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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

Form 10-K

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the transition period from

Commission file number: 0-04041

ALLIED MOTION TECHNOLOGIES INC.

(Exact name of registrant as specified in its charter)

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
(Address of principal executive offices)

80112
(Zip Code)

Registrant's telephone number, including area code: **(303) 799-8520**

Securities registered pursuant to Section 12(b) of the Act: **Common Stock, no par value Nasdaq Global Market**

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

The aggregate market value of voting stock held by non-affiliates of the Registrant, computed by reference to the average bid and asked prices of such stock as of the last business day of the Registrant's most recently completed second fiscal quarter was approximately \$35,200,000.

Number of shares of the only class of Common Stock outstanding: 7,578,694 as of March 19, 2009

DOCUMENTS INCORPORATED BY REFERENCE

Notice and Proxy for 2009 Annual Meeting of Shareholders

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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 recession 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 establish low cost region manufacturing and component sourcing capabilities, and the ability of the Company to control costs for the purpose of improving profitability. The Company's ability to compete in this market depends upon its capacity to anticipate the need for new products, and to continue to design and market those products to meet customers' needs in a competitive world. Actual results, events and performance may differ materially. Readers are cautioned not to place undue reliance on these forward-looking statements as a prediction of actual results. The Company has no obligation or intent to release publicly any revisions to any forward looking statements, whether as a result of new information, future events, or otherwise.

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

PART I

Item 1. Business.

Allied Motion Technologies Inc. (Allied Motion or the Company) was organized under the laws of Colorado in 1962 and operates primarily in the United States and Europe. Allied Motion utilizes its underlying core "Electro-magnetic, Mechanical and Motion Technology/Know How" to provide compact, high performance products as solutions to a variety of motion applications. The Company is engaged in the business of designing, manufacturing and selling motor, servo motion and optical encoder products to a broad spectrum of customers throughout the world. The Company's products are manufactured at our facilities as well as contract manufacturing facilities in China and Eastern Europe.

Examples of the end products using Allied Motion's technology in the medical and health care industries include wheel chairs, scooters, stair climbers, vehicle lifts, patient handling tables, 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. 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 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 commercial grade floor cleaners, polishers and material handling devices for factories and commercial buildings. Our products are also used in a variety of military/defense applications including inertia guided missiles, mid range munitions systems, weapons systems on armed personnel carriers 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 cash dispensing machines (ATM's).

Allied Motion is organized into five subsidiaries: Emoteq Corporation (Emoteq—Tulsa, OK), Computer Optical Products, Inc. (COPI—Chatsworth, CA), Motor Products Corporation (Motor Products—Owosso, MI), Stature Electric, Inc. (Stature—Watertown, NY) and Precision Motor Technology B.V. (Premotec—Dordrecht, The Netherlands). To provide additional production support of its subsidiaries, Allied Motion also has contract production capabilities in Slovakia and China.

Emoteq designs, manufactures and markets high performance brushless and brush DC motors, drives and control electronics with a growing emphasis on complete motion system solutions tailored to meet the exact needs of its customers. Motor types include servo motors, frameless motors, torque motors and high speed (60,000 RPM+) brushless DC motors. Markets served include semiconductor manufacturing, industrial automation, medical equipment, and military and aerospace.

COPI manufactures high resolution encoders, precision high resolution servo motors and integrated motor/encoder assemblies. COPI's primary markets are in aerospace and defense as well as telecommunications, semiconductor and scanning equipment manufacturing. Applications include missile seeker heads, flight surface controls, tunable lasers, spectrum analyzers, wavemeters, programmable attenuators and 3D scanners.

Motor Products has been a motor producer for more than eighty years and is a vertically integrated manufacturer of customized, highly engineered fractional horsepower permanent magnet DC and brushless DC motors serving a wide range of original equipment applications. The motors are used in mobile HVAC systems, actuation systems, and specialty and general purpose pumps in a variety of markets including trucks, buses, boats, RV's, off-road vehicles, health, fitness, medical and industrial equipment.

Stature Electric manufactures fractional and integral horsepower gear motors, permanent magnet DC motors, brushless DC motors and motor part sets. Stature's component products are sold primarily to original equipment manufacturers (OEM'S) that use them in their end products. Stature Electric excels at engineering, designing, packaging and applying integrated gearing and motor solutions for the commercial and industrial equipment, healthcare, recreation and non-automotive transportation markets.

Premotec has been manufacturing small precision electric motors for more than thirty years utilizing four different motor technologies: brushless DC, coreless DC, iron core DC, and permanent

magnet stepper and synchronous motors. Premotec also offers a range of reduction gearboxes tailored to a number of these motors. Premotec's products are sold to OEM customers in Europe, the United States and Korea and through distributors to smaller OEM's in almost all countries of the European Union. The products are used in a wide variety of medical, professional and industrial applications, such as dialysis equipment, industrial ink jet printers, cash dispensers, bar code readers, laser scanning equipment, fuel injection systems, HVAC actuators, waste water treatment, dosing systems for the pharmaceutical industry, textile manufacturing, document handling equipment and studio television cameras.

Product Distribution

The Company maintains a direct sales force. In addition to its own marketing and sales force, the Company has independent sales representatives, agents and distributors to sell its various product lines in certain markets.

Competition

The Company faces competition in all of its markets, although the number of competitors varies depending upon the product. The Company believes there are numerous competitors in the motion control market. Competition involves primarily product performance and price, although service and warranty are also important.

Availability of Raw Materials

All parts and materials used by the Company are in adequate supply. No significant parts or materials are acquired from a single source or for which an alternate source is not also available.

Patents, Trademarks, Licenses, Franchises and Concessions

The Company holds several patents and trademarks regarding components used by the various subsidiaries and has several patents pending on new products recently developed, which are considered to be of major significance.

Working Capital Items

The Company currently maintains inventory levels adequate for its short-term needs based upon present levels of production. The Company considers the component parts of its different product lines to be readily available and current suppliers to be reliable and capable of satisfying anticipated needs.

Sales to Large Customers

During years 2008 and 2007, no single customer accounted for more than 10% of total revenues.

Sales Backlog

The Company's backlog at December 31, 2008 consisted of sales orders totaling approximately \$23,570,000 while backlog at December 31, 2007 was \$32,060,000. In our commercial motors markets, the Company continues to serve customers requesting shipments on a "pull system" whereby the Company agrees to maintain available inventory that the customer "pulls" or takes delivery as they need the products. At the time the customer pulls the product, the Company records the sale. There can be no assurance that the Company's backlog will be converted into revenue.

Engineering and Development Activities

The Company's expenditures on engineering and development for the years ended December 31, 2008 and 2007 were \$4,009,000 and \$3,963,000, respectively. Of these expenditures, no material amounts were charged directly to customers.

Environmental Issues

No significant pollution or other types of hazardous emission result from the Company's operations and it is not anticipated that the Company's operations will be materially affected by Federal, State or local provisions concerning environmental controls. However, there can be no assurance that any future regulations will not affect the Company's operations.

Foreign Operations

The information required by this item is set forth in Note 8 of the Notes to Consolidated Financial Statements contained herein.

Employees

At December 31, 2008 the Company had approximately 425 full-time employees.

Available Information

The Company maintains a website at www.alliedmotion.com. The Company makes available, free of charge on or through its website, its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports, as soon as reasonably practicable after it electronically files or furnishes such materials to the SEC.

The Company has adopted a Code of Ethics for its chief executive officer, president and senior financial officers regarding their obligations in the conduct of Company affairs. The Company has also adopted a Code of Ethics and Business Conduct that is applicable to all directors, officers and employees. The Codes are available on the Company's website. The Company intends to disclose on its website any amendment to, or waiver of, the Codes that would otherwise be required to be disclosed under the rules of the SEC and the Nasdaq Global Market. A copy of both Codes is also available in print to any stockholder upon written request addressed to Allied Motion Technologies Inc., 23 Inverness Way East, Suite 150, Englewood, CO 80112-5711, Attention: Secretary.

Item 2. Properties.

As of December 31, 2008, the Company occupies facilities as follows:

<u>Description/Use</u>	<u>Location</u>	<u>Approximate Square Footage</u>	<u>Owned Or Leased</u>
Corporate headquarters	Englewood, Colorado	3,000	Leased
Office and manufacturing facility	Chatsworth, California	19,000	Leased
Office and manufacturing facility	Tulsa, Oklahoma	25,000	Leased
Office and manufacturing facility	Dordrecht, The Netherlands	36,000	Leased
Office and manufacturing facility	Owosso, Michigan	85,000	Owned
Office and manufacturing facility	Watertown, New York	107,000	Owned

The Company's management believes the above-described facilities are adequate to meet the Company's current and foreseeable needs. All facilities described above are operating at less than full capacity.

Item 3. Legal Proceedings.

The Company is involved in certain actions that have arisen out of the ordinary course of business. Management believes that resolution of the actions will not have a significant adverse affect on the Company's consolidated financial position or results of operations.

PART II**Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.**

Allied Motion's common stock is traded on the Nasdaq Global Market System and trades under the symbol AMOT. The number of holders of record as reported by the Company's transfer agent of the Company's common stock as of the close of business on March 17, 2009 was 578. The Company did not pay or declare any dividends during years 2008 and 2007, and the Company's long-term financing agreement prohibits the Company from doing so without prior approval.

The following table sets forth, for the periods indicated, the high and low prices of the Company's common stock as reported by Nasdaq.

	Price Range	
	High	Low
YEAR ENDED DECEMBER 31, 2007		
First Quarter	\$7.94	\$5.02
Second Quarter	7.44	5.75
Third Quarter	7.89	4.01
Fourth Quarter	5.07	4.25
YEAR ENDED DECEMBER 31, 2008		
First Quarter	\$5.28	\$4.06
Second Quarter	5.90	4.31
Third Quarter	5.80	5.00
Fourth Quarter	5.39	1.42

Equity Compensation Plan Information

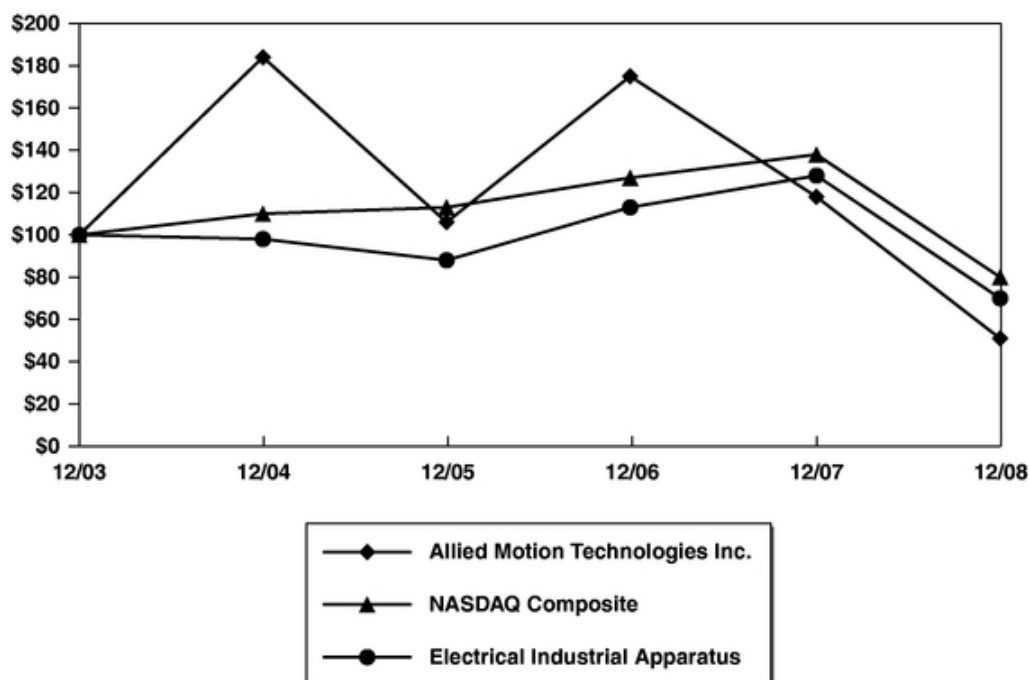
The following table shows the equity compensation plan information of the Company at December 31, 2008.

