(a) Exhibits

3.1 Amended and Restated Articles of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Form 8-K filed May 3, 2006).

3.2 Amended and Restated Bylaws of the Company (incorporated by reference to Exhibit 3.2 to the Company's Form 8-K filed May 3, 2006).

10.1 Deferred Compensation Plan effective January 1, 2006 (filed herewith).

10.2 First Amendment to the Allied Motion Technologies Inc. Deferred Compensation Plan adopted August 2, 2006 (filed herewith).

31.1 Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of the President and Chief Operating Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of the President and Chief Operating Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURE

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.

DATE: August 10, 2006

ALLIED MOTION TECHNOLOGIES INC.

By: /s/ Richard D. Smith
Chief Executive Officer and
Chief Financial Officer

DEFERRED COMPENSATION PLAN

Allied Motion Technologies Inc., a Colorado corporation (the "Company") hereby establishes the Allied Motion Technologies Inc**.** Deferred Compensation Plan (the "Plan"), effective as of January 1, 2006.

The purposes of the Plan are (1) to provide eligible key employees with the opportunity to defer the receipt of certain compensation otherwise payable to them, and (2) to permit such eligible key employees to participate in the success of the Company by providing them with the opportunity to earn additional, performance based compensation..

1. Definitions.

The following definitions shall apply for the purposes of the Plan:

1.01 "Account" means the bookkeeping account established for each Participant under this Plan, as further described in Section 7.

1.02 "Appropriate Form" means a written or electronic election or other form prescribed by the Board for use in connection with this Plan. The Board may modify, update or replace any Appropriate Form, on a prospective basis, at any time, and the new or modified form shall take effect with respect to each Participant as soon as it is furnished to such Participant.

1.03 "Beneficiary" means a person or trust entitled to receive payment under this Plan on account of the death of a Participant.

1.04 "Board" or "Board of Directors" means the Board of Directors of the Company or, where applicable, any Committee of the Board to which authority with respect to any matter relating to this Plan is delegated.

1.05 "Bonus" means any bonus payable to a Participant by the Company under the Employee Incentive Bonus Plan, or any other bonus plan for the benefit of the Participants that is approved by the Board.

1.06 A "Change of Control", for purposes of the Plan, shall be defined in the manner set forth in Section 409A of the Code and the Treasury Regulations thereunder.

1.07 "Code" means the Internal Revenue Code of 1986, as amended.

1.08 "Deferral" means a portion of a Participant's Salary or Bonus which is deferred pursuant to Section 3.02 and credited to the Participant's Account in accordance with Section 3.03.

1.09 "Deferral Election" means each Participant's written election to defer the receipt of Salary or Bonus in accordance with Section 3.02.

1.10 "Disabled" means suffering from any mental or physical condition, other than use of alcohol or illegal use of drugs or narcotics, which renders a Participant unable to perform substantially all of the duties and services for the Company required of the Participant in a satisfactory manner for 120 consecutive days, or 180 days during any 12-month period.

1.11 "Discretionary Contribution" means an unfunded contribution for the benefit of a Participant, as described in Section 6.

1.12 "Effective Date of the Plan" means January 1, 2006.

1.13 "Investment Funds" means those mutual funds, available through Fidelity Investments, that are designated by the Board from time to time as the investments available to measure adjustments to Accounts, as provided in Section 7.03.

1.14 "Net Profit" means the after tax net income of the Company for a Year, as stated in the Company's certified financial statements.

1.15 "Net Profit Target" means a threshold amount of Net Profit for a Year, designated by the Board as a Performance Criterion pursuant to Section 4.01.

1.16 "Participant" means an executive employee of the Company who is designated by the Board as a participant in the Plan.

1.17 "Performance Contribution" means an unfunded contribution for the benefit of a Participant, as described in Section 4.

