
**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, 2011**

**Commission File Number
0-04041**

ALLIED MOTION TECHNOLOGIES INC.

Incorporated Under the Laws of the State of Colorado

Colorado
(State or other jurisdiction of
incorporation or organization)

84-0518115
(I.R.S. Employer
Identification No.)

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

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes ☒ No ☐

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

Large accelerated filer ☐

Accelerated filer ☐

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

Smaller reporting company ☒

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

Number of Shares of the only class of Common Stock outstanding: 8,459,866 as of August 12, 2011

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

[Unaudited Condensed Consolidated Balance Sheets June 30, 2011 and December 31, 2010](#)

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[Unaudited Condensed Consolidated Statements of Operations For the three and six months ended June 30, 2011 and 2010](#)

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

	June 30, 2011	December 31, 2010
Assets		
Current Assets:		
Cash and cash equivalents	\$ 3,860	\$ 3,553
Trade receivables, net of allowance for doubtful accounts of \$282 and \$226 at June 30, 2011 and December 31, 2010, respectively	13,523	11,753
Inventories, net	13,311	11,787
Deferred income taxes	446	402
Prepaid expenses and other assets	2,172	1,415
Total Current Assets	33,312	28,910
Property, plant and equipment, net	7,341	6,923
Deferred income taxes	5,228	5,533
Intangible assets, net	3,618	3,704
Goodwill	6,446	5,936
Total Assets	<u>\$ 55,945</u>	<u>\$ 51,006</u>
Liabilities and Stockholders' Investment		
Current Liabilities:		
Debt obligations	288	795
Accounts payable	7,556	6,506
Contingent consideration	2,626	314
Accrued liabilities	6,616	6,976
Income taxes payable	1,348	562
Total Current Liabilities	18,434	15,153
Contingent consideration	—	2,386
Deferred income taxes	1,080	1,070
Pension and post-retirement obligations	2,416	2,453
Total Liabilities	21,930	21,062
Commitments and Contingencies		
Stockholders' Investment:		
Common stock, no par value, authorized 50,000 shares; 8,460 and 8,110 shares issued and outstanding at June 30, 2011 and December 31, 2010, respectively	20,969	20,473
Preferred stock, par value \$1.00 per share, authorized 5,000 shares; no shares issued or outstanding	—	—
Retained earnings	12,036	9,342
Accumulated other comprehensive income	1,010	129
Total Stockholders' Investment	34,015	29,944
Total Liabilities and Stockholders' Investment	<u>\$ 55,945</u>	<u>\$ 51,006</u>

See accompanying notes to financial statements.

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

	For the three months ended June 30,		For the six months ended June 30,	
	2011	2010	2011	2010
Revenues	\$ 28,862	\$ 19,998	\$ 55,586	\$ 37,420
Cost of products sold	20,062	14,452	38,837	27,469
Gross margin	8,800	5,546	16,749	9,951
Operating costs and expenses:				
Selling	1,489	1,012	2,951	1,953
General and administrative	3,394	2,361	6,360	4,418
Engineering and development	1,550	927	3,084	1,940
Amortization of intangible assets	187	160	367	325
Insurance recoveries	—	—	—	(685)
Total operating costs and expenses	6,620	4,460	12,762	7,951
Operating income	2,180	1,086	3,987	2,000
Other expense (income), net:				
Interest expense	23	—	47	3
Other expense (income), net	(21)	15	(22)	(138)
Total other expense (income), net	2	15	25	(135)
Income before income taxes	2,178	1,071	3,962	2,135
Provision for income taxes	(697)	(332)	(1,268)	(662)
Net income	\$ 1,481	\$ 739	\$ 2,694	\$ 1,473
Basic net income per share:				
Net income per share	\$ 0.17	\$ 0.09	\$ 0.32	\$ 0.19
Basic weighted average common shares	8,477	7,856	8,374	7,811
Diluted net income per share:				
Net income per share	\$ 0.17	\$ 0.09	\$ 0.32	\$ 0.19
Diluted weighted average common shares	8,523	7,869	8,539	7,819

See accompanying notes to financial statements.

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

	For the six months ended June 30,	
	2011	2010
Cash Flows From Operating Activities:		
Net income	\$ 2,694	\$ 1,473
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,092	968
Other	520	183
Changes in assets and liabilities:		
Trade receivables	(1,441)	(2,737)
Inventories, net	(1,107)	(866)
Prepaid expenses and other assets	(720)	16
Accounts payable	774	3,035
Accrued liabilities	166	720
Net cash provided by operating activities	1,978	2,792
Cash Flows From Investing Activities:		
Cash paid for acquisition, net of cash acquired	—	(76)
Contingent consideration paid for acquisition	(332)	—
Purchase of property and equipment	(993)	(602)
Net cash used in investing activities	(1,325)	(678)
Cash Flows From Financing Activities:		
Repayments on lines-of-credit, net	(561)	(600)
Stock transactions under employee benefit stock plans	131	80
Net cash used in financing activities	(430)	(520)
Effect of foreign exchange rate changes on cash	84	(737)
Net increase in cash and cash equivalents	307	857
Cash and cash equivalents at beginning of period	3,553	4,470
Cash and cash equivalents at end of period	\$ 3,860	\$ 5,327

See accompanying notes to financial statements.

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ALLIED MOTION TECHNOLOGIES INC.
Unaudited notes to Condensed Consolidated Financial Statements

1. Basis of Preparation and Presentation

Allied Motion Technologies Inc. (the Company) is engaged in the business of designing, manufacturing and selling motion control products to a broad spectrum of customers throughout the world.

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

The assets and liabilities of the Company's foreign subsidiaries are translated into U.S. dollars using 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 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 income, a component of stockholders' investment in the accompanying condensed consolidated balance sheets. 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 Technology Unit are included in the results of operations as incurred.

The condensed consolidated financial statements included herein have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission and include all adjustments which are, in the opinion of management, necessary for a fair presentation. Certain information and footnote disclosures normally included in financial statements which are prepared in accordance with accounting principles generally accepted in the United States 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 consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

It is suggested that the accompanying condensed interim financial statements be read in conjunction with the Consolidated Financial Statements and related Notes to such statements included in the Annual Report on Form 10-K for the year ended December 31, 2010 that was previously filed by the Company.

2. Inventories

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

	June 30, 2011	December 31, 2010
Parts and raw materials	\$ 10,433	\$ 10,068
Work-in process	2,582	2,001
Finished goods	2,383	1,937
	15,398	14,006
Less reserves	(2,087)	(2,219)
Inventories, net	<u>\$ 13,311</u>	<u>\$ 11,787</u>

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ALLIED MOTION TECHNOLOGIES INC.
Unaudited notes to Condensed Consolidated Financial Statements

3. Property, Plant and Equipment

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

	June 30, 2011	December 31, 2010
Land	\$ 290	\$ 290
Building and improvements	3,393	3,310
Machinery, equipment, tools and dies	12,593	12,330
Furniture, fixtures and other	2,687	2,005
	18,963	17,935
Less accumulated depreciation	(11,622)	(11,012)
Property, Plant and Equipment, net	<u>\$ 7,341</u>	<u>\$ 6,923</u>

Depreciation expense was \$363,000 and \$312,000 for the quarters ended June 30, 2011 and 2010, respectively, and \$725,000 and \$643,000 for the six months ended June 30, 2011 and 2010, respectively.

4. Stock-Based Compensation

Stock Incentive Plans

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

Stock Options

The following is a summary of option activity for the six months ended June 30, 2011:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Outstanding at beginning of period	300,000	\$ 4.93	0.5	\$ 581,000
Forfeited	(3,500)	\$ 5.46		
Exercised	(198,794)	\$ 4.56		
Outstanding at end of Period	97,706	\$ 5.67	0.2	\$ 24,000
Exercisable at end of period	97,706	\$ 5.67	0.2	\$ 24,000

All stock options are fully vested, and the Company did not recognize any compensation expense relating to outstanding stock options during 2011 or 2010.

Stock Warrants

During the six months ended June 30, 2011, all 300,000 warrants to purchase common stock were exercised. As permitted under the warrant agreements, the warrants were exercised in a cashless transaction, and the total shares issued as a result of the warrant exercises was 117,145 shares.

ALLIED MOTION TECHNOLOGIES INC. Unaudited notes to Condensed Consolidated Financial Statements

Restricted Stock

In the six months ended June 30, 2011, 130,200 shares of unvested restricted stock were awarded at a weighted average value of \$7.08. Of the restricted shares granted, 40,000 shares have performance based vesting conditions. The value of the shares are amortized to compensation expense over the related service period, which is normally three years, or over the estimated performance period. Shares of non-vested restricted stock are 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 during the six months ended June 30, 2011:

	Number of Shares
Outstanding at beginning of period	379,079
Granted	130,466
Forfeited	(2,265)
Vested	(222,240)
Outstanding at end of Period	285,040

During the quarters ended June 30, 2011 and 2010, compensation expense, net of forfeitures, of \$181,000 and \$106,000 was recorded, respectively. During the six-months ended June 30, 2011 and 2010, compensation expense, net of forfeitures, of \$323,000 and \$214,000 was recorded, respectively.

5. Earnings per Share

Basic income per share is computed by dividing net income by the weighted average number of shares of common stock outstanding. Diluted income per share is determined by dividing the net income by the sum of (1) the weighted average number of common shares outstanding and (2) if not anti-dilutive, the effect of stock option awards determined utilizing the treasury stock method. The dilutive effect of outstanding stock option awards for the quarters ended June 30, 2011 and 2010 was 46,000 and 13,000 shares, respectively. The dilutive effect of outstanding awards for the six months ended June 30, 2011 and 2010 was 165,000 and 8,000 shares, respectively. Stock option awards and warrants to purchase 0 and 562,000 shares of common stock were excluded from the calculation of diluted income per share for the quarters ended June 30, 2011 and 2010, respectively, since the results would have been anti-dilutive. Stock option awards and warrants to purchase 0 and 714,000 shares of common stock were excluded from the calculation of diluted income per share for the six months ended June 30, 2011 and 2010, respectively, since the results would have been anti-dilutive.