<u>Plan category</u>	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	588,950	\$ 4.23	258,881

PERFORMANCE GRAPH

The following performance graph reflects change in the Company's cumulative total stockholder return on Common Stock as compared with the cumulative total return of the NASDAQ Stock Market Index and the NASDAQ Electrical and Industrial Apparatus Index for the period of five years ended December 31, 2008.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*
Among Allied Motion Technologies Inc. The NASDAQ Composite
And Electrical Industrial Apparatus



* \$100 invested on 12/3/03 in stock or index, including reinvestment of dividends.
 Fiscal year ending December 31.

	12/03	12/04	12/05	12/06	12/07	12/08
Allied Motion Technologies Inc.	100	184	106	175	118	51
NASDAQ Composite	100	110	113	127	138	80
Electrical Industrial Apparatus	100	98	88	113	128	70

Item 6. Selected Financial Data.

The following tables summarize data from the Company's financial statements for the fiscal years 2004 through 2008; the Company's complete annual financial statements and notes thereto for the current fiscal year appear in Item 8 herein.

	For the year ended December 31,				
	2008	2007	2006	2005	2004
Statements of Operations Data:	In thousands (except per share data)				
Revenues	\$85,967	\$84,559	\$82,768	\$74,302	\$62,738
Net income	\$ 2,909	\$ 2,396	\$ 1,931	\$ 923	\$ 2,250
Diluted income per share	\$.39	\$.33	\$.28	\$.13	\$.36

Stature and Premotec were acquired in 2004. The first full year of revenues for these technical units is 2005.

	December 31,				
	2008	2007	2006	2005	2004
Balance Sheet Data:					
Total assets	\$52,780	\$51,507	\$52,612	\$53,337	\$54,280
Total current and long-term debt	\$ 2,800	\$ 4,422	\$ 9,829	\$12,081	\$14,407

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Overview

Allied Motion designs, manufactures and sells motion products to a broad spectrum of customers throughout the world primarily for the commercial motor, industrial motion control, and aerospace and defense markets. Examples of the end products using Allied Motion's technology in the medical and health care industries include wheel chairs, scooters, stair climbers, vehicle lifts, patient handling tables, 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. 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 and covers), they provide improved fuel efficiency while the vehicles are idling and are used in drive by wire applications to electrically replace 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 commercial grade floor cleaners, polishers and material handling devices for factories and commercial buildings. Our products are also used in a variety of military/defense applications including inertia guided missiles, mid range munitions systems, weapons systems on armed personnel carriers 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 cash dispensing machines (ATM's).

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

The Company has made considerable progress in implementing its corporate strategy, with the driving force of "Electro-magnetic, Mechanical and Motion Technology/Know How". The Company's commitment to Allied's Systematic Tools, or AST for short, is driving continuous improvement in quality, delivery, cost and growth. AST utilizes a tool kit to effect desired changes through well defined processes such as Strategy Deployment, Target Marketing, Value Stream Mapping, Material Planning, Standard Work and Single Minute Exchange of Dies.

Outlook

Allied Motion had a good year in 2008 despite the devastating fire that occurred at our Chatsworth, CA plant in October and the fall off of our business in the fourth quarter caused by the global economic downturn. In response to the economic downturn, we have and will continue to take

actions to mitigate its adverse effects including reductions in costs and expenses. While we cannot predict how long the current worldwide economic slowdown will last or how severely it will impact us and our customers, we will continue to monitor market conditions and allocate resources appropriately to meet our current needs and prepare for growth.

The Company has a strong balance sheet, with a cash position that exceeds outstanding debt. While we will continue to make necessary adjustments, we have not cut our resources in electro-magnetic, mechanical and electronic design capabilities to provide solutions that "raise the bar" with our customers and provide important differentiating factors against our competition. Our broad market diversification provides an opportunity to grow some markets even while some are flat or experiencing decline. As certain markets are more recession proof than others, we will continue to make investments in the markets we believe to be less affected in a recession than others.

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. The Company will continue 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 the Company experiences 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 material 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 meet the needs of our served markets. Over the last few years, the Company announced several new motor designs targeted at various markets. It normally takes twelve months to get new products designed into new customer applications.

The Company is moving forward with 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, our 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.

Operating Results**Year 2008 compared to 2007**

<u>(in thousands)</u>	<u>For the year ended</u> <u>December 31,</u>		<u>Increase (decrease)</u>	
	<u>2008</u>	<u>2007</u>	<u>\$</u>	<u>%</u>
Revenues	\$85,967	\$84,559	\$ 1,408	2%
Cost of products sold	63,801	63,952	(151)	0%
Gross margin	22,166	20,607	1,559	8%
Gross margin percentage	26%	24%	—	—
Operating costs and expenses:				
Selling	4,256	3,611	645	18%
General and administrative	8,543	7,776	767	10%
Engineering and development	4,009	3,963	46	1%
Fire related losses	1,200	—	1,200	100%
Insurance recoveries	(1,357)	—	(1,357)	100%
Amortization of intangible assets	1,052	1,033	19	2%
Total operating costs and expenses	17,703	16,383	1,320	8%
Operating income	4,463	4,224	238	6%
Interest expense	(177)	(699)	(522)	(75)%
Other income	30	58	(28)	(48)%
Total other expenses, net	147	641	(494)	(77)%
Income before income taxes	4,316	3,583	733	20%
Provision for income taxes	1,407	1,187	220	19%
Net income	\$ 2,909	\$ 2,396	\$ 513	21%

NET INCOME The Company achieved net income of \$2,909,000 or \$.39 per diluted share for 2008 compared to \$2,396,000 or \$.33 per diluted share for 2007.

EBITDA EBITDA was \$8,006,000 for 2008 compared to \$7,754,000 for 2007. EBITDA is a non-GAAP measurement that consists of income before interest expense, provision for income taxes and depreciation and amortization. See information included in "Non-GAAP Measures" below for a reconciliation of net income to EBITDA.

REVENUES Revenues were \$85,967,000 in 2008 compared to \$84,559,000 in 2007. This 2% increase is primarily attributable to the weakness of the U.S. dollar against the Euro. The Company's revenues in 2008 reflect a significant change in sales mix from last year. During 2008, sales into our aerospace and defense, medical, distribution and certain markets in our industrial and electronics market segments such as pumps experienced growth, whereas sales into construction related markets such as industrial and machine tools, material handling and recreation related markets such as RVs and marine markets were down compared to 2007. The downturn in these markets reflects both the adverse effects of the economy and the effects of the competitive pressure of LCR competitors which are primarily Chinese competitors.

Sales to U.S. customers accounted for 56% of our sales in 2008, with the balance to customers primarily in Europe and Canada. Sales to U.S. customers were down 10% for 2008 and sales to customers outside the U.S. were up 20%.

BACKLOG The Company's backlog at December 31, 2008 consisted of sales orders totaling approximately \$23,570,000 while backlog at December 31, 2007 was \$32,060,000 reflecting a 26%

decrease from the same time last year. The economic downturn started to have an adverse effect on the Company earlier in the year in certain markets. In the fourth quarter, the downturn adversely affected most of our markets to varying degrees. Management has and will continue to take actions to mitigate the adverse effects the economic downturn has on the Company. In addition, management is diligently working to adjust costs and expenses to keep them in line with the changes in revenues.

GROSS MARGINS Gross margin as a percentage of revenues was 26% for 2008 and 24% for 2007. The margin improvement was driven by higher margins from most markets that experienced increased sales and by sales decreases in markets where we achieve lower margins, continuous improvement in efficiencies and reduction of costs, and higher quantity of production from our Asian contract manufacturing facility.

SELLING EXPENSES Selling expenses were \$4,256,000 and \$3,611,000 in 2008 and 2007, respectively. The 18% increase in selling expenses is primarily due to increased efforts to strengthen our sales capabilities with more sales personnel and sales incentive programs for our sales personnel. Selling expense as a percentage of revenues increased to 5.0% in 2008 compared to 4.3% last year.

GENERAL AND ADMINISTRATIVE EXPENSES General and administrative expenses were \$8,543,000 in 2008 compared to \$7,776,000 in 2007. The 10% increase is primarily due to hiring of additional key personnel, salary increases to existing personnel, incentive bonus programs for company employees that are based on the performance of the Company and each operating unit and additional expense recorded for the issuance of restricted stock that is amortized over the vesting period (generally three years).

ENGINEERING AND DEVELOPMENT EXPENSES Engineering and development expenses were \$4,009,000 and \$3,963,000 for 2008 and 2007, respectively. Costs incurred are primarily for strengthening our engineering capabilities to develop new products and new customer applications to meet the needs of our served markets.

FIRE RELATED LOSSES AND INSURANCE RECOVERIES On October 11, 2008, the manufacturing facility for Computer Optical Products (COPI), located in Chatsworth, California, sustained heavy damage from a fire. The damaged facility was being leased by COPI. The Company is fully insured for the replacement of the assets damaged in the fire and for loss of profits consequent to the business interruption due to the fire. The Company had insurance recoveries of \$1,357,000, which represents the replacement cost of property and equipment damaged as a result of the fire, the cost of inventory damaged in the fire, and other cleanup costs that occurred as a result of the fire. The Company had fire related losses of \$1,200,000, which include the writeoff of damaged property and equipment, damaged inventory, and other cleanup and business interruption costs that occurred as a result of the fire. Any additional gains or losses as a result of the fire and any business interruption recoveries will be recognized in subsequent periods as recoverable amounts are determined and finalized with the insurance company.

AMORTIZATION OF INTANGIBLE ASSETS Amortization of intangible assets was \$1,052,000 in 2008 and \$1,033,000 in 2007.

INTEREST EXPENSE Interest expense was \$177,000 and \$699,000 for 2008 and 2007, respectively. The 75% decrease in interest is directly attributed to the decrease in outstanding debt obligations and lower interest rates.

INCOME TAXES The provision for income taxes was \$1,407,000 for year 2008 compared to \$1,187,000 for 2007. The effective rate differs from the statutory amounts primarily due to the impact of differences in state and foreign tax rates. The effective income tax rate as a percentage of income before income taxes was 33% in 2008 and 2007.