1.18 "Performance Contribution Term" with respect to any Participant means the period beginning on the Effective Date and ending on the earlier of:

(a) December 31, 2020; or

(b) December 31st of the third calendar year which begins after the date of such Participant's Separation from Service; or

(c) The date on which such Participant

(i) is terminated for "Cause", within the meaning of such Participant's Employment Agreement with the Company, or

(ii) the date on which the Participant directly or indirectly: (A) (whether as director, officer, consultant, principal, employee, agent or otherwise) engages in or contributes Participant's knowledge and abilities to any business or entity in competition with the Company; or (B) attempts in any manner to solicit from any customer of the Company business of the type performed by the Company or persuade any customer of the Company to cease doing business or reduce the amount of business that such customer has customarily done with the Company.

1.19 "Performance Criteria" means such Net Profit Targets or other organizational criteria, the satisfaction of which is a condition to the Participants' earning Performance Contributions.

1.20 "Plan" means the Plan set forth herein, as it may be amended from time to time in accordance with Section 11.01.

1.21 "Retirement" or "Retire" means any termination of employment with the Company on or after the Effective Date of the Plan.

1.22 "Salary" means the base salary payable to each Participant by the Company.

1.23 "Separation from Service" means, with respect to a Participant, such Participant's death, retirement or other termination of employment with the Company. For purposes of the Plan, such term will be interpreted and applied in a manner consistent with Section 409A of the Code and the Treasury regulations thereunder.

1.24 "Term" means the period of time during which the Plan is in effect, beginning on the Effective Date of the Plan and ending on the effective date of the Plan's termination pursuant to Section 11.01 or 11.02.

1.25 "Year" means each calendar year during the Term of this Plan

2. <u>Participation</u>.

2.01 <u>Commencement</u>. An employee of the Company will become a Participant in the Plan upon being so designated by the Board, effective as of such date as the Board shall designate (which may be prior to the date of such designation). As of the Effective Date of the Plan, the only two Participants are Richard D. Smith and Richard S. Warzala.

2.02 <u>Termination of Participation</u>. Once designated as a Participant, an individual will continue as a Participant until all benefits to which he is entitled under the Plan have been distributed to him.

3. <u>Deferrals</u>.

3.01 <u>Deferral of Salary or Bonus</u>.

(a) Each Participant may elect to defer receipt of up to 100 percent of the Salary and any Bonus otherwise payable to such Participant for a given Year.

(b) A Participant may defer an item of compensation only to the extent that the Participant is entitled to receive such item of compensation. Upon electing such a Deferral, the Participant will have no further right to such deferred compensation other than as provided under the Plan.

3.02 <u>Deferral Election</u>.

(a) To elect to defer Salary or a Bonus, each Participant shall file a Deferral Election, on the Appropriate Form, with the Secretary of the Company in accordance with this Section 3.02.

(b) Except as provided in subsection (e), an election to defer Salary for a Year shall be filed by December 31 of the Year preceding the Year in which the election is to take effect. The election shall be effective with respect to Salary payable for all payroll periods ending in the Year in which it is effective.

(c) Except as provided in subsection (e), an election to defer a Bonus shall be filed before the beginning of the Year during which the performance, on which the Bonus will be based, is measured; provided, however, that if the Board determines that such Bonus constitutes "performance based compensation", within the meaning of Section 409A(4)(B)(iii) of the Code and the Treasury Regulations thereunder, and that the other applicable requirements of such Regulations are met with respect to such Bonus, such election to defer may be made up until six months before the end of the Year during which the applicable Performance criteria are measured.

(d) A Deferral Election that is made prior to the due date for its filing, as herein provided, may be rescinded, and a new election made, before such due date. If not rescinded, an election to defer shall become irrevocable at the expiration of the time for its filing, except as provided in Section 3.05 (unforeseen emergency).

(e) For the Year in which an employee first becomes a Participant, such Participant may file a Deferral Election with respect to Salary or Bonus paid for services performed after the date such Deferral Election is filed, at any time thirty (30) days after such employee first becomes a Participant.