6. Segment Information

FASB Accounting Standards Codification (“ASC”) Topic “Segment Reporting” requires disclosure of operating segments, which as defined, are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

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ALLIED MOTION TECHNOLOGIES INC.
Unaudited notes to Condensed Consolidated Financial Statements

The Company operates in one segment for the manufacture and marketing of motion control products for original equipment manufacturers and end user applications. In accordance with the “Segment Reporting” Topic of the ASC, the Company’s chief operating decision maker has been identified as the Chief Executive Officer and President, 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, major customers, and the countries in which the entity holds material assets and reports revenue. All material operating units qualify for aggregation under “Segment Reporting” due to their similar customer base and similarities in: economic characteristics; nature of products and services; and procurement, manufacturing and distribution processes. Since the Company operates in one segment, all financial information required by “Segment Reporting” can be found in the accompanying consolidated financial statements and within this note.

The Company’s wholly owned foreign subsidiaries, Premotec (Dordrecht, The Netherlands), Östergrens (Solna, Sweden), and Allied Motion Canada (Waterloo, Ontario, Canada), are included in the accompanying consolidated financial statements. Financial information related to the foreign subsidiaries is summarized below (in thousands):

	For the three months ended June 30,		For the six months ended June 30,	
	2011	2010	2011	2010
Revenues derived from foreign subsidiaries	\$ 12,467	\$ 6,612	\$ 25,011	\$ 12,540
Identifiable assets as of June 30	\$ 25,637	\$ 12,323		

Sales to customers outside of the United States by all subsidiaries were \$13,341,000 and \$7,914,000 during the quarters ended June 30, 2011 and 2010, respectively, and \$26,790,000 and \$15,424,000 for the six months ended June 30, 2011 and 2010, respectively.

During the quarters ended June 30, 2011 and 2010, no single customer accounted for more than 10% of total revenues.

7. Comprehensive Income (Loss)

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

Comprehensive income is computed as follows (in thousands):

	For the three months ended June 30,		For the six months ended June 30,	
	2011	2010	2011	2010
Net income	\$ 1,481	\$ 739	\$ 2,694	\$ 1,473
Foreign currency translation adjustment	153	(772)	881	(1,275)
Comprehensive income (loss)	\$ 1,634	\$ (33)	\$ 3,575	\$ 198

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ALLIED MOTION TECHNOLOGIES INC.
Unaudited notes to Condensed Consolidated Financial Statements

8. Intangible Assets

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

	June 30, 2011	December 31, 2010	Estimated Life
Amortizable intangible assets			
Customer lists	\$ 4,580	\$ 4,371	8-10 years
Trade name	946	946	10 years
Design and technologies	2,849	2,633	8-10 years
Patents	24	24	
Accumulated amortization	(4,781)	(4,270)	
Total intangible assets	\$ 3,618	\$ 3,704	

Amortization expense for intangible assets was \$187,000 and \$160,000 for the quarters ended June 30, 2011 and 2010, respectively, and \$367,000 and \$325,000 for the six months ended June 30, 2011 and 2010, respectively.

9. Goodwill

The change in the Company's goodwill during the six months ended June 30, 2011 is summarized in the table below (in thousands):

Balance, December 31, 2010	\$	5,936
Currency translation		510
Balance, June 30, 2011	\$	<u>6,446</u>

10. Contingent Consideration

In conjunction with the acquisition of Östergrens, the Company recorded contingent cash consideration based on the seller meeting certain performance criteria. The Company paid a portion of the contingent consideration in the quarter ended March 31, 2011. The remaining portion of contingent consideration accrued is \$2,626,000 as of June 30, 2011 and is expected to be paid in the first quarter of 2012. The contingent consideration is management's best estimate through the date of the financial statements. No adjustments to management's estimate of the contingent consideration were made in the quarter or six months ended June 30, 2011.

11. Debt Obligations

Debt obligations consisted of the following (in thousands):

	June 30, 2011	December 31, 2010
Credit Agreement (at variable rates)		
Revolving line-of-credit, 3.42% as of June 30, 2011	\$ 288	\$ 795

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ALLIED MOTION TECHNOLOGIES INC. Unaudited notes to Condensed Consolidated Financial Statements

The Company's amended Credit Agreement, which matures October 26, 2012, provides revolving credit up to \$4 million and €3 million.

The amended Credit Agreement contains certain financial covenants related to maximum leverage, minimum fixed charge coverage and minimum tangible net worth of the Company. The Company was in compliance with all covenants at June 30, 2011.

Effective July 1, 2011, the Company obtained a Credit Line Facility in China providing credit of approximately \$700,000 (RMB 4,500,000). The entire amount is available under the facility.

At June 30, 2011, approximately \$8,000,000 (\$4 million and € 2.8 million) was available under the amended Credit Agreement and approximately \$750,000 (€ 300,000 and 2,100,000 Swedish Krona ("SEK")) was available under bank overdraft facilities in Europe.

12. Acquisition of Östergrens

On December 30, 2010, Allied Motion Technologies, B.V., a wholly-owned subsidiary of Allied Motion Technologies Inc., acquired 100% of the shares of Östergrens Elmotor AB (Östergrens), headquartered in Solna, Sweden. The accompanying condensed consolidated financial statements include the operating results of Östergrens for the quarter and six months ended June 30, 2011.

The following presents the Company's unaudited pro forma financial information for the quarter and six months ended June 30, 2010 after certain pro forma adjustments giving effect to the acquisition of Östergrens as if it had occurred at January 1, 2010. The pro forma financial information is for information purposes only and does not purport to present what the Company's results would actually have been had the acquisition occurred on that date or to project the Company's results for operations for any future period:

	For the three months ended June 30, 2010	For the six months ended June 30, 2010
Revenues	\$ 23,833	\$ 45,836
Gross margin	\$ 6,657	\$ 12,527
Operating income	\$ 1,013	\$ 2,180
Net income	\$ 633	\$ 1,508
Diluted net income per share	\$ 0.08	\$ 0.19

13. Reclassifications

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

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

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

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

Overview

Allied Motion's sole focus is in the motion control industry and has developed a long term corporate strategy, with a defined driving force of “electro-magnetic, mechanical and electronic motion technology/know how” to ensure it meets the goals and objectives of the Company. Through its sales force and its Technology Units (“TU”s), Allied Motion designs, manufactures and sells motion products to a broad spectrum of customers throughout the world. The Company's commitment to its own lean manufacturing tool kit, known as Allied's Systematic Tools, or AST for short, drives continuous improvement in quality, delivery, cost, growth and innovation throughout the company.

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Examples of the end products using Allied Motion's technology in the medical and health care industries include surgical robots, prosthetics, electric powered surgical hand pieces, programmable pumps to meter and administer infusions associated with chemotherapy, pain control and antibiotics; nuclear imaging systems, automated pharmacy dispensing equipment, kidney dialysis equipment, respiratory ventilators and heart pumps, wheel chairs, scooters, stair lifts, patient lifts, patient handling tables and beds. In electronics, our products are used in the handling, inspection, and testing of components and in the automation and verification of final products such as PC's, game equipment and cell phones. Our motors are used in the HVAC systems of trucks, buses, RV's, boats and off-road construction/farming equipment. These motors operate a variety of actuation systems (e.g., lifts, slide-outs, covers etc.), they provide improved fuel efficiency while the vehicles are idling and are used in drive-by-wire applications to electrically replace or power-assist a variety of mechanical linkages. Our products are also utilized in high performance vehicles, vehicles using alternative fuel systems such as LPG, fuel cell and hybrid vehicles. Our geared motor products are utilized in automated material handling vehicles/robots, commercial grade floor cleaners, commercial building equipment such as welders, cable pullers and assembly tools. Several products are used in a variety of military/defense applications including inertial guided missiles, mid-range munitions systems, weapons systems on armed personnel carriers, unmanned vehicles and in security and access control in camera systems, door access control and in airport screening and scanning devices. Other end products utilizing our technology include high definition printers; tunable lasers and spectrum analyzers for the fiber optic industry; processing equipment for the semiconductor industry, as well as ticket and cash dispensing machines (ATMs).

Allied Motion is organized into six TUs: Emotek Corporation (Emotek—Tulsa, OK), Motor Products Corporation (Motor Products—Owosso, MI), Stature Electric, Inc. (Stature—Watertown, NY), Allied Motion Controls (Amherst, NY and Waterloo, Ontario, Canada, acquired in 2010, formerly known as Agile Systems Inc.), Precision Motor Technology B.V. (Premotec—Dordrecht, The Netherlands), and Östergrens Elmotor AB (Östergrens—Solna, Sweden and Changzhou, China), which was acquired in 2010. Allied Motion also has contract production capabilities in Slovakia and China.

The TUs offer a wide range of standard and customized motors, encoders and drive electronics for original equipment manufacturers (OEM) and end user applications. A particular strength of each company is its ability to design and manufacture high quality custom motion control solutions to meet the needs of its customers.

Outlook

After having a record year in both profits and orders in 2010, conditions have continued to be reasonably strong and consistent. Management continues its efforts to foster additional growth in revenues and profitability. Orders for the quarter ended June 30, 2011 were \$25.6 million compared to \$27.7 million in the same quarter of last year. Backlog at June 30, 2011 was \$35.7 million, reflecting a 3% decrease from the backlog at the same time last year and a 6% decrease from \$37.9 million at December 31, 2010. Bookings have slowed from record levels achieved in 2010 primarily as a result of the timing of order placement and not from a loss of customers.

In 2010, the Company acquired Agile Systems Inc., now known as Allied Motion Canada (“AM Canada”). AM Canada designs and develops advanced motion control technology including integrated power electronics, digital controls and network communications for motor control and power conversion. AM Canada, based in Waterloo, Ontario, Canada, part of the Allied Motion Controls TU, has established customers in a wide range of industries.

At the end of 2010, the Company acquired the shares of Östergrens-Elmotor AB (“Östergrens”). Östergrens has expertise in designing drive electronics, software and mechanical processes. The products are manufactured at Östergrens’ facilities in Sweden and China. Östergrens’ current products integrate its electronics expertise with other motion control products such as motors and gears. Östergrens’ products are sold to OEM customers throughout Europe and are used in a wide variety of industrial, commercial and medical applications, including emerging “Green Technology” alternative energy and electric vehicle applications, leading-edge medical instrumentation and test equipment applications and other industrial and

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commercial applications in which Östergrens’ products improve the efficiency/performance of the OEM’s products. In addition, Östergrens’ China facility further facilitates low cost region sourcing capabilities and provides the Company with a base to expand operations in the Asian market.

