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

Form 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended June 30, 2021.

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from ________________________to _________________________

Commission file number 0-04041

ALLIED MOTION TECHNOLOGIES INC.
(Exact name of Registrant as Specified in Its Charter)

Colorado	**84-0518115**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
495 Commerce Drive, Amherst, New York	**14228**
(Address of principal executive offices)	(Zip Code)

(716) 242-8634
(Registrant's Telephone Number, Including Area Code)
(Former Address, if Changed Since Last Report)

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock	AMOT	NASDAQ

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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Securities Exchange Act.

Large accelerated filer ☐	Accelerated filer ☒	Non-accelerated filer ☐	Smaller reporting company ☐	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

Number of Shares of the only class of Common Stock outstanding: 14,715,686 as of August 4, 2021

ALLIED MOTION TECHNOLOGIES INC.
INDEX

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

	June 30, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	$ 23,384	$ 23,131
Trade receivables, net of provision for credit losses of $505 and $382 at June 30, 2021 and December 31, 2020, respectively	52,090	47,377
Inventories	67,776	62,978
Prepaid expenses and other assets	8,516	8,728
Total current assets	151,766	142,214
Property, plant and equipment, net	55,153	55,428
Deferred income taxes	7,320	330
Intangible assets, net	62,412	65,859
Goodwill	61,114	61,860
Right of use assets	17,969	19,023
Other long-term assets	4,724	4,483
Total Assets	$ 360,458	$ 349,197
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 33,406	$ 27,668
Accrued liabilities	25,942	24,862
Total current liabilities	59,348	52,530
Long-term debt	112,391	120,079
Deferred income taxes	4,439	4,659
Pension and post-retirement obligations	5,096	5,340
Right of use liabilities	14,114	14,975
Other long-term liabilities	7,091	8,558
Total liabilities	202,479	206,141
Stockholders' Equity:		
Common stock, no par value, authorized 50,000 shares; 14,716 and 14,632 shares issued and outstanding at June 30, 2021 and December 31, 2020, respectively	42,590	41,278
Preferred stock, par value $1.00 per share, authorized 5,000 shares; no shares issued or outstanding	—	—
Retained earnings	120,964	105,065
Accumulated other comprehensive loss	(5,575)	(3,287)
Total stockholders' equity	157,979	143,056
Total Liabilities and Stockholders' Equity	$ 360,458	$ 349,197

See accompanying notes to condensed consolidated financial statements.

ALLIED MOTION TECHNOLOGIES INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(In thousands, except per share data)
(Unaudited)

	For the three months ended June 30, 2021	For the three months ended June 30, 2020	For the six months ended June 30, 2021	For the six months ended June 30, 2020
Revenues	$ 101,537	$ 86,661	$ 203,214	$ 179,043
Cost of goods sold	70,320	60,201	141,929	124,541
Gross profit	31,217	26,460	61,285	54,502
Operating costs and expenses:				
Selling	4,396	3,842	8,614	8,085
General and administrative	11,181	9,710	21,929	18,872
Engineering and development	7,240	6,197	14,199	12,431
Business development	155	177	174	424
Amortization of intangible assets	1,511	1,483	3,023	2,924
Total operating costs and expenses	24,483	21,409	47,939	42,736
Operating income	6,734	5,051	13,346	11,766
Other expense, net:				
Interest expense	807	901	1,668	1,955
Other (income) expense, net	(10)	17	(129)	76
Total other expense, net	797	918	1,539	2,031
Income before income taxes	5,937	4,133	11,807	9,735
Income tax (provision) benefit	(1,303)	(1,237)	4,754	(2,804)
Net income	$ 4,634	$ 2,896	$ 16,561	$ 6,931
Basic earnings per share:				
Earnings per share	$ 0.32	$ 0.20	$ 1.15	$ 0.49
Basic weighted average common shares	14,406	14,264	14,356	14,211
Diluted earnings per share:				
Earnings per share	$ 0.32	$ 0.20	$ 1.14	$ 0.49
Diluted weighted average common shares	14,494	14,304	14,467	14,278
Net income	$ 4,634	$ 2,896	$ 16,561	$ 6,931
Other comprehensive income:				
Foreign currency translation adjustment	955	1,932	(3,052)	(496)
Gain (loss) on derivatives	56	(329)	764	(1,417)
Comprehensive income	$ 5,645	$ 4,499	$ 14,273	$ 5,018

See accompanying notes to condensed consolidated financial statements.

ALLIED MOTION TECHNOLOGIES INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands, except per share data)
(Unaudited)

	Common Stock					Accumulated Other Comprehensive Income (Loss)			
(In thousands except per share data)	**Shares**	**Amount**	**Unamortized Cost of Equity Awards**	**Common Stock and Paid-in Capital**	**Retained Earnings**	**Foreign Currency Translation Adjustments**	**Accumulated income (loss) on derivatives**	**Pension adjustments**	**Total Stockholders' Equity**
Balances, December 31, 2020	14,632	$ 47,085	$ (5,807)	$ 41,278	$ 105,065	$ (216)	$ (1,438)	$ (1,633)	$ 143,056
Stock transactions under employee benefit stock plans	32	988		988					988
Issuance of restricted stock, net of forfeitures	81	3,001	(2,872)	129					129
Stock-based compensation expense			797	797					797
Shares withheld for payment of employee payroll taxes	(21)	(256)		(256)					(256)
Comprehensive (loss) income						(4,007)	929		(3,078)
Tax effect of derivative transactions							(221)		(221)
Net income					11,927				11,927
Dividends to stockholders - $0.02					(294)				(294)
Balances, March 31, 2021	14,724	50,818	(7,882)	42,936	116,698	(4,223)	(730)	(1,633)	153,048
Issuance of restricted stock, net of forfeitures	15	472	(474)	(2)					(2)
Stock-based compensation expense			1,000	1,000					1,000
Shares withheld for payment of employee payroll taxes	(23)	(1,344)		(1,344)					(1,344)
Comprehensive income						955	74		1,029
Tax effect of derivative transactions							(18)		(18)
Net income					4,634				4,634
Dividends to stockholders - $0.025					(368)				(368)
Balances, June 30, 2021	14,716	$ 49,946	$ (7,356)	$ 42,590	$ 120,964	$ (3,268)	$ (674)	$ (1,633)	$ 157,979

	Common Stock					Accumulated Other Comprehensive Income (Loss)			
	Shares	**Amount**	**Unamortized Cost of Equity Awards**	**Common Stock and Paid-in Capital**	**Retained Earnings**	**Foreign Currency Translation Adjustments**	**Accumulated income (loss) on derivatives**	**Pension adjustments**	**Total Stockholders' Equity**
Balances, December 31, 2019	14,399	$ 41,642	$ (4,506)	$ 37,136	$ 92,589	$ (8,626)	$ (277)	$ (1,628)	$ 119,194
Stock transactions under employee benefit stock plans	48	1,252		1,252					1,252
Issuance of restricted stock, net of forfeitures	156	3,574	(3,089)	485					485
Stock-based compensation expense			789	789					789
Shares withheld for payment of employee payroll taxes	(36)	(256)		(256)					(256)
Comprehensive loss						(2,428)	(1,432)		(3,860)
Tax effect of derivative transactions							344		344
Net income					4,035				4,035
Dividends to stockholders - $0.02					(290)				(290)
Balances, March 31, 2020	14,567	46,212	(6,806)	39,406	96,334	(11,054)	(1,365)	(1,628)	121,693
Issuance of restricted stock, net of forfeitures	57	1,222	(1,222)	—					—
Stock compensation expense			921	921					921
Shares withheld for payment of employee payroll taxes	(8)	(541)		(541)					(541)
Comprehensive loss (income)						1,932	(433)		1,499
Tax effect of derivative transactions							104		104
Net income					2,896				2,896
Dividends to stockholders - $0.02					(292)				(292)
Balances, June 30, 2020	14,617	$ 46,893	$ (7,107)	$ 39,786	$ 98,938	$ (9,122)	$ (1,694)	$ (1,628)	$ 126,280

See accompanying notes to condensed consolidated financial statements.

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

	For the six months ended June 30, 2021	For the six months ended June 30, 2020
Cash Flows From Operating Activities:		
Net income	$ 16,561	$ 6,931
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	8,890	7,627
Deferred income taxes	(7,316)	(841)
Stock-based compensation expense	1,797	1,720
Debt issue cost amortization recorded in interest expense	71	73
Other	1,028	885
Changes in operating assets and liabilities, net of acquisition:		
Trade receivables	(5,381)	(1,178)
Inventories	(5,951)	(5,193)
Prepaid expenses and other assets	814	1,472
Accounts payable	5,651	(1,627)
Accrued liabilities	307	(3,270)
Net cash provided by operating activities	16,471	6,599
Cash Flows From Investing Activities:		
Purchase of property and equipment	(5,885)	(3,614)
Consideration paid for acquisitions, net of cash acquired	—	(14,728)
Net cash used in investing activities	(5,885)	(18,342)
Cash Flows From Financing Activities:		
Borrowings on long term debt	—	26,979
Principal payments of long-term debt	(7,603)	(7,937)
Payment of debt issuance costs	—	(401)
Dividends paid to stockholders	(662)	(569)
Tax withholdings related to net share settlements of restricted stock	(1,600)	(797)
Net cash (used in) provided by financing activities	(9,865)	17,275
Effect of foreign exchange rate changes on cash	(468)	71
Net increase in cash and cash equivalents	253	5,603
Cash and cash equivalents at beginning of period	23,131	13,416
Cash and cash equivalents at end of period	$ 23,384	$ 19,019
Supplemental disclosure of cash flow information:		
Property, plant and equipment purchases in accounts payable or accrued expenses	$ 967	$ 1,169

See accompanying notes to condensed consolidated financial statements.

ALLIED MOTION TECHNOLOGIES INC.
UNAUDITED NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except per share data)

1. BASIS OF PREPARATION AND PRESENTATION

Allied Motion Technologies Inc. ("Allied Motion" or the "Company") is engaged in the business of designing, manufacturing and selling controlled motion solutions, which include integrated system solutions as well as individual controlled motion products, to a broad spectrum of customers throughout the world. The Company's target markets include Vehicle, Medical, Aerospace & Defense and Industrial.

The accompanying unaudited condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany 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 end of period exchange rates. Changes in reported amounts of assets and liabilities of foreign subsidiaries that occur as a result of changes in exchange rates between the foreign subsidiaries' functional currencies and the U.S. dollar are included in foreign currency translation adjustment. Foreign currency translation adjustment is included in accumulated other comprehensive loss, a component of stockholders' equity in the accompanying condensed consolidated statements of stockholders' equity. Revenue and expense transactions use an average rate prevailing during the month of the related transaction. Transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency of each of the foreign subsidiaries 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 ("SEC") 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 of America ("U.S. GAAP") 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 U.S. GAAP 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 condensed consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ materially from those estimates.

It is suggested that the accompanying condensed consolidated 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, 2020 that was previously filed by the Company.

Stock Split

On March 10, 2021, the Board of Directors approved a 3-for-2 common stock split to be paid in the form of a stock dividend to holders of record on April 16, 2021. The additional shares were issued on April 30, 2021. In lieu of fractional shares, shareholders received a cash payment based on the closing share price of the common stock on the record date. All share and per share information presented in the condensed consolidated financial statements have been adjusted to reflect the stock split on a retrospective basis for all periods presented.

ALLIED MOTION TECHNOLOGIES INC.
UNAUDITED NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except per share data)

2. REVENUE RECOGNITION

Performance Obligations

Performance Obligations Satisfied at a Point in Time

The Company considers control of most products to transfer at a single point in time, generally when the products are shipped in accordance with an agreement and/or purchase order. Control is defined as the ability to direct the use of and obtain substantially all of the remaining benefits of the product.

The Company satisfies its performance obligations under a contract with a customer by transferring goods and services in exchange for monetary consideration from the customer. The Company considers the customer's purchase order, and the Company's corresponding sales order acknowledgment as the contract with the customer. For some customers, control, and a sale, is transferred at a point in time when the product is delivered to a customer.

Sales, value add, and other taxes we collect concurrent with revenue-producing activities are excluded from revenue.

Nature of Goods and Services

The Company sells component and integrated controlled motion solutions to end customers and original equipment manufacturers ("OEM's") through the Company's own direct sales force and authorized manufacturers' representatives and distributors. The Company's products include brush and brushless DC motors, brushless servo and torque motors, coreless DC motors, integrated brushless motor-drives, gearmotors, gearing, modular digital servo drives, motion controllers, incremental and absolute optical encoders, active and passive filters for power quality and harmonic issues, and other controlled motion-related products. The Company's target markets include Vehicle, Medical, Aerospace & Defense and Industrial.

Determining the Transaction Price

The majority of the Company's contracts have an original duration of less than one year. For these contracts, the Company applies the practical expedient and therefore does not consider the effects of the time value of money. For multiyear contracts, the Company uses judgment to determine whether there is a significant financing component. These contracts are generally those in which the customer has made an up-front payment. Contracts that management determines to include a significant financing component are discounted at the Company's incremental borrowing rate. The Company incurs interest expense and accrues a contract liability. As the Company satisfies performance obligations and recognizes revenue from these contracts, interest expense is recognized simultaneously. Management does not have any contracts that include a significant financing component as of June 30, 2021.

Disaggregation of Revenue

The Company disaggregates revenue from contracts with customers into geographical regions and target markets. The Company determines that disaggregating revenue into these categories achieves the disclosure objective to depict how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors. As noted below in Note 17, *Segment Information*, the Company's business consists of one reportable segment. The foreign revenues by geography in the table below are revenues derived from the Company's foreign subsidiaries as detailed in Note 17.

ALLIED MOTION TECHNOLOGIES INC.
UNAUDITED NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except per share data)

A disaggregation of revenue by target market and geography is provided below (in thousands):

Target Market	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Vehicle	$ 33,731	$ 18,584	$ 68,182	$ 46,639
Industrial	33,778	28,223	65,081	61,574
Medical	20,235	24,261	43,524	38,812
Aerospace & Defense	8,579	10,516	16,021	21,658
Other	5,214	5,077	10,406	10,360
Total	$ 101,537	$ 86,661	$ 203,214	$ 179,043

Geography	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
United States	$ 61,705	$ 47,311	$ 118,347	$ 103,680
Europe	31,538	29,012	68,700	62,145
Asia-Pacific	8,294	10,338	16,167	13,218
Total	$ 101,537	$ 86,661	$ 203,214	$ 179,043

Contract Balances

When the timing of the Company’s delivery of product is different from the timing of the payments made by customers, the Company recognizes either a contract asset (performance precedes customer payment) or a contract liability (customer payment precedes performance). Typically, contracts are paid in arrears and are recognized as receivables after the Company considers whether a significant financing component exists.

The opening and closing balances of the Company’s contract liabilities are as follows (in thousands):

	June 30, 2021	December 31, 2020
Contract liabilities in accrued liabilities	$ 323	$ 898
Contract liabilities in other long-term liabilities	254	262
	$ 577	$ 1,160

The difference between the opening and closing balances of the Company’s contract liabilities primarily results from the timing difference between the Company’s performance and the customer’s payment.

Significant Payment Terms

The Company’s contracts with its customers state the final terms of the sale, including the description, quantity, and price of each product or service purchased. Payments are typically due in full within 30-60 days of delivery. Since the customer agrees to a stated rate and price in the contract that do not vary over the contract, the majority of contracts do not contain variable consideration.