3.03 Credit to Account. The Company shall credit any Deferral to a "Deferral Sub-Account" of each Participant's Account, as described in Section 7.01, as of the date it would have otherwise been paid to each Participant.

3.04 Vesting. A Participant's interest in his Deferral Sub-Account shall be fully vested at all times.

3.05 Unforeseen Emergency. Upon payment to a Participant pursuant to Section 8.05 on account of an unforeseeable emergency, any Deferral Election such Participant has in effect for the Year of the payment shall automatically terminate.

4. Performance Contributions.

4.01 Basis of Performance Contributions; Performance Criteria.

(a) For each Year during the Performance Contribution Term, the Company will credit Performance Contributions to the Accounts of Participants for a Year if the

Company achieves the Performance Criteria for such Year, and the other terms of conditions of this Plan are satisfied.

(b) For the first Year of the Plan, the Performance Criteria shall be:

(i) A Net Profit Target, which shall be a threshold amount of Net Profit, equal to a stated return on investment ("ROI"), determined in the manner stated in Schedule 1 hereto; and

(ii) A stated percentage of the excess of (A) the Company's Net Profit for the Year, over (B) the Net Profit Target for such Year, determined in the manner stated in Schedule 1.

(c) For each succeeding Year during the Term, the Board shall designate the applicable Performance Criteria for the Year on or before the ninetieth (90^{th}) day of such Year, or as soon thereafter as is practicable.

4.02 Credit to Account. The Company shall credit any Performance Contributions to a "Performance Contribution Sub-Account" of each Participant's Account, as described in Section 7.01, as of the date on which the amount of such Performance Contribution is determined by the Board.

4.03 Vesting.

(a) A Participant's interest in a Performance Contribution made on his behalf for a Year shall become fully vested if he

(i) is employed by the Company on December 31 of such Year, or

(ii) Retires, dies or becomes Disabled during such Year.

(b) If a Participant Retires, dies or become Disabled during the Year, the Performance Contribution shall nevertheless be computed with respect to the entire Year, and the Participant shall be entitled to receive the entire Performance Contribution for such Year.

5. Benefits Upon a Change of Control.

5.01 Calculation of Change of Control Benefit.

(a) In the event of a Change of Control with respect to the Company which occurs during the Performance Contribution Term, a special benefit will be paid, at the time hereafter provided, to all Participants. Such benefit will be equal to the sum of the following:

(i) An amount equal to a *pro rata* portion of the Performance Contribution that would have been paid to such Participant for the Year in which

the Change of Control occurs, based on the number of days in such Year which precede the Change of Control; plus

(ii) An amount determined by multiplying

(A) the average of the Performance Contributions for the benefit of such Participant for the preceding three (3) years, or the number of years since the Effective Date of the Plan, if less, by

(B) the lesser of (I) three (3), or (II) the number of Years, or fractions thereof, remaining after the date of the Change of Control until December 31, 2020.

(b) For purposes of computing the portion of special benefit described in clause (i), above:

(A) Performance Criteria shall be measured for the period ending on the last day of the month preceding the month that includes the effective date of the Change of Control; and

(B) Extraordinary costs arising out of the transactions that constitute the Change of Control shall be disregarded.

5.02 <u>Payment of Change of Control Benefit</u>. The Change of Control Benefit shall be determined by the Board prior to the effective date of the Change of Control, and paid to each Participant on the date of the Change of Control, or as soon thereafter as is reasonably practicable, but in any case within the time prescribed in Section 8.

6. <u>Discretionary Contributions</u>.

6.01 <u>Designation of Eligible Participants and Other Matters</u>.

(a) The Board may, from time to time, allocate additional Discretionary Contributions to one or more Participants, in such amount(s) as the Board shall designate.

(b) No later than the date on which the Board designates the Participant(s) who shall receive such Discretionary Contributions, and the amount thereof, it shall also designate when and how such amounts shall be distributed to the eligible Participants, from among the options stated in Section 8.02.