The acquisitions made in 2010 were made primarily with cash on hand, and management believes these acquisitions will expand the Company’s customer base, increase the various markets into which we sell, augment the Company’s engineering knowledge, and provide all of our customers more integrated motion system solutions.

The Company has a strong balance sheet and has improved liquidity when compared with the previous year. Two acquisitions were made within the last year, using approximately \$7.7 million, and the Company’s cash position, net of outstanding debt, decreased by approximately \$1.7 million over the last twelve months. Excluding cash used for acquisitions, the Company’s cash position, net of outstanding debt, increased by \$6.0 million over the last twelve months. Also, cash, net of debt, increased \$2.1 million from the end of the first quarter.

The Company continues its position of maintaining resources in electro-magnetic, mechanical and electronic design capabilities as its primary goal is to provide products that “raise the bar” with customers and provide important differentiating solutions against competition. Management will continue to make investments in the markets believed to provide the most opportunity for continued growth and profitability of the Company.

One of the Company’s major challenges is to maintain and improve price competitiveness. The Company’s customers are continually being challenged by their markets and competitors to be price competitive and they are requiring their suppliers to deliver the highest quality product at the lowest price possible. Currently, the Company is producing some of its motor sub-assemblies and finished products at sub-contract manufacturing facilities in China and Slovakia. With the acquisition of Östergrens, the Company now owns a manufacturing facility in China as well. The Company has increased efforts to identify opportunities where production in low cost regions can improve profitability while delivering the same high quality products.

The Company’s products contain certain metals, and at certain times the Company experiences significant fluctuations in the costs of these metals, particularly copper, steel and zinc, which are all key materials in our products. The Company has reacted by aggressively sourcing materials at lower costs from Asian markets and by passing on surcharges and price increases to our customers.

The Company continues to pursue aggressive motor and drive development plans for new products that leverage the combined technology base of the Allied Motion companies. The Company focuses on new product designs that design-out cost, provide higher level, value-added performance solutions and that meet the needs of its served markets. Over the last few years, the Company announced several new motor designs targeted at various markets. It normally takes from twelve to eighteen months to get new products designed into new customer applications.

The Company continues its focus on a ONE TEAM sales force to more effectively leverage resources utilizing a company wide sales organization. With the ONE TEAM sales force selling all the Company’s products, management’s expectation is that this capability provides opportunities to increase sales from existing customers and secure new business opportunities.

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

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Operating Results

Quarter Ended June 30, 2011 compared to Quarter Ended June 30, 2010

(in thousands)	For the three months ended June 30,		Increase (decrease)	
	2011	2010	\$	%
Revenues	\$ 28,862	\$ 19,998	\$ 8,864	44%
Cost of products sold	20,062	14,452	5,610	39%
Gross margin	8,800	5,546	3,254	59%
Gross margin percentage	30%	28%	—	2%
Operating costs and expenses:				
Selling	1,489	1,012	477	47%
General and administrative	3,394	2,361	1,033	44%
Engineering and development	1,550	927	623	67%
Amortization of intangible assets	187	160	27	17%

Total operating costs and expenses	6,620	4,460	2,160	48%
Operating income	2,180	1,086	1,094	101%
Interest expense	23	—	23	100%
Other (income) expense, net	(21)	15	(36)	(240)%
Income before income taxes	2,178	1,071	1,107	103%
Provision for income taxes	(697)	(332)	(365)	(110)%
Net income	\$ 1,481	\$ 739	\$ 742	100%

NET INCOME The Company reported net income of \$1,481,000, or \$0.17 per diluted share for the quarter ended June 30, 2011, compared to \$739,000, or \$0.09 per diluted share for the same quarter last year. This quarter's results include the results from Allied Motion Canada, which was acquired in June 2010, and Östergrens Elmotor AB, which was acquired in December 2010.

EBITDA EBITDA was \$2,751,000 for the quarter ended June 30, 2011 compared to a \$1,543,000 for the same quarter last year. EBITDA is a non-GAAP measurement. EBITDA consists of income before interest expense, provision for income taxes, and depreciation and amortization. See information included in "Non - GAAP Measures" below for a reconciliation of net income to EBITDA.

REVENUES Revenues were \$28,862,000 for the quarter ended June 30, 2011 compared to \$19,998,000 for the quarter ended June 30, 2010, a 44% increase. Of this 44% increase, revenues from existing businesses increased 15% and incremental revenues achieved by the companies acquired in 2010 contributed 29% of the increase. The 15% increase in revenues from existing businesses reflects increased sales into the industrial, vehicle and medical markets, with other markets remaining flat against the same period of the prior year.

Sales to U.S. customers accounted for 54% and 60% of our sales in the quarter ended June 30, 2011 and 2010, respectively, with the balance to customers primarily in Europe, Asia and Canada. Of the 44% increase in sales in the second quarter this year compared to last year, 41% is due to increased volumes, and 3% due to the dollar weakening against the Euro.

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ORDER BACKLOG At June 30, 2011, order backlog was approximately \$35.7 million, which is down 3% from the same time last year and down 6% from the backlog at December 31, 2010.

GROSS MARGINS Gross margin as a percentage of revenues was 30% and 28% for the quarters ended June 30, 2011 and 2010, respectively. This 2% improvement in gross margin was due to a 1% improvement in our variable margin, which is due to our continued efforts in selling higher value added products and to our cost reduction efforts, and a 1% improvement in fixed overhead costs as a percentage of sales.

SELLING EXPENSES Selling expenses were \$1,489,000 compared to \$1,012,000 for the quarter ended June 30, 2011 and 2010, respectively. The 47% increase is primarily due to an increase in the Company's sales force as a result of the acquisition of Östergrens, which was completed in the fourth quarter of 2010.

GENERAL AND ADMINISTRATIVE EXPENSES General and administrative expenses were \$3,394,000 in the quarter ended June 30, 2011 compared to \$2,361,000 in the quarter ended June 30, 2010. The 44% increase is primarily a result of additional general and administrative costs as a result of the acquisitions of AM Canada and Östergrens, which were made in the second and fourth quarters of 2010, respectively as well as increased compensation expense, which includes incentive bonuses.

ENGINEERING AND DEVELOPMENT EXPENSES Engineering and development expenses were \$1,550,000 in the second quarter of 2011 and \$927,000 in the same quarter last year. The 67% increase is primarily a result of the increased engineering staff from the acquisitions of AM Canada and Östergrens, which were made in the second and fourth quarters of 2010, respectively.

AMORTIZATION OF INTANGIBLE ASSETS Amortization of intangible assets expense was \$187,000 in the quarter ended June 30, 2011 and \$160,000 in the same quarter last year. The 17% increase is the result of the additional intangible amortization from the Östergrens acquisition, partially offset, by certain intangible assets that became fully amortized in 2010.

TOTAL OPERATING COSTS AND EXPENSES Selling, General & Administrative and Engineering costs as a percent of sales for the second quarter were 22% for the quarters ended June 30, 2011 and 2010. However, the total operating costs and expenses for the quarter, excluding amortization, increased by \$2,133,000 or 50% over the same period of last year with 68% of the increase due to the incremental costs of the acquisitions of AM Canada and Östergrens.

INCOME TAXES Provision for income taxes was \$697,000 and \$332,000 for the quarters ended June 30, 2011 and 2010, respectively. The effective rate used to record income taxes is based on projected results for the fiscal year. The effective income tax rate as a percentage of income before income taxes was 32% and 31% for the quarters ended June 30, 2011 and 2010, respectively. The effective tax rate is lower than the statutory rate primarily due to differences in state and foreign tax rates.

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Six Months Ended June 30, 2011 compared to Six Months Ended June 30, 2010

(in thousands)	For the six months ended June 30,		Increase (decrease)	
	2011	2010	\$	%
Revenues	\$ 55,586	\$ 37,420	\$ 18,166	49%
Cost of products sold	38,837	27,469	11,368	41%
Gross margin	16,749	9,951	6,798	68%

Gross margin percentage	30%	27%	—	3%
Operating costs and expenses:				
Selling	2,951	1,953	998	51%
General and administrative	6,360	4,418	1,942	44%
Engineering and development	3,084	1,940	1,144	59%
Amortization of intangible assets	367	325	42	13%
Insurance recoveries	—	(685)	685	100%
Total operating costs and expenses	12,762	7,951	4,811	61%
Operating income	3,987	2,000	1,987	99%
Interest expense	47	3	44	1466%
Other (income) , net	(22)	(138)	116	84%
Income before income taxes	3,962	2,135	1,827	86%
Provision for income taxes	(1,268)	(662)	(606)	92%
Net income	\$ 2,694	\$ 1,473	\$ 1,221	83%

NET INCOME The Company reported net income of \$2,694,000 or \$0.32 per diluted share for the six months ended June 30, 2011, compared to \$1,473,000 or \$0.19 per diluted share for the six months ended June 30, 2010. This year's results include the results from Allied Motion Canada, which was acquired in June 2010, and Östergrens Elmotor AB, which was acquired in December 2010.

EBITDA AND EBITDA BEFORE NONRECURRING ITEMS EBITDA was \$5,101,000 for the six months ended June 30, 2011 compared to a \$3,106,000 for the same period last year. EBITDA before nonrecurring items was \$2,651,000 for the six months ended June 30, 2010. EBITDA and EBITDA before nonrecurring items are non-GAAP measurements. EBITDA consists of income before interest expense, provision for income taxes, and depreciation and amortization. EBITDA before nonrecurring items for the six months ended June 30, 2010 is EBITDA before insurance recoveries of \$685,000 and inefficiencies from the relocation of the encoder operation of \$230,000. See information included in "Non - GAAP Measures" below for a reconciliation of net income to EBITDA and EBITDA before nonrecurring items.

REVENUES Revenues were \$55,586,000 for the six months ended June 30, 2011 compared to \$37,420,000 for the six months ended June 30, 2010. Of this 49% increase, revenues from existing businesses increased 18% and incremental revenues achieved by the companies acquired in 2010 contributed 31% of the increase. The 18% increase in revenues from existing businesses reflects increased sales into the industrial, vehicle and medical markets, with other markets remaining flat against the same period of the prior year.