Returns, Refunds, and Warranties

In the normal course of business, the Company does not accept product returns unless the item is defective as manufactured. The Company establishes provisions for estimated returns and warranties. All contracts include a standard warranty clause to guarantee that the product complies with agreed specifications.

ALLIED MOTION TECHNOLOGIES INC.
UNAUDITED NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except per share data)

3. INVENTORIES

Inventories include costs of materials, direct labor and manufacturing overhead, and are stated at the lower of cost (first-in, first-out basis) or net realizable value, as follows (in thousands):

	June 30, 2021	December 31, 2020
Parts and raw materials	$ 50,006	$ 44,750
Work-in-process	6,604	6,186
Finished goods	11,166	12,042
	$ 67,776	$ 62,978

4. PROPERTY, PLANT AND EQUIPMENT

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

	Useful lives	June 30, 2021	December 31, 2020
Land		$ 991	$ 999
Building and improvements	5 - 39 years	14,171	14,169
Machinery, equipment, tools and dies	3 - 15 years	80,511	79,738
Construction work in progress		8,107	6,821
Furniture, fixtures and other	3 - 10 years	19,178	16,313
		122,958	118,040
Less accumulated depreciation		(67,805)	(62,612)
Property, plant and equipment, net		$ 55,153	$ 55,428

Depreciation expense was approximately $2,948 and $2,394 for the three months ended June 30, 2021 and 2020, respectively. For the six months ended June 30, 2021 and 2020, depreciation expense was $5,867 and $4,703, respectively.

5. GOODWILL

The change in the carrying amount of goodwill for the six months ended June 30, 2021 is as follows (in thousands):

	June 30, 2021
Beginning balance	$ 61,860
Effect of foreign currency translation	(746)
Ending balance	$ 61,114

6. INTANGIBLE ASSETS

Intangible assets on the Company's condensed consolidated balance sheets consist of the following (in thousands):

		June 30, 2021			December 31, 2020		
	Life	Gross Amount	Accumulated Amortization	Net Book Value	Gross Amount	Accumulated Amortization	Net Book Value
Customer lists	8 - 17 years	$ 69,489	$ (25,611)	$ 43,878	$ 69,833	$ (23,636)	$ 46,197
Trade name	10 - 19 years	13,951	(5,497)	8,454	14,055	(5,061)	8,994
Design and technologies	10 - 15 years	15,295	(5,225)	10,070	15,531	(4,874)	10,657
Patents	17 years	24	(14)	10	24	(13)	11
Total		$ 98,759	$ (36,347)	$ 62,412	$ 99,443	$ (33,584)	$ 65,859

Amortization expense for intangible assets was $1,511 and $1,483 for the three months ended June 30, 2021 and 2020, respectively. For the six months ended June 30, 2021 and 2020, amortization expense was $3,023 and $2,924, respectively.

Estimated future intangible asset amortization expense as of June 30, 2021 is as follows (in thousands):

	Estimated Amortization Expense
Remainder of 2021	$ 3,011
2022	6,073
2023	6,087
2024	5,759
2025	5,741
2026	5,729
Thereafter	30,012
Total estimated amortization expense	$ 62,412

7. STOCK-BASED COMPENSATION

Stock Incentive Plans

The Company's Stock Incentive Plans provide for the granting of stock awards, including restricted stock, stock options and stock appreciation rights, to employees and non-employees, including directors of the Company.

Restricted Stock

For the six months ended June 30, 2021, 108,476 shares of unvested restricted stock were awarded at a weighted average market value of $32.06. Of the restricted shares granted, 62,871 shares have performance-based vesting conditions. The value of the shares is amortized to compensation expense over the related service period, which is normally three years, or over the estimated performance period. Shares of unvested restricted stock are generally forfeited if a recipient leaves the Company before the vesting date. Shares that are forfeited become available for future awards.

The following is a summary of restricted stock activity for the six months ended June 30, 2021:

	Number of shares
Outstanding at beginning of period	357,342
Awarded	108,476
Vested	(133,937)
Forfeited	(9,664)
Outstanding at end of period	322,217

Stock-based compensation expense, net of forfeitures, of $1,000 and $931 was recorded for the three months ended June 30, 2021 and 2020, respectively. For the six months ended June 30, 2021 and 2020, stock based compensation expense, net of forfeitures, of $1,797 and $1,720 was recorded, respectively.

8. ACCRUED LIABILITIES

Accrued liabilities consist of the following (in thousands):

	June 30, 2021	December 31, 2020
Compensation and fringe benefits	$ 12,942	$ 11,184
Warranty reserve	2,265	1,571
Income taxes payable	1,862	1,459
Right of use liabilities	4,347	4,666
Other accrued expenses	4,526	5,982
	$ 25,942	$ 24,862

Changes in the Company's reserve for product warranty claims for the six months ended June 30, 2021 were as follows (in thousands):

	June 30, 2021
Beginning balance	$ 1,571
Provision	809
Warranty expenditures	(108)
Effect of foreign currency translation	(7)
Ending balance	$ 2,265

9. DEBT OBLIGATIONS

Debt obligations consisted of the following (in thousands):

	June 30, 2021	December 31, 2020
Long-term Debt		
Revolving Credit Facility, long-term (1)	$ 112,897	$ 120,656
Unamortized debt issuance costs	(506)	(577)
Long-term debt	$ 112,391	$ 120,079

(1) The effective rate of the Amended Revolving Facility is 2.40% at June 30, 2021.

Amended Revolving Credit Facility

The First Amended and Restated Credit Agreement (the "Amended Credit Agreement") includes a $225 million revolving credit facility (the "Amended Revolving Facility"). The Amended Credit Agreement includes (i) a maximum principal amount of $225 million, (ii) a $75 million accordion amount, and (iii) a maturity date of February 2025.

Borrowings under the Amended Revolving Facility bear interest at the LIBOR or EURIBOR Rate (as defined in the Amended Credit Agreement) plus a margin of 1.00% to 1.75% or the Prime Rate (as defined in the Amended Credit Agreement) plus a margin of 0% to 0.75%, in each case depending on the Company's ratio of total funded indebtedness (as defined in the Amended Credit Agreement) to consolidated trailing twelve-month EBITDA (the "Total Leverage Ratio"). At June 30, 2021, the applicable margin for LIBOR Rate borrowings was 1.50% and the applicable margin for Prime Rate borrowings was 0.50%. In addition, the Company is required to pay a commitment fee of between 0.10% and 0.225% quarterly (0.175% at June 30, 2021) on the unused portion of the Amended Revolving Facility, also based on the Company's Total Leverage Ratio. The Amended Revolving Facility is secured by substantially all of the Company's non-realty assets and is fully and unconditionally guaranteed by certain of the Company's subsidiaries.

The Amended Credit Agreement contains certain financial covenants related to minimum interest coverage, Total Leverage Ratio, and non-material subsidiaries assets to consolidated total assets at the end of each quarter. The Amended Credit Agreement also includes other covenants and restrictions, including limits on the amount of additional indebtedness, and restrictions on the Company's ability to merge or sell all, or substantially all, of its assets. The Company was in compliance with all covenants at June 30, 2021.

As of June 30, 2021, the unused Amended Revolving Facility was $112,103. The amount available to borrow may be reduced based upon the Company's debt and EBITDA levels, which impacts its covenant calculations.

Other

The China Credit Facility provides credit of $1,549 (Chinese Renminbi 10,000) ("the China Facility"). The China Facility is a demand revolving facility used for working capital and capital equipment needs at the Company's China operations. The term is annual and may be cancelled at the bank's discretion. The interest rate shall be agreed upon by the Lender and the Borrower before the Utilization Date (as defined in the China Facility) and shall be specified in the Utilization Request (as defined in the China Facility). Collateral for the facility is a guarantee issued by the Company. There have been no borrowings during the six months ended June 30, 2021 or 2020, respectively, and there is no balance in the China Facility at June 30, 2021 and December 31, 2020.

10. DERIVATIVE FINANCIAL INSTRUMENTS

The Company is exposed to certain risks arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, and foreign exchange risk primarily through the use of derivative financial instruments.

Beginning in the first quarter of 2021, the Company began entering into contracts with 30-day maturities to hedge its short-term balance sheet exposure, primarily intercompany, that are denominated in currencies (Euro, Mexican Peso, New Zealand Dollar, Chinese Renminbi, Swedish Krona) other than the subsidiary's functional currency and are adjusted to current values using period-end exchange rates. The resulting gains or losses are recorded in other (income) expense, net in the condensed consolidated statements of income and comprehensive income. To minimize foreign currency exposure, the Company had foreign currency contracts with notional amounts of $10,000 at June 30, 2021. The foreign currency contracts are recorded in the condensed consolidated balance sheets at fair value and resulting gains or losses are recorded in other (income) expense, net in the condensed consolidated statements of income and comprehensive income. During the three and six months ended June 30, 2021, the Company had gains of $74 and losses of $66, respectively, on foreign currency contracts which is included in other (income) expense, net and generally offset the gains or losses from the foreign currency adjustments on the intercompany balances that are also included in other (income) expense, net.

The Company's objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements on its variable-rate debt. To accomplish this objective, the Company primarily uses interest rate swaps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. In February 2017, the Company entered into three interest rate swaps with a combined notional amount of $40,000 that mature in February 2022. In March 2020, the Company entered into two additional interest rate swaps with a combined notional amount of $20,000 that increases to $60,000 in March 2022 and matures in December 2024.

The changes in the fair value of interest rate derivatives designated and that qualify as cash flow hedges is recorded in accumulated other comprehensive loss and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. During 2021 and 2020, such derivatives were used to hedge the variable cash flows associated with existing variable-rate debt.

The Company estimates that an additional $757 will be reclassified as an increase to interest expense over the next twelve months. Additionally, the Company does not use derivatives for trading or speculative purposes.

ALLIED MOTION TECHNOLOGIES INC.
UNAUDITED NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except per share data)

The table below presents the fair value of the Company's derivative financial instruments as well as their classification on the condensed consolidated balance sheets as of June 30, 2021 and December 31, 2020 (in thousands):

Derivatives designated as hedging instruments	Balance Sheet Location	Liability Derivatives Fair value as of: June 30, 2021	December 31, 2020
Interest rate products	Accrued liabilities	$ 498	$ —
Interest rate products	Other long-term liabilities	388	1,889
Foreign currency contracts	Accrued liabilities	51	—
		$ 937	$ 1,889

The tables below present the effect of cash flow hedge accounting on other comprehensive income (loss) ("OCI") for the three and six months ended June 30, 2021 and 2020 (in thousands):

Derivatives in cash flow hedging relationships	Amount of pre-tax gain (loss) recognized in OCI on derivatives Three months ended June 30,		Amount of pre-tax gain (loss) recognized in OCI on derivatives Six months ended June 30,	
	2021	2020	2021	2020
Interest rate products	$ (157)	$ (588)	$ 547	$ (2,051)

Location of (loss) gain reclassified from accumulated OCI into income	Amount of pre-tax gain (loss) reclassified from accumulated OCI into income Three months ended June 30,		Amount of pre-tax (loss) gain reclassified from accumulated OCI into income Six months ended June 30,	
	2021	2020	2021	2020
Interest expense	$ (231)	$ (155)	$ (456)	$ (186)

The table below presents the line items that reflect the effect of the Company's derivative financial instruments on the condensed consolidated statements of income and comprehensive income for the three and six months ended June 30, 2021 and 2020 (in thousands):

Derivatives designated as hedging instruments	Income Statement Location	Total amounts of income and expense line items presented that reflect the effects of cash flow hedges recorded Three months ended June 30,		Total amounts of income and expense line items presented that reflect the effects of cash flow hedges recorded Six months ended June 30,	
		2021	2020	2021	2020
Interest rate products	Interest Expense	$ 807	$ 901	$ 1,668	$ 1,955

ALLIED MOTION TECHNOLOGIES INC.
UNAUDITED NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except per share data)

The tables below present a gross presentation, the effects of offsetting, and a net presentation of the Company's derivatives as of June 30, 2021 and December 31, 2020. The net amounts of derivative assets or liabilities can be reconciled to the tabular disclosure of fair value. The tabular disclosure of fair value provides the location that derivative assets and liabilities are presented in the condensed consolidated balance sheets (in thousands):

As of June 30, 2021	Gross amounts of recognized liabilities	Gross amounts offset in the consolidated balance sheets	Net amounts of liabilities presented in the consolidated balance sheets	Gross amounts not offset in the consolidated balance sheets		
				Financial instruments	Cash collateral received	Net amount
Derivatives	$ 937	$ —	$ 937	$ —	$ —	$ 937

As of December 31, 2020	Gross amounts of recognized liabilities	Gross amounts offset in the consolidated balance sheets	Net amounts of liabilities presented in the consolidated balance sheets	Gross amounts not offset in the consolidated balance sheets		
				Financial instruments	Cash collateral received	Net amount
Derivatives	$ 1,889	$ —	$ 1,889	$ —	$ —	$ 1,889

The Company has agreements with each of its derivative counterparties that contain a provision where if the Company either defaults or is capable of being declared in default on any of its indebtedness, then the Company could also be declared in default on its derivative obligations.

11. FAIR VALUE

Authoritative guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date.

The guidance establishes a framework for measuring fair value which utilizes observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions. Preference is given to observable inputs.

These two types of inputs create the following three - level fair value hierarchy:

Level 1: Quoted prices for identical assets or liabilities in active markets.
Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and model - derived valuations whose inputs or significant value drivers are observable.
Level 3: Significant inputs to the valuation model that are unobservable.

The Company's financial assets and liabilities include cash and cash equivalents, accounts receivable, debt obligations, accounts payable, and accrued liabilities. The carrying amounts reported in the condensed consolidated balance sheets for these assets and liabilities approximate their fair value because of the immediate or short-term maturities of these financial instruments.

The following tables presents the Company's financial assets that are accounted for at fair value on a recurring basis as of June 30, 2021 and December 31, 2020, respectively, by level within the fair value hierarchy (in thousands):

	June 30, 2021		
	Level 1	Level 2	Level 3
Assets (liabilities)			
Pension plan assets	$ 6,948	$ —	$ —
Deferred compensation plan assets	4,563	—	—
Interest rate swaps	—	(886)	—
Foreign currency hedge contracts	—	(51)	—

ALLIED MOTION TECHNOLOGIES INC.
UNAUDITED NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except per share data)

	December 31, 2020		
	Level 1	Level 2	Level 3
Assets (liabilities)			
Pension plan assets	$ 6,347	$ —	$ —
Deferred compensation plan assets	5,386	—	—
Interest rate swaps	—	(1,889)	—

12. INCOME TAXES

The income tax provision for interim periods is determined using an estimate of the annual effective tax rate, adjusted for discrete items, if any, that are taken into account in the relevant period. Each quarter, the estimate of the annual effective tax rate is updated, and if the estimated effective tax rate changes, a cumulative adjustment is made. There is a potential for volatility of the effective tax rate due to several factors, including changes in the mix of the pre-tax income and the jurisdictions to which it relates, changes in tax laws, settlements with taxing authorities and foreign currency fluctuations.