6.02 <u>Credit to Account.</u> The Company shall credit any Discretionary Contributions to a "Discretionary Contribution Sub-Account" in each Participant's Account as of the date on which the Board makes the designations described in Section 6.01.

6.03 <u>Vesting</u>. A Participant's interest in his Discretionary Sub-Account shall be fully vested at all times.

7. <u>Participants' Accounts</u>.

7.01 <u>Establishment of Accounts and Sub-Accounts</u>.

(a) The Company shall establish an Account for each Participant on the Company's books to which deferrals and contributions under this Plan shall be credited.

(b) Deferrals pursuant to Section 3, and any adjustments thereto pursuant to Section 7.03, shall be credited to a Deferral Sub-Account within the Account of the Participant who makes such Deferral. Performance Contributions on behalf of a Participant pursuant to Section 4, and any adjustments thereto pursuant to Section 7.03, shall be credited to a Performance Contribution Sub-Account within the Account of such Participant. Discretionary Contributions on behalf of a Participant pursuant to Section 6 and any adjustments thereto pursuant to Section 7.03, shall be credited to a Discretionary Contribution Sub-Account within the Account of such Participant.

7.02 <u>Performance Contributions Subject to Forfeiture</u>.

(a) Until and except to the extent that Performance Contributions become vested in accordance with Section 4.03, the interest of each Participant in his Performance Contribution Sub-Account is contingent only and is subject to forfeiture as provided in Section 4.03.

7.03 <u>Imputed Investment Experience</u>.

(a) Each Participant may designate one or more Investment Funds in which stated portions of such Participant's Account shall hypothetically be invested, by completing the Appropriate Form and following such procedures as the Board shall designate. Each Participant may allocate his Account or any Sub-Account among different Investment Funds in increments of 10%. Furthermore, each Participant may change his designation of Investment Funds once every month. The Investment Funds so designated are referred to herein as the "Designated Investment Funds".

(b) Each month during the period of a Participant's participation in the Plan, the Company shall adjust the balance credited to each Participant's Account to reflect the investment performance of the Designated Investment Funds.

7.04 <u>Accounting</u>.

(a) The Company shall, on a periodic basis, deliver to each Participant a written report of the adjusted value of the Participant's Account. The report shall separately show all Deferrals and other contributions with respect to the Account, all investment returns with respect to each portion of the Account for which the Participant has made an investment designation, and any payments to the Participant.

(b) If the Company has engaged a trustee, custodian, or brokerage firm to hold securities and other property acquired with respect to the Account, an accounting or report by such trustee, custodian, or brokerage firm shall be deemed to be the Company's report for purposes of this Plan, except to the extent the Company may inform the Participants otherwise.

8. Distributions.

8.01 Default Rule. Except as provided in Section 8.04, a Participant's Discretionary Sub-Account and, unless the Participant elects otherwise in accordance with Section 8.02, a Participant's Deferral Sub-Account and Performance Contribution Sub-Account shall be distributed in a lump sum within thirty (30) days after the earliest of the following dates:

(a) The end of the Performance Contribution Term; or

(b) The effective date of a Change of Control.

8.02 Election of Time and Form of Payment.

(a) Each Participant may elect to have payment of his Deferral Sub-Account or Performance Contribution Sub-Account made to him in one of the methods described in this Section 8.02 instead of in the method described in Section 8.01, subject to the requirements stated in subsection (b) and in Section 8.03.

(b) To be effective with respect to any contribution or Deferrals with respect to any Year:

(i) An election with respect to a Deferral must be made before the expiration of the time for filing the Participant's Deferral Election, as provided in Section 3.02.

(ii) An election with respect to a Performance Contribution must be made at least six months before the end of the Year during which the applicable Performance Criteria are measured.