Sales to U.S. customers accounted for 52% and 59% of our sales in the first six months of 2011 and 2010, respectively, with the balance to customers primarily in Europe and Canada. Of the 49% increase in sales in the first six months this year compared to the same period last year, 47% is due to increased volumes, and 2% due to the dollar weakening against the Euro.

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GROSS MARGINS Gross margin as a percentage of revenues was 30% and 27% for the six months ended June 30, 2011 and 2010, respectively. This 3% improvement in gross margin was due to equal improvements in our variable margin, which is due to our continued efforts in selling higher value added products and to our cost reduction efforts, as well as improvement in the fixed manufacturing overhead costs as a percentage of sales.

SELLING EXPENSES Selling expenses were \$2,951,000 and \$1,953,000 for the six months ended June 30, 2011 and 2010 respectively. The 51% increase is primarily due to an increase in the Company's sales force as a result of the acquisition of Östergrens, which was completed in the fourth quarter of 2010.

GENERAL AND ADMINISTRATIVE EXPENSES General and administrative expenses were \$6,360,000 for the six months ended June 30, 2011 compared to \$4,418,000 for the six months ended June 30, 2010. The 44% increase is primarily a result of additional general and administrative costs as a result of the acquisitions of AM Canada and Östergrens, which were made in the second and fourth quarters of 2010, respectively as well as increased compensation expense, which includes incentive bonuses.

ENGINEERING AND DEVELOPMENT EXPENSES Engineering and development expenses were \$3,084,000 for the six months ended June 30, 2011 and \$1,940,000 for the same period last year. The 59% increase is primarily a result of the increased engineering staff from the acquisitions of AM Canada and Östergrens, which were made in the second and fourth quarters of 2010, respectively.

AMORTIZATION OF INTANGIBLE ASSETS Amortization of intangible assets was \$367,000 for the six months ended June 30, 2011 and \$325,000 for the same period last year. The 13% increase is the result of the additional intangible amortization from the Östergrens acquisition, partially offset, by certain intangible assets that became fully amortized in 2010.

OTHER (INCOME), NET Other income, net, was \$22,000 for the six months ended June 30, 2011, as opposed to Other Income of \$138,000 for the same period last year. This change is primarily the result of larger foreign exchange gains and grant income recognized in the prior year.

TOTAL OPERATING COSTS AND EXPENSES Selling, General & Administrative and Engineering costs as a percent of sales for the first six months of 2011 and 2010 remained consistent at 22%. However, the total operating costs and expenses for the six months, excluding the fire related recoveries and amortization, increased by \$4,084,000 or 48% over the same period of last year with 70% of the increase due to the incremental costs of AM Canada and Östergrens, which were made in the second and fourth quarters of 2010, respectively.

INCOME TAXES Provision for income taxes was \$1,268,000 and \$662,000 for the six months ended June 30, 2011 and 2010, respectively. The effective rate used to record income taxes is based on projected results for the fiscal year. The effective income tax rate as a percentage of income before income taxes was 32% and 31% for the six months ended June 30, 2011 and 2010, respectively. The effective tax rate is lower than the statutory rate primarily due to differences in state and foreign tax rates.

Non-GAAP Measures

EBITDA and EBITDA before nonrecurring items are provided for information purposes only and are not measures of financial performance under generally accepted accounting principles.

The Company believes EBITDA is often a useful measure of a Company's operating performance and is a significant basis used by the Company's management to measure the operating performance of the Company's business because EBITDA excludes charges for depreciation, amortization and interest expense

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that have resulted from our debt financings, 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 EBITDA before nonrecurring items provides helpful information about the operating performance of its business. Non-recurring items are either income or expenses which do not occur regularly as part of the normal activities of the Company. The Company considers these items to be of significance in nature and/or size, and accordingly, has excluded these items from EBITDA before nonrecurring items. EBITDA before nonrecurring items in 2010 excludes insurance recoveries of \$685,000 and \$230,000 of expenses due to inefficiencies from the relocation of the Company's encoder operation

EBITDA and EBITDA before nonrecurring items does not represent and should not be considered as an alternative to net income, operating income, net cash provided by operating activities or any other measure for determining operating performance or liquidity that is calculated in accordance with generally accepted accounting principles.

The Company's calculation of EBITDA and EBITDA before nonrecurring items for the three and six months ended June 30, 2011 and 2010 is as follows (in thousands):

	For the three months ended June 30,		For the six months ended June 30,	
	2011	2010	2011	2010
Net income	\$ 1,481	\$ 739	\$ 2,694	\$ 1,473
Interest expense	23	—	47	3
Provision for income tax	697	332	1,268	662
Depreciation and amortization	550	472	1,092	968
Income before interest expense, provision for income taxes, depreciation and amortization (EBITDA)	2,751	1,543	5,101	3,106
Insurance recoveries	—	—	—	(685)
Inefficiencies from relocation of encoder operations	—	—	—	230
Income before interest expense, provision for income taxes, depreciation and amortization and nonrecurring items (EBITDA before nonrecurring items)	<u>\$ 2,751</u>	<u>\$ 1,543</u>	<u>\$ 5,101</u>	<u>\$ 2,651</u>

[Liquidity and Capital Resources](#)

The Company's liquidity position as measured by cash and cash equivalents increased \$307,000 to a balance of \$3,860,000 at June 30, 2011. This increase compares to an increase of \$857,000 for the same period last year. During the first six months of 2011, operations provided \$1,978,000 in cash compared to cash provided of \$2,792,000 for the same period of 2010. Cash provided from operations for the first six months of 2011 compared to the same period of 2010 is down due to increased inventories to support increased sales volumes, increases in trade receivables and other current assets and an increase in payments made pursuant to company incentive plans, partially offset by higher net income in 2011 when compared to the same period of last year.

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Net cash used in investing activities was \$1,325,000 and \$678,000 for the first six months of 2011 and 2010, respectively. The increase includes a payment of \$332,000, which is a portion of the contingent consideration for the Östergrens acquisition, an increase of \$391,000 for purchases of property and equipment, partially offset by \$76,000 of cash paid for the acquisition of AM Canada, net of cash acquired, which occurred in the second quarter of 2010.

Net cash used in financing activities was \$430,000 for the six months ended June 30, 2011 compared to \$520,000 for the same period last year. The decrease in cash used is primarily due to decreased paydowns of Company debt in 2011, as well as increased amounts of cash provided as a result of stock transactions, which is primarily the result of more option exercises occurring in the first six months of 2011 compared to 2010.

The average outstanding balance under the Company's Credit Agreement for the first six months of 2011 was \$520,000. As of June 30, 2011, the amount available to borrow under the lines-of-credit was approximately \$8.0 million.

The Credit Agreement provides revolving credit up to \$4 million and €3 million. Borrowings under the revolver incur interest of LIBOR plus 2.0%. Overnight borrowings incur interest at PRIME plus 1.00%. The unused portion of the revolver is charged a commitment fee of .375% per annum. The Credit Agreement contains certain financial covenants related to maximum leverage, minimum fixed charge coverage and minimum tangible net worth of the Company. The Credit Agreement expires on October 26, 2012.

Effective July 1, 2011, the Company obtained a Credit Line Facility in China providing credit of approximately \$700,000 (RMB 4,500,000). The entire amount is available under the facility.

The Company has bank overdraft facilities with foreign banks in Europe. The facilities had no outstanding balance as of June 30, 2011. The amount available under the overdraft facilities was approximately \$750,000.

On August 4, 2011, the Company announced that it will begin a quarterly cash dividend program. The Board of Directors declared the first quarterly dividend payment of \$0.02 per share payable on August 29, 2011 to shareholders of record on August 17, 2011.

The Company's working capital, capital expenditure and dividend requirements are expected to be funded from cash provided by operations and amounts available under the Company's credit facilities.

Critical Accounting Policies

The Company has prepared its financial statements in conformity with accounting principles generally accepted in the United States, and these statements necessarily include some amounts that are based on informed judgments and estimates of management. The Company's significant accounting policies are discussed in Note 1 in the Annual Report on Form 10-K for the year ended December 31, 2010. The policies are reviewed on a regular basis. The Company's critical accounting policies are subject to judgments and uncertainties which affect the application of such policies. The Company uses historical experience and all available information to make these judgments and estimates. As discussed below the Company's financial position or results of operations may be materially different when reported under different conditions or when using different assumptions in the application of such policies. In the event estimates or assumptions prove to be different from actual amounts, adjustments are made in subsequent periods to reflect more current information. The Company's critical accounting policies include:

The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. The allowance is based on historical experience and judgments based on current economic and customer specific factors. Significant judgments are made by management in connection with establishing the Company's customers' ability to pay at the time of shipment. Despite this assessment, from time to time, the Company's customers are unable to meet their

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payment obligations. The Company continues to monitor customers' credit worthiness, and use judgment in establishing the estimated amounts of customer receivables which may not be collected. A significant change in the liquidity or financial position of the Company's customers could have a material adverse impact on the collectibility of accounts receivable and future operating results.

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

The Company records deferred tax assets and liabilities for the estimated future tax effects of temporary differences between the tax basis of assets and liabilities and amounts recorded in the consolidated financial statements, and for operating loss and tax credit carryforwards. Realization of the recorded deferred tax assets is dependent upon the Company generating sufficient taxable income in the appropriate tax jurisdiction in future years to obtain benefit from the reversal of net deductible temporary differences and from tax credit and operating loss carryforwards. A valuation allowance is provided to the extent that management deems it more likely than not that the net deferred tax assets will not be realized. The amount of deferred tax assets considered realizable is subject to adjustment in future periods if estimates of future taxable income are changed.

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

Foreign Currency Risk

The Company has international subsidiaries whose sales are denominated in currencies other than the U.S. dollar, thereby creating exposures to changes in exchange rates. The changes in these exchange rates against the U.S. dollar may positively or negatively affect the Company's sales, gross margins, net income and retained earnings. A 10% change in these foreign currencies vs. the U.S. dollar could affect the Company's pretax earnings for the remainder of the year by approximately \$150,000. The Company does not believe that reasonably possible near-term changes in exchange rates will result in a material effect on future results or cash flows of the Company.