The effective income tax rate was 21.9% and 29.9% for the three months ended June 30, 2021 and 2020, respectively. The effective tax rate includes a discrete tax benefit of (4.3%) and tax provision of 1.7%, respectively, related primarily to the recognition of excess tax provision and benefit for share-based payment awards. For the six months ended June 30, 2021 and 2020, the effective income tax rate was (40.3%) and 28.8%, respectively. The effective tax rate includes a discrete tax benefit of (67.1%) and provision of 0.9%, respectively. The discrete benefit in the six months ended June 30, 2021 is related primarily to the recognition of net operating loss carryforwards resulting from tax legislation enacted in New Zealand during the period, which changes our ability to use the carryforwards in future periods. The discrete tax provision for the six months ended June 30, 2020 related primarily to the recognition of excess tax provision for share-based payments.

13. LEASES

The Company has operating leases for office space, manufacturing equipment, computer equipment and automobiles. Many leases include one or more options to renew, some of which include options to extend the leases for a long-term period, and some leases include options to terminate the leases within 30 days. In certain of the Company's lease agreements, the rental payments are adjusted periodically to reflect actual charges incurred for capital area maintenance, utilities, inflation and/or changes in other indexes.

Supplemental cash flow information related to the Company's operating leases for the six months ended June 30, 2021 and 2020 was as follows (in thousands):

	June 30,	
	2021	2020
Cash paid for amounts included in the measurement of operating leases	$ 2,679	$ 2,126
Right of use assets obtained in exchange for operating lease obligations	$ 1,640	$ 1,797

The following table presents the maturity of the Company's operating lease liabilities as of June 30, 2021 (in thousands):

Remainder of 2021	$ 2,479
2022	4,145
2023	3,087
2024	2,396
2025	2,201
2026	1,162
Thereafter	4,396
Total undiscounted cash flows	$ 19,866
Less: present value discount	(1,405)
Total lease liabilities	$ 18,461

As of June 30, 2021, the Company has entered into leases with future minimum lease payments of $13,700 that has not yet commenced.

ALLIED MOTION TECHNOLOGIES INC.
UNAUDITED NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except per share data)

The Company leases certain facilities from a company for which one of our executive officers is a part owner. In connection with such leases, the Company made payments to the lessor of $500 during the year ended December 31, 2020 and is obligated to make payments of $700 during the year ending December 31, 2021. Future minimum lease payments under the leases as of June 30, 2021 are $8,200.

14. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Accumulated Other Comprehensive Income (Loss) ("AOCI") for the three months ended June 30, 2021 and 2020 is comprised of the following (in thousands):

	Defined Benefit Plan Liability	Cash Flow Hedges	Tax Effect of Cash Flow Hedges	Foreign Currency Translation Adjustment	Total
At March 31, 2021	$ (1,633)	$ (960)	$ 230	$ (4,223)	$ (6,586)
Unrealized loss on cash flow hedges	—	(157)	38	—	(119)
Amounts reclassified from AOCI	—	231	(56)	—	175
Foreign currency translation loss	—	—	—	955	955
At June 30, 2021	$ (1,633)	$ (886)	$ 212	$ (3,268)	$ (5,575)

	Defined Benefit Plan Liability	Cash Flow Hedges	Tax Effect of Cash Flow Hedges	Foreign Currency Translation Adjustment	Total
At March 31, 2020	$ (1,628)	$ (1,795)	$ 430	$ (11,054)	$ (14,047)
Unrealized loss on cash flow hedges	—	(588)	140	—	(448)
Amounts reclassified from AOCI	—	155	(36)	—	119
Foreign currency translation loss	—	—	—	1,932	1,932
At June 30, 2020	$ (1,628)	$ (2,228)	$ 534	$ (9,122)	$ (12,444)

AOCI for the six months ended June 30, 2021 and 2020 is comprised of the following (in thousands):

	Defined Benefit Plan Liability	Cash Flow Hedges	Tax Effect of Cash Flow Hedges	Foreign Currency Translation Adjustment	Total
At December 31, 2020	$ (1,633)	$ (1,889)	$ 451	$ (216)	$ (3,287)
Unrealized gain on cash flow hedges	—	547	(129)	—	418
Amounts reclassified from AOCI	—	456	(110)	—	346
Foreign currency translation gain	—	—	—	(3,052)	(3,052)
At June 30, 2021	$ (1,633)	$ (886)	$ 212	$ (3,268)	$ (5,575)

	Defined Benefit Plan Liability	Cash Flow Hedges	Tax Effect of Cash Flow Hedges	Foreign Currency Translation Adjustment	Total
At December 31, 2019	$ (1,628)	$ (363)	$ 86	$ (8,626)	$ (10,531)
Unrealized loss on cash flow hedges	—	(2,051)	491	—	(1,560)
Amounts reclassified from AOCI	—	186	(43)	—	143
Foreign currency translation loss	—	—	—	(496)	(496)
At June 30, 2020	$ (1,628)	$ (2,228)	$ 534	$ (9,122)	$ (12,444)

The realized losses relating to the Company's interest rate swap hedges were reclassified from accumulated other comprehensive income (loss) and included in interest expense in the condensed consolidated statements of income and comprehensive income.

15. DIVIDENDS PER SHARE

The Company declared a quarterly dividend of $0.02 and $0.025 per share in the first and second quarters of 2021, respectively. The Company declared a quarterly dividend of $0.02 per share in the first and second quarters of 2020. Total dividends declared and paid were $662 and $582 in the six months ended June 30, 2021 and 2020, respectively.

16. EARNINGS PER SHARE

Basic and diluted weighted-average shares outstanding are as follows (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Basic weighted average shares outstanding	14,406	14,264	14,356	14,211
Dilutive effect of equity awards	88	40	111	67
Diluted weighted average shares outstanding	14,494	14,304	14,467	14,278

For the three and six months ended June 30, 2021 and 2020, the anti-dilutive common shares excluded from the calculation of diluted earnings per share were immaterial.

17. SEGMENT INFORMATION

The Company operates in one segment for the manufacture and marketing of controlled motion products for end user and OEM applications. The Company's chief operating decision maker is the Chief Executive Officer, who reviews operating results to make decisions about allocating resources and assessing performance for the entire Company. Existing guidance, 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 in which the entity holds material assets and reports revenue.

Financial information related to the foreign subsidiaries is summarized below (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Revenues derived from foreign subsidiaries	$39,832	$39,350	$84,867	$75,363

Revenues derived from foreign subsidiaries and identifiable assets outside of the United States are attributable to Europe and Asia-Pacific.

Identifiable foreign assets were $143,110 and $133,466 as of June 30, 2021 and December 31, 2020, respectively.

Sales to customers outside of the United States by all subsidiaries were $45,560 and $43,372 during the three months ended June 30, 2021 and 2020, respectively and $95,215 and $86,762 for the six months ended June 30, 2021 and 2020, respectively.

For the three months ended June 30, 2021 and 2020, one customer accounted for 16% and 11% of revenues, respectively and for the six months ended June 30, 2021 and 2020 for 16% and 12% of revenues, respectively. As of June 30, 2021 and December 31, 2020 this customer represented 18% and 22% of trade receivables, respectively.

18. RECENT ACCOUNTING PRONOUNCEMENTS

Recently adopted accounting pronouncements

In December 2019, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2019-12, *Simplifying the Accounting for Income Taxes (Topic 740).* The standard simplifies the accounting for income taxes by removing certain exceptions to the general principles in Accounting Standards Codification ("ASC") Topic 740, and clarifies existing guidance to improve consistent application. This guidance is effective for fiscal years beginning after December 15, 2020. The Company adopted this ASU on January 1, 2021 on a prospective basis, as there were no relevant matters impacting the Company for which retrospective application was required, and the adoption did not have a material impact on its condensed consolidated financial statements.

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 to differ materially from the expected results described in the forward-looking statements. The risks and uncertainties include those associated with: the domestic and foreign general business and economic conditions in the markets we serve, including political and currency risks and adverse changes in local legal and regulatory environments; the severity, magnitude and duration of the COVID-19 pandemic, including impacts of the pandemic and of businesses' and governments' responses to the pandemic on our operations and personnel, and on commercial activity and demand across our and our customers' businesses, and on global supply chains; our inability to predict the extent to which the COVID-19 pandemic and related impacts will continue to adversely impact our business operations, financial performance, results of operations, financial position, the prices of our securities and the achievement of our strategic objectives; the introduction of new technologies and the impact of competitive products; the ability to protect the Company's intellectual property; our ability to sustain, manage or forecast our growth and product acceptance to accurately align capacity with demand; the continued success of our customers and the ability to realize the full amounts reflected in our order backlog as revenue; the loss of significant customers or the enforceability of the Company's contracts in connection with a merger, acquisition, disposition, bankruptcy, or otherwise; our ability to meet the technical specifications of our customers; the performance of subcontractors or suppliers and the continued availability of parts and components; failure of a key information technology system, process or site or a breach of information security, including a cybersecurity breach, ransomware, or failure of one or more key information technology systems, networks, processes, associated sites or service providers; changes in government regulations; the availability of financing and our access to capital markets, borrowings, or financial transactions to hedge certain risks; the ability to attract and retain qualified personnel who can design new applications and products for the motion industry; the ability to implement our corporate strategies designed for growth and improvement in profits including to identify and consummate favorable acquisitions to support external growth and the development of new technologies; the ability to successfully integrate an acquired business into our business model without substantial costs, delays, or problems; our ability to control costs, including the establishment and operation of low cost region manufacturing and component sourcing capabilities; and the additional risk factors discussed under "Item 1A. Risk Factors" in Part II of this report and in the Company's Annual Report in Form 10-K. 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. Any forward-looking statement speaks only as of the date on which it is made. New risks and uncertainties arise over time, and it is not possible for us to predict the occurrence of those matters or the manner in which they may affect us. 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 believed to have a reasonable basis; however, the Company makes no assurance that expectations, beliefs or projections will be achieved.

Overview

We are a global company that designs, manufactures and sells precision and specialty controlled motion components and systems used in a broad range of industries. Our target markets include Vehicle, Medical, Aerospace & Defense, and Industrial. We are headquartered in Amherst, NY, and have operations in the North America, Europe and Asia-Pacific. We are known worldwide for our expertise in electro-magnetic, mechanical and electronic motion technology. We sell component and integrated controlled motion solutions to end customers and OEMs through our own direct sales force and authorized manufacturers' representatives and distributors. Our products include brush and brushless DC motors, brushless servo and torque motors, coreless DC motors, integrated brushless motor-drives, gearmotors, gearing, modular digital servo drives, motion controllers, incremental and absolute optical encoders, active and passive filters for power quality and harmonic issues, and other controlled motion-related products.

Business Environment

COVID-19

The outbreak of the novel strain of Coronavirus ("COVID-19") and the impact of the Delta and other variants will create significant impacts and disruptions to the U.S. and global economies for the foreseeable future; continuing to adversely affect portions of our business, including our supply chain and operations. We experienced reductions in customer demand in several of our served markets during periods of 2020 and 2021 due to the impact of COVID-19, offset by rebounds in several served markets, resulting in a record level of total bookings in the second quarter of 2021. We have been impacted by reduced operational status of our suppliers which has impacted the predictability of our supply chain, and resulted in some increased costs to secure and place materials into production. During 2021, we expect the impact of COVID-19 on our operations will continue to challenge many aspects of our business, particularly our supply chain, while providing opportunities for increased revenue in certain markets.

In response to the worldwide outbreak, we have taken and will continue to take proactive, aggressive action to protect the health and safety of our employees, customers, partners, suppliers and communities. We enacted rigorous safety measures in all of our sites, including implementing social distancing protocols, incorporating a work from home environment at certain times for those employees that do not need to be physically present to perform their work, suspending travel, implementing temperature checks at the entrances to our facilities, extensively and frequently disinfecting our workspaces and providing masks and other protective equipment to those employees who must be physically present. These measures were implemented on a worldwide basis and have been adjusted prudently as requirements and conditions change. We will continue to monitor and act in accordance with government authorities requirements or recommendations and evolving best practices.

Our Company provides essential and important products, including those that our customers rely on to address COVID-19. We manufacture and deliver critical motion control components, including electronic drives, motors and control assemblies to manufacturers of medical equipment including respirators, ventilators, infusion pumps, medical fluid pumps and other breathing assist equipment required to care for patients with respiratory issues including COVID-19. We are also a long-term, qualified supplier to leading medical device manufacturers of ventilators and respirators around the world.

Global demand and capacity to produce ventilators increased significantly during portions of 2020, and we are a reliable supplier of the critical motion control components it requires. The Company rapidly deployed resources to increase production capacity to meet the surge in demand that has been experienced for certain types of medical products related to combatting the COVID-19 virus. While the demand for certain items, such as ventilators, has returned to normalized levels, we continue to provide solutions to suppliers of other types of medical equipment, including surgical tools and equipment, surgical robots, diagnostic equipment, test equipment, patient mobility and rehabilitation equipment, hospital beds and mobile equipment carts.

Our worldwide locations are considered to be essential suppliers to our customers and therefore most of our locations have remained substantially operational during the outbreak while implementing the enhanced safety procedures.

We have taken actions since the beginning of the pandemic to strengthen our liquidity and financial condition. We renewed and increased our revolving credit facility to $225 million through February 2025 (refer to Note 9, *Debt Obligations* from our condensed consolidated financial statements). Through this amendment we lowered our cost of debt, and secured more favorable covenants. This liquidity preserves our financial flexibility during the pandemic and subsequent to it. We believe that our cash flows from operations and borrowing capacity are sufficient to support our short and long-term liquidity needs.

To conserve cash and maximize operational efficiency while supporting growth plans, we continue to align variable costs with demand, maintaining and enhancing key engineering capabilities, and controlling discretionary spending. The Company continues to closely monitor events and conditions resulting from COVID-19 and the resulting impact on all forms of incentive compensation.

The extent of the impact of the COVID-19 outbreak on our operational and financial performance will continue to depend on future developments, including the duration and spread of the virus and variants, the potential for additional waves, its impact on our customers and the range of governmental reactions to the pandemic, which cannot be predicted at this time. We will continue to proactively respond to the situation and will take further actions as warranted to alter our business operations as necessary.

Stock Split

On April 30, 2021, we effected a 3-for-2 stock split. References to numbers of shares of common stock and per share data have been adjusted to reflect the stock split on a retrospective basis. Refer to Note 1, *Basis of Preparation and Presentation* in the notes to condensed consolidated financial statements of Part I, Item 1 of this Form 10-Q for further information.

Cyber Breach

During the second quarter 2021, we were the subject of a cyber security breach. We discovered the issue fairly early and were able to implement our risk management playbook which entails bringing in forensic experts in this field. We were able to contain the issue and were able to get operations back up and running without a material impact to our results for the quarter. We have also since implemented additional security measures thus further safeguarding our systems. No ransom was paid related to this breach.

Recent Accounting Pronouncements

Refer to Note 18, *Recent Accounting Pronouncements* in the notes to condensed consolidated financial statements of Part 1, Item 1 of this Form 10-Q for information regarding recently adopted accounting standards and their potential impact on our financial condition or results of operations.