(c) The optional methods are as follows:

(i) Monthly installments over a period of three (3) years, beginning on such date as is designated in the Participant's election, subject to the provisions of Section 8.03**.**

8.03 Changes to Payment Method. A Participant's election to revoke the default payment method of Section 8.01 and to elect another payment method under Section 8.02, or to change the payment method elected under Section 8.02, shall be subject to the following restrictions:

(a) The election to revoke or change shall not take effect until twelve (12) months after the date it is made.

(b) Except in the case of an election under Section 8.05 (unforeseeable emergency), the election to revoke or change may not provide for payment sooner than five (5) years from the date payment would otherwise have been made or begun.

(c) An election to revoke or change with respect to payments scheduled to be made or begin at a time specified by each Participant may not be made less than 12 months before the time originally specified for payment to be made or begin.

(d) For the purposes of this Section 8.03, a series of installment payments shall be considered a single payment.

8.04 Payment on Death.

(a) Upon a Participant's death before the termination of his employment with the Company, the Company shall pay the balance of the Account to each Participant's Beneficiary or estate, within thirty (30) days after the date of his death.

(b) Upon a Participant's death after the termination of his employment with the Company, the Company shall pay any balance of the Account to such Participant's Beneficiary or estate, as provided in subsection (c), in the method in effect under Section 8.01 or 8.02, as applicable.

(c) Each Participant may designate one or more primary and contingent Beneficiaries to receive any amounts payable under this Plan on his death. The designation of Beneficiary shall be in writing, shall be made on the Appropriate Form, shall not be effective unless filed with the Secretary of the Company before the Participant's death, and may be changed or revoked at any time without notice to any beneficiary by the Participant's filing of a subsequent designation with the Secretary of the Company. If a Participant designates more than one Beneficiary, each shall share equally unless such Participant specifies a different allocation or preference. If any Participant fails to designate a Beneficiary, or should no designated Beneficiary survive him or be in existence after the Participant's death, payment shall be made to such Participant's estate.

(d) If a Beneficiary (who is a natural person) entitled to payment should die after a Participant's death but before receiving payment of the entire amount payable to him, the balance of any amounts payable shall be paid when due to the surviving Beneficiary or Beneficiaries designated by such Participant in accordance with such Participant's designation. If there should be no designated Beneficiaries surviving or in existence on the date of such Beneficiary's death, the balance of such payments shall be paid when due to the executor or administrator of the last Beneficiary to die.

8.05 Unforeseeable Emergency.

(a) A Participant or his Beneficiary may, in the case of an unforeseeable emergency (as defined in subsection (b)), elect and shall be entitled to payment of an amount credited to such Participant's Account subject to the following conditions:

(b) The amount payable shall not exceed the amount reasonably necessary to satisfy the emergency need (which may include amounts necessary to pay any Federal, State, or local income taxes or penalties reasonably anticipated to result from the payment), taking into account the termination of any Deferral Elections pursuant to Section 3.05.

(c) The Company shall not pay any amount on account of an unforeseeable emergency to the extent the emergency is or may be relieved through reimbursement or compensation from insurance or otherwise; or by liquidation of each Participant's or the beneficiary's assets, to the extent the liquidation of such assets would not cause severe financial hardship; or by cessation of Deferrals under this Plan.

(d) For purposes of this Plan, "unforeseeable emergency" means a severe financial hardship of each Participant or his beneficiary resulting from an illness or accident of each Participant or beneficiary or each Participant or beneficiary's spouse or dependent (as defined in section 152(a) of the Code); loss of each Participant's or beneficiary's property due to casualty; or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of each Participant or beneficiary. The Company shall, in its discretion, determine whether each Participant or beneficiary is faced with an unforeseeable emergency permitting a distribution under this Section 8.05. In doing so, the Company shall refer to the definition of "unforeseeable emergency" set forth in Treasury Regulations under Section 409A of the Code, and shall base its determination on such definition and the relevant facts and circumstances of each case.

8.06 Taxes. Payments under this Plan shall be subject to any applicable tax withholding as required under Federal, State, and local law.