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Item 4. Controls and Procedures

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

There have not been any changes in the Company's internal controls over financial reporting during the quarter ended June 30, 2011 that have materially affected or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 6. Exhibits

(a) Exhibits

- | | |
|-------|--|
| 10.1 | Fifth Amendment to Credit Agreement dated as of August 3, 2011, among Allied Motion Technologies Inc., Allied Motion Technologies B.V., JPMorgan Chase Bank, N.A. and J.P. Morgan Europe Limited. |
| 10.2* | Deferred Compensation Plan as amended and restated effective May 31, 2011. |
| 10.3* | Amendment to Amended and Restated Employment Agreement for Richard S. Warzala dated and effective as of June 1, 2011 between Allied Motion Technologies, Inc. and Richard S. Warzala. |
| 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 | The following materials from Allied Motion Technologies Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2011, formatted in XBRL (eXtensible Business Reporting Language): (i) consolidated balance sheets, (ii) consolidated statements of operations, (iii) consolidated statements of cash flows and (iv) the notes to the consolidated financial statements, tagged as block of text.** |

* Denotes management contract or compensatory plan or arrangement.

** Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

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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 12, 2011

ALLIED MOTION TECHNOLOGIES INC.

By: /s/ Richard D. Smith

Richard D. Smith

Executive Chairman of the Board and Chief Financial Officer

FIFTH AMENDMENT TO CREDIT AGREEMENT

THIS FIFTH AMENDMENT TO CREDIT AGREEMENT (this “**Amendment**”), dated as of August 3, 2011, is among ALLIED MOTION TECHNOLOGIES INC., a Colorado corporation (the “**US Borrower**”), ALLIED MOTION TECHNOLOGIES B.V., a Dutch Closed Company with Limited Liability (the “**EUR Borrower**,” and together with the US Borrower, the “**Borrowers**”), the Lenders under the Credit Agreement (as defined below), JPMORGAN CHASE BANK, N.A., as a Lender and as Administrative Agent (in such capacity, the “**Administrative Agent**”) under the Credit Agreement, and J.P. MORGAN EUROPE LIMITED, as EUR Agent (the “**EUR Agent**,” and together with the Administrative Agent, the “**Agents**”) under the Credit Agreement. Capitalized terms used and not otherwise defined in this Amendment shall have the same meanings in this Amendment as set forth in the Credit Agreement.

RECITALS

A. The Borrowers, the Lenders, the Administrative Agent and the EUR Agent are parties to that certain Credit Agreement, dated as of May 7, 2007, as amended by that certain Waiver and First Amendment to Credit Agreement, dated as of August 3, 2009, that certain Second Amendment to Credit Agreement, dated as of July 30, 2010, that certain Third Amendment to Credit Agreement, dated as of October 26, 2010, and that certain Fourth Amendment to Credit Agreement, dated as of March 28, 2011 (as so amended, the “**Credit Agreement**”).

B. The Parties desire to amend the terms and conditions of the Credit Agreement subject to and as more fully set forth in this Amendment.

AGREEMENT

IN CONSIDERATION of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Borrowers, the Lenders and the Agents agree as follows:

1. Amendments to Credit Agreement. Effective as of the Fifth Amendment Effective Date (as defined below), and upon the terms and subject to the conditions set forth in this Amendment, the Credit Agreement is hereby amended as follows:

A. Section 1.01 of the Credit Agreement is hereby amended as follows:

1. The definition of “Applicable Margin” is deleted in its entirety and substituted therefor is the following:

“Applicable Margin” means, for any day, (a) with respect to any ABR Loan, 0.50%, (b) with respect to any Eurodollar Loan, 1.50%, (c) with respect to any EUR Revolving Loan, 1.50%, (d) with respect to the unused

commitment fee, 0.375%, and (e) with respect to fees for Letters of Credit Payable hereunder, 1.50%.

2. The definition of “Consolidated Fixed Charge Coverage Ratio” is deleted in its entirety and substituted therefor is the following:

3. “Consolidated Fixed Charge Coverage Ratio” means, as of any date of determination, for or during the four fiscal quarter period ending on or immediately prior to such date, the ratio of (a) Consolidated EBITDA *minus* all Non-Financed Capital Expenditures, to (b) the sum of (i) Scheduled Net Principal Payments, (ii) the cash portion of all income tax expense paid, (iii) Consolidated Interest Expense, and (iv) the amount of any Restricted Payments declared or made pursuant to Section 6.06(d), in each case calculated for the US Borrower and its Subsidiaries on a consolidated basis in accordance with GAAP.

4. The definition of “Loan Documents” is deleted in its entirety and substituted therefor is the following:

“Loan Documents” means (i) this Agreement, any promissory notes executed and delivered in connection with this Agreement, the Collateral Documents, any Swap Agreement between any Loan Party and any Lender (or any Affiliate of any Lender) and any and all other instruments, agreements and documents executed and delivered in connection with any of the foregoing, and (ii) any other loan, credit or lease agreement or any other promissory note between any US Obligor, on the one hand, and the Administrative Agent, on the other hand, whether or not related to this Agreement and whether now existing or from time to time in the future entered into, in each case as such instruments, agreements and documents have been or are hereafter amended, supplemented or replaced from time to time.

5. The definition of “Obligations” is amended by deleting clause (i) thereto and replacing it with the following:

(i) any Loan Party to any of the Secured Parties of any kind or nature arising under this Agreement, any Collateral Document, any Swap Agreement (to the extent such Swap Agreement is with a Lender or any Affiliate of any Lender and is permitted under Section 6.05), any cash management agreement between any Loan Party and any Lender (or an Affiliate of a Lender) or any other Loan Document, including without limitation any loan, credit or lease agreement or any other promissory note between any US Obligor, on the one hand, and the Administrative Agent, on the other hand, whether or not related to this Agreement and whether now existing or from time to time in the future entered into, in each case whether or not evidenced by any note, guaranty or other instrument, whether or not for the payment of money, whether arising by reason of an extension of credit, loan, guaranty, indemnification, or in any other manner, whether direct or indirect (including those acquired by assignment), absolute or contingent, due or to become due, now existing

or hereafter arising (including interest, fees and other monetary obligations that accrue after the commencement by or against any Loan Party or any Affiliate thereof of any proceeding under any bankruptcy, insolvency, receivership or similar law now or hereafter in effect naming such Person as the debtor in such proceeding, regardless of whether such interest, fees or other monetary obligations are allowed claims in such proceeding, and payments for early termination of Swap Agreements (to the extent such Swap Agreements are with a Lender or Affiliate of any Lender and are permitted under Section 6.05), fees, expenses, indemnification or otherwise) and however acquired, and

B. Section 6.06 of the Credit Agreement is hereby amended by adding a new subsection (d) as follows:

(d) so long as no Default or Event of Default shall have occurred and be continuing or would result therefrom, the US Borrower may declare and pay cash dividends to the holders of its Equity Interests; provided that (i) immediately after giving effect to such dividend, the US Borrower and its Subsidiaries shall be in pro forma compliance with all financial covenants set forth in Section 6.14, such compliance to be determined based on the financial information most recently delivered to the Administrative Agent pursuant to Section 5.01(a) or (b) as though such dividend had been paid as of the first day of the fiscal period covered thereby, and (ii) the US Borrower shall deliver to the Administrative Agent (x) all financial information in respect of such dividend reasonably requested by the Administrative Agent, which shall be in form, scope and substance reasonably satisfactory to the Administrative Agent and (y) a certificate signed by a Financial Officer of the US Borrower certifying that the conditions contained in this clause (d) have been satisfied, and after giving pro forma effect to such dividend, attesting as to the solvency of the Loan Parties on a consolidated basis;

2. Other Agreements.

(a) The Borrowers, Lenders and Agents agree that all of the Loan Documents are hereby amended to reflect the amendments set forth herein and that no further amendments to any Loan Documents are required to reflect the foregoing.

(b) All references in any document to "Credit Agreement" or any "Loan Document" shall refer to the Credit Agreement or any such Loan Document, as amended pursuant to this Amendment.

(c) Without limiting the foregoing, the definition of "Guaranteed Indebtedness" in the EUR Guaranty is hereby deleted and substituted therefor is the following:

"Guaranteed Indebtedness" means (i) with respect to the US Borrower, all "Obligations" under and defined in the Credit Agreement relating to the

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EUR Revolving Loans, including, without limitation, any and all interest, fees, costs, expenses and indemnities related thereto, together with any and all obligations of the Guarantors hereunder, and (ii) with respect to any EUR Facility Guarantor (other than the US Borrower), all "Obligations" of the EUR Borrower under and defined in the Credit Agreement relating to the EUR Revolving Loans, including, without limitation, any and all interest, fees, costs, expenses and indemnities related thereto, together with any and all obligations of each EUR Facility Guarantor (other than the US Borrower) hereunder.

3. Conditions Precedent. The effectiveness of this Amendment is subject to the satisfaction of the following conditions (the date that all such conditions are satisfied, the "**Fifth Amendment Effective Date**"):

(a) The Agents shall have received:

(i) from each party hereto a counterpart of this Amendment signed on behalf of such party; and

(ii) such other documents, certificates and instruments as the Agents or any Lender or its counsel may have reasonably requested, such documents, certificates and instruments to be satisfactory to the Agents, the Lenders and their counsel in all respects in their sole discretion.

(b) All governmental and third party approvals necessary or, in the discretion of the Lenders, advisable in connection with the financing contemplated hereby and the continuing operations of the Borrower and its Subsidiaries shall have been obtained and be in full force and effect.

(c) The Agents and the Lenders shall have received all fees and other amounts due and payable on or prior to the Fifth Amendment Effective Date, including to the extent invoiced, reimbursement or payment of all out-of-pocket expenses (including, without limitation, reasonable fees, disbursements and other charges of counsel) required to be reimbursed or paid by the Borrowers or any other Loan Party hereunder or under any separate agreements.