Operating Results

Three months ended June 30, 2021 compared to three months ended June 30, 2020

	For the three months ended June 30,		2021 vs. 2020 Variance	
(Dollars in thousands, except per share data)	**2021**	**2020**	**$**	**%**
Revenues	$ 101,537	$ 86,661	$ 14,876	17 %
Cost of goods sold	70,320	60,201	10,119	17 %
Gross profit	31,217	26,460	4,757	18 %
Gross margin percentage	30.7 %	30.5 %		
Operating costs and expenses:				
Selling	4,396	3,842	554	14 %
General and administrative	11,181	9,710	1,471	15 %
Engineering and development	7,240	6,197	1,043	17 %
Business development	155	177	(22)	(12)%
Amortization of intangible assets	1,511	1,483	28	2 %
Total operating costs and expenses	24,483	21,409	3,074	14 %
Operating income	6,734	5,051	1,683	33 %
Interest expense	807	901	(94)	(10)%
Other (income) expense, net	(10)	17	(27)	(159)%
Total other expense	797	918	(121)	(13)%
Income before income taxes	5,937	4,133	1,804	44 %
Income tax provision	(1,303)	(1,237)	(66)	5 %
Net income	$ 4,634	$ 2,896	$ 1,738	60 %
Effective tax rate	21.9 %	29.9 %		
Diluted earnings per share	$ 0.32	$ 0.20	$ 0.12	60 %
Bookings	$ 118,974	$ 80,365	$ 38,609	48 %
Backlog	$ 170,364	$ 127,701	$ 42,663	33 %

REVENUES: For the quarter, the increase in revenues is primarily due to increases in our Vehicle and Industrial markets, which had experienced significant decreases in demand in the second quarter of 2020 due to COVID-19. Sales to our Medical market declined during the second quarter from the prior year as that market experienced COVID-19 related demand increases in the prior year period.

Sales to U.S. customers were 55% of total sales for the second quarter 2021 compared with 50% for the same period last year, with the balance of sales to customers primarily in Europe, Canada and Asia-Pacific. The overall increase in revenue was due to a 12.4% volume increase along with a 4.7% favorable currency impact. See information included in “Non – GAAP Measures” below for a discussion of the non-GAAP measure and a reconciliation of revenue to revenue excluding foreign currency impacts.

ORDER BOOKINGS AND BACKLOG: We experienced a record level of bookings during the second quarter of 2021. The increase in bookings in the second quarter of 2021 compared to the second quarter of 2020 is largely due to increases in our Vehicle and Industrial markets reflecting improvements in the general economy along with growth in our core businesses. The increase in backlog as of June 30, 2021, compared to at June 30, 2020, was related to these factors along with supply chain challenges we have been facing during the recovery.

GROSS PROFIT AND GROSS MARGIN: Gross margins were slightly higher at 30.7% for the second quarter of 2021, compared to 30.5% for the second quarter of 2020. The increase in gross margin percentage was driven by volume increases of higher margin products in our Vehicle market compared to lower volumes of certain Medical market products with lower margins. The margin expansion was somewhat muted by costs associated with our willingness to proactively address the challenging supply chain environment to meet the needs of our customers.

SELLING EXPENSES: Selling expenses increased 14% in the second quarter of 2021 compared to the same period of 2020. This is reflective of higher incentive compensation costs driven by the recovery of our sales activities, along with the cost control efforts related to the COVID-19 pandemic that were present in the second quarter of 2020. Selling expenses as a percentage of revenues in the second quarter of 2021 were flat to the same period last year at approximately 4%.

GENERAL AND ADMINISTRATIVE EXPENSES: General and administrative expenses increased by 15% in the second quarter 2021 from the second quarter 2020 due to increased costs from our incentive compensation programs which are aligned with our revenue and profit growth, along with cost control efforts that were present in the second quarter of 2020 due to COVID-19. As a percentage of revenues, general and administrative expenses were flat for the quarter ended June 30, 2021 compared to the same period in 2020 at approximately 11%.

ENGINEERING AND DEVELOPMENT EXPENSES: Engineering and development expenses increased by 17% in the second quarter of 2021 compared to the same quarter last year. The increase is due to higher incentive compensation costs, the continued ramp up of development projects to meet the future needs of target markets, as well as supporting growing customer application development needs. As a percentage of revenues, engineering and development expenses were consistent at 7% for the quarter ended June 30, 2021 compared same period in 2020.

AMORTIZATION OF INTANGIBLE ASSETS: Amortization expense was consistent in the current quarter compared to the same period in the prior year.

INTEREST EXPENSE: Interest expense decreased by 10% in the second quarter 2021 due to lower debt levels compared to the same period in 2020.

INCOME TAXES: The effective income tax rate as a percentage of income before income taxes was 21.9% and 29.9% in the second quarter 2021 and 2020, respectively. The effective tax rate is net of a discrete tax benefit of (4.3%) and a discrete tax expense of 1.7%, for the second quarters of 2021 and 2020, respectively. The discrete benefit in the second quarter of 2021 and the discrete expense in the prior year period are both primarily due to share-based payments.

We are subject to tax laws in the U.S. at the federal and state levels and in numerous foreign jurisdictions. The new U.S. Presidential Administration and Congress are considering significant changes to the existing U.S. tax law, including an increase in the corporate tax rate and the tax rate on foreign earnings. If enacted into law, these proposed changes could substantially increase U.S. taxation on our operations both in and outside of the U.S. and could have a material impact on our effective tax rate in future periods. We will continue to monitor U.S., foreign, and state tax legislative developments.

On March 11, 2021, the American Rescue Plan of 2021 was enacted. The new law extends and enhances several current-law incentives for individuals and businesses in response to the COVID-19 pandemic. We do not expect any significant tax benefit from this new law.

NET INCOME: Net income increased during the second quarter 2021 compared to the second quarter 2020 reflecting the results of increased revenue, improved gross margins, as well as the lower effective tax rate, partially offset by increased operating costs and expenses.

EBITDA AND ADJUSTED EBITDA: EBITDA was $11,203 for the second quarter of 2021 compared to $8,911 for the same quarter last year. The increase in the second quarter of 2021 compared to the second quarter of 2020 is primarily due to higher gross profit driven by sales growth, partially offset by increased operating expenses. Adjusted EBITDA was $12,397 and $10,137 for the second quarters of 2021 and 2020, respectively. EBITDA and Adjusted EBITDA are non-GAAP measurements. EBITDA consists of income before interest expense, benefit (provision) for income taxes, and depreciation and amortization. Adjusted EBITDA also excludes stock-based compensation expense, foreign currency gain/loss, and certain other items. Refer to information included in "Non-GAAP Measures" below for a reconciliation of net income to EBITDA and Adjusted EBITDA.

Six months ended June 30, 2021 compared to six months ended June 30, 2020

	For the six months ended June 30,		2021 vs. 2020 Variance	
(Dollars in thousands, except per share data)	**2021**	**2020**	**$**	**%**
Revenues	$ 203,214	$ 179,043	$ 24,171	14 %
Cost of goods sold	141,929	124,541	17,388	14 %
Gross profit	61,285	54,502	6,783	12 %
Gross margin percentage	30.2 %	30.4 %		
Operating costs and expenses:				
Selling	8,614	8,085	529	7 %
General and administrative	21,929	18,872	3,057	16 %
Engineering and development	14,199	12,431	1,768	14 %
Business development	174	424	(250)	(59)%
Amortization of intangible assets	3,023	2,924	99	3 %
Total operating costs and expenses	47,939	42,736	5,203	12 %
Operating income	13,346	11,766	1,580	13 %
Interest expense	1,668	1,955	(287)	(15)%
Other (income) expense, net	(129)	76	(205)	(270)%
Total other expense, net	1,539	2,031	(492)	(24)%
Income before income taxes	11,807	9,735	2,072	21 %
Income tax benefit (provision)	4,754	(2,804)	7,558	(270)%
Net income	$ 16,561	$ 6,931	$ 9,630	139 %
Effective tax rate	(40.3)%	28.8 %		
Diluted earnings per share	$ 1.14	$ 0.49	$ 0.65	133 %
Bookings	$ 233,618	$ 173,288	$ 60,330	35 %
Backlog	$ 170,364	$ 127,701	$ 42,663	33 %

REVENUES: For the year to date 2021, the increase in revenues reflects improved sales in certain markets we serve, specifically Vehicle and Industrial, as well as having Dynamic Controls for the full six months of 2021. The increase reflects the economic recovery and the increases in demand from our served markets.

Sales to U.S. customers were 53% of total sales for the year to date 2021 compared with 52% for the same period last year, with the balance of sales to customers primarily in Europe, Canada and Asia-Pacific. The overall increase in revenue was due to a 8.8% volume increase in addition to a 4.7% favorable currency impact. See information included in "Non – GAAP Measures" below for a discussion of the non-GAAP measure and a reconciliation of revenue to revenue excluding foreign currency impacts.

ORDER BOOKINGS AND BACKLOG: The increase in bookings during 2021 compared to 2020 is largely due to increases in our Vehicle and Industrial markets reflecting improvements in the general economy along with growth in our core businesses. The increase in backlog as of June 30, 2021, compared to June 30, 2020 was related to these factors as well as supply chain challenges we have been facing during the recovery.

GROSS PROFIT AND GROSS MARGIN: Gross margins were slightly lower at 30.2% for year to date 2021, compared to 30.4% for the first half of 2020. The decrease in gross margin percentage was largely driven by increased costs resulting from the tight supply chain and our proactive decision to incur incremental costs to ensure on time deliveries to customers. Additionally, lower margin Medical market sales in the first quarter 2021 impacted our year to date results.

SELLING EXPENSES: Selling expenses increased 7% during the six months ended June 30, 2021 compared to the same period of 2020 primarily due to higher incentive compensation as well as having Dynamic Controls for the full six months of 2021. Cost control efforts related to the COVID-19 pandemic in 2020, specifically travel restrictions, resulted in lower than normal expense levels compared to 2021. Selling expenses as a percentage of revenues were comparable at approximately 4% during the first six months of 2021 and 2020.

GENERAL AND ADMINISTRATIVE EXPENSES: General and administrative expenses increased by 16% during the six months ended June 30, 2021 compared to the same period of 2020 due partly to the increased costs associated with our incentive compensation programs which are aligned with our revenue and profit growth, as well as having Dynamic Controls for the full six months of 2021. Also, the first half of 2020 was impacted heavily by the COVID-19 cost containment efforts. As a percentage of revenues, general and administrative expenses were consistent at 11% in each period.

ENGINEERING AND DEVELOPMENT EXPENSES: Engineering and development expenses increased by 14% in the first half of 2021 compared to the same period last year. Part of the increase relates to the addition of Dynamic Controls for the full six months of 2021, whose focus is electronics and software engineering. The increase is also due to the continued ramp up of development projects to meet the future needs of target markets, as well as supporting growing customer application development needs. As a percentage of revenues, engineering and development expenses were comparable at approximately 7% for the six months ended June 30, 2021 and 2020, respectively.

AMORTIZATION OF INTANGIBLE ASSETS: Amortization expense increased 3% in the six months ended June 30, 2021 compared to the six months ended June 30, 2020 due to the inclusion of a full six months of intangible amortization from the Dynamic Controls acquisition in 2020.

INTEREST EXPENSE: Interest expense decreased by 15% in the first half of 2021 due to lower interest rates and lower debt balances compared to the same period in 2020.

INCOME TAXES: For the six months ended June 30, 2021 and 2020, the effective income tax rate was (40.3%) and 28.8%, respectively. The effective tax rate includes a discrete tax benefit of (67.1%) and provision of 0.9%, respectively. The discrete benefit in the six months ended June 30, 2021 is primarily related to the recognition of net operating loss carryforwards resulting from tax legislation enacted in New Zealand during the period. The remaining variance in 2021 and 2020 are both primarily due to share-based payments.

NET INCOME: Net income increased during the first half of 2021 compared to the first half of 2020 reflecting the results of increased revenue, as well as the effect of a $7,373 discrete tax benefit in the first quarter of 2021.

EBITDA AND ADJUSTED EBITDA: EBITDA was $22,365 for the six months ended June 30, 2021 compared to $19,317 for the six months ended June 30, 2020. The increase in 2021 compared to 2020 is primarily due to higher gross profit driven by sales growth, partially offset by increased operating expenses. Adjusted EBITDA was $24,363 and $21,671 for the first six months of 2021 and 2020, respectively. EBITDA and Adjusted EBITDA are non-GAAP measurements. EBITDA consists of income before interest expense, benefit (provision) for income taxes, and depreciation and amortization. Adjusted EBITDA also excludes stock-based compensation expense, foreign currency gain/loss, and certain other items. Refer to information included in “Non-GAAP Measures” below for a reconciliation of net income to EBITDA and Adjusted EBITDA.

Non-GAAP Measures

Revenue excluding foreign currency exchange impacts, EBITDA, Adjusted EBITDA, Adjusted net income and Adjusted diluted earnings per share are provided for information purposes only and are not measures of financial performance under GAAP.

Management believes the presentation of these financial measures reflecting non-GAAP adjustments provides important supplemental information to investors and other users of our financial statements in evaluating the operating results of the Company as distinct from results that include items that are not indicative of ongoing operating results. In particular, those charges and credits that are not directly related to operating unit performance, and that are not a helpful measure of the performance of our underlying business particularly in light of their unpredictable nature. These non-GAAP disclosures have limitations as analytical tools, should not be viewed as a substitute for revenue and net income determined in accordance with GAAP, and should not be considered in isolation or as a substitute for analysis of the Company's results as reported under GAAP, nor is it necessarily comparable to non-GAAP performance measures that may be presented by other companies. In addition, supplemental presentation should not be construed as an inference that the Company's future results will be unaffected by similar adjustments to net income determined in accordance with GAAP.

The Company believes that revenue excluding foreign currency exchange impacts is a useful measure in analyzing sales results. The Company excludes the effect of currency translation from revenue for this measure because currency translation is not under management's control, is subject to volatility and can obscure underlying business trends. The portion of revenue attributable to currency translation is calculated as the difference between the current period revenue and the current period revenue after applying foreign exchange rates from the prior period.

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, acquisitions, as well as our provision for income tax expense. EBITDA is frequently used as one of the bases for comparing businesses in the Company's industry.

The Company also believes that Adjusted EBITDA provides helpful information about the operating performance of its business. Adjusted EBITDA excludes stock-based compensation expense, as well as certain income or expenses which are not indicative of the ongoing performance of the Company. EBITDA and Adjusted EBITDA do 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 GAAP.

Management uses Adjusted net income and Adjusted diluted earnings per share to assess the Company's consolidated financial and operating performance. Adjusted net income and Adjusted diluted earnings per share are provided for informational purposes only and are not a measure of financial performance under GAAP. These measures help management make decisions that are expected to facilitate meeting current financial goals as well as achieving optimal financial performance. Adjusted net income provides management with a measure of financial performance of the Company based on operational factors as it removes the impact of certain non-routine items from the Company's operating results. Adjusted diluted earnings per share provides management with an indication of how Adjusted net income would be reflected on a per share basis for comparison to the GAAP diluted earnings per share measure. Adjusted net income is a key metric used by senior management and the Company's board of directors to review the consolidated financial performance of the business. This measure adjusts net income determined in accordance with GAAP to reflect changes in financial results associated with the highlighted charges and income items.