Non-GAAP Measures

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

The Company's calculation of EBITDA for the years ended December 31, 2008 and 2007 are as follows (in thousands):

	For the year ended	
	December 31,	
	2008	2007
Net income	\$ 2,909	\$ 2,396
Interest expense	177	699
Provision for income tax	1,407	1,187
Depreciation and amortization	3,513	3,472
Income before interest expense, provision for income taxes and depreciation and amortization (EBITDA)	<u>\$ 8,006</u>	<u>\$ 7,754</u>

Liquidity and Capital Resources

The Company's liquidity position as measured by cash and cash equivalents increased \$3,662,000 during 2008 to a balance of \$4,196,000 at December 31, 2008. This increase compares to a decrease of \$135,000 for the same period last year. During 2008, operations provided \$6,640,000 in cash compared to \$5,856,000 during 2007. The increase in cash provided from operations of \$784,000 is primarily due to higher net income as a result of improved margins and lower inventory balances due to lower backlog of orders as a result of the recent softening of the economy.

Net cash used in investing activities was \$2,078,000 and \$1,284,000 for 2008 and 2007, respectively, which is all related to the purchase of property and equipment. Approximately \$500,000 related to equipment purchased as a result of the fire which occurred at one of our operating facilities (See Note 9 of the Financial Statements).

Net cash used in financing activities was \$824,000 for 2008 compared to \$4,738,000 for the same period last year. The change is primarily due to lower payoff of debt in 2008 as a result of lower debt balances in 2008 and debt issuance costs paid in 2007 as part of the debt refinancing in the second quarter of 2007.

At December 31, 2008, the Company had \$2,800,000 of debt obligations representing borrowings on the bank term loan.

The interest rates on the Company's credit facilities are variable rates based on one or more interest rate indices. The interest rates in effect as of December 31, 2008 were 2.61% on the term loan. Under the Company's credit agreement, which expires in May 2012, the interest rate on the Company's outstanding debt can be fixed for terms of one, three, or six months at specified amounts not to exceed

the total outstanding loan amount. Management monitors market interest rates in efforts to minimize interest expense of the Company. As of December 31, 2008, the interest rate for all of the Company's outstanding debt is on a one-month contract, with the option to change the term upon the renewal of each contract. As of December 31, 2008, the amount available under the lines-of-credit was approximately \$15.2 million.

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

The 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 December 31, 2008.

The Company has a bank overdraft facility payable to a foreign bank with no monthly repayments required. The facility had no outstanding balance as of December 31, 2008. The amount available under the overdraft facility was € 300,000 (\$423,000 at the December 31, 2008 exchange rate).

Price Levels and the Impact of Inflation

The effect of inflation on the Company's costs of production has been minimized through production efficiencies, lower costs of materials and surcharges passed on to customers. The Company anticipates that these factors will continue to minimize the effects of any foreseeable inflation and other price pressures from the industries in which it operates. As the Company's manufacturing activities mainly utilize semi-skilled labor, which is relatively plentiful in the areas surrounding the Company's production facilities, the Company does not anticipate substantial inflation-related increases in the wages of the majority of its employees.

Recent Accounting Pronouncements

In December 2008 the FASB issued FSP No. FAS 132(R)-1, "Employers' Disclosures About Postretirement Benefit Plan Assets" (FSP No. FAS 132(R)-1). This guidance requires disclosure of how investment allocation decisions are made, including the factors that are pertinent to an understanding of investment policies and strategies, the major categories of plan assets, significant concentrations of risk within plan assets, inputs and valuation techniques to measure fair value and the effect of significant unobservable inputs on changes in plan assets for the period. FSP No. FAS 132(R)-1 is effective for the fiscal year ending December 31, 2009. The Company is in the process of evaluating the impact this guidance will have on our consolidated financial statements.

In February 2007 the Financial Accounting Standards Board ("FASB") issued SFAS 159, "The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115," which permits companies to choose, at specified election dates, to measure certain financial instruments and other eligible items at fair value. Unrealized gains and losses on items for which the fair value option has been elected are subsequently reported in earnings. The decision to elect the fair value option is generally irrevocable, is applied instrument by instrument and can only be applied to an entire instrument. The standard was effective for the Company as of January 1, 2008. The Company has not elected the fair value option for any eligible items.

Item 7A. 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

Sales from Premotec are denominated in Euros, thereby creating exposures to changes in exchange rates. The changes in the Euro/U.S. exchange rate may positively or negatively affect the Company's sales, gross margins, net income and retained earnings. A 10% change in the Euro vs. the U.S dollar could affect the Company's earnings by approximately \$100,000, and net assets by approximately \$600,000. 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.

Item 8. Financial Statements and Supplementary Data.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Allied Motion Technologies Inc.
Denver, Colorado

We have audited the accompanying consolidated balance sheets of Allied Motion Technologies Inc. and subsidiaries (the "Company") as of December 31, 2008 and 2007, and the related consolidated statements of operations, stockholders' investment and comprehensive income and cash flows for the years then ended. In connection with our audit of the consolidated financial statements, we have also audited the consolidated financial statement Schedule II—Valuation and Qualifying Accounts for the years ended December 31, 2008 and 2007. The Company's management is responsible for these consolidated financial statements and financial statement schedule. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Allied Motion Technologies Inc. and subsidiaries as of December 31, 2008 and 2007, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the related financial statement schedule II for December 31, 2008 and 2007, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

Ehrhardt Keefe Steiner & Hottman PC

March 19, 2009
Denver, Colorado

ALLIED MOTION TECHNOLOGIES INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except per share data)

	December 31, 2008	December 31, 2007
Assets		
Current Assets:		
Cash and cash equivalents	\$ 4,196	\$ 534
Trade receivables, net of allowance for doubtful accounts of \$152 and \$254 at December 31, 2008 and 2007, respectively	10,008	10,223
Inventories, net	10,532	11,000
Deferred income taxes	674	724
Prepaid expenses and other	1,265	1,171
Total Current Assets	26,675	23,652
Property, plant and equipment, net	10,567	11,133
Goodwill and intangible assets, net	15,538	16,722
Total Assets	<u>\$ 52,780</u>	<u>\$ 51,507</u>
Liabilities and Stockholders' Investment		
Current Liabilities:		
Debt obligations	800	827
Accounts payable	5,043	5,197
Accrued liabilities and other	4,453	4,563
Income taxes payable	219	669
Total Current Liabilities	10,515	11,256
Debt obligations, net of current portion	2,000	3,595
Deferred income taxes	906	1,452
Pension and post-retirement obligations	2,503	1,207
Total Liabilities	15,924	17,510
Commitments and Contingencies		
Stockholders' Investment:		
Preferred stock, par value \$1.00 per share, authorized 5,000 shares; no shares issued or outstanding	—	—
Common stock, no par value, authorized 50,000 shares; 7,304 and 6,942 shares issued and outstanding at December 31, 2008 and 2007, respectively	18,019	16,746
Retained earnings	18,206	15,297
Accumulated other comprehensive income	631	1,954
Total Stockholders' Investment	36,856	33,997
Total Liabilities and Stockholders' Investment	<u>\$ 52,780</u>	<u>\$ 51,507</u>

See accompanying notes to consolidated financial statements.

ALLIED MOTION TECHNOLOGIES INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

	For the year ended December 31, 2008	For the year ended December 31, 2007
Revenues	\$ 85,967	\$ 84,559
Cost of products sold	63,801	63,952
Gross margin	22,166	20,607
Operating costs and expenses:		
Selling	4,256	3,611
General and administrative	8,543	7,776
Engineering and development	4,009	3,963
Fire related losses	1,200	—
Insurance recoveries	(1,357)	—
Amortization of intangible assets	1,052	1,033
Total operating costs and expenses	17,703	16,383
Operating income	4,463	4,224
Other income (expense), net:		
Interest expense	(177)	(699)
Other income, net	30	58
Total other expense, net	(147)	(641)
Income before income taxes	4,316	3,583
Provision for income taxes	1,407	1,187
Net income	\$ 2,909	\$ 2,396
Basic net income per share:		
Net income per share	\$.40	\$.36
Basic weighted average common shares	7,268	6,695
Diluted net income per share:		
Net income per share	\$.39	\$.33
Diluted weighted average common shares	7,365	7,247

See accompanying notes to consolidated financial statements.

ALLIED MOTION TECHNOLOGIES INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' INVESTMENT AND
COMPREHENSIVE INCOME

(In thousands)

	Common Stock		Other	Retained Earnings	Other Comprehensive Income Adjustments	Comprehensive Income
	Shares	Amount				
Balances, December 31, 2006	6,533	\$15,646	\$(177)	\$12,901	\$ 1,152	
Stock transactions under employee benefit stock plans and option exercises	333	1,079				
Issuance of restricted stock, net of forfeitures	76	453	(461)			
Stock compensation expense			206			
Amount recognized for SFAS No. 158, net of tax					169	\$ 169
Foreign currency translation adjustment					633	633
Net income				2,396		2,396
Comprehensive income						\$ 3,198
Balances, December 31, 2007	6,942	\$17,178	\$(432)	\$15,297	\$ 1,954	
Stock transactions under employee benefit stock plans and option exercises	281	942				
Issuance of restricted stock, net of forfeitures	81	411	(414)			
Stock compensation expense			334			
Amount recognized for SFAS No. 158, net of tax					(910)	\$ (910)
Foreign currency translation adjustment					(413)	(413)
Net income				2,909		2,909
Comprehensive income						\$ 1,586
Balances, December 31, 2008	7,304	\$18,531	\$(512)	\$18,206	\$ 631	

See accompanying notes to consolidated financial statements.

ALLIED MOTION TECHNOLOGIES INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	For the year ended December 31, 2008	For the year ended December 31, 2007
Cash Flows From Operating Activities:		
Net income	\$ 2,909	\$ 2,396
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	3,513	3,472
Other	826	892
Changes in assets and liabilities:		
Decrease in trade receivables	79	184
Decrease (increase) in inventories	137	(224)
Increase in prepaid expenses and other	(108)	(402)
(Decrease) increase in accounts payable	(86)	211
Decrease in accrued liabilities and other	(185)	(122)
Decrease in income taxes payable	(445)	(551)
Net cash provided by operating activities	<u>6,640</u>	<u>5,856</u>
Cash Flows From Investing Activities:		
Purchase of property and equipment	(2,078)	(1,284)
Net cash used in investing activities	<u>(2,078)</u>	<u>(1,284)</u>
Cash Flows From Financing Activities:		
Borrowings (repayments) on lines-of-credit, net	(792)	(4,233)
Borrowings on term loans	—	4,000
Repayments on term loans	(800)	(5,181)
Repayments of capital lease obligations	(26)	(109)
Stock transactions under employee benefit stock plans	794	936
Debt issuance costs	—	(151)
Net cash used in financing activities	<u>(824)</u>	<u>(4,738)</u>
Effect of foreign exchange rate changes on cash	(76)	31
Net increase (decrease) in cash and cash equivalents	<u>3,662</u>	<u>(135)</u>
Cash and cash equivalents at beginning of period	534	669
Cash and cash equivalents at end of period	<u>\$ 4,196</u>	<u>\$ 534</u>
Supplemental disclosure of cash flow information:		
Net cash paid during the period for:		
Interest	\$ 206	\$ 672
Income taxes	1,623	1,575

See accompanying notes to consolidated financial statements.