4. Representations, Warranties and Covenants. The Borrowers hereby certify to the Lenders that as of the date of this Amendment and as of the Fifth Amendment Effective Date (after giving effect to this Amendment and the transactions contemplated hereby) all of the Borrowers' representations and warranties contained in the Credit Agreement and each of the Loan Documents are true, accurate and complete, and no "Default" or "Event of Default" exists under (and as defined in) the Credit Agreement or any of the Loan Documents. Without limiting the generality of the foregoing, each Borrower represents and warrants that (i) the execution and delivery of this Amendment has been authorized by all necessary action on the part of such Borrower, (ii) the person executing this Amendment on behalf of such Borrower is duly authorized to do so, and (iii) this Amendment constitutes the legal, valid, binding and enforceable obligation of such Borrower, enforceable against such Borrower in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws

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affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

5. Additional Documents. Borrowers shall execute and deliver, and shall cause to be executed and delivered, to the Agents or the Lenders at any time and from time to time such documents and instruments, including without limitation additional amendments to the Credit Agreement and the Loan Documents, as the Agents or the Lenders may reasonably request to confirm and carry out the transactions contemplated hereby or by any other Loan Documents executed in connection herewith.

6. Continuation of the Credit Agreement and Loan Documents. Except as specified in this Amendment, the provisions of the Credit Agreement and the Loan Documents shall remain in full force and effect, and if there is a conflict between the terms of this Amendment and those of the Credit Agreement or the Loan Documents, the terms of this Amendment shall control. This Amendment is a Loan Document.

7. Ratification and Reaffirmation of Obligations by Borrower. Each Borrower hereby (a) ratifies and confirms all of its Obligations under the Credit Agreement and each of the other Loan Documents, and acknowledges and agrees that such Obligations remain in full force and effect, and (b) ratifies, reaffirms and reapproves in favor of the Agents and each Lender, as applicable, the terms and provisions of the Credit Agreement and each of the other Loan Documents, including (without limitation), its pledges and other grants of Liens and security interests pursuant to the Collateral Documents. Without limiting the foregoing, the US Borrower acknowledges and agrees that all Collateral pledged by it pursuant to any Collateral Document secures the Obligations as such term is amended herein.

8. Release and Indemnification.

(a) Each Borrower and each Guarantor hereby fully, finally, and forever releases and discharges the Agents and each Lender, and their respective successors, assigns, directors, officers, employees, agents and representatives, from any and all causes of action, claims, debts, demands and liabilities, of whatever kind or nature, in law or equity, of any Borrower or any Guarantor, whether now known or unknown to any Borrower or any Guarantor in respect of (a) the Obligations under the Credit Agreement and each of the other Loan Documents or (b) the actions or omissions of any Agent or any Lender in any manner related to the Obligations under the Credit Agreement and each of the other Loan Documents; provided that this Section shall only apply to and be effective with respect to events or circumstances existing or occurring prior to and including the date of this Amendment.

(b) Without limiting Section 9.03 of the Credit Agreement, each Borrower and each Guarantor hereby agrees to indemnify, defend, and hold harmless each and all of the Agents and Lenders (each an “**Indemnified Party**” and collectively the “**Indemnified Parties**”) from and against any and all accounts, covenants, agreements, obligations, claims, debts, liabilities, offsets, demands, costs, expenses, actions or causes of action of every nature, character and description, whether arising at law or equity or under statute, regulation or otherwise, and whether liquidated or unliquidated, contingent or noncontingent, known or unknown, suspected

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or unsuspected (“**Claims**”), arising from or made under any legal theory, which any of Indemnified Parties may incur as a direct or indirect consequence of or in relation to any acts or omissions of any Borrower or any Guarantor arising from or relating to any of: (i) the Loan Documents; (ii) this Amendment; or (iii) any documents executed by any Borrower or any Guarantor in connection with this Amendment. Should any Indemnified Party incur any such Claims, or defense of or response to any Claims or demand related thereto, the amount thereof, including costs, expenses and attorneys’ fees, shall be added to the amounts due under the Loan Documents, and shall be secured by any and all liens created under and pursuant to the Loan Documents. This indemnity shall survive until the Obligations have been indefeasibly paid in full and the termination, release or discharge of any Borrower and any Guarantor. To the extent permissible under applicable law, this indemnity shall not limit any other rights of indemnification, subrogation or assignment, whether explicit, implied, legal or equitable, that any Indemnified Party may have; *provided that* no Indemnified Party shall have the right to indemnification to the extent that a Claim arises out of the Indemnified Party’s gross negligence or willful misconduct.

9. Miscellaneous.

(a) **THIS AMENDMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS (WITHOUT REGARD TO THE CONFLICT OF LAWS PROVISIONS) OF THE STATE OF COLORADO, BUT GIVING EFFECT TO FEDERAL LAWS APPLICABLE TO NATIONAL BANKS.** This Amendment shall be binding upon and inure to the benefit of the parties hereto and their successors and permissible assigns.

(b) All representations and warranties made in this Amendment, the Credit Agreement or any Loan Document including any Loan Document furnished in connection with this Amendment shall survive the execution and delivery of this Amendment and the other related Loan Documents, and no investigation by the Agents or any Lender or any closing shall affect the representations and warranties or the right of the Agents or any Lender to rely upon them.

(c) This Amendment and all documents to be executed and delivered hereunder may be delivered in the form of a facsimile copy, subsequently confirmed by delivery of the originally executed document. This Amendment may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument.

(d) This Amendment, the Credit Agreement, the other Loan Documents, and all other instruments, documents and agreements executed and delivered in connection with this Amendment, the Credit Agreement and the other Loan Documents, embody the final, entire agreement among the parties hereto with respect to the subject matter hereof. There are no oral agreements among the parties hereto. This Amendment may not be amended or modified orally, but only by a written agreement meeting the requirements of Section 9.02 of the Credit Agreement.

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(e) The section headings herein are for convenience only and shall not affect the construction hereof.

(f) Other than as expressly stated herein, this Amendment and the amendments set forth herein do not constitute a waiver by Lenders and Agents of Borrower’s or any other Loan Party’s compliance with any covenants, or a waiver of any Defaults or Events of Default, under the Credit Agreement or any of the Loan Documents, and shall not entitle the Borrowers or any other Loan Party to any similar or other amendments in the future. Without limiting the foregoing, except as specifically set forth herein, Lenders and Agents continue to reserve all rights and remedies available to Lenders and

Agent under the Credit Agreement and the Loan Documents, under law (including without limitation Article 9 of the Uniform Commercial Code) and at equity.

(g) In case any provision of or obligation under this Amendment shall be held by any court of competent jurisdiction to be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

[Remainder of page intentionally left blank; signature pages follow.]

IN WITNESS WHEREOF, the Borrowers, the Lenders and the Agents have executed this Fourth Amendment to Credit Agreement as of the date first above written.

ALLIED MOTION TECHNOLOGIES INC., as US Borrower

By: _____
Name: _____
Title: _____

ALLIED MOTION TECHNOLOGIES B.V., as EUR Borrower

By: _____
Name: _____
Title: _____

JPMORGAN CHASE BANK, N.A., individually and as Administrative Agent

By: _____
Karen Lowe
Senior Vice President

J.P. MORGAN EUROPE LIMITED,
as EUR Agent

By: _____
Name: _____
Title: _____

[Signature Page to Fifth Amendment to Credit Agreement]

ACKNOWLEDGMENT AND CONSENT BY GUARANTORS:

Each of the undersigned hereby (i) acknowledges the accuracy of the Recitals in the foregoing Amendment, (ii) consents to the modification of the Credit Agreement and the other Loan Documents and to all other matters in the foregoing Amendment, (iii) reaffirms the respective Guaranty Agreement executed by the undersigned and any other agreements, documents and instruments securing or otherwise related thereto (collectively, the “Guarantor Documents”), (iv) acknowledges that the Guarantor Documents continue in full force and effect, remain unchanged (except as specifically modified by the Amendment), are valid, binding and enforceable in accordance with their respective terms and guaranty or secure, as the case may be, the Obligations under the Credit Agreement as increased or otherwise changed pursuant to the Amendment , (v) agrees that all references, if any, in the Guarantor Documents to the Credit Agreement and the other Loan Documents are modified to refer to those documents as modified by the Amendment, and (vi) agrees to be bound by the release of the Agents and the Lenders as set forth in the Amendment. Without limiting the foregoing, each US Facility Guarantor acknowledges and agrees that all Collateral pledged by it pursuant to any Collateral Document secures the Obligations as such term is amended herein. The undersigned Guarantors hereby certify to the Lenders that, as of the date of the Amendment and as of the Effective Date (after giving effect to the Amendment), all of the Guarantors’ representations and warranties contained in each of the Loan Documents are true, accurate and complete, and no “Default” or “Event of Default” exists under (and as defined in) the Credit Agreement or any of the Loan Documents. Without limiting the generality of the foregoing, each Guarantor represents and warrants that (i) the execution and delivery of this Acknowledgement and Consent by Guarantors has been authorized by all necessary action on the part of such Guarantor, (ii) the person executing this Acknowledgement and Consent by Guarantors on behalf of such Guarantor is duly authorized to do so, and (iii) this Acknowledgement and Consent by Guarantors constitutes the legal, valid, binding and enforceable obligation of such Guarantor, enforceable against such Guarantor in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors’ rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law. All capitalized terms above not otherwise defined have the meanings given them in the foregoing Amendment.

ALLIED MOTION CONTROL CORPORATION

By: _____
Name: _____
Title: _____

COMPUTER OPTICAL PRODUCTS, INC.

By: _____
Name: _____

[Signature Page to Fifth Amendment to Credit Agreement]

Title: _____

EMOTEQ CORPORATION

By: _____
Name: _____
Title: _____

MOTOR PRODUCTS CORPORATION

By: _____
Name: _____
Title: _____

AMOT I, INC.

By: _____
Name: _____
Title: _____

AMOT II, INC.

By: _____
Name: _____
Title: _____

AMOT III, INC.

By: _____
Name: _____
Title: _____

STATURE ELECTRIC, INC.

By: _____
Name: _____

[Signature Page to Fifth Amendment to Credit Agreement]

Title: _____

PRECISION MOTOR TECHNOLOGY B.V.