9. Source of Payments

9.01 Unsecured Creditor. Nothing contained in this Plan shall create a trust or create a fiduciary relationship of any kind between the Company and each Participant. To the extent that any person acquires a right to receive payments from the Company under this Plan, such right shall be no greater than the right of any unsecured general creditor of the Company.

9.02 Unfunded. The Company and each Participant acknowledge it is their intent and they agree that for purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended, and for purposes of the Code, and for all other purposes, this Plan constitutes an unfunded arrangement maintained for the purpose of providing deferred compensation for an individual who is a member of a select group of management or highly compensated employees.

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10. Prohibition Against Assignment.

10.01 No Assignment. Except to the extent required by law, the right of each Participant or any beneficiary to payment of each Participant's interest in his Account shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment, or garnishment by creditors of each Participant or beneficiary.

11. Amendment and Termination.

11.01 Action by Company. The Company may amend or terminate this Plan at any time by resolution of the Board of Directors, but no such amendment or termination shall adversely affect each Participant's rights with respect to the amounts previously credited to his Account.

11.02 Liquidation. This Plan shall terminate automatically upon the liquidation or dissolution of the Company. Subject to Section 10.03, payment of each Participant's Account shall be made to him or, if each Participant is deceased, his beneficiary, in a lump sum as soon as practicable following such liquidation or dissolution.

11.03 Conformance to Section 409A. Notwithstanding any contrary provision of this Section 11 or Section 8:

(a) If the termination of a Participant's employment with the Company does not qualify as a separation from service, as that term is used under Section 409A of the Code, and such Participant is not disabled, as that term is defined under Section 409A of the Code, then payment under Section 8.01 or 8.02 shall not be made or begin before the relevant time has elapsed after each Participant's separation from service with the Company.

(b) The time or schedule of any payment under this Plan may not be accelerated except as otherwise provided in this Plan and then only to the extent such acceleration would not cause this Plan to fail to meet the requirements of section 409A of the Internal Revenue Code.

11.04 Intent To Defer Tax The Company and each Participant intend that this Plan meet the requirements of Section 409A of the Code for the deferral (until payment) of the income taxation of the compensation deferrable under this Plan, and this Plan shall be construed accordingly. To the extent this Plan is more restrictive than necessary to meet the requirements of Section 409A of the Code, the Company reserves the right to amend this Plan, provided such amendment would not cause the Plan to fail to meet those requirements.

12. Miscellaneous.

12.01 No Contract of Employment. Nothing contained in this Plan shall be deemed to create a contract of continuing employment between the Company and each Participant.

12.02 Administration. The Board shall administer this Plan in accordance with the Plan's terms and shall have full power and authority necessary or appropriate for carrying out

its duties. The Board shall have the full power to establish any rules and procedures it finds appropriate for the administration of this Plan. The Board may correct any defect or reconcile any inconsistency in the Plan to the extent the Board finds it necessary to carry out the purposes of the Plan. The Board shall have full power and authority to interpret the Plan and to decide all matters arising in connection with the administration of the Plan. In exercising its power and authority, the Board shall have complete discretion and its determinations shall be final.

12.03 Participant Responsible for Investment Designations. Neither the Company nor the Board shall have any duty to question any investment designations of a Participant or to make recommendations to any Participant with respect to investment designations. Neither the Company nor the Board shall be liable for any reduction in the amount credited to a Participant's Account that is the result of each Participant's investment designations or a failure of each Participant to make or change an investment designation.

Notwithstanding any other provision of this Plan, a Participant's investment designation shall not be given effect if the Board in its discretion determines that such an investment would be unlawful or impracticable if actually made by the Company.

12.04 Investment Designations upon Death, Incapacity, or Disability. The provisions of this Section 12.04 shall apply notwithstanding any contrary provisions of the Plan.

(a) Upon a Participant's death, such Participant's Beneficiary or Beneficiaries to the extent of their interests, or, if each Participant fails to designate a Beneficiary or no Beneficiary survives him, the executor or administrator of each Participant's estate, shall succeed to each Participant's right to make investment designations with respect to the Account, and all references to each Participant in Section 7.03 and Section 12.03 shall be interpreted as references to the Beneficiary, Beneficiaries, executor, or administrator, as appropriate.