ALLIED MOTION TECHNOLOGIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business

Allied Motion Technologies Inc. (Allied Motion or the Company) is engaged in the business of designing, manufacturing and selling motion control products to a broad spectrum of customers throughout the world primarily for the commercial motor, industrial motion control, and aerospace and defense markets.

Principles of Consolidation

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

Cash and Cash Equivalents

Cash and cash equivalents include instruments which are readily convertible into cash (original maturities of three months or less) and which are not subject to significant risk of changes in interest rates. Cash flows from foreign currency transactions are translated using an average rate.

Accounts Receivable

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable; however, changes in circumstances relating to accounts receivable may result in a requirement for additional allowances in the future.

Inventories

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

	December 31, 2008	December 31, 2007
Parts and raw materials	\$ 8,209	\$ 8,326
Work-in-process	1,957	2,002
Finished goods	1,910	2,433
	<u>12,076</u>	<u>12,761</u>
Less reserves	(1,544)	(1,761)
	<u>\$ 10,532</u>	<u>\$ 11,000</u>

ALLIED MOTION TECHNOLOGIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Plant and Equipment

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

	<u>Useful lives</u>	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Land		\$ 332	\$ 332
Building and improvements	5-39 years	4,587	4,685
Machinery, equipment, tools and dies	2-8 years	16,263	16,336
Furniture, fixtures and other	3-10 years	2,114	2,349
		<u>23,296</u>	<u>23,702</u>
Less accumulated depreciation		(12,729)	(12,569)
		<u>\$ 10,567</u>	<u>\$ 11,133</u>

Depreciation expense is provided using the straight-line method over the estimated useful lives of the assets. Amortization of building improvements and leased equipment is provided using the straight-line method over the life of the lease term or the life of the assets, whichever is shorter. Maintenance and repair costs are charged to operations as incurred. Major additions and improvements are capitalized. The cost and related accumulated depreciation of retired or sold property are removed from the accounts and the resulting gain or loss, if any, is reflected in earnings.

Depreciation expense was approximately \$2,461,000 and \$2,439,000 in 2008 and 2007, respectively.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of identifiable net tangible and intangible assets acquired in a business combination. Goodwill is required to be tested for impairment annually, or more frequently if events or changes in circumstances indicate that goodwill may be impaired. The testing of impairment requires management to make certain estimates and assumptions. The Company completed its annual analysis of the fair value of its goodwill at October 31, 2008. Due to the deterioration of the global economy, we performed an additional impairment analysis at December 31, 2008, and determined there was no indicated impairment of goodwill. There can be no assurance that future goodwill impairments will not occur.

Intangible Assets

Intangible assets, other than goodwill, are recorded at cost and are amortized over their estimated useful lives using the straight-line method.

Impairment of Long-Lived Assets

The Company reviews the carrying values of its long-lived assets whenever events or changes in circumstances indicate that such carrying values may not be recoverable. Under SFAS No. 144, long-lived assets must be carried at historical cost if the projected cash flows from their use will recover their carrying amounts on an undiscounted basis and without considering interest. However, if projected cash flows are less than their carrying value, the long-lived assets must be reduced to their estimated fair value. Considerable judgment is required to project such cash flows and, if required,

ALLIED MOTION TECHNOLOGIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

estimate the fair value of the impaired long-lived asset. No impairments of long-lived assets were recorded in 2008 or 2007.

Warranty

The Company offers warranty coverage for its products for periods ranging from 12 to 18 months after shipment, with the majority of its products for 12 months. The Company estimates the costs of repairing products under warranty based on the historical average cost of the repairs. The assumptions used to estimate warranty accruals are reevaluated periodically in light of actual experience and, when appropriate, the accruals are adjusted. Estimated warranty costs are recorded at the time of sale of the related product, and are considered a cost of sale. Accrued warranty costs were \$284,000 and \$306,000 as of December 31, 2008 and 2007, respectively.

Changes in the Company's reserve for product warranty claims during 2008 and 2007, were as follows (in thousands):

	December 31, 2008	December 31, 2007
Warranty reserve at beginning of the year	\$ 306	\$ 276
Provision	199	171
Warranty expenditures	(211)	(145)
Effect of foreign currency translation	(10)	4
Warranty reserve at end of year	<u>\$ 284</u>	<u>\$ 306</u>

Accrued Liabilities

Accrued liabilities consist of the following (in thousands):

	December 31, 2008	December 31, 2007
Compensation and fringe benefits	\$ 3,435	\$ 3,476
Warranty reserve	284	306
Other accrued expenses	734	781
	<u>\$ 4,453</u>	<u>\$ 4,563</u>

Foreign Currency Translation

In accordance with SFAS No. 52, "Foreign Currency Translation," the assets and liabilities of the Company's foreign subsidiaries are translated into U.S. dollars using end of period exchange rates. Comprehensive income is recorded in the other comprehensive income foreign currency translation adjustment component of stockholders' investment in the accompanying consolidated statement of stockholders' investment and comprehensive income. 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 are included in the results of operations as incurred.

ALLIED MOTION TECHNOLOGIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Engineering and Development Costs

Engineering and development costs are expensed as incurred.

Revenue Recognition

The Company recognizes revenue when products are shipped or delivered (shipping terms may be either FOB shipping point or destination) and title has passed to the customer, persuasive evidence of an arrangement exists, the selling price is fixed or determinable, and collectibility is reasonably assured.

Basic and Diluted Income per Share from Continuing Operations

Basic income per share is computed by dividing net income or loss 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 awards determined utilizing the treasury stock method. The dilutive effect of outstanding awards was 98,000 and 552,000 for the years 2008 and 2007, respectively. Stock options to purchase 264,000 and 55,000 shares of common stock, were excluded from the calculation of diluted income per share for years 2008 and 2007, respectively, since the results would have been anti-dilutive.

Comprehensive Income

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

Fair Values of Financial Instruments

The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, trade receivables, accounts payable and accrued liabilities approximate fair value because of the immediate or short-term maturities of these financial instruments. The carrying amount of the term loan approximates the fair value because the underlying instrument is a variable rate note that reprices frequently.

Income Taxes

The Company accounts for income taxes in accordance with SFAS No. 109 ("FAS 109"), "Accounting for Income Taxes." Consistent with guidance in FAS 109, the current provision for income taxes represents actual or estimated amounts payable or refundable on tax return filings each year. Deferred tax assets and liabilities are recorded for the estimated future tax effects of temporary differences between the tax basis of assets and liabilities and amounts reported in the accompanying consolidated balance sheets, and for operating loss and tax credit carryforwards. The change in deferred tax assets and liabilities for the period measures the deferred tax provision or benefit for the period. Effects of changes in enacted tax laws on deferred tax assets and liabilities are reflected as adjustments to the tax provision or benefit in the period of enactment. A valuation allowance may be provided to the extent management deems it is more likely than not that deferred tax assets will not be realized. The ultimate realization of net deferred tax assets is dependent upon the generation of future

ALLIED MOTION TECHNOLOGIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

taxable income, in the appropriate taxing jurisdictions, during the periods in which temporary differences, net operating losses and tax credits become realizable. Management believes that it is more likely than not that the Company will realize the benefits of these temporary differences and operating loss and tax credit carryforwards, net of valuation allowances.

In July 2007, the Financial Accounting Standards Board issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"). The interpretation requires that realization of an uncertain income tax position must have a "more likely than not" probability of being sustained based on technical merits before it can be recognized in the financial statements, assuming a review by tax authorities having all relevant information and applying current conventions. The Company adopted FIN 48 on January 1, 2008. Adoption of FIN 48 did not have a material impact on our Consolidated Financial Statements. The Company does not have significant unrecognized tax benefits and does not anticipate a significant increase or decrease in unrecognized tax benefits within the next twelve months. The Company recognizes income tax related interest and penalties as a component of the provision for income taxes.

Pension and Postretirement Welfare Plans

SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans an amendment of FASB Statements No. 87, 88, 106, and 132(R)", requires gains or losses and prior service costs or credits that arise during the period but are not recognized as components of net periodic benefit cost pursuant to FASB Statement No. 87, *Employers' Accounting for Pensions*, or No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions* to be recognized as a component of other comprehensive income, net of tax. Amounts recognized in accumulated other comprehensive income are adjusted as they are subsequently recognized as components of net periodic benefit cost pursuant to the recognition and amortization provisions of those Statements.

Concentration of Credit Risk

Trade receivables subject the Company to the potential for credit risk. To reduce this risk, the Company performs evaluations of its customers' financial condition and creditworthiness at the time of sale, and updates those evaluations when necessary. No single customer makes up more than 10% of trade receivables.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

ALLIED MOTION TECHNOLOGIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. GOODWILL AND INTANGIBLE ASSETS

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

	December 31, 2008	December 31, 2007	Estimated Life
Goodwill	\$ 12,231	\$ 12,343	
Amortizable intangible assets:			
Customer lists	4,541	4,589	8 years
Trade names	1,340	1,340	10 years
Designs and technologies	2,665	2,713	8 years
Patents	24	—	
Accumulated amortization	(5,263)	(4,263)	
Total net intangible assets	3,307	4,379	
Total goodwill and net intangible assets	<u>\$ 15,538</u>	<u>\$ 16,722</u>	

The change in the carrying amount of goodwill for 2008 is as follows (in thousands):

	December 31, 2008
Balance at beginning of period	\$ 12,343
Effect of foreign currency translation	(112)
Balance at end of period	<u>\$ 12,231</u>

Total amortization expense for intangible assets for the years 2008 and 2007 was \$1,052,000 and \$1,033,000 respectively. Estimated amortization expense for intangible assets is \$1,041,000 for the year ending December 31, 2009, \$940,000 for 2010, \$800,000 for 2011, \$418,000 for 2012, \$63,000 for 2013 and \$22,000 for 2014.

3. DEBT OBLIGATIONS

Debt obligations consisted of the following (in thousands):

	December 31, 2008	December 31, 2007
Credit Agreement (at variable rates)		
Term Loan, 2.61% as of December 31, 2008	\$ 2,800	\$ 3,600
Revolving line-of-credit,	—	795
Capital lease obligations	—	27
Total	2,800	4,422
Less current maturities	(800)	(827)
Long-term debt obligations	<u>\$ 2,000</u>	<u>\$ 3,595</u>

In 2007, the Company entered into a credit agreement to provide term debt of \$4 million and revolving credit of up to \$11 million and €3 million. The credit agreement has a five year term

ALLIED MOTION TECHNOLOGIES INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****3. DEBT OBLIGATIONS (Continued)**

(maturity date of May 7, 2012). The term debt is payable in twenty equal quarterly installments of \$200,000 over the five year term. No principal payments are required on the revolving credit facilities prior to maturity. The interest rates on the agreement are variable rates based on one or more interest rate indices. All borrowings are secured by substantially all the assets of the Company.