The Company's calculation of revenues excluding foreign currency exchange impacts for the three and six months ended June 30, 2021 is as follows (in thousands):

	Three months ended June 30, 2021	Six months ended June 30, 2021
Revenue as reported	$ 101,537	$ 203,214
Currency impact (favorable) unfavorable	(4,104)	(8,378)
Revenue excluding foreign currency exchange impacts	$ 97,433	$ 194,836

The Company's calculation of EBITDA and Adjusted EBITDA for the three and six months ended June 30, 2021 and 2020 is as follows (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Net income as reported	$ 4,634	$ 2,896	$ 16,561	$ 6,931
Interest expense	807	901	1,668	1,955
Provision (benefit) for income tax	1,303	1,237	(4,754)	2,804
Depreciation and amortization	4,459	3,877	8,890	7,627
EBITDA	11,203	8,911	22,365	19,317
Stock-based compensation expense	1,000	931	1,797	1,720
Business development costs	155	177	174	424
Foreign currency loss	39	118	27	210
Adjusted EBITDA	$ 12,397	$ 10,137	$ 24,363	$ 21,671

The Company's calculation of Adjusted net income and Adjusted diluted earnings per share for the three and six months ended June 30, 2021 and 2020 is as follows (in thousands except per share amounts):

	For the three months ended June 30,			
	2021	Per diluted share	2020	Per diluted share
Net income as reported	$ 4,634	$ 0.32	$ 2,896	$ 0.20
Non-GAAP adjustments, net of tax				
Foreign currency loss - net	30	—	83	0.01
Business development costs - net	121	0.01	124	0.01
Non-GAAP adjusted net income and diluted earnings per share	$ 4,785	$ 0.33	$ 3,103	$ 0.22

	For the six months ended June 30,			
	2021	Per diluted share	2020	Per diluted share
Net income as reported	$ 16,561	$ 1.14	$ 6,931	$ 0.49
Non-GAAP adjustments, net of tax				
Discrete income tax benefit	(7,373)	(0.51)	—	—
Foreign currency loss - net	21	—	150	0.01
Business development costs - net	135	0.01	302	0.02
Non-GAAP adjusted net income and diluted earnings per share	$ 9,344	$ 0.65	$ 7,383	$ 0.52

Liquidity and Capital Resources

The Company's liquidity position as measured by cash and cash equivalents increased by $253 to a balance of $23,384 at June 30, 2021 from December 31, 2020.

	Six Months Ended June 30,		2021 vs. 2020 Variance
	2021	2020	$
Net cash provided by operating activities	$ 16,471	$ 6,599	$ 9,872
Net cash used in investing activities	(5,885)	(18,342)	12,457
Net cash (used in) provided by financing activities	(9,865)	17,275	(27,140)
Effect of foreign exchange rates on cash	(468)	71	(539)
Net increase in cash and cash equivalents	$ 253	$ 5,603	$ (5,350)

During the six months ended June 30, 2021, the increase in cash provided by operating activities is primarily due to net income adjusted for non-cash items and cash provided from working capital activity in 2021 compared to 2020.

Cash used in investing activities in the six months ended June 30, 2021 relates entirely to purchases of property and equipment. Purchases of property and equipment were $5,885 during the six months ended June 30, 2021 compared to $3,614 during the six months ended June 30, 2020 reflecting continued commitments to capital expenditure projects supporting customer and growth initiatives. Cash used in investing activities in the prior year period included a $14,728 outflow related to the acquisition of Dynamic Controls. Capital expenditures are expected to be between $12,000 and $15,000 for 2021.

The decrease in cash provided by financing activities in the six months ended June 30, 2021 from the six months ended June 30, 2020 is because the 2020 period included the acquisition of Dynamic Controls for approximately $14,700, net of cash received. At June 30, 2021, we had $112,897 of obligations under the Amended Revolving Facility, excluding deferred financing costs.

The Amended Credit Agreement contains certain financial covenants related to minimum interest coverage, total leverage ratio, and non-material subsidiaries assets to consolidated total assets at the end of each quarter. The Amended Credit Agreement also includes other covenants and restrictions, including limits on the amount of additional indebtedness, and restrictions on the ability to merge, consolidate or sell all, or substantially all, of our assets. We were in compliance with all covenants at June 30, 2021.

As of June 30, 2021, the unused Amended Revolving Facility was $112,103. The amount available to borrow may be lower and may vary from period to period based upon our debt and EBITDA levels, which impacts our covenant calculations. The Amended Credit Agreement matures in February 2025.

There were no borrowings under the China Facility during the six months ended June 30, 2021 and 2020, respectively.

The Company declared dividends of $0.045 and $0.040 per share during the six months ended June 30, 2021 and 2020, respectively.

Although there is ongoing uncertainty related to the anticipated impact of COVID-19 and variants on our future results, we believe our diverse markets, and the steps we have taken to strengthen our balance sheet, such as retaining cash to support shorter term needs and extending the maturity of our revolving credit facility in the second quarter of 2020 leaves us well-positioned to manage our business through the crisis as it continues to unfold. We have reviewed numerous potential scenarios in connection with the impact of COVID-19 on our Company. Based on our analysis, we believe our existing balances of cash, the flexibility of our Amended Credit Agreement and our currently anticipated operating cash flows will be sufficient to meet our cash needs arising in the ordinary course of business for the next twelve months.

Item 3. Qualitative and Quantitative Disclosures about Market Risk

Foreign Currency

We have foreign operations in The Netherlands, Sweden, Germany, China, Portugal, Czech Republic, Canada, Mexico, the United Kingdom and New Zealand which expose the Company to foreign currency exchange rate fluctuations due to transactions denominated in Euros, Swedish Krona, Chinese Renminbi, Czech Krona, Canadian dollar, Mexican pesos, British Pound Sterling and New Zealand dollar, respectively. We continuously evaluate our foreign currency risk and will take action from time to time in order to best mitigate these risks. A hypothetical 10% change in the value of the U.S. dollar in relation to our most significant foreign currency exposures would have had an impact of approximately $4,000 on our sales for the three months ended June 30, 2021 and $8,500 on our sales for the six months ended June 30, 2021. This amount is not indicative of the hypothetical net earnings impact due to partially offsetting impacts on cost of sales and operating expenses in those currencies. We estimate that foreign currency exchange rate fluctuations during the three months ended June 30, 2021 increased sales in comparison to the quarter ended June 30, 2020 by $4,104. For the six months ended June 30, 2021, we estimate that foreign currency exchange rate fluctuations increased sales $8,378 in 2021 compared to 2020.

We translate all assets and liabilities of our foreign operations, where the U.S. dollar is not the functional currency, at the period-end exchange rate and translate sales and expenses at the average exchange rates in effect during the period. The net effect of these translation adjustments is recorded in the condensed consolidated financial statements as comprehensive income. The translation adjustment was a gain of $955 and $1,932 for the three months ended June 30, 2021 and 2020, respectively. The translation adjustment was a loss of $3,052 and $496 for the six months ended June 30, 2021 and 2020, respectively. Translation adjustments are not adjusted for income taxes as they relate to permanent investments in our foreign subsidiaries. A hypothetical 10% change in the value of the U.S. dollar in relation to our most significant foreign currency net assets would have had an impact of approximately

$10,900 on our foreign net assets as of June 30, 2021. Beginning in the first quarter of 2021, we began entering into contracts to hedge our short-term balance sheet exposure, primarily intercompany, that are denominated in currencies (Euro, Mexican Peso, New Zealand Dollar, Chinese Renminbi, Swedish Krona) other than the subsidiary's functional currency and are adjusted to current values using period-end exchange rates. The resulting gains or losses are recorded in other (income) expense, net in the condensed consolidated statements of income and comprehensive income. To minimize foreign currency exposure, the Company had foreign currency contracts with notional amounts of $10,000 at June 30, 2021. The foreign currency contracts are recorded in the condensed consolidated balance sheets at fair value and resulting gains or losses are recorded in other (income) expense, net in the condensed consolidated statements of income and comprehensive income. During the three and six months ended June 30, 2021, we recorded a gain of $74 and a loss of $66 on foreign currency contracts which is included in other (income) expense, net and generally offset the gains or losses from the foreign currency adjustments on the intercompany balances that are also included in other (income) expense, net. Net foreign currency transaction gains and losses included in other expense, net amounted to a loss of $39 and $118 for the three months ended June 30, 2021 and 2020, respectively. Net foreign currency transaction gains and losses included in other expense, net amounted to a loss of $27 and $210 for the six months ended June 30, 2021 and 2020, respectively.

Interest Rates

Borrowings under the Amended Revolving Facility bear interest at the LIBOR or EURIBOR Rate plus a margin of 1.00% to 1.75% (1.50% at June 30, 2021) or the Prime Rate plus a margin of 0% to 0.75% (0.50% at June 30, 2021), in each case depending on the Company's Total Leverage Ratio. We use interest rate derivatives to add stability to interest expense and to manage our exposure to interest rate movements. We primarily use interest rate swaps as part of our interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. In February 2017, the Company entered into three interest rate swaps with a combined notional amount of $40,000 that mature in February 2022. In March 2020, the Company entered into two additional interest rate swaps with a combined notional amount of $20,000 that increases to $60,000 in March 2022 and matures in December 2024.

As of June 30, 2021, we had $112,897 outstanding under the Amended Revolving Facility (excluding deferred financing fees), of which $60,000 is currently being hedged. Refer to Note 9, *Debt Obligations* of the Notes to condensed consolidated financial statements for additional information about our outstanding debt. A hypothetical one percentage point (100 basis points) change in the Base Rate on the $52,897 of unhedged floating rate debt outstanding at June 30, 2021 would have approximately a $130 and $265 impact on our interest expense for the three and six months ended June 30, 2021, respectively.

Item 4. Controls and Procedures

Conclusion regarding the effectiveness of disclosure controls and procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer (principal accounting officer), evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of June 30, 2021. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Based on this evaluation, the Company's principal executive officer and principal financial officer concluded that, as of June 30, 2021, the Company's disclosure controls and procedures were effective.

Changes in internal control over financial reporting

During the quarter ended June 30, 2021, there were no changes in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1A. Risk Factors

Except as noted below and to the extent factual information disclosed elsewhere in this Form 10-Q relates to such risk factors, there have been no material changes to the risk factors disclosed in the Company’s Form 10-K for the year ended December 31, 2020. For a full discussion of these risk factors, please refer to “Item 1A. Risk Factors” in the 2020 Annual Report and 10-K.

We could experience a failure of a key information technology system, process or site or a breach of information security, including a cybersecurity breach, ransomware, or failure of one or more key information technology systems, networks, processes, associated sites or service providers.

We rely extensively on information technology (“IT”) systems for the storage, processing, and transmission of our electronic, business-related information assets used in or necessary to conduct business. We leverage our internal information technology infrastructures, and those of our business partners, to enable, sustain, and support our global business activities. In addition, we rely on networks and services, including internet sites, data hosting and processing facilities and tools and other hardware, software and technical applications and platforms, some of which are managed, hosted, provided and/or used by third-parties or their vendors, to assist in conducting our business. The data we store, and process may include customer payment information, personal information concerning our employees, confidential financial information, and other types of sensitive business-related information. Numerous and evolving cybersecurity threats pose potential risks to the security of our IT systems, networks and services, as well as the confidentiality, availability and integrity of our technology systems and data. In addition, the laws and regulations governing security of data on IT systems is evolving and adding another layer of complexity in the form of new requirements. In the past, we have had cybersecurity incidents and we have made, and continue to make investments, seeking to address these threats, including monitoring of networks and systems, hiring of experts to evaluate and test our systems, employee training and security policies for employees and third-party providers.

As of late, the frequency and the techniques used in these attacks has increased significantly and may be difficult to detect for periods of time and we may face difficulties in anticipating and implementing adequate preventative measures. While the breaches of our IT systems to date have not been material to our business or results of operations, the costs of attempting to protect our IT systems and data will increase, and there can be no assurance that these added security efforts will prevent all breaches of our IT systems or thefts of our data. If our IT systems are damaged or cease to function properly, the networks or service providers we rely upon fail to function properly, or we or one of our third-party providers suffer a loss or disclosure of our business or stakeholder information due to any number of causes ranging from catastrophic events or power outages to improper data handling or security breaches (including ransomware, denial-of-service attacks, a malicious website, the use of social engineering and other means to affect the confidentiality, integrity and availability of our technology systems and data) and our business continuity plans do not effectively address these failures on a timely basis, we may be exposed to potential disruption in operations, loss of customers, reputational, competitive and business harm as well as significant costs from remediation, ransom payments, litigation and regulatory actions.

We are also subject to an increasing number of evolving data privacy and security laws and regulations. Failure to comply with such laws and regulations could result in the imposition of fines, penalties and other costs. The European Union ("EU") and United Kingdom's General Data Protection Regulations and the EU's pending ePrivacy Regulation could disrupt our ability to sell products and solutions or use and transfer data because such activities may not be in compliance with applicable laws. Additionally, cybersecurity incidents related to export control technology information of our Aerospace & Defense customers could subject us to additional reporting requirements, could disrupt our ability to sell products to those customers and could subject us to additional costs, penalties, and fines all of which may be material to our operating results.

The Audit Committee of the Board of Directors is responsible for information security oversight and is comprised entirely of independent directors. Additionally, two members of the Company's Board of Directors have relevant information security and cybersecurity experience. As part of their oversight, senior leadership meets with the Audit Committee at least annually to discuss information security and cybersecurity matters.

Over the last three years, the Company has experienced one known information security breach, in connection with a ransomware incident that occurred in June 2021. Over the last three years, costs incurred related to information security breaches did not have a material adverse effect on our results of operations. However, as cybersecurity incidents continue to increase in scope and frequency, we may be unable to prevent a significant incident in the future which may materially impact our results of operations. Every two to three years, the Company is audited by an external security services provider to the National Institute of Standards and Technology (NIST) SP 800-171 standards and enhances its security framework based upon the results of those audits. For new associates, and on an annual basis, the Company requires associates to take security awareness training and has an on-going phishing recognition training and testing programs.

Item 5. Unregistered Sales of Equity Securities and Use of Proceeds

Period	Number of Shares Purchased (1) (2)	Average Price Paid per Share (2)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
04/01/21 to 04/30/21	22,985	$ 34.85	—	—
05/01/21 to 05/31/21			—	—
06/01/21 to 06/30/21			—	—
Total	22,985	$ 34.85	—	—

(1) As permitted under the Company's equity compensation plan, these shares were withheld by the Company to satisfy tax withholding obligations in connection with the vesting of stock. Shares withheld for tax withholding obligations do not affect the total number of shares available for repurchase under any approved common stock repurchase plan. At June 30, 2021, the Company did not have an authorized stock repurchase plan in place.

(2) Shares of common stock and related per share amounts give retroactive effect for stock splits. A three-for-two common stock split, effected as a stock dividend, occurred on April 30, 2021.

Item 6. Other Information

None.

Item 7. Exhibits

(a) Exhibits

10.1	Third Amendment to First Amended and Restated Credit Agreement dated as of June 17, 2021 among Allied Motion Technologies Inc. and Allied Motion Technologies B.V. as Borrowers, HSBC Bank USA, National Association, as Administrative Agent and The Other Lenders Party thereto, and HSBC Securities (USA) Inc., KeyBank National Association, Wells Fargo Bank, National Association and Citizens Bank, N.A., as Joint Lead Arrangers (filed herewith).
10.2*	Director Compensation Program, Stock Ownership Requirements and Stock-in-Lieu of Cash Retainer Plan (filed herewith.)