(b) If, in the Board's opinion, each Participant or a Beneficiary entitled to make investment designations under this Plan is under a legal disability or incapacitated in any way so as to be unable to manage his financial affairs, and if the Board determines that a legal representative of each Participant or his beneficiary is authorized to make such designations on behalf of each Participant or his Beneficiary, then such legal representative shall be considered the each Participant or beneficiary for all purposes of Section 7.03 and Section 12.03.

(c) If, in the situation described in paragraph (b) (involving each Participant's legal disability or incapacity), the Board determines that no legal representative is authorized to make such designations on behalf of each Participant or his beneficiary, then neither the Board nor the Company shall be under any obligation to take any action with respect to the investment designations in effect with respect to the Account. However, in such a situation, the Board may, from time to time, in its discretion, make investment designations on each Participant's behalf, but only from among Investment Funds substantially all of the assets of which are certificates of deposit or interest bearing accounts in banks, savings banks, or savings and loan

associations; obligations of the United States government and obligations guaranteed as to principal and interest by the United States government; obligations of a state, a territory, or a possession of the United States, or of any political subdivision of any of the foregoing, or of the District of Columbia; and cash deposit accounts. Neither the Board, the Company, nor any trustee shall be liable to each Participant, his beneficiary, or his estate for taking no action with respect to investment designations in effect with respect to the Account or for taking the action described in the preceding sentence.

12.05 Waivers. No provision of this Plan may be modified, waived, or discharged except by an instrument in writing executed by each Participant and an authorized officer of the Company. A waiver by either party of any breach of, or compliance with, any condition or provision of this Plan shall not be deemed a waiver of similar or dissimilar provisions or conditions at the same or any prior or subsequent time. No agreements or representations, oral or otherwise, with respect to the subject matter of this Plan have been made by either party that are not expressly set forth in this Plan.

12.06 Construction. The validity, interpretation, construction, and performance of this Plan shall be governed by the internal laws of the State of Colorado, without regard to the principles of conflicts of law.

12.07 Enforceability. The invalidity or unenforceability of any provision of this Plan shall not affect the validity of any other provision of this Plan, which shall remain in full force and effect.

12.08 Successors. This Plan shall be binding on and inure to the benefit of the Company, its successors and assigns, each Participant, and each Participant's heirs, executors, administrators, and legal representatives.

Schedule 1

Determination of Performance Criteria

For 2006, the Performance Contribution will be based on a Net Profit Target equivalent to an 8% return on investment, with the investment used for such determination being shareholders' equity at the beginning of the year adjusted for the issuance of any Company stock during the year.

If the Company's net profit for 2006 exceeds this Net Profit Target amount, 25% of the excess shall be allocated evenly to Richard D. Smith and Richard S. Warzala.

FIRST AMENDMENT
TO THE
ALLIED MOTION TECHNOLOGIES INC. DEFERRED COMPENSATION PLAN

WHEREAS, Allied Motion Technologies Inc. (the "Company") has reserved the right to amend the Allied Motion Technologies Inc**.** Deferred Compensation Plan (the "Plan") at any time by action of its Board of Directors; and

WHEREAS, this amendment has been authorized by the Board of Directors of the Company;

NOW, THEREFORE, the Company hereby amends the Plan as follows, effective as of the dates specified herein:

I. Effective as of the Effective Date of the Plan, Section 1.13 of the Plan is hereby amended to read as follows:

1.13 "Investment Funds" means those mutual funds that are designated by the Board from time to time as the investments available to measure adjustments to Accounts, as provided in Section 7.03.

II. Effective as of August 2, 2006, a new Section 1.13A is added to the Plan, as follows:

1.13A The Company shall be considered to be "Insolvent" for purposes of the Plan if (i) the Company is unable to pay its debts as they become due, or (ii) the Company is subject to a pending proceeding as a debtor under the United States Bankruptcy Code.