The 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 December 31, 2008.

At December 31, 2008, approximately \$15.2 million was available under the credit agreement and €300,000 was available under a bank overdraft facility.

Future maturities of debt obligations under the credit agreement are as follows as of December 31, 2008:

2009	\$ 800
2010	800
2011	800
2012	400
	<u>\$2,800</u>

4. INCOME TAXES

The provision for income taxes is based on income before income taxes as follows (in thousands):

	For the year ended December 31, 2008	For the year ended December 31, 2007
Domestic	\$ 970	\$ 945
Foreign	3,346	2,638
Income before income taxes	<u>\$ 4,316</u>	<u>\$ 3,583</u>

ALLIED MOTION TECHNOLOGIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. INCOME TAXES (Continued)

Components of the total provision for income taxes are as follows (in thousands):

	For the year ended December 31, 2008	For the year ended December 31, 2007
Current provision:		
Domestic	\$ 245	\$ 226
Foreign	975	778
Total current provision	<u>1,220</u>	<u>1,004</u>
Deferred provision (benefit):		
Domestic	308	286
Foreign	(121)	(103)
Total deferred provision	<u>187</u>	<u>183</u>
Provision for income taxes	<u>\$ 1,407</u>	<u>\$ 1,187</u>

The provision for income taxes differs from the amount determined by applying the federal statutory rate as follows (in thousands):

	For the year ended December 31, 2008	For the year ended December 31, 2007
Tax provision, computed at statutory rate	\$ 1,467	\$ 1,218
State tax, net of federal impact	205	177
Nondeductible expenses	19	20
Adjustments to prior year accruals(1)	1	(7)
Effect of foreign tax rate differences	(285)	(221)
Expiration of tax credits	—	4
Change in valuation allowance	—	(4)
Provision for income taxes	<u>\$ 1,407</u>	<u>\$ 1,187</u>

(1) Adjustments relate to the resolution of certain prior year income tax related matters.

ALLIED MOTION TECHNOLOGIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. INCOME TAXES (Continued)

The tax effects of significant temporary differences and credit and operating loss carryforwards that give rise to the net deferred tax assets are as follows (in thousands):

	December 31, 2008	December 31, 2007
Current Deferred tax assets:		
Allowances and other	\$ 337	\$ 503
Tax credit carryforwards	132	132
Net operating loss carryforwards	419	303
Total deferred tax assets	888	938
Valuation allowance	(214)	(214)
Net current deferred tax assets	<u>\$ 674</u>	<u>\$ 724</u>
Noncurrent:		
Deferred tax assets:		
Employee benefit plans	901	438
Other	137	26
Deferred tax liabilities:		
Property, plant and equipment	(977)	(970)
Goodwill and intangibles	(967)	(925)
Other	—	(21)
Net noncurrent deferred tax liability	<u>\$ (906)</u>	<u>\$ (1,452)</u>

The Company has a domestic net operating loss carryforward of \$1,165,000 expiring in 2023 through 2028 and domestic tax credit carryforwards of \$132,000 expiring in 2013.

Realization of the Company's deferred tax assets is dependent upon the Company generating sufficient taxable income in the appropriate tax jurisdictions in future years to obtain benefit from the reversal of net deductible temporary differences and from utilization of net operating losses and tax credit carryforwards. The Company has recorded a valuation allowance due to the uncertainty related to the realization of certain deferred tax assets existing at December 31, 2008. The amount of deferred tax assets considered realizable is subject to adjustment in future periods if estimates of future taxable income are changed. Management believes that it is more likely than not that the Company will realize the benefits of its deferred tax assets, net of valuation allowances as of December 31, 2008.

The Company files income tax returns in the U.S. federal, various states and The Netherlands taxing jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal and state tax examinations in its major tax jurisdictions for periods before 2004. The Company is no longer subject to tax examinations in The Netherlands for periods before 2007.

The Company does not have any significant unrecognized tax benefits and does not anticipate a significant increase or decrease in unrecognized tax benefits within the next twelve months. Amounts recognized for income tax related interest and penalties as a component of the provision for income taxes are immaterial for years ended December 31, 2008 and 2007.

ALLIED MOTION TECHNOLOGIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. STOCK-BASED COMPENSATION PLANS

Allied Motion 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-employee directors of the Company.

Effective January 1, 2007, the Company implemented FASB Statement No. 123R (Statement 123R) Accounting for Share-Based Payment, an amendment of FASB Statement No. 123, adopting the modified prospective method of implementation. Statement 123R requires recognition of the grant-date fair value of stock options and other equity-based compensation issued to employees in the income statement. The cost of share based payments is recognized on a straight-line basis over the vesting period.

As of December 31, 2008, the Company had 258,881 shares of Common Stock available for grant under stock incentive plans.

Stock Options

All stock options were fully vested by September 30, 2006, and the Company did not recognize any compensation expense relating to outstanding stock options during 2008 or 2007.

Option activity during years 2007 and 2008 was as follows:

	Number of Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value
Balance, December 31, 2006	1,245,150	\$ 3.68	
Granted	—		
Forfeited	(71,250)		
Exercised	(330,700)		\$676,000
Balance, December 31, 2007	843,200	\$ 3.75	
Granted	—		
Forfeited	(6,000)		
Exercised	(248,250)		\$517,000
Balance, December 31, 2008	<u>588,950</u>	\$ 4.23	<u>\$ 18,000</u>

As of December 31, 2008, all outstanding options are exercisable. Cash received from the exercise of stock options for the years ended December 31, 2008 and 2007 was \$626,000 and \$792,000, respectively.

ALLIED MOTION TECHNOLOGIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. STOCK-BASED COMPENSATION PLANS (Continued)

Exercise prices for options outstanding at December 31, 2008 are as follows:

	Range of Exercise Prices			Total
	\$1.77-\$2.90	\$3.20-\$4.83	\$5.46-\$6.72	\$1.77-\$6.72
Options Outstanding:				
Number of options	95,000	355,450	138,500	588,950
Weighted average exercise price	\$1.90	\$4.24	\$5.83	\$4.23
Weighted average remaining contractual life	1.0 years	2.2 years	2.7 years	2.1 years

Restricted Stock

During 2008 and 2007, 86,950 and 79,100 shares of nonvested restricted stock were awarded with a weighted average value of \$4.90 and \$5.89 per share, respectively. The value at the date of award is amortized to compensation expense over the related vesting period of approximately three years. Shares of restricted stock are forfeited if an employee leaves the Company before the vesting date. Shares that are forfeited become available for future awards.

Nonvested restricted stock activity during years 2007 and 2008 was as follows:

	Number of Nonvested Restricted Shares
Balance, December 31, 2006	69,991
Awarded	79,100
Forfeited	(1,283)
Vested	(28,348)
Balance, December 31, 2007	119,460
Awarded	86,950
Forfeited	(2,880)
Vested	(52,966)
Balance, December 31, 2008	150,564

Share-Based Compensation Expense**Restricted Stock**

During 2008 and 2007, compensation expense net of forfeitures, of \$334,000 and \$206,000 was recorded, respectively. As of December 31, 2008, there was \$512,000 of total unrecognized compensation expense related to restricted stock awards which is expected to be recognized over a weighted average period of 1.9 years.

Allied Motion Employee Stock Ownership Plan

The Company sponsors an Employee Stock Ownership Plan (ESOP) that covers all U.S. employees who work over 1,000 hours per year. The terms of the ESOP require the Company to make an annual contribution equal to the greater of i) the Board established percentage of pretax income before the contribution (5% in 2008 and 2007) or ii) the annual interest payable on any loan outstanding to the Company. Company contributions to the Plan were \$230,000, and \$186,000 accrued for 2008 and 2007, respectively. Contributions are used to acquire newly issued shares of the Company.

ALLIED MOTION TECHNOLOGIES INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****6. COMMITMENTS AND CONTINGENCIES*****Operating Leases***

At December 31, 2008, the Company maintains leases for certain facilities and equipment. The Company has entered into facility agreements, some of which contain provisions for future rent increases. The total amount of rental payments due over the lease term is being charged to rent expense on the straight-line method over the term of the lease. The difference between rent expense recorded and the amount paid is credited or charged to "Deferred rent obligation," which is included in "Accrued liabilities and other" in the accompanying Balance Sheet. Minimum future rental commitments under all non-cancelable operating leases are as follows (in thousands):

<u>Year ending December 31,</u>	<u>Total</u>
2009	\$ 523
2010	451
2011	447
2012	238
2013	177
Thereafter	0
	<u>\$1,836</u>

Rental expense was \$637,000 and \$721,000 in 2008 and 2007, respectively.

Severance Benefit Agreements

The Company has entered into annually renewable severance benefit agreements with six key employees which, among other things, provide inducement to the employees to continue to work for the Company during and after any period of a potential change in control of the Company. The agreements provide the employees with specified benefits upon the subsequent severance of employment in the event of change in control of the Company and are effective for 24 months thereafter. The amount of severance payments that could be required to be paid under these contracts, if such events occur, totaled approximately \$4,297,000 and \$3,877,000, respectively as of December 31, 2008 and 2007. In addition, severance benefits include, for some employees, a gross-up payment for excise taxes.

Litigation

The Company is involved in certain actions that have arisen out of the ordinary course of business. Management believes that resolution of the actions will not have a significant adverse affect on the Company's consolidated financial position or results of operations.

7. PENSION AND POSTRETIREMENT WELFARE PLANS***Pension Plan***

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

ALLIED MOTION TECHNOLOGIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. PENSION AND POSTRETIREMENT WELFARE PLANS (Continued)

The following tables provide a reconciliation of the change in benefit obligation, the change in plan assets and the net amount recognized in the Consolidated Balance Sheet at December 31, 2008 and December 31, 2007 (in thousands):

	December 31, 2008	December 31, 2007
Change in projected benefit obligation:		
Projected benefit obligation at beginning of period	\$ 3,987	\$ 4,065
Service cost	93	118
Employee contributions	10	12
Interest cost	248	237
Actuarial gain	(91)	(245)
Benefits paid	(226)	(200)
Projected benefit obligation at end of period	<u>\$ 4,021</u>	<u>\$ 3,987</u>
Change in plan assets:		
Fair value of plan assets at beginning of period	\$ 3,880	\$ 3,568
Actual (loss) return on plan assets	(1,103)	269
Employee contributions	10	12
Employer contributions	61	231
Benefits and expenses paid	(226)	(200)
Fair value of plan assets at end of period	<u>\$ 2,622</u>	<u>\$ 3,880</u>

	December 31, 2008	December 31, 2007
Excess of projected benefit obligation over fair value of plan assets	\$ 1,399	\$ 107
Unrecognized (loss) gain	(1,095)	257
Accrued pension cost prior to SFAS No. 158 adjustment	\$ 304	\$ 364
Required incremental (asset) liability under SFAS No. 158	1,095	(257)
Accrued pension cost at end of period	<u>\$ 1,399</u>	<u>\$ 107</u>

The accumulated benefit obligation for the pension plan was \$3,965,000 at December 31, 2008 and \$3,905,000 at December 31, 2007.