31.1	Certification of the Chief Executive 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 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.
32.1	Certification of the Chief Executive 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 Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.1 SCH	Inline XBRL Taxonomy Extension Schema Document *(filed herewith)*.
101.2 CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document *(filed herewith)*.
101.3 DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document *(filed herewith)*.
101.4 LAB	Inline XBRL Taxonomy Extension Label Linkbase Document *(filed herewith)*.
101.5 PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document *(filed herewith)*.
104	Cover Page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in exhibits 101.*) *(filed herewith)*.

* Denotes management contract or compensatory plan or arrangement.

SIGNATURES

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

DATE: August 4, 2021

ALLIED MOTION TECHNOLOGIES INC.
By: /s/ Michael R. Leach
Michael R. Leach
Chief Financial Officer

THIRD AMENDMENT TO
FIRST AMENDED AND RESTATED
CREDIT AGREEMENT

This Third Amendment to the First Amended and Restated Credit Agreement ("Amendment"), dated as of June 17, 2021, is made by and among **HSBC BANK USA, NATIONAL ASSOCIATION**, as Administrative Agent (in such capacity, "Agent"), the Lenders (as defined in the Credit Agreement, as defined below), and **ALLIED MOTION TECHNOLOGIES INC.** ("Allied Inc.") and **ALLIED MOTION TECHNOLOGIES B.V.** ("Allied B.V." and collectively with Allied Inc., the "Borrowers").

Statement of the Premises

The Agent, the Lenders, the Borrowers, and HSBC Securities (USA) Inc., KeyBank National Association and Wells Fargo Bank, National Association, as joint lead arrangers, have previously entered into a First Amended and Restated Credit Agreement dated as of February 12, 2020, as amended by a First Amendment to First Amended and Restated Credit Agreement dated as of March 6, 2020 and a Consent and Second Amendment to First Amended and Restated Credit Agreement dated as of February 12, 2021 (the "Credit Agreement"). All capitalized terms not otherwise defined in this Amendment have the meanings given them in the Credit Agreement.

The Borrowers have requested that the Agent and the Lenders agree to amend certain terms set forth in the Credit Agreement.

The Agent and the Lenders have agreed to amend the Credit Agreement on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants set forth herein, and of the loans or other extensions of credit heretofore, now or hereafter made by the Lenders to, or for the benefit of, the Borrowers, the parties hereto agree as follows:

1. Conditions Precedent to this Amendment. This Amendment shall be effective as of the date first written above once the following conditions precedent are satisfied:

1.1 Amendment Documentation. The Agent shall have received an original of this Amendment executed by the Borrowers and the Required Lenders.

1.2 No Default. As of the date hereof, and after giving effect to this Amendment, no Default or Event of Default shall have occurred and be continuing.

1.3 Representations and Warranties. The representations and warranties contained in the Credit Agreement shall, after giving effect to this Amendment, be true, correct and complete as of the date hereof as though made on such date.

2. **<u>Amendments</u>**. The Credit Agreement is hereby amended as follows:

(a) The definition of "Libor Loan" in Section 1.01 of the Credit Agreement (entitled "Definitions") shall be replaced with the following new definition (in the appropriate alphabetical order) and all references in the Credit Agreement to "Libor Loans" shall be replaced with "Eurocurrency Rate Loans".

"<u>Eurocurrency Rate Loan</u>" means a Loan that bears interest at a rate based on the Eurocurrency Rate.

(b) In the definition of "Applicable Rate", the heading "Applicable Margin Spread over Libor Rate" in the accompanying chart is hereby amended and restated to read in its entirety as follows "Applicable Margin Spread over Libor Rate or Adjusted EURIBOR Rate".

(c) The following new definitions are added to Section 1.01 of the Credit Agreement (entitled "Definitions") in the appropriate alphabetical order:

"<u>Adjusted EURIBOR Rate</u>" means, with respect to any Eurocurrency Rate Loan denominated in Euro for any Interest Period, an interest rate *per annum* (rounded upwards, if necessary, to the next 1/100 of 1%) equal to (a) the EURIBOR Rate for such Interest Period multiplied by (b) the Statutory Reserve Rate.

"<u>EURIBOR Interpolated Rate</u>" means, at any time, with respect to any Loan denominated in Euro and for any Interest Period, the rate *per annum* (rounded to the same number of decimal places as the EURIBOR Screen Rate) determined by Administrative Agent (which determination shall be conclusive and binding absent manifest error) to be equal to the rate that results from interpolating on a linear basis between (a) the EURIBOR Screen Rate for the longest period (for which the EURIBOR Screen Rate is available for Euro) that is shorter than the Impacted EURIBOR Rate Interest Period and (b) the EURIBOR Screen Rate for the shortest period (for which the EURIBOR Screen Rate is available for Euro) that exceeds the Impacted EURIBOR Rate Interest Period, in each case, at such time; *provided* that, if any EURIBOR Interpolated Rate shall be less than zero, such rate shall be deemed to be zero for the purposes of this Agreement.

"<u>EURIBOR Rate</u>" means, with respect to any Loan denominated in Euro and for any Interest Period, the EURIBOR Screen Rate; *provided* that, if the EURIBOR Screen Rate shall not be available at such time for such Interest Period (an "Impacted EURIBOR Rate Interest Period") with respect to Euro then the EURIBOR Rate shall be the EURIBOR Interpolated Rate.

"<u>EURIBOR Screen Rate</u>" means, for any day and time, with respect to any Loan denominated in Euro and for any Interest Period, the Euro Interbank Offered Rate administered by the European Money Markets Institute (or any other person which takes over the administration of that rate) for the relevant period displayed (before any correction, recalculation or republication by the administrator) on page EURIBOR01 of the Reuters screen (or any replacement Reuters page which displays that rate) or on the appropriate page of such other information service which publishes that rate from time to time in place of Reuters as of 11:00 a.m. (Brussels time) two (2) Business Days prior to the commencement of such Interest Period. If such page or service ceases to be available, Administrative Agent may specify another page or service displaying the relevant rate after consultation with Borrowers. If the EURIBOR Screen Rate shall be less than zero, the EURIBOR Screen Rate shall be deemed to be zero for purposes of this Agreement.

"Eurocurrency Rate" means for any Interest Period with respect to a Loan: (a) denominated in Dollars or an Alternative Currency (other than Euro), the rate *per annum* (rounded upwards, as necessary, to the nearest 1/100th of one percent (0.01%)) equal to the Libor Rate and (b) denominated in Euro, the rate *per annum* equal to the Adjusted EURIBOR Rate.

"Impacted EURIBOR Rate Interest Period" has the meaning given to such term in the definition of "EURIBOR Rate" set forth in this Section 1.01.

"Loan Party Notice" has the meaning specified in Section 2.16 of this Agreement.

"Non-Material Covenant Subsidiary" means a Non-Material Subsidiary that, as of the date of determination, (a) has been a Subsidiary for at least ninety (90) days, (b) is not a Loan Party, and (c) with respect to which no Loan Party Notice has been delivered by the Company within the past ninety (90) days.

"Statutory Reserve Rate" means a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve, liquid asset, fees or similar requirements (including any marginal, special, emergency or supplemental reserves or other requirements) established by any central bank, monetary authority, the FRB, the FCA, the Prudential Regulation Authority, the European Central Bank or other Governmental Authority for any category of deposits or liabilities customarily used to fund loans in the applicable currency, expressed in the case of each such requirement as a decimal. Such reserve, liquid asset, fees or similar requirements shall include those imposed pursuant to Regulation D. Eurocurrency Rate Loans shall be deemed to be subject to such reserve, liquid asset, fee or similar requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under any applicable Law, including Regulation D. The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve, liquid asset or similar requirement.

(d) The following definitions in Section 1.01 of the Credit Agreement (entitled "Definitions") are deleted in their entirety and replaced with the following:

"Business Day" means (a) for all purposes other than as set forth in clause (b) and (c) below, any day excluding Saturday, Sunday, and any day in which banks in New York, New York are authorized or required by law or governmental action to close, (b) with respect to Eurocurrency Rate Loans, any day which is a Business Day described in clause (a) and which is also a day for trading by and between banks in U.S. dollar deposits in Brussels, Belgium, and (c) with respect to advances or payments of Loans or other matters relating to Loans denominated in Alternative Currency, such day shall be a day on which dealings in deposits in the relevant Alternative Currency are carried on in the relevant interbank market."

"US Guarantors" means collectively, Allied Corp., Emoteq, MPC, Stature, Globe Inc., TCI and Allied Motion Twinsburg, LLC.

(e) Section 1.11 of the Credit Agreement (entitled "Additional Alternative Currency") is deleted in its entirety and replaced with the following:

"1.11 Additional Alternative Currencies.

(a) The Company may from time to time request that Eurocurrency Rate Loans be made and/or Letters of Credit be issued in a currency other than those specifically listed in the definition of "Alternative Currency"; provided that (i) such requested currency is a lawful currency that is readily available and freely transferable and convertible into Dollars and (ii) such requested currency shall only be treated as a "Libor Quoted Currency" to the extent that there is published Libor Rate for such currency (other than Euro). In the case of any such request with respect to the making of Eurocurrency Rate Loans, such request shall be subject to the approval of the Administrative Agent and each Lender; and in the case of any such request with respect to the issuance of Letters of Credit, such request shall be subject to the approval of the Administrative Agent and the L/C Issuer.

(b) Any such request shall be made to the Administrative Agent not later than 11:00 a.m., twenty (20) Business Days prior to the date of the desired Credit Extension (or such other time or date as may be agreed by the Administrative Agent and, in the case of any such request pertaining to Letters of Credit, the L/C Issuer, in its or their sole discretion). The Administrative Agent shall promptly notify each Lender of any such request; and in the case of any such request pertaining to Letters of Credit, the Administrative Agent shall promptly notify the L/C Issuer thereof. Each Lender or the L/C Issuer (in the case of a request pertaining to Letters of Credit) shall notify the Administrative Agent, not later than 11:00 a.m., ten (10) Business Days after receipt of such request whether it consents, in its sole discretion, to the making of Eurocurrency Rate Loans or the issuance of Letters of Credit, as the case may be, in such requested currency.

(c) Any failure by a Lender or the L/C Issuer, as the case may be, to respond to such request within the time period specified in the preceding sentence shall be deemed to be a refusal by such Lender or the L/C Issuer, as the case may be, to permit Eurocurrency Rate Loans to be made or Letters of Credit to be issued in such requested currency. If the Administrative Agent and all the Lenders consent to making Eurocurrency Rate Loans in such requested currency and the Administrative Agent and such Lenders reasonably determine that an appropriate interest rate is available to be used for such requested currency, the Administrative Agent shall so notify the Company and (i) the Administrative Agent and such Lenders may amend the definition of Eurocurrency to the extent necessary to add the applicable Eurocurrency Rate for such currency and (ii) to the extent the definition of Eurocurrency Rate reflects the appropriate interest rate for such currency or has been amended to reflect the appropriate rate for such currency, such currency shall thereupon be deemed for all purposes to be an Alternative Currency for purposes of any Borrowings of Eurocurrency Rate Loans. If the Administrative Agent and the L/C Issuer consent to the issuance of Letters of Credit in such requested currency, the Administrative Agent shall so notify the Company and (A) the Administrative Agent and the L/C Issuer may amend the definition of Eurocurrency Rate to the extent necessary to add the applicable Eurocurrency Rate for such currency and (B) to the extent the definition of Eurocurrency Rate reflects the appropriate interest rate for such currency or has been amended to reflect the appropriate rate for such currency, such currency shall thereupon be deemed for all purposes to be an Alternative Currency, for purposes of any Letter of Credit issuances. If the Administrative Agent shall fail to obtain consent to any request for an additional currency under this Section 1.11, the Administrative Agent shall promptly so notify the Company."

(f) Section 2.06 of the Credit Agreement (entitled "Interest") is amended so that Subsection (a) thereof is deleted in its entirety and replaced with the following:

"(a) Subject to the provisions of subsection (b) below, (i) each Eurocurrency Rate Loan denominated in Dollars or an Alternative Currency (other than Euro) shall bear interest on the outstanding principal amount thereof for each Interest Period at a rate per annum equal to the Libor Rate for such Interest Period <u>plus</u> the Applicable Rate; (ii) each Eurocurrency Rate Loan denominated in Euro shall bear interest on the outstanding principal amount there for each Interest Period at a rate per annum equal to the Adjusted EURIBOR Rate for such Interest Period <u>plus</u> the Applicable Rate; and (iii) each ABR Loan shall bear interest on the outstanding principal amount thereof from the applicable borrowing date at a rate per annum equal to the ABR Rate <u>plus</u> the Applicable Rate."

(g) Section 2.13(d) of the Credit Agreement is deleted in its entirety and replaced with the following:

"(d) Upon the Company's receipt of notice of the commencement of a Benchmark Unavailability Period, the Company may revoke any request for a Eurocurrency Rate Loan denominated in Dollars or an Alternative Currency (other than Euros) or, conversion to or continuation of Eurocurrency Rate Loan denominated in Dollars or an Alternative Currency (other than Euros) to be made, converted or continued during any Benchmark Unavailability Period and, failing that, the Company will be deemed to have converted any such request into a request for a Loan of or conversion to ABR Loans. During any Benchmark Unavailability Period, the component of ABR based upon LIBOR will not be used in any determination of ABR.

(h) The following is added as a new Section 2.16 of the Credit Agreement (entitled “Addition of Non-Material Subsidiaries as Loan Parties”):

> “2.16 Addition of Non-Material Subsidiaries as Loan Parties. The Borrowers may elect to add one or more Non-Material Subsidiaries as a Loan Party by written notice by the Company to the Administrative Agent of such election (a “Loan Party Notice”). Within ninety (90) days following delivery of a Loan Party Notice, the Borrower will cause the applicable Subsidiary to (a) guaranty all Obligations by executing and delivering to the Administrative Agent a Guaranty; (b) secure all of its Obligations as described in, but only to the extent required by, Section 2.12 by providing the Administrative Agent with a first priority perfected security interest (subject only to Liens permitted by Section 7.01) on its assets and by executing and delivering a security agreement and such other documents as the Administrative Agent shall deem appropriate for such purpose; (c) deliver to the Administrative Agent documents of the type referred to in clause (iii) and (iv) of Section 4.01(a) and opinions of counsel to such Subsidiary (which shall cover, among other things, the legality, validity, binding effect and enforceability of the documentation referred to in clauses (a) and (b), all in form, content and scope reasonably satisfactory to the Administrative Agent. During the ninety (90) days following the delivery by the Borrowers of a Loan Party Notice, the applicable Subsidiary identified in the Loan Party Notice shall not be considered a Non-Material Covenant Subsidiary for purposes of Subsection 7.10(c).”

(i) Section 3.02(a) of the Credit Agreement (entitled “Illegality and Designated Lenders”) so that Subsection (a) thereof is deleted in its entirety and replaced with the following:

> “(a) Illegality. If any Lender determines that any Law has made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for any Lender or its applicable Lending Office to make, maintain or fund Eurocurrency Rate Loans (whether denominated in Dollars or Alternative Currency), or to determine or charge interest rates based upon the Libor Rate or the EURIBOR Rate, or any Governmental Authority has imposed material restrictions on the authority of such Lender to purchase or sell, or to take deposits of, Dollars or Alternative Currency in the applicable interbank market, then, on notice thereof by such Lender to the Company through the Administrative Agent, any obligation of such Lender to make or continue Eurocurrency Rate Loans in the affected currency or currencies or, in the case of Eurocurrency Rate Loans in Dollars, to convert ABR Loans to Eurocurrency Rate Loans, shall be suspended until such Lender notifies the Administrative Agent and the Company that the circumstances giving rise to such determination no longer exist. Upon receipt of such notice, the applicable Borrower shall, upon demand from such Lender (with a copy to the Administrative Agent), prepay or, if applicable and such Loans are denominated in Dollars, convert all such Eurocurrency Rate Loans of such Lender to ABR Loans, either on the last day of the Interest Period therefor, if such Lender may lawfully continue to maintain such Eurocurrency Rate Loans to such day, or immediately, if such Lender may not lawfully continue to maintain such Eurocurrency Rate Loans. Upon any such

prepayment or conversion, the applicable Borrower shall also pay accrued interest on the amount so prepaid or converted."