By: _____

Name: _____
Title: _____

ÖSTERGRENS ELMOTOR AB

By: _____
Name: _____
Title: _____

[Signature Page to Fifth Amendment to Credit Agreement]

**EXHIBIT A
CLOSING DOCUMENTS CHECKLIST**

[See attached]

**ALLIED MOTION TECHNOLOGIES INC.
DEFERRED COMPENSATION PLAN
As Amended and Restated Effective May 31, 2011**

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

Effective as of January 1, 2007, the Company amended and restated the Plan in its entirety, with the provisions of the amended and restated Plan to apply to all Plan Participants on and after January 1, 2007.

Effective May 31, 2011, the Company hereby amends and restates the Plan in its entirety, and this amended and restated Plan will apply to all Plan Participants on and after May 31, 2011. This amended and restated Plan document is intended to simplify and enhance the Plan by eliminating unnecessary sub-Accounts, adding distribution alternatives for future contributions, and revising the default distribution provisions for future contributions. These changes have been made in compliance with Section 409A of the Code, so that no change to any previously elected or default form or timing of any payment results from this amended and restated Plan.

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

1. Definitions.

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

1.01 "Account" means the bookkeeping account established for each Participant under this Plan for the purpose of recording amounts credited on behalf of such Participant and any income, gains or losses thereon, as further described in Section 7.

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

1.03 "Beneficiary" means a person or trust designated in an Appropriate Form as being entitled to receive payment under this Plan on account of the death of a Participant. If no valid designation of a beneficiary is made, a Participant's Beneficiary shall be such Participant's estate.

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

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

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

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

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

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

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

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

1.12 "Effective Date of the Plan" means the original effective date of the Plan, which was January 1, 2006. The Effective Date of this amended and restated Plan is May 31, 2011.

1.13 "Employer" means the Company or, where applicable, a subsidiary of the Company which is the employer of a Participant.

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

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

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

1.17 “Participant” means an executive employee of the Company or a subsidiary of the Company who is designated by the Board as a participant in the Plan. Effective on and after January 1, 2007, for purposes of Section 3, Section 4 and Section 5 hereof, a “Participant” means a Participant who has been designated by the Board as eligible to make the contributions or receive the benefits described in such Section.

1.18 “Performance Contribution” means an unfunded contribution for the benefit of a Participant, as described in Section 4.

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

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

1.21 “Retirement” or “Retire” means any termination of employment with the Company.

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

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

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

1.25 “Year” means each calendar year during the Term of this Plan.

2. Participation.

2.01 Commencement. Participation in the Plan is limited to those Executive employees of the Company or a subsidiary of the Company that are (a) members of a select group of management and highly compensated Employees, as determined by the Board, and (b) designated by the Board. An employee of the Company or a subsidiary of the Company will become a Participant in the Plan upon being so designated by the Board, effective as of such date as the Board shall designate (which may be prior to the date of such designation).

2.02 Scope of Participation. In designating an employee of the Company or a subsidiary of the Company as a Participant, the Board shall designate the contributions or benefits under the Plan that the Participant will be eligible to make or receive. If the Board makes no special designation with respect to an employee, such Participant will be eligible only to make deferrals in accordance with Section 3 and shall not be eligible to receive Performance Contributions pursuant to Section 4 or benefits upon a change of control pursuant to Section 5. As used in Section 3, Section 4 and Section 5 hereof, a “Participant” means a Participant who has been designated by the Board as eligible to make the contributions or receive the benefits described in such Section.

2.03 Termination of Participation. Once designated as a Participant, an individual will continue as a Participant until the earliest of the following:

- (a) all benefits to which he is entitled under the Plan have been distributed to him;

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- (b) the Participant ceases to meet the eligibility requirements stated in Section 2.01; or

- (c) the Plan is terminated pursuant to Section 11.01

3. Deferrals.

3.01 Deferral of Salary or Bonus.

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

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

3.02 Deferral Election.

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

(b) Except as provided in subsection (e), an election to defer Salary for a Year shall be filed by December 31 of the Year preceding the Year in which the election is to take effect. The election shall be effective with respect to Salary payable for all payroll periods ending in the Year in which it is effective. An election must specify a Deferral which is a stated percentage of the Participant’s Salary for such Year. Such Deferrals will be distributed as provided in Section 8.

(c) Except as provided in subsection (e), an election to defer a Bonus shall be filed before the beginning of the Year during which the performance on which the Bonus will be based is measured; provided, however, that if such Bonus constitutes “performance based compensation”, within the meaning of Section 409A(4)(B)(iii) of the Code and the Treasury Regulations thereunder, and the other applicable requirements of such Regulations are met with respect to such Bonus, such election to defer may be made up until six months before the end of the Year during which the applicable Performance criteria are measured. Whether a Bonus constitutes “performance based compensation” (as so defined) will be determined by the Board in its sole discretion. An election to defer a Bonus must specify a Deferral which is a stated percentage of such Bonus. Such Bonus Deferrals will be distributed as provided in Section 8.

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

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

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

3.04 Vesting. A Participant’s interest in his Deferrals shall be fully vested at all times.

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

4. Performance Contributions.

4.01 Basis of Performance Contributions; Performance Criteria.

(a) For each Year during the Performance Contribution Term, the Company will credit Performance Contributions to the Accounts of all eligible Participants for a Year if the Company achieves the Performance Criteria for such Year, and the other terms of conditions of this Plan are satisfied.

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

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

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

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

(d) The “Performance Contribution Term” with respect to any Participant means the period beginning on the Effective Date of the Plan and ending on the earliest of:

(i) December 31, 2020; or

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

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(iii) the date on which such Participant is terminated for “Cause”, within the meaning of such Participant’s Employment Agreement with the Company or a subsidiary of the Company, or

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

4.02 Credit to Account. The Company shall credit any Performance Contributions to each eligible Participant’s Account, as described in Section 7.01, as of the date on which the amount of such Performance Contribution is determined by the Board. Such Performance Contributions will be distributed as provided in Section 8.

4.03 Vesting.

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

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

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

(b) If an eligible Participant Retires, dies or become Disabled during the Year, the Performance Contribution shall nevertheless be computed with respect to the entire Year, and the Participant shall be entitled to receive the entire Performance Contribution for such Year. In the case of any other termination of employment prior to December 31 of such Year, the entire Performance Contribution will be forfeited and the Participant shall not have any right to such Performance Contribution.

5. Benefits Upon a Change of Control.

5.01 Calculation of Change of Control Benefit.

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

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

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

- (ii) An amount determined by multiplying
 - (A) the average of the Performance Contributions for the benefit of such Participant for the preceding three (3) years, or the number of years since the Effective Date of the Plan, if less, by
 - (B) the lesser of (I) three (3), or (II) the number of Years, or fractions thereof, remaining after the date of the Change of Control until December 31, 2020.
- (b) For purposes of computing the portion of special benefit described in clause (i), above:
 - (i) Performance Criteria shall be measured for the period ending on the last day of the month preceding the month that includes the effective date of the Change of Control; and
 - (ii) Extraordinary costs arising out of the transactions that constitute the Change of Control shall be disregarded.

5.02 Payment of Change of Control Benefit. The Change of Control benefit shall be determined by the Board prior to the effective date of the Change of Control, and paid to each Participant in a lump sum during the 30 day period beginning on the date of the Change of Control.

6. Discretionary Contributions.

6.01 Designation of Eligible Participants.

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

(b) Such Discretionary Contributions will be distributed as provided in Section 8.

6.02 Credit to Account. The Company shall credit any Discretionary Contributions to each Participant's Account as of the date on which the Board makes the designations described in Section 6.01.

6.03 Vesting. A Participant's interest in any Discretionary Contributions made on his behalf shall be fully vested at all times.

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7. Participants' Accounts.

7.01 Establishment of Accounts and Sub-Accounts.

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

(b) Effective May 31, 2011, all existing Sub-Accounts under the Plan for each Participant shall be combined into one Account, including the following Sub-Accounts established under the Plan prior to May 31, 2011: the Deferral Sub-Account, the Performance Contribution Sub-Account, and the Discretionary Contribution Sub-Account for each Participant.

7.02 Performance Contributions Subject to Forfeiture. Until and except to the extent that Performance Contributions become vested in accordance with Section 4.03, the interest of each Participant in his Performance Contributions is contingent only and is subject to forfeiture as provided in Section 4.03.

7.03 Imputed Investment Experience.

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

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

7.04 Accounting.

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

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

8. Distributions.

8.01 Distribution of Contributions Made Prior to May 31, 2011. Except as provided in Section 8.04, a Participant's entire Account attributable to Deferrals, Performance

Contributions, and Discretionary Contributions made to the Plan for Years ending prior to May 31, 2011, shall be distributed in a lump sum within thirty (30) days after the earliest of the following dates:

- (a) December 31, 2020;
- (b) The last day of the third calendar year which begins after the Participant's Separation from Service; or
- (c) The effective date of a Change of Control.

8.02 Distributions of Contributions Made on or After May 31, 2011. Except as provided in Section 8.04, and unless the Participant elects otherwise in accordance with Section 8.03, a Participant's entire Account attributable to Deferrals made to the Plan for 2012 and future years, to Performance Contributions made to the Plan for 2011 (to the extent such Performance Contributions constitute performance based compensation under Section 409A of the Code) and future years, and to Discretionary Contributions approved for contribution to the Plan on or after May 31, 2011, shall be distributed in a lump sum within thirty (30) days after the earliest of the following dates:

- (a) December 31, 2020;
- (b) The first business day of the calendar year immediately following the calendar year in which occurs the Participant's Separation from Service; or
- (c) The effective date of a Change of Control.

8.03 Election of Time and Form of Payment.

(a) Except as may be otherwise provided by the Board, and subject to Section 8.01 above, each Participant may designate the time and form of payment of his entire Account, or a portion of his Account attributable to Deferrals, Performance Contributions, or Discretionary Contributions as provided below.

- (b) To be effective with respect to any Discretionary Contribution, Performance Contribution or Deferrals with respect to any Year:
 - (i) An election with respect to a Deferral must be made before the expiration of the time for filing the Participant's Deferral Election, as provided in Section 3.02.
 - (ii) An election with respect to a Performance Contribution must be made before the beginning of the Year for which such Performance Contribution is earned; provided, however, that if such Performance Contribution constitutes "performance based compensation", within the meaning of Section 409A(4)(B)(iii) of the Code and the Treasury Regulations thereunder, an election under this Section 8.03 with respect to such Performance Contribution may be

made after the beginning of the Year for which such Performance Contribution is earned, as long as it is made at least six months before the end of such Year.