ALLIED MOTION TECHNOLOGIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. PENSION AND POSTRETIREMENT WELFARE PLANS (Continued)

Benefits expected to be paid from the Plan during each of the next five fiscal years, and in aggregate for the five fiscal years thereafter are:

<u>Year of payment</u>	<u>Amount of Benefit Payment</u>
2009	\$ 247,000
2010	263,000
2011	271,000
2012	279,000
2013	288,000
2014-2018	1,602,000

Components of net periodic pension expense included in the consolidated statements of operations for years 2008 and 2007 are as follows (in thousands):

	<u>For the year ended December 31, 2008</u>	<u>For the year ended December 31, 2007</u>
Service cost	\$ 93	\$ 118
Interest cost on projected benefit obligation	249	237
Expected return on assets	(342)	(312)
Net periodic pension expense	<u>\$ 0</u>	<u>\$ 43</u>

The weighted average assumptions used to determine benefit obligations were as follows:

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Discount rate	6.75%	6.50%
Rate of compensation increases	5.00%	5.00%
Increase in Statutory Limits	3.00%	3.00%

The weighted average assumptions used to determine net periodic benefit cost are as follows:

	<u>For the year ended December 31, 2008</u>	<u>For the year ended December 31, 2007</u>
Discount rate	6.50%	6.00%
Expected long-term rate of return on plan assets	9.00%	9.00%
Rate of compensation increases	5.00%	5.00%

The expected long-term rate of return on plan assets for 2009 has been reduced to 8.0%. The performance of the financial markets and changes in interest rates impact the funding obligations under our pension plan. Significant changes in market interest rates and decreases in the fair value of plan assets may increase our funding obligations and adversely impact our results of operations and cash flows in future periods. The recent volatility in global capital markets has resulted in significant declines in the fair value of our pension plan assets during 2008.

ALLIED MOTION TECHNOLOGIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. PENSION AND POSTRETIREMENT WELFARE PLANS (Continued)

The Company expects to contribute approximately \$72,000 to the pension plan during 2009.

The pension plan assets allocation at December 31, 2008 and 2007 were as follows:

	December 31, 2008	December 31, 2007
Cash equivalents	1%	1%
Equity securities	69%	70%
Fixed income securities	30%	29%
Total	100%	100%

The pension assets are managed by an outside investment manager. The Company's investment policy with respect to pension assets is to make investments solely in the interest of the participants and beneficiaries of the plans and for the exclusive purpose of providing benefits accrued and defraying the reasonable expenses of administration. The Company strives to maintain investment diversification to assist in minimizing the risk of large losses.

Postretirement Welfare Plan

Motor Products provides postretirement medical insurance and life insurance benefits to current and former employees hired before January 1, 1994 who retire from Motor Products. Employees who retire after January 1, 2005 must have twenty or more years of continuous service in order to be eligible for retiree medical benefits. Partial contributions from retirees are required for the medical insurance benefits. The Company's portion of the medical insurance premiums are funded from the general assets of the Company. The Company recognizes the expected cost of providing such post-retirement benefits during employees' active service periods.

ALLIED MOTION TECHNOLOGIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. PENSION AND POSTRETIREMENT WELFARE PLANS (Continued)

The following tables provide a reconciliation of the change in the accumulated postretirement benefit obligation and the net amount recognized in the Consolidated Balance Sheet at December 31, 2008 and December 31, 2007 (in thousands):

	December 31, 2008	December 31, 2007
Change in postretirement benefit obligation:		
Accumulated postretirement benefit obligation at beginning of period	\$ 1,100	\$ 1,215
Service cost	21	24
Interest cost	69	72
Actuarial gain	(30)	(149)
Benefits paid, net of participant contributions	(56)	(62)
Accumulated postretirement benefit obligation at end of period	<u>\$ 1,104</u>	<u>\$ 1,100</u>
Accrued postretirement benefit cost at the beginning of period	\$ 2,395	\$ 2,446
Net periodic postretirement (income) cost	(8)	11
Employer contributions	(57)	(62)
Accrued postretirement benefit cost	<u>\$ 2,330</u>	<u>\$ 2,395</u>
Required incremental asset under SFAS No. 158	(1,226)	(1,295)
Accrued postretirement benefit cost at end of period	<u>\$ 1,104</u>	<u>\$ 1,100</u>

Net periodic postretirement benefit costs included in the consolidated statements of operations for years 2008 and 2007 are as follows (in thousands):

	For the year ended December 31,	
	2008	2007
Service cost	\$ 21	\$ 24
Interest cost	69	72
Amortization of prior service cost	(12)	(12)
Amortization of (gain)	(86)	(73)
Total benefit cost (income)	<u>\$ (8)</u>	<u>\$ 11</u>

For measurement purposes, future increases in the per capita cost of covered health care benefits are assumed. The Company's current contractual obligation requires a per capita fixed Company contribution amount through August 2011. Postretirement medical liabilities can be extremely sensitive to changes in the assumed rate of future medical increases, and, therefore the healthcare cost trend rate assumption has a significant effect on the amounts reported.

The weighted average discount rate used in determining the accumulated postretirement benefit obligation was 6.75% and 6.50% as of December 31, 2008 and 2007, respectively. The weighted average

ALLIED MOTION TECHNOLOGIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. PENSION AND POSTRETIREMENT WELFARE PLANS (Continued)

discount rate used to determine the net periodic postretirement benefit cost was 6.50% for 2008 and 6.00% for 2007.

Benefits expected to be paid from the Plan during each of the next five fiscal years, and in aggregate for the five fiscal years thereafter are:

<u>Year of payment</u>	<u>Amount of Benefit Payment</u>
2009	\$ 61,000
2010	65,000
2011	64,000
2012	65,000
2013	64,000
2014-2018	354,000

8. SEGMENT INFORMATION

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

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

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

	<u>For the year ended and as of December 31,</u>	
	<u>2008</u>	<u>2007</u>
Revenues derived from foreign subsidiaries	\$26,058	\$21,586
Identifiable assets	12,143	10,677

ALLIED MOTION TECHNOLOGIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. SEGMENT INFORMATION (Continued)

Sales to customers outside of the United States were \$37,562,000 and \$31,170,000 in years 2008 and 2007, respectively.

During years 2008 and 2007, no single customer accounted for more than 10% of total revenues.

9. FIRE LOSS AND INSURANCE RECOVERIES

On October 11, 2008, the manufacturing facility for Computer Optical Products (COPI), located in Chatsworth, California, sustained heavy damage from a fire. The damaged facility was being leased by COPI. The Company is fully insured for the replacement of the assets damaged in the fire and for loss of profits consequent to the business interruption due to the fire. The Company had insurance recoveries of \$1,357,000, which represents the replacement cost of property and equipment damaged as a result of the fire, the cost of inventory damaged in the fire, and other cleanup costs that occurred as a result of the fire. The Company had fire related losses of \$1,200,000, which include the writeoff of damaged property and equipment, damaged inventory, and other cleanup and business interruption costs that occurred as a result of the fire. Any additional gains or losses as a result of the fire and any business interruption recoveries will be recognized in subsequent periods as recoverable amounts are determined and finalized with the insurance company.

10. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

Selected quarterly financial data for each of the four quarters in years 2008 and 2007 is as follows (in thousands, except per share data):

<u>Year 2008</u>	<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter</u>	<u>Fourth Quarter</u>
Revenues	\$23,312	\$23,549	\$21,538	\$17,568
Gross margin	6,165	6,401	5,504	4,096
Net income	924	1,001	704	280
Basic income per share	.13	.14	.10	.04
Diluted income per share	.13	.13	.09	.04

<u>Year 2007</u>	<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter</u>	<u>Fourth Quarter</u>
Revenues	\$21,986	\$20,405	\$20,901	\$21,267
Gross margin	5,361	4,498	5,288	5,460
Net income	715	347	686	648
Basic income per share	.11	.05	.10	.09
Diluted income per share	.10	.05	.10	.09

Item 9A(T). Controls and Procedures.

Evaluation of Disclosure 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-K. Based on this evaluation, the chief executive officer and chief financial officer concluded that they are effective as of December 31, 2008.

Management's Report on Internal Control Over Financial Reporting

Under Section 404 of the Sarbanes Oxley Act of 2002, management is responsible for establishing and maintaining adequate internal control over financial reporting as of the end of each fiscal year and report, based on that assessment, whether the Company's internal control over financial reporting is effective.

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is designed to provide reasonable assurance as to the reliability of the Company's financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles.

Management has conducted an evaluation of the effectiveness of the Company's internal control over financial reporting based on the framework in "Internal Control—Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the evaluation under this framework, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2008.

There has not been any change in the Company's internal controls over financial reporting during the quarter ended December 31, 2008 that has materially affected or is reasonably likely to materially affect, the Company's internal control over financial reporting.

This annual report does not include an attestation report of the company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the company to provide only management's report in this annual report.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The Company's definitive proxy statement which will be filed with the SEC pursuant to Registration 14A within 120 days of the end of the Company's fiscal year is incorporated herein by reference.

Item 11. Executive Compensation.

The Company's definitive proxy statement which will be filed with the SEC pursuant to Registration 14A within 120 days of the end of the Company's fiscal year is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The Company's definitive proxy statement which will be filed with the SEC pursuant to Registration 14A within 120 days of the end of the Company's fiscal year is incorporated herein by reference. Also incorporated by reference is the information in the table under the heading "Equity Compensation Plan Information" included in Item 5 of the Form 10-K.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The Company's definitive proxy statement which will be filed with the SEC pursuant to Registration 14A within 120 days of the end of the Company's fiscal year is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services.

The Company's definitive proxy statement which will be filed with the SEC pursuant to Registration 14A within 120 days of the end of the Company's fiscal year is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

a) The following documents are filed as part of this Report:

1. Financial Statements

- a) Consolidated Balance Sheets as of December 31, 2008 and December 31, 2007.
- b) Consolidated Statements of Operations for the years ended December 31, 2008 and 2007.
- c) Consolidated Statements of Stockholders' Investment and Comprehensive Income for the years 2008 and 2007.
- d) Consolidated Statements of Cash Flows for the years 2008 and 2007.
- e) Notes to Consolidated Financial Statements.
- f) Report of Independent Registered Public Accounting Firm.

2. Financial Statement Schedules

- II. Valuation and Qualifying Accounts.

3. Exhibits

<u>Exhibit No.</u>	<u>Subject</u>
3.1	Amended and Restated Articles of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Form 8-K filed May 3, 2006.)
3.2	Amended and restated Bylaws of the Company (Incorporated by reference to Exhibit 3.2 to the Company's Form 10-K for the year ended December 31, 2007.)
10.0*	The Amended 1991 Incentive and Nonstatutory Stock Option Plan dated August 1, 1998. (Incorporated by reference to Exhibit 10.19 to the Company's Form 10-K for the fiscal year ended June 30, 1998.)