(j) Section 3.03 of the Credit Agreement (entitled "Inability to Determine Rate") is deleted in its entirety and replaced with the following:

"3.03 Inability to Determine Rates. If the Required Lenders determine that for any reason in connection with any request for a Eurocurrency Rate Loan or a conversion to or continuation thereof that (a) deposits (whether in Dollars or Alternative Currency) are not being offered to banks in the applicable offshore interbank market for such currency for the applicable amount and Interest Period of such Eurocurrency Rate Loan, (b) adequate and reasonable means do not exist for determining the Libor Rate or the EURIBOR Rate, as applicable, for any requested Interest Period with respect to a proposed Eurocurrency Rate Loan (whether denominated in Dollars or an Alternative Currency), or (c) the Libor Rate or the EURIBOR Rate, as applicable, for any requested Interest Period with respect to a proposed Eurocurrency Rate Loan does not adequately and fairly reflect the cost to such Lenders of funding such Eurocurrency Rate Loan, the Administrative Agent will promptly so notify the Company and each Lender. Thereafter, the obligation of the Lenders to make or maintain Eurocurrency Rate Loans in the affected currency or currencies shall be suspended until the Administrative Agent (upon the instruction of the Required Lenders) revokes such notice. Upon receipt of such notice, either Borrower, as applicable, may revoke any pending request for a Borrowing of, conversion to or continuation of Eurocurrency Rate Loans in the affected currency or currencies or, failing that, will be deemed to have converted such request into a request for a Borrowing of ABR Loans in the amount specified therein or to another type of loan at an alternate rate offered by the Administrative Agent. This Section 3.03 is subject in all respects to Section 2.13, and in the event of an inconsistency between this Section 3.03 and Section 2.13, Section 2.13 shall control."

(k) Section 3.04(a) of the Credit Agreement (entitled "Increased Costs; Reserves on Libor Loans") is deleted in its entirety and replaced with the following:

"(a) Increased Costs Generally. If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender (except any such reserve requirement reflected in the Libor Rate or the EURIBOR Rate, as applicable) or the L/C Issuer; or

(ii) impose on any Lender or the L/C Issuer or the applicable interbank market any other condition affecting this Agreement or Eurocurrency Rate Loans made by such Lender or any Letter of Credit or participation therein; or

(iii) subject any Recipient to any Taxes (other than Excluded Taxes) on its loans, letters of credit, commitments, or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto; or

and the result of any of the foregoing shall be to increase the cost to such Lender or such other Recipient of making, continuing, converting or maintaining any Loan (or of maintaining its obligation to make any such Loan) or to increase the cost to such Lender or the L/C Issuer of participating in, issuing or maintaining any Letter of Credit or to reduce the amount of any sum received or receivable by such Lender or the L/C Issuer (whether of principal, interest or otherwise), then the applicable Borrower will pay to such Lender or the L/C Issuer, as the case may be, such additional amount or amounts as will compensate such Lender or the L/C Issuer, as the case may be, for such additional costs incurred or reduction suffered.

(iv) If any Lender or the L/C Issuer determines that any Change in Law regarding capital or liquidity requirements has or would have the effect of reducing the rate of return on such Lender’s or the L/C Issuer’s capital or on the capital of such Lender’s or the L/C Issuer’s holding company, if any, as a consequence of this Agreement or the Loans made by, or participations in Letters of Credit held by, such Lender, or the Letters of Credit issued by the L/C Issuer, to a level below that which such Lender or the L/C Issuer or such Lender’s or the L/C Issuer’s holding company could have achieved but for such Change in Law (taking into consideration such Lender’s or the L/C Issuer’s policies and the policies of such Lender’s or the L/C Issuer’s holding company with respect to capital adequacy and liquidity, and provided such Change in Law has or would have a similar effect on Lender as a consequence of other similarly situated credits of Lender), then from time to time the applicable Borrower will pay to such Lender or the L/C Issuer, as the case may be, such additional amount or amounts as will compensate such Lender or the L/C Issuer or such Lender’s or the L/C Issuer’s holding company for any such reduction suffered.

(v) A certificate of a Lender or the L/C Issuer setting forth the amount or amounts necessary to compensate such Lender or the L/C Issuer or its holding company, as the case may be, as specified in paragraph (a) or (b) of this Section 3.04 shall be delivered to the Company and shall be conclusive absent manifest error. The applicable Borrower shall pay such Lender or the L/C Issuer, as the case may be, the amount shown as due on any such certificate within ten (10) days after receipt thereof.”

(vi) Failure or delay on the part of any Lender or the L/C Issuer to demand compensation pursuant to this Section shall not constitute a waiver of such Lender’s or the L/C Issuer’s right to demand such compensation; *provided* that the applicable Borrower shall not be required to compensate a Lender or the L/C Issuer pursuant to this Section for any increased costs or reductions incurred more than 270 days prior to the date that such Lender or the L/C Issuer, as the case may be, notifies the applicable Borrower of the

Change in Law giving rise to such increased costs or reductions and of such Lender's or Issuing Bank's intention to claim compensation therefor; *provided further* that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the 270-day period referred to above shall be extended to include the period of retroactive effect thereof.

(l) Section 3.05 of the Credit Agreement (entitled "Compensation for Losses") is deleted in its entirety and replaced with the following:

"3.05 Compensation for Losses. Upon demand of any Lender (with a copy to the Administrative Agent) from time to time, the applicable Borrower shall promptly compensate such Lender for and hold such Lender harmless from any loss, cost or expense incurred by it as a result of:

(a) any continuation, conversion, payment or prepayment of any Loan other than a ABR Loan on a day other than the last day of the Interest Period for such Loan (whether voluntary, mandatory, automatic, by reason of acceleration, or otherwise);

(b) any failure by any Borrower (for a reason other than the failure of such Lender to make a Loan) to prepay, borrow, continue or convert any Loan other than an ABR Loan on the date or in the amount notified by the Company or the applicable Borrower; or

(c) any failure by any Borrower to make payment of any Loan or drawing under any Letter of Credit (or interest due thereon) denominated in an Alternative Currency on its scheduled due date or any payment thereof in a different currency;

including any loss of anticipated profits, any foreign exchange losses and any loss or expense arising from the liquidation or reemployment of funds obtained by it to maintain such Loan, from fees payable to terminate the deposits from which such funds were obtained or from the performance of any foreign exchange contract. The applicable Borrower shall also pay any customary administrative fees charged by such Lender in connection with the foregoing.

For purposes of calculating amounts payable by Borrowers to the Lenders under this Section 3.05, each Lender shall be deemed to have funded each Eurocurrency Rate Loan made by it at the Libor Rate, or the EURIBOR Rate, as applicable, for such Loan by a matching deposit or other borrowing in the applicable offshore interbank market for such currency for a comparable amount and for a comparable period, whether or not such Eurocurrency Rate Loan was in fact so funded."

(m) Section 7.01 of the Credit Agreement (entitled "Liens") is amended to add the following new Subsection (k):

"(k) Liens on assets or deposit accounts to secure corporate credit card facilities in an aggregate amount not to exceed Two Hundred Fifty Thousand Dollars ($250,000) at one time outstanding."

(n) Section 7.02 of the Credit Agreement (entitled "Investments") is amended so that in Subsection (e) thereof, "$250,000,000 is deleted and replaced with "$325,000,000".

(o) Section 7.10 of the Credit Agreement (entitled "Financial Covenants") is amended so that Subsection (c) thereof is deleted and replaced with the following:

"(c) Consolidated Total Assets. Permit, as of the end of any fiscal quarter, Non-Material Covenant Subsidiaries to have an aggregate of over twenty-five percent (25%) of Consolidated Total Assets."

(p) Exhibit A-2 to the Credit Agreement is deleted in its entirety and replaced with Exhibit A-2 attached hereto.

3. Waiver and Consent. The Lenders hereby waive any Default or Event of Default arising under any term or condition of the Credit Agreement in connection with the failure of any Loan Party or Subsidiary to comply with Section 7.10(c) of the Credit Agreement at any time prior to the date hereof. Nothing in this paragraph shall be construed as a waiver of any other term or condition of the Credit Agreement nor shall be construed as a commitment on the part of the Administrative Agent or Lenders to waive any subsequent violation of the same or any other term or condition set forth in the Credit Agreement, as amended by this Amendment.

4. Reaffirmations. The Borrowers hereby acknowledge and reaffirm the execution and delivery of the Security Documents to which they are parties and agree that such Security Documents shall continue in full force and effect and continue to secure the Obligations, including all indebtedness of the Borrowers to the Agent, the Lenders and the Issuing Bank arising under or in connection with the Credit Agreement, as amended hereby, and any renewal, extension or modification thereof.

5. Representations and Warranties

. Each Borrower makes the following representations and warranties to the Agent and the Lenders which shall be deemed to be continuing representations and warranties so long as any Obligations, including indebtedness of either Borrower to Agent or the Lenders arising under the Credit Agreement or any Loan Documents, remain unpaid:

(a) Authorization. Such Borrower has full power and authority to execute, deliver and perform this Amendment, which has been duly authorized by all proper and necessary action. The execution and delivery of this Amendment by such Borrower will not violate the provisions of, or cause a default under, such Borrower's Organizational Documents or any agreement to which such Borrower is a party or by which it or its assets are bound.

(b) Binding Effect. This Amendment has been duly executed and delivered by such Borrower and constitutes the legal, valid and binding obligation of such Borrower enforceable in accordance with its terms, except as enforceability may be limited by applicable Debtor Relief Laws.

(c) Consents; Governmental Approvals. No consent, approval or authorization of, or registration, declaration or filing with, any governmental body or authority or any other party is required in connection with the valid execution, delivery or performance of this Amendment or any other document executed and delivered herewith or in connection with any other transactions contemplated hereby.

(d) No Events of Default. There is, on the date hereof and after giving effect to this Amendment, no event or condition which constitutes an Event of Default under any of the Loan Documents or which, with notice and/or the passage of time, would constitute an Event of Default.

(e) No Material Misstatements. Neither this Amendment nor any document delivered to the Agent or the Lenders by or on behalf of such Borrower to induce the Agent and the Lenders to enter into this Amendment or otherwise in connection with this Amendment contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements herein or therein not misleading in light of the circumstances in which they were made.

(f) Credit Agreement. After giving effect to this Amendment, the representations and warranties of such Borrower set forth in Article 5 of the Credit Agreement are true and correct on and as of the date hereof with the same force and effect as if made on and as of such date.

6. Conditions of Effectiveness

. This Amendment shall become effective when and only when the Agent shall have received counterparts of this Amendment executed by the Borrowers, the Agent and the Required Lenders.

7. Reference to and Effect on Loan Documents

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(a) Upon the effectiveness hereof, each reference in the Credit Agreement to “this Agreement,” “hereunder,” “hereof,” “herein,” or words of like import, and each reference in the Loan Documents to the Credit Agreement shall mean and be a reference to the Credit Agreement as amended by this Amendment.

(b) The Credit Agreement, as amended by this Amendment, represents the entire understanding and agreement between the parties hereto with respect to the subject matter hereof. This Amendment supersedes all prior negotiations and any course of dealing between the parties with respect to the subject matter hereof. This Amendment shall be binding upon each Borrower and its successors and assigns, and shall inure to the benefit of, and be enforceable by, the Agent, the Lenders and each of their successors and assigns. The Credit Agreement, as amended hereby, is in full force and effect and, as so amended, is hereby ratified and reaffirmed in its entirety. Each Borrower acknowledges and agrees that the Credit Agreement (as amended by this Amendment) and all other Loan Documents to which such Borrower is a party are in full force and effect, that such Borrower’s obligations thereunder and under this Amendment are its legal, valid and binding obligations, enforceable against it in accordance with the terms thereof and hereof, and that such Borrower has no defense, whether legal or equitable, setoff or counterclaim to the payment and performance of such obligations.

(c) The execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of the Agent or the Lenders under the Credit Agreement, nor constitute a waiver of any provision of the Credit Agreement.

8. Costs and Expenses

. Borrowers agree to pay on demand all costs and expenses of the Agent and the Lenders in connection with the preparation, execution and delivery of this Amendment, including the fees and out-of-pocket expenses of counsel for the Agent and the Lenders.

9. Governing Law

. This Amendment shall be governed and construed in accordance with the laws of the State of New York without regard to any conflicts-of-laws rules which would require the application of the laws of any other jurisdiction.

10. Headings

. Section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purpose.

11. Execution in Counterparts

. This Amendment may be executed in any number of counterparts, and by the parties hereto on separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same agreement. This Amendment, to the extent signed and delivered by means of a facsimile machine or e-mail scanned image, shall be treated in all manner and respects as an original agreement or instrument and shall be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person. At the request of any party hereto or to any such agreement or instrument, each other party hereto or thereto shall re-execute original forms thereof and deliver them to all other parties. No party hereto or to any such agreement or instrument shall raise the use of a facsimile machine or e-mail scanned image to deliver a signature or the fact that any signature or agreement or instrument was transmitted or communicated through the use of a facsimile machine or by e-mail as a defense to the formation of a contract and each party forever waives such defense.

12. Notice of Benchmark Transition Event for Loans Denominated in Euro. On March 5, 2021, the ICE Benchmark Administration (the "IBA"), the administrator of London interbank offered rate, and the Financial Conduct Authority (the "FCA"), the regulatory supervisor of the IBA, announced in public statements (the "Announcements") that the final publication or representativeness date for the London interbank offered rate for Euro will be December 31, 2021. No successor administrator for the IBA was identified in such Announcements. The Borrowers, the Agent and the Lenders agree and acknowledge that the Announcements resulted in the occurrence of a Benchmark Transition Event with respect to the London interbank offered rate for Loans denominated in Euro and that any obligation of the Administrative Agent to notify any parties of any such Benchmark Transition Event pursuant to clause (c) of Section 2.13 of the Credit Agreement shall be deemed satisfied.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective representatives thereunto duly authorized, as of the date first above written.

ALLIED MOTION TECHNOLOGIES INC.

By: /s/ Michael R. Leach
Name: Michael R. Leach
Title: Chief Financial Officer

ALLIED MOTION TECHNOLOGIES B.V.