(iii) With respect to any Discretionary Contribution, unless the Board determines otherwise in compliance with Section 409A of the Code, the Participant's existing elections with respect to his Deferrals under the Plan for a Year shall also apply to any Discretionary Contribution made for such Year.

(c) The optional methods are as follows:

- (i) One lump sum payment on such date as is designated in the Participant's election;
- (ii) Monthly installments over a period of up to ten (10) years, beginning on such date as is designated in the Participant's election, subject to the provisions of Section 8.04.

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

- (a) The election to revoke or change shall not take effect until twelve (12) months after the date it is made.
- (b) Except in the case of an election under Section 8.06 (unforeseeable emergency), the election to revoke or change may not provide for payment sooner than five (5) years from the date payment would otherwise have been made or begun.
- (c) An election to revoke or change with respect to payments scheduled to be made or to begin at a time specified by each Participant may not be made less than 12 months before the time originally specified for payment to be made or begin.

8.05 Payment on Death.

- (a) Upon a Participant's death, the Company shall pay the balance of the Account to each Participant's Beneficiary, within thirty (30) days after the date of his death.
- (b) Each Participant may designate one or more primary and contingent Beneficiaries to receive any amounts payable under this Plan on his death. The designation of Beneficiary shall be in writing, shall be made on the Appropriate Form, shall not be effective unless filed with the Secretary of the Company before the Participant's death, and may be changed or revoked at any time without notice to any beneficiary by the Participant's filing of a subsequent designation with the Secretary of the Company. If a Participant designates more than one Beneficiary, each shall share equally unless such Participant specifies a different allocation or preference. If any Participant fails to designate a Beneficiary, or should no designated Beneficiary survive

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him or be in existence after the Participant's death, the Beneficiary of the Participant's Account shall be such Participant's estate.

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

8.06 Unforeseeable Emergency.

- (a) A Participant or his Beneficiary may, in the case of an unforeseeable emergency (as defined in subsection (b)), elect and shall be entitled to payment of an amount credited to such Participant's Account subject to the following conditions:
 - (i) The amount payable shall not exceed the amount reasonably necessary to satisfy the emergency need (which may include amounts necessary to pay any Federal, State, or local income taxes or penalties reasonably anticipated to result from the payment), taking into account the termination of any Deferral Elections pursuant to Section 3.05.
 - (ii) The Company shall not pay any amount on account of an unforeseeable emergency to the extent the emergency is or may be relieved through reimbursement or compensation from insurance or otherwise; or by liquidation of each Participant's or the beneficiary's assets, to the extent the liquidation of such assets would not cause severe financial hardship; or by cessation of Deferrals under this Plan.
- (b) For purposes of this Plan, "unforeseeable emergency" means a severe financial hardship of each Participant or his beneficiary resulting from an illness or accident of each Participant or beneficiary or each Participant or beneficiary's spouse or dependent (as defined in section 152(a) of the Code); loss of each Participant's or beneficiary's property due to casualty; or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of each Participant or beneficiary. The Company shall, in its discretion, determine whether each Participant or beneficiary is faced with an unforeseeable emergency permitting a distribution under this Section 8.05. In doing so, the Company shall refer to the definition of "unforeseeable emergency" set forth in Treasury Regulations under Section 409A of the Code, and shall base its determination on such definition and the relevant facts and circumstances of each case.

8.07 Payments to Certain Employees. In no event shall any payment under the Plan on account of a Participant's separation from service be made to a Participant who is a specified employee (as defined in Section 409A of the Code) as of the date of separation from service,

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before the date that is six months after the date of separation from service or, if earlier than the end of the six-month period, the date of death of such Participant.

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

9. Source of Payments

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

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

9.03 **Company Obligation to Establish Trust.**

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

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

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

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

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

(i) A “Change of Control” with respect to the Company; or

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

(c) Notwithstanding the foregoing provisions of this Section 9.03, in no event shall the Company be required to establish a rabbi trust:

(i) during any “restricted period” with respect to any defined benefit pension plan of the Company or an affiliate, to the extent prohibited by Section 409A(B)(3) of the Code; or

(ii) if the establishment of such trust would violate Section 409A(B)(2) of the Code, relating to a change in the employer’s financial health.

10. Prohibition Against Assignment.

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

11. Amendment and Termination.

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

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

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

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

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

11.04 **Intent To Defer Tax** The Company and each Participant intend that this Plan meet the requirements of Section 409A of the Code for the deferral (until payment) of the income

taxation of the compensation deferrable under this Plan, and this Plan shall be construed accordingly. To the extent this Plan is more restrictive than necessary to meet the requirements of Section 409A of the Code, the Company reserves the right to amend this Plan, provided such amendment would not cause the Plan to fail to meet those requirements.

12. Miscellaneous.

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

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

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

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

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

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

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

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(c) If, in the situation described in paragraph (b) (involving each Participant's legal disability or incapacity), the Board determines that no legal representative is authorized to make such designations on behalf of each Participant or his beneficiary, then neither the Board nor the Company shall be under any obligation to take any action with respect to the investment designations in effect with respect to the Account. However, in such a situation, the Board may, from time to time, in its discretion, make investment designations on each Participant's behalf, but only from among Investment Funds substantially all of the assets of which are certificates of deposit or interest bearing accounts in banks, savings banks, or savings and loan associations; obligations of the United States government and obligations guaranteed as to principal and interest by the United States government; obligations of a state, a territory, or a possession of the United States, or of any political subdivision of any of the foregoing, or of the District of Columbia; and cash deposit accounts. Neither the Board, the Company, nor any trustee shall be liable to each Participant, his beneficiary, or his estate for taking no action with respect to investment designations in effect with respect to the Account or for taking the action described in the preceding sentence.

12.05 Waivers. No provision of this Plan (as it may be amended from time to time pursuant to Section 11/01) may be modified, waived, or discharged except by an instrument in writing executed by an authorized officer of the Company. A waiver by either party of any breach of, or compliance with, any condition or provision of this Plan shall not be deemed a waiver of similar or dissimilar provisions or conditions at the same or any prior or subsequent time. No agreements or representations, oral or otherwise, with respect to the subject matter of this Plan have been made by either party that are not expressly set forth in this Plan.

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

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

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

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12.09 Notices. All notices and other communications required or permitted to be given under the Plan shall be in writing and shall be deemed to have been duly given if (1) delivered personally, (2) sent by next-day or overnight mail or delivery, or (3) sent by fax, as follows:

- (a) If to the Company to:

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

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

Schedule 1
Determination of Performance Criteria

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

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

**AMENDMENT
TO
AMENDED AND RESTATED EMPLOYMENT AGREEMENT
FOR
RICHARD S. WARZALA**

THIS AMENDMENT TO THE AMENDED AND RESTATED EMPLOYMENT AGREEMENT, dated and effective as of June 1, 2011, is between Allied Motion Technologies Inc., a Colorado corporation (the "Company"), and Richard S. Warzala ("Employee").

RECITALS:

WHEREAS, the Employee and the Company entered into the Amended and Restated Employment Agreement dated May 12, 2009 (the "Employment Agreement");

WHEREAS, the Company and the Employee desire to amend the Employment Agreement to reflect the Company's promise to pay supplemental executive retirement benefits for the Employee;

AMENDMENT:

1. **Effective May 31, 2011, a new Section 3.7 is added to the Employment Agreement to read in its entirety as follows:**

3.7 **SERP Benefits:** In addition to the other benefits provided in this Section 3, the Employee shall be entitled to the following SERP benefits:

(a) **Contribution Amounts and Dates.** Subject to Section 3.7(b) below, the Company shall contribute the Contribution Amount set forth below to the Employee's account in the Company's Deferred Compensation Plan within 10 days after each Contribution Date; provided that the Employee is employed on each such Contribution Date. If the Employee is not employed on any Contribution Date, no contribution will be made for that year or any future years, except as provided in Section 3.7(b).

Contribution Date	Contribution Amount
May 31, 2011	\$ 153,856.00
May 31, 2012	\$ 153,856.00
May 31, 2013	\$ 153,856.00
May 31, 2014	\$ 153,856.00
May 31, 2015	\$ 153,856.00
May 31, 2016	\$ 153,856.00
May 31, 2017	\$ 153,856.00

(b) **Contributions Upon Certain Termination Events.** Notwithstanding Section 3.7(a) above, if the Employee's employment is terminated as a result of the Employee's death, Disability, involuntary termination by the Company without Cause, or at any time and for any reason after a Change in Control (as defined in the Severance Agreement between the Company and the Employee), then any unpaid Contribution Amounts under the schedule set forth in Section 3.7(a) shall be contributed to the Employee's account in the Company's Deferred Compensation Plan in one lump sum payment within 15 days of such termination.

(c) **Distribution of Contribution Amounts.** The Contribution Amounts shall be treated as "Discretionary Contributions" under the Deferred Compensation Plan, and shall be distributed from the Deferred Compensation Plan in accordance with the terms of such plan and any permissible payment elections made by the Employee.

2. **Effective May 31, 2011, Section 3.5 is amended to read in its entirety as follows:**

3.5 **Vacation.** Throughout the period of Employee's employment hereunder, Employee shall be entitled to take, from time to time, 5 weeks of vacation annually with pay at such times as shall be mutually convenient to Employee and the Company.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment on and as of the date first set forth above.

ALLIED MOTION TECHNOLOGIES INC.

By: _____
Richard D. Smith – Chairman of the Board of Directors and CFO

Richard S. Warzala - Employee

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 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 12, 2011

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

CERTIFICATION

I, Richard D. Smith, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Allied Motion Technologies Inc. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a—15(e) and 15d—15(e)) 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 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 12, 2011

/s/ Richard D. Smith

Richard D. Smith

Executive Chairman of the Board and Chief Financial Officer

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 March 31, 2011 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 12, 2011

/s/ Richard S. Warzala

Richard S. Warzala

Chief Executive Officer

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 March 31, 2011 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 12, 2011

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