<u>Exhibit No.</u>	<u>Subject</u>
10.1*	Year 2000 Stock Incentive Plan. (Incorporated by reference to Exhibit A to the Company's Proxy Statement dated September 21, 2000.)
10.2*	Amendment No. 1 to the Year 2000 Stock Incentive Plan. (Incorporated by reference to Exhibit B to the Company's Proxy Statement dated September 30, 2002.)
10.3*	Amendment No. 2 to the Year 2000 Stock Incentive Plan. (Incorporated by reference to Exhibit B to the Company's Proxy Statement dated March 29, 2004.)
10.4*	Employment Agreement between Allied Motion Technologies Inc. and Richard D. Smith, as Amended and Restated, effective December 22, 2008 (attached herein).
10.5*	Change of Control Agreement between Allied Motion Technologies Inc. and Richard D. Smith, as Amended and Restated, effective December 22, 2008 (attached herein).
10.6*	Employment Agreement between Allied Motion Technologies Inc. and Richard S. Warzala, as Amended and Restated, effective December 22, 2008 (attached herein)
10.7*	Change of Control Agreement between Allied Motion Technologies Inc. and Richard S. Warzala, as Amended and Restated, effective December 22, 2008 (attached herein)
10.8*	Deferred Compensation Plan, as Amended and Restated, effective January, 1 2007 (attached herein)
10.9	Credit Agreement dated as of May 7, 2007 among Allied Motion Technologies Inc., as US Borrower, Precision Motor Technology B.V., as EUR Borrower, JPMorgan Chase Bank, N.A., as Administrative Agent, J.P. Morgan Europe Limited, as EUR Agent, and the Lenders party hereto (incorporated by reference to Exhibit 10 to the Company's Form 8-K/A dated August 8, 2007)
10.10	2007 Stock Incentive Plan (incorporated by reference to Exhibit A to the Company's Proxy Statement dated March 20, 2008)
14.1	Code of Ethics for chief executive officer, president and senior financial officers adopted October 23, 2003. (Incorporated by reference to Exhibit 14.1 to the Company's Form 10-K for the year ended December 31, 2003)
21	List of Subsidiaries (attached herein)
23	Consent of Ehrhardt Keefe Steiner & Hottman PC (filed herewith)
31	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a—14(a) or 15d—14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Denotes management contract or compensatory plan or arrangement.

ALLIED MOTION TECHNOLOGIES INC.

SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS

(In thousands)

	Balance at Beginning of Period	Charged to Costs and Expenses	Deductions from Reserves	Other	Balance at End of Period
Year Ended December 31, 2008:					
Reserve for bad debts	\$ 254	\$ 18	\$ (120)	\$ —	\$ 152
Valuation allowance for deferred tax assets	\$ 214	\$ —	\$ —	\$ —	\$ 214
Year Ended December 31, 2007:					
Reserve for bad debts	\$ 293	\$ 53	\$ (95)	\$ 3	\$ 254
Valuation allowance for deferred tax assets	\$ 218	\$ —	\$ (4)	\$ —	\$ 214

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

Richard D. Smith

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT, dated and effective as of December 22, 2008, is between Allied Motion Technologies Inc., a Colorado corporation (the "Company"), and Richard D. Smith ("Employee").

RECITALS:

WHEREAS, the Employee has acknowledged skills and experience in the business conducted by the Company and the Company desires to obtain the benefit of the Employee's knowledge, skills and experience and assure itself of the ongoing right to Employee's services from and after the date hereof, and is willing to do so on the terms and conditions set forth in this Agreement; and

WHEREAS, Employee is willing and able to render services to the Company, from and after the date hereof, on the terms and conditions set forth in this Agreement; and

WHEREAS, the Company and Employee entered into an Employment Agreement effective as of August 1, 2003; and

WHEREAS, the Company and Employee desire to amend and restate the Employment Agreement in order to conform with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the Code').

AGREEMENT:

NOW, THEREFORE, the Company and Employee agree as follows:

1. Employment.

1.1 Title and Duties of Employee. The Company hereby employs Employee as the Chief Executive Officer and Chief Financial Officer of the Company and Employee hereby accepts such employment with the Company.

(a) *Powers and Duties.* Employee shall have the powers and duties normally incident to the offices he holds as provided in the bylaws of the Company and such other duties as shall be determined from time to time by the Company's Board of Directors (the "Board") consistent with Employee's qualifications and the best interest of the Company. Employee shall report to the Board. Employee's powers and authorities shall be superior to those of any other officer or employee of the Company or any subsidiary thereof.

(b) *Contract Rights.* Failure of the Board to elect Employee as Chief Executive Officer or Chief Financial Officer, or action by the Board to remove Employee from such offices, shall be without prejudice to the contract rights in this Agreement.

(c) *Service on the Board.* So long as Employee is willing to serve on the Board and has not been terminated for cause, the Board shall nominate Employee for election to the Board. Failure to elect to, or removal from, the position of director or Chief Executive Officer or termination of this Agreement for any reason shall not constitute resignation from the Board or termination of Employee's service on the Board and termination of employment as Chief Executive Officer shall not include termination as a director.

1.2 Performance. Throughout the period of Employee's employment hereunder, Employee shall devote Employee's full business time, attention, knowledge and skills, faithfully, diligently, and to the best of Employee's ability, to the active performance of Employee's duties and responsibilities hereunder; provided, however, Employee may serve as a director of other corporations and entities and may engage in other activities to the extent they do not inhibit the

performance of Employee's duties hereunder, or conflict with the business of the Company. Employee shall disclose to the Company the name of any corporation or entity on which he serves as a director or in a similar capacity and describe other activities that are not personal in nature in which he engages. Employee shall do such traveling as reasonably may be required in connection with the performance of such duties and responsibilities. Employee shall not be required to relocate Employee's residence and Employee may conduct work out of his residence from time to time as he determines appropriate.

2. Term of Employment. The original term of this Agreement extended to July 31, 2008. Unless terminated as provided in Section 4 hereof, the term of this Agreement shall automatically continue on a year to year basis (each a "Subsequent Period") unless the Company or Employee shall give the other party notice at least 60 days prior to the termination of the Initial Period or any Subsequent Period of its or his election not to renew the term of employment, in which case this Agreement shall terminate at the end of the period in which the notice is given; provided, however, the Company's obligation to pay compensation pursuant to Section 3 or perform any other acts with respect to the last year for which this Agreement is effective shall continue and be enforceable notwithstanding the termination of this Agreement.

3. Compensation Benefits.

3.1 Base Salary. As compensation for services to be rendered by Employee hereunder, the Company shall pay to Employee an annual salary of not less than \$235,000 per year, payable in periodic installments (but in no event less frequently than monthly) in accordance with the standard payroll practices of the Company in effect from time to time. Employee's salary shall be reviewed annually for increase (but not decrease) on a merit basis. Such review shall be conducted at the first meeting of the Board after the end of a fiscal year but not later than February 28 of each year and the effective date of any such increase shall be March 1. The Employee's annual salary in effect from year to year is herein referred to as the "Base Salary".

3.2 Annual Bonus.

(a) Performance Criteria. The Company shall pay to Employee an Annual Bonus with respect to each fiscal year in amounts determined as provided by the Board based on achieving performance criteria established at the beginning of each fiscal year. Such performance criteria will recognize the overall financial performance of the Company and the improvements made in financial results.

(b) Time of Payment. The first payment of the Annual Bonus to Employee pursuant to Section 3.2 (a) shall be with respect to the fiscal year ended December 31, 2003. An Annual Bonus provided herein shall be paid, subject to achieving the performance criteria, with respect to each fiscal year thereafter during the term of this Agreement. All Annual Bonuses payable under Section 3.2 (a) shall be paid in cash immediately following the first Board meeting held after the end of the applicable fiscal year at which the Annual Bonus calculation is approved by the Board. In no event shall payment be made later than March 15th of the year following the year in which the Annual Bonus was earned.

3.3 Long-Term Incentive Payment Plan. On or before the first Board meeting held in a current fiscal year, the Board shall consider whether to grant options to purchase the Company's Common Stock ("Stock Options") to Employee, including the terms and the provisions of any Stock Options. Grants of Stock Options provided under this Section 3.3 are referred to herein as "Long-Term Incentive Payout". In making its determination the Board shall consider, among other things, the Employee's responsibilities and efforts and performance under this Agreement in relation to the business plan and forecast, the relationship between the benefits of Stock Options and improving shareholder value, the development of the Company's products and the

performance of the Company's products in the marketplace, impact of the Company's products and product development on future prospects for the Company, and an increase in the trading price per share of the Company's Common Stock. The Board shall also consider customary business practices and Long-Term Incentive Payment Plan benefits granted to Employee in comparison to such benefits provided to other executives in positions similar to the Employee.

3.4 Expenses. The Company promptly shall reimburse Employee, upon presentation of appropriate receipts and vouchers, for any reasonable business expenses incurred by Employee in connection with the performance of his duties and responsibilities hereunder.

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.

3.6 Benefits and Perquisites.

(a) Participation. The Company shall make available to Employee, throughout the period of employment hereunder, such benefits and perquisites as are generally provided by the Company to its employees. Without limiting the foregoing, Employee shall be eligible to participate in any bonus plan, stock option plan, stock purchase plan, pension plan and group life, health and accident insurance plans as the Company shall continue to provide or which may hereafter be adopted by the Company for the benefit of its employees generally. The Company shall provide and pay the premium on long term disability insurance for Employee. The Company shall not make any changes in such plans or arrangements which would adversely affect the Employee's rights or benefits thereunder, unless such changes occur pursuant to a program applicable to all employees of the Company and do not result in a proportionately greater reduction in the rights of, or benefits to, the Employee as compared with any other employee of the Company.

(b) Office Space. The Company shall provide office space and secretarial services at the Company's offices suitable to Employee's position.

(c) Life Insurance. The Company shall provide whole life insurance on the life of Employee with death benefits of \$500,000 with all premiums paid by the Company. Employee may designate the beneficiary or beneficiaries of such policy.

(d) Automobile. The Company shall provide a new automobile no less frequently than every 3 years for Employee's sole use and the Company shall pay all costs of operating and maintaining or repairing such automobile. At or before the time of replacement, Employee shall have the right to purchase, at its depreciated cost to the Company, the automobile previously provided.

(e) Benefit Plans. The Company will make non-qualified contributions for Employee's benefit under the Company's IRS §401(k) plan on the same basis as it makes contributions for other employees.

(f) Retirement Plan Benefits. The Company will provide to Employee retirement plan benefits under any plan on the same basis it provides benefits to other employees.

4. Termination. This Agreement may be terminated by the Company or Employee as provided in this Section 4. Notwithstanding anything in this Agreement to the contrary, any payment that is subject to Code Section 409A and is payable upon termination of this agreement due to Retirement, Disability, or termination of employment other than for cause, shall only be made if such termination otherwise meets the definition of a "separation from service" as defined under Code Section 409A. Furthermore, if Employee is a "specified employee" within the meaning of Code Section 409A, the payment of any amount that is both subject to Code Section 409A and due upon termination of this

Agreement shall not be made until at least six months following Employee's separation from service. At that time, all amounts, if any, that would have been paid during the six-month period shall be paid to Employee, and thereafter all payments shall be made as if there had been no six-month delay.