III. Effective as of August 2, 2006, a new Section 9.03 is added to the Plan, as follows

9.03 Company Obligation to Establish Trust.

(a) Notwithstanding the foregoing provisions of this Section 9, upon the occurrence of any event described in subsection (b), the Company shall, as soon as practicable, but in any case within sixty (60) days after notice of such event is delivered to the Company by any Participant as provided herein:

(i) establish an irrevocable "rabbi trust", within the meaning of IRS Revenue Procedure 92-64, or any comparable provision of law then in effect, under this Plan, which trust shall include a separate account for each Participant; and

(ii) contribute to such trust such principal amount, in cash, as shall be sufficient to fully fund all benefits of all Participants under the Plan which have theretofore accrued.

Thereafter, each Year the Company shall (A) contribute to such trust such additional amounst as shall be required such that, after such contribution, the assets in the trust shall be sufficient to fully fund all benefits under the Plan which have theretofore accrued, and (B) cause the trustee to deliver periodic reports to all Participants (not less frequently than annually) with respect to the assets, gains and losses of the Participant's account under the trust.

(b) The events referred to in subsection (a) are as follows:

(i) A "Change of Control" with respect to the Company;

(ii) The Company's becoming Insolvent; or

(iii) Any Participant's delivery of a written notice to the Company requesting that the Company establish a rabbi trust as provided herein.

IV. Effective as of August 2, 2006, a new Section 12.08 is added to the Plan, as follows:

12.08 Notices. All notices and other communications required or permitted to be given under the Plan shall be in writing and shall be deemed to have been duly given if (a) delivered personally, (b) sent by next-day or overnight mail or delivery, or (c) sent by fax, as follows:

(a) If to the Company to:

Allied Motion Technologies Inc.
Suite 150
23 Inverness Way East
Englewood, CO 80112
Fax: (303) 799-8521
Attention: Secretary

(b) If to any Participant, to the address or fax number of such Participant most recently provided to the Company by the Participant.

IN WITNESS WHEREOF, the Company has caused this First Amendment to be executed this 2nd day of August, 2006.

ALLIED MOTION TECHNOLOGIES INC.

By: /s/ Susan M. Chiarmonte
Secretary and Treasurer

EXHIBIT 31.1

CERTIFICATION

I, Richard D. Smith, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Allied Motion Technologies Inc. (the “registrant”);

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 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)) 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) Omitted;

   (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 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 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 controls over financial reporting.

Date: August 10, 2006

/s/ Richard D. Smith

Richard D. Smith
Chief Executive Officer,
Chief Financial Officer and
Director

EXHIBIT 31.2

CERTIFICATION

I, Richard S. Warzala, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Allied Motion Technologies Inc. (the “registrant”);

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 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)) 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) Omitted;

   (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 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 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 controls over financial reporting.

Date: August 10, 2006

/s/ Richard S. Warzala
Richard S. Warzala
President and
Chief Operating Officer

EXHIBIT 32.1

Certification of Periodic Financial Reports
Pursuant to 18 U.S.C. Section 1350

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Allied Motion Technologies Inc. (the "Company") certifies to his knowledge that:

(1) The Quarterly Report on Form 10-Q of the Company for the quarterly period ended June 30, 2006 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 that Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 10, 2006

/s/ Richard D. Smith
Richard D. Smith
Chief Executive Officer and
Chief Financial Officer

EXHIBIT 32.2

Certification of Periodic Financial Reports
Pursuant to 18 U.S.C. Section 1350

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Allied Motion Technologies Inc. (the "Company") certifies to his knowledge that:

(1) The Quarterly Report on Form 10-Q of the Company for the quarterly period ended June 30, 2006 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 that Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 10, 2006

/s/ Richard S. Warzala
Richard S. Warzala
President and
Chief Operating Officer