By: /s/ H.R. Nugteren
Name: H.R. Nugteren
Title: Director

ADMINISTRATIVE AGENT:

HSBC BANK USA, NATIONAL ASSOCIATION, AS ADMINISTRATIVE AGENT

By: /s/ Ershad Sattar
Name: Ershad Sattar
Title: Vice President

[Signature Page to Third Amendment to First Amended and Restated Credit Agreement]

LENDERS:

HSBC BANK USA, NATIONAL ASSOCIATION, AS A LENDER, L/C ISSUER

By: /s/ Shaun R. Kleinman

Name: Shaun R. Kleinman

Title: Senior Vice President

[Signature Page to Third Amendment to First Amended and Restated Credit Agreement]

KEYBANK NATIONAL ASSOCIATION

By: /s/ Mark F. Wachowiak
Name: Mark F. Wachowiak
Title: Senior Vice President

[Signature Page to Third Amendment to First Amended and Restated Credit Agreement]

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: /s/ Michael J. Prendergast
Name: Michael J. Prendergast
Title: Senior Vice President

[Signature Page to Third Amendment to First Amended and Restated Credit Agreement]

CITIZENS BANK, N.A.

By: /s/ Thomas M. Pauly______________________

Name: Thomas M. Pauly

Title: Senior Vice President

[Signature Page to Third Amendment to First Amended and Restated Credit Agreement]

JPMORGAN CHASE BANK, NA, AS A LENDER

By: /s/ Elizabeth A. Jordan
Name: Elizabeth A. Jordan
Title: Authorized Officer

EXHIBIT A-2

FOREIGN LOAN NOTICE

The undersigned hereby certifies to **HSBC BANK USA, NATIONAL ASSOCIATION,** as Administrative Agent under First Amended and Restated Credit Agreement dated as of February 12, 2020 (the “Credit Agreement”) among the undersigned, Allied Motion Technologies Inc. and Allied Motion Technologies B.V., the Lenders from time to time party thereto, the Administrative Agent, and L/C Issuer, and HSBC Securities (USA) INC., Keybank National Association, Wells Fargo Bank, National Association, and Citizens Bank, N.A., as Joint Lead Arrangers, that:

The undersigned requests or has requested by telephone or facsimile notice a:

☐ Foreign Loan
(Check One)

[ ] new loan
[ ] conversion
[ ] continuation

of a

(Check One)

[ ] LIBOR Loan
[ ] EURIBOR Loan

to a or as a

(Check One)

[ ] LIBOR Loan
[ ] EURIBOR Loan

in the amount of _____________ for an Interest Period, of

(Check One if applicable)
[ ] one month.
[ ] three months.
[ ] six months.

The proposed loan/conversion/continuation is to be made on ____________, 20___ which is a Business Day.

The undersigned has made payments of principal of the Foreign Loans in the amount of ______________ since the date of the most recent Foreign Loan. The outstanding principal balance of the Foreign Loans is ______________.

WITNESS the signature of the undersigned authorized signatory of the Borrower this ____ day of _____________, 20___.

ALLIED MOTION TECHNOLOGIES B.V.

By:_______________________________________
Name:
Title:

Director Compensation Program,
Stock Ownership Requirements and
Stock-in-Lieu of
Cash Retainer Plan, including the
Non-Employee Director Compensation Policy
pursuant to the 2017
Omnibus Incentive Plan

The Board of Directors believes that it is generally desirable for directors to own shares of stock of Allied Motion Technologies Inc. (the "Company"). By becoming equity owners, the Non-Employee Directors assume a personal stake in the success or failure of the Company, and it aligns their financial interests with those of long-term shareholders of the Company. Accordingly, the Board has adopted the Director Compensation Program and Stock Ownership and Retention Requirements to facilitate such equity ownership. This document supersedes all prior plans, policies and documents with respect to the subjects covered herein.

I. **Director Compensation Program**.

Unless the context otherwise requires, all capitalized terms used in this Director Compensation Program shall have the respective meanings assigned to them in the Allied Motion Technologies Inc. 2017 Omnibus Incentive Plan (the "Plan").

A. Equity Awards

The following shall constitute the equity awards under the Non-Employee Director Compensation Policy under the Plan:

Annual Retainer Share Award

(a) Each year, as of the date of the Company's annual meeting of shareholders, the Company shall automatically award shares of Restricted Stock to each Non-Employee Director who has been elected or reelected as a member of the Board of Directors at the annual meeting. The number of shares of Restricted Stock shall be equal to the Non-Employee Directors' "Annual Equity Amount" as set forth in Attachment A hereto, as such Annual Equity Amount may be changed from time-to-time by the Board of Directors, divided by the Fair Market Value of a share of the Company's Common Stock on the date of such election. If a fraction results, the number of shares of Restricted Stock shall be rounded up to the next whole number.

(b) If a Non-Employee Director is elected or appointed to the Board of Directors other than at an annual meeting of the Company and has not received an award pursuant to paragraph (a) immediately above during the twelve months preceding election or appointment, the Company shall automatically award to the Non-Employee Director a number of shares of Restricted Stock that is equal to the amount determined pursuant to paragraph (a) above based on the date of election or appointment multiplied by a fraction, the numerator of which is the remainder of 365 minus the number of days between the adjournment of the last annual meeting and the effective date of the election or appointment, and the denominator of which is 365. If a fraction results, the number of shares of Restricted Stock shall be rounded up to the next whole number.

(c) The Company shall issue the Restricted Stock awarded under paragraphs (a) or (b) above on the first business day following the effective date of the election, reelection or appointment (the "Grant Date"). The Restricted Stock awarded under paragraph (a) will vest in four equal quarterly installments, on the first business day of each of June, September, December and April that occurs during the 12-month period after the Grant Date. The Restricted Stock awarded under paragraph (b) will vest in equal parts on the vesting dates set forth in the preceding sentence that occur prior to the first anniversary of the most recent annual meeting of shareholders. If a Non-Employee Director ceases to serve as a Board member for any reason other than due to death or Disability, then all Restricted Stock that is not then vested shall be immediately forfeited, unless the Compensation Committee of the Board of Directors decides otherwise. If a Non-Employee Director ceases to serve as a Board member by reason of death or Disability, then all Restricted Stock that is not then vested shall immediately become vested.

<u>Additional Annual Retainer Share Award for Lead Director</u>

(a) Each year, as of the date of the Company's annual meeting of shareholders, the Company shall automatically award shares of Restricted Stock to the lead independent director (the "Lead Director"). The number of shares of Restricted Stock shall be equal to the "Lead Director's Annual Equity Amount" as set forth in Attachment A hereto, as such Lead Director's Equity Annual Amount may be changed from time-to-time by the Board of Directors, divided by the Fair Market Value of a share of the Company's Common Stock on the date of the Lead Director's appointment. If a fraction results, the number of shares of Restricted Stock shall be rounded up to the next whole number.

(b) If a Director is appointed as Lead Director other than at an annual meeting of the Company and has not received an award pursuant to paragraph (a) immediately above during the twelve months preceding appointment, the Company shall automatically award to the Lead Director a number of shares of Restricted Stock that is equal to the amount determined pursuant to paragraph (a) based on the date of appointment multiplied by a fraction, the numerator of which is the remainder of 365 minus the number of days between the adjournment of the last annual meeting and the effective date of the appointment, and the denominator of which is 365. If a fraction results, the number of shares of Restricted Stock shall be rounded up to the next whole number.

(c) The Company shall issue the Restricted Stock awarded under paragraphs (a) or (b) above on the Grant Date. The Restricted Stock awarded under paragraph (a) will vest in four equal quarterly installments, on the first business day of each of June, September, December and April that occurs during the 12-month period after the Grant Date. The Restricted Stock awarded under paragraph (b) will vest in equal parts on the vesting dates set forth in the preceding sentence that occur prior to the first anniversary of the most recent annual meeting of shareholders. If a Non-Employee Director ceases to serve as Lead Director for any reason other than due to death or Disability, then all Restricted Stock relating to service as Lead Director that is not then vested shall be immediately forfeited, unless the Compensation Committee of the Board of Directors decides otherwise. If a Non-Employee Director ceases to serve as Lead Director by reason of death or Disability, then all Restricted Stock relating to service as Lead Director that is not vested shall immediately become vested.

B. Cash Payments

In addition to equity awards under the Plan, Non-Employee Directors shall be entitled to the following payments in cash:

Annual Director's and Lead Director's Cash Retainer and Committee Retainers

In addition to the Annual Retainer Share Award defined above, each Non-Employee Director will be paid the most recent annual cash retainer designated on Attachment A. In addition to those retainers, the Lead Director, the chairpersons of the Audit, Compensation and Governance and Nominating Committees, and the other members of each of those Committees shall receive the most recent retainers listed for such positions on Attachment A. All such cash retainers are payable ratably over the year on each quarterly Board meeting date. The retainers are to be paid in arrears and pro-rated based upon the date of appointment/separation of service from the Board.

No Separate Meeting Fees; Reimbursement of Expenses

No separate meeting fees shall be paid for Board or committee meetings or for actions taken by unanimous written consent in lieu of a meeting in accordance with the Company's Bylaws. Each Non-Employee Director will be reimbursed for his or her expenses in connection with attendance at each meeting.

II. Stock Ownership Requirement

Each Non-Employee Director is required to hold a minimum investment in shares of the Company's common stock equal to three (3) times the annual cash and stock retainers (as defined below) paid or payable to a Non-Employee Director under the Director Compensation Program (hereinafter referred to as the "Stock Ownership Requirement").

A Non-Employee Director's annual retainer includes: (a) the value of any shares of the Company's common stock, including Restricted Stock, issued or issuable to the director as part of the director's annual retainer, and (b) the annual cash retainer fees, but will not include Lead Director, chairperson, committee or similar fees.

All Non-Employee Directors shall own a number of shares sufficient to satisfy the Stock Ownership Requirement under this Plan as long as they remain a member of the Company's Board of Directors, subject to the Grace Period and any hardship exception provisions approved by the Governance and Nominating Committee in accordance with the authority delegated to the Committee below. The Company will calculate compliance with the Stock Ownership Requirement on December 31 of each year.

For purposes of determining compliance with the Stock Ownership Requirement, shares owned by a Non-Employee Director shall include: (a) shares of the Company's common stock purchased directly by a director, (b) shares of the Company's common stock purchased by or in the director's individual retirement account (IRA) or other tax qualified retirement plan, (c) shares of the Company's common stock purchased by a director's spouse living in the same household, and (d) shares of the Company's common stock owned by a trust funded by the director for the benefit of the director or his or her legal spouse or domestic partner, children or grandchildren. Awards of restricted stock made pursuant to the Company's 2017 Omnibus Incentive Plan (including Awards subject to vesting), or any successor plans, shall count towards the Stock Ownership Requirement.

A new Non-Employee Director will be allowed a grace period to meet the Stock Ownership Requirement in full, from the date of initial election or appointment to the Board through the fifth (5^{th}) anniversary of such election or appointment (the "Grace Period"). At the end of each year during the Grace Period, a Director must own at least the following minimum percentage of their Stock Ownership Requirement: 1^{st} year – 20%; 2^{nd} year – 40%; 3^{rd} year – 60%; 4^{th} year – 80%; and 5^{th} year and thereafter – 100%. Until such time as the director satisfies the Stock Ownership Requirement, the director must hold 100% of the shares of common stock received as stock awards pursuant to any equity compensation plan or upon lapse of the restrictions upon Restricted Stock (net of any shares used to pay for tax withholding).

Hardship exceptions to any of the terms, conditions and requirements under this Plan may be made at the discretion of the Governance and Nominating Committee.

III. **Stock-in-Lieu of Cash Retainer**.

Each Non-Employee Director may elect to forego receipt of all or a portion of any Board, Committee or special retainer otherwise payable in cash under the Company' Director Compensation Program in exchange for common stock issued in accordance with the following provisions:

Shares Applicable to Stock Ownership Requirement

All shares acquired by a Non-Employee Director pursuant to an election to take stock in lieu of cash, as provided below, shall qualify in satisfying such director's Stock Ownership Requirement.

Election Procedure

The number of shares of Common Stock received by any Non-Employee Director with respect to a payment date shall equal the amount of foregone cash retainer divided by the Fair Market Value (as defined below) of a share of Common Stock on the relevant payment date, rounded down to the nearest whole share, with the dollar amount of any fractional share paid in cash on the payment date. If the cash retainer would be paid during a blackout period as defined in the Company's *Insider Trading Policy*, then the payment date as used herein for the purchase of shares will be the first day of the next Trading Window as defined in the *Insider Trading Policy*.

For the purpose of this Plan, the Fair Market Value of a share of common stock on a given date shall be the consolidated closing bid price on that date as reported by the NASDAQ Stock Market. If there are no common stock transactions on such date, the Fair Market Value shall be determined as of the immediately preceding date on which there were common stock transactions.

Election

A Non-Employee Director may elect Common Stock in place of cash by submitting a written or electronic election to the Company's Secretary, in such form as the Company determines, by the date established by the Company prior to such payment date.

Number of Authorized Shares

There are 100,000 shares of the Company's Common Stock reserved for issuance pursuant to this Stock-in-Lieu of Cash Retainer Program.

Adjustments in Authorized Shares

If a dividend or other distribution, recapitalization, forward or reverse split, reorganization, merger, consolidation, spin-off, combination, repurchase, share exchange, liquidation, dissolution, or other similar corporate transaction or event affects the Company's Common Stock, then the Company's Board of Directors shall, in such manner as it may determine equitable, substitute or adjust any or all of the remaining limits on the number and kind of shares available under the Plan. The decision of the Board of Directors shall be final and binding.

Share Shortfalls

If any election under this Plan would cause the number of shares of Common Stock required to be issued under this Plan to exceed the authorized shares, then any then current elections of non-employee directors shall be reduced or disregarded to the extent necessary, as determined by the Compensation Committee of the Board of Directors in an equitable manner, to avoid exceeding the authorized shares. The decision of the Compensation Committee shall be final and binding. No further elections shall be made or shall be valid until such time, if any, as additional shares of Common Stock become available for purchase under this Plan.

Inside Information

All purchases of Company stock are subject to compliance with Section 16 of the Securities Exchange Act of 1934, as amended, and the Company's *Insider Trading Policy* including the defined Trading Window.

****

This Director Compensation Program, Stock Ownership Requirement and Stock-in-Lieu of Cash Retainer Plan, including the Non-Employee Director Compensation Policy pursuant to the 2017 Omnibus Incentive Plan can be amended, modified and terminated at any time, on a prospective basis, by the Company's Board of Directors in its sole and absolute discretion.

ATTACHMENT A

A. Equity Awards

1.	Annual Equity Amount	$57,800
2.	Lead Director’s Equity Annual Amount	$ -

B. Cash Payments

1.	Directors’ Annual Cash Retainer	$53,600
2.	Lead Director’s Annual Cash Retainer	$32,400
3.	Audit Committee Chair Annual Cash Retainer	$15,800
4.	Compensation Committee Chair Annual Retainer	$12,600
5.	Governance and Nominating Committee Chair Annual Retainer	$12,600
6.	Audit Committee Member Annual Retainer	$ 8,400
7.	Compensation Committee Member Annual Retainer	$ 6,300
8.	Governance and Nominating Committee Member Annual Retainer	$ 6,300

EXHIBIT 31.1

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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s other verifying officer, the 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 4, 2021

/s/ Richard S. Warzala
Richard S. Warzala
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Michael R. Leach, 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s other certifying officer, the 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 4, 2021

/s/ Michael R. Leach
Michael R. Leach
Chief Financial 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, 2021 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 4, 2021

/s/ Richard S. Warzala
Richard S. Warzala
Chief Executive 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, 2021 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 4, 2021

/s/ Michael R. Leach
Michael R. Leach
Chief Financial Officer