4.1 Cause.

(a) *Definition.* This Agreement may be terminated at any time at the option of the Company for Cause (as such term is hereinafter defined), effective as provided in Section 4.9. As used herein, the term "Cause" shall mean and be limited to: (i) conviction of, the indictment for (or its procedural equivalent), or the entering of a guilty plea or plea of no contest with respect to, a felony; (ii) the willful violation of the terms of this Agreement; (iii) gross negligence by Employee in connection with the performance of Employee's duties, responsibilities, agreements and covenants hereof, which violation or negligence shall continue uncorrected for a period of 45 days after receipt by Employee of a written notice from the Company; (iv) the appropriation (or attempted appropriation) of a material business opportunity of the Company, including attempting to secure or securing any personal profit in connection with any transaction entered into on behalf of the Company; (v) the misappropriation (or attempted misappropriation) of any of the Company's funds or property; or (vi) the excessive use (following at least one written warning) of alcohol or any illegal use of drugs or narcotics. For purposes of this Section, no act or failure to act on the Employee's part shall be considered "willful" unless done, or omitted to be done, by him not in good faith and without reasonable belief that his action or omission was in the best interest of the Company. Notwithstanding the foregoing, Employee shall not be deemed to have been terminated for Cause without written notice pursuant to Section 13 and providing Employee an opportunity to be heard before the Board with the provisions relied upon for termination provided in reasonable detail.

(b) *Salary; Benefits; Bonuses.* Upon termination for Cause, the Company shall (i) continue the Base Salary through the Date of Termination, (ii) pay all fringe benefits through the end of the calendar month in which termination occurs, and (iii) pay any annual bonuses pursuant to Section 3.2 treating the effective Date of Termination as being the last day of the fiscal year in which termination under this Section 4 occurs.

4.2 Retirement. Termination of employment based on "Retirement" shall mean termination in accordance with any retirement arrangement established with Employee's consent, including settlement for the Annual Bonus pursuant to Section 3.2.

4.3 Death of Employee. This Agreement shall terminate upon the death of Employee; provided, however, the Company shall (i) continue Employee's Base Salary through the month in which death occurs and for the following three months and (ii) shall make payments as provided in Section 4.5 in place of (x) Annual Bonus payments provided in Section 3.2 and (y) the Long-Term Incentive Payout pursuant to Section 3.3.

4.4 Disability of Employee.

(a) *Termination; Definition.* In the event Employee becomes mentally or physically disabled during the term of employment hereunder, this Agreement shall terminate as of the date such disability is established. As used in this Section, the term "Disabled" or "Disability" means suffering from any mental or physical condition, other than use of alcohol or illegal use of drugs or narcotics, which renders Employee unable to perform substantially all of Employee's duties and services under this Agreement in a satisfactory manner for 120 consecutive days, or 180 days during any 12-month period. If, by reason of Disability, Employee is absent from the full-time performance of his duties with the Company for the periods above provided, Notice of Termination may be given and if Employee has not

returned to the full-time performance of his duties within 30 days thereafter, Employee's Disability shall be deemed "established" at the end of such 30-day period.

(b) Salary, Benefits. During any period that Employee fails to perform his full duties with the Company because he is Disabled, Employee shall continue to receive Base Salary until this Agreement is terminated pursuant to Section 4.8 at the rate in effect at the commencement of any such period adjusted for any compensation payable to him under any Company paid disability plan during such period. In the event of termination for Disability the Company shall continue (i) Employee's Base Salary adjusted for any compensation payable to him under any Company paid disability plan during such period and (ii) the same coverage under medical, dental, long-term disability and life insurance for the greater of (x) the remaining term of this Agreement or (y) until long term disability insurance coverage becomes effective.

(c) Bonuses. In the event of termination upon established Disability the Company shall make payments as provided in Section 4.5 in place of (i) the Annual Bonus payment provided in Section 3.2 and (ii) the Long-Term Incentive Payout pursuant to Section 3.3.

4.5 Death and Disability of Employee. In the event of termination upon death the Company shall make payments to Employee's personal representative, and in the event of termination for Disability the Company shall make payments to Employee, as hereinafter provided. Such payments shall be made immediately following the first meeting of the Board held after the end of the fiscal year in which death or Disability occurred, but in no event later than February 28 of the year following the year of such death or disability.

(a) Annual Bonus. With respect to the Annual Bonus payment provided in Section 3.2(a) the Company shall make a separate determination of the Annual Bonus based on the factors provided in Section 3.2(a) for the fiscal year in which death or Disability occurs.

(b) Long Term Incentive Plan. With respect to the Long-Term Incentive Payout provided in Section 3.3 the Company shall make a separate determination of the Long-Term Incentive Payout based on the factors provided in Section 3.3 for the fiscal year in which death or Disability occurs.

4.6 Other than for Cause. If Employee's employment shall be terminated by the Company other than for Cause, Retirement, death or Disability, prior to a change in control of the Company or potential change in control of the Company as defined in the Severance Agreement referred to in Section 4.7, then Employee shall be entitled to the payments provided below:

(a) Base Salary. On the effective Date of Termination the Company shall pay Employee his full Base Salary through the end of the month in which termination occurs at the rate in effect at the time Notice of Termination is given, and for one full year thereafter with payments being made over the following 12 months and no less frequently than once per month.

(b) Benefits. The Company shall continue providing medical, dental, long-term disability and life insurance equal to the coverages existing at the time Notice of Termination is given for one full year.

(c) Annual and Long Term Bonus. On the effective Date of Termination the Company shall make payments to and issue to Employee with respect to, and in place of (i) the Annual Bonus payment provided in Section 3.2 an amount in cash equal to 0.9 multiplied by Base Salary for the year in which employment is terminated and (ii) the Long Term Incentive Payout provided in Section 3.3 for the fiscal year in which employment is terminated under this Section.

4.7 Change in Control.

(a) *Severance Agreement Continued.* The letter agreement dated July 24, 2003 as subsequently amended, (Severance Agreement) between the Company and Employee providing certain benefits to Employee upon a change in control of the Company is continued and upon a change in control of the Company the Severance Agreement shall apply and have priority over this Agreement so that in the event of any conflict between this Agreement and the Severance Agreement the Severance Agreement shall apply. Any payments made or benefits provided pursuant to the Severance Agreement are not to be duplicated by any requirements of this Agreement.

(b) *Definition.* As used in this Agreement the term "change in control of the Company" shall have the meaning expressed in the Severance Agreement.

4.8 Notice of Termination. Any purported termination of employment by the Company or by Employee, other than for death, may be communicated orally or in writing. If communicated orally, such communication shall be followed within 10 days by a written communication which, and if communicated by written communication the communication, shall indicate the specific termination provisions in this Agreement relied upon, shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of employment under the provisions so indicated and shall state an effective date of termination.

4.9 Date of Termination, Etc. "Date of Termination" shall mean: (i) if employment is terminated for Disability, the date as provided in Section 4.4(a), and (ii) if employment is terminated for Cause pursuant to Section 4.1 or for any other reason (other than Disability), the date specified in the Notice of Termination (which, in the case of a termination pursuant to Section 4.1 shall be the end of a calendar month but not less than 15 days). Amounts paid under this Section are in addition to all other amounts due under this Agreement and shall not be offset against or reduce any other amounts due under this Agreement.

4.10 Termination by Employee. Employee may terminate this Agreement by resigning as Chief Executive Officer upon at least 30 days prior written notice of the effective Date of Termination. In such event the Company shall continue Employee's Base Salary and all fringe benefits to the effective Date of Termination. Termination of this Agreement under this Section does not affect the Company's obligation to make all payments to Employee which were fixed and determined prior to the effective Date of Termination.

5. Confidential Information.

5.1 Definition. Confidential Information means:

(a) Any and all (i) trade secrets concerning the business and affairs of the Company, product specifications, data, know-how, formula, compositions, processes, designs, sketches, photographs, graphs, drawings, samples, inventions and ideas, past, current, and planned research and development, current and planned manufacturing or distribution methods and processes, customer lists, current and anticipated customer requirements, price lists, market studies, business plans, computer software and programs (including object code and source code), computer software and database technologies, systems, structures, architectures (and related formula), improvements, devices, discoveries, concepts, ideas, methods and information, and any other information, however documented, that is a trade secret within the meaning of Colorado Revised Statutes § 7-74-101 et seq.; and

(b) information concerning the business and affairs of the Company (which includes historical financial statements, financial projections and budgets, historical and projected sales,

capital spending budgets and plans, the names and backgrounds of key personnel, personnel training and techniques and materials), however documented; and

(c) notes, analyses, compilations, studies, summaries and other material prepared by or for the Company containing or based, in whole or in part, on any information included in the foregoing.

5.2 Disclosure and Use. Employee shall not disclose, either during or subsequent to Employee's employment with the Company, any Confidential Information or proprietary data of the Company, whether or not developed by Employee, except (i) as may be required for Employee to perform Employee's employment duties with the Company; (ii) to the extent such information has been disclosed to Employee by a third party who is not subject to restriction on the dissemination of such information; (iii) as such information becomes generally available to the public other than as a result of a disclosure by Employee; (iv) information which must be disclosed as a result of a subpoena or other legal process, or (v) if Employee shall first secure the Company's prior written authorization. This covenant shall survive the termination of the Employee's employment with the Company, and shall remain in effect and be enforceable against Employee for so long as any such Confidential Information or proprietary data retains economic value, whether actual or potential, from not being generally known to other persons who can obtain economic value from its disclosure or use.

5.3 Return of Materials. The Employee will not remove from the Company's premises (except to the extent such removal is for the purposes of the performance of Employee's duties at home or while traveling, or except as otherwise specifically authorized by the CEO), any Confidential Information Employee recognizes that, as between the Company and Employee, all the Confidential Information, whether or not developed by the Employee, are the exclusive property of the Company. Upon termination of employment by the Company, Employee shall promptly deliver to the Company all Confidential Information, and all other materials of a secret or confidential nature relating to the Company's business, which are in the possession or under the control of Employee and Employee shall not retain copies of any such Confidential Information.

6. Inventions and Discoveries. Employee hereby assigns to the Company all of the Employee's rights, title and interest in and to all inventions, techniques, discoveries, processes, designs or improvements (whether patentable or not), any industrial design (whether registrable or not), or uses Confidential Information as described in Section 5.1, or other intellectual property rights pertaining thereto, that relates in any way to, or is useful in any manner in, the business then being conducted or proposed to be conducted by the Company, and any such item created by the Employee, either solely or in conjunction with others, following termination of Employee's employment with the Company (hereinafter referred to collectively as the "Inventions"). Promptly upon the development or making of any Invention or improvement thereon, Employee shall disclose the same to the Company and shall execute and deliver to the Company such reasonable documents as the Company may request to confirm the assignment of Employee's rights therein and if requested by the Company, shall assist the Company in applying for and prosecuting any patents which may be available in respect thereof. Employee acknowledges that all of Employee's Company-related writing, works of authorship, specially commissioned works and other Employee Inventions are works made for hire, property of the Company, including all copyrights, patents, and other intellectual property rights pertaining thereto. If it is determined that any such works are not works made for hire, the Employee hereby assigns to the Company all of the Employee's right, title, and interest, including all rights of copyright, patent, and other intellectual property rights, to or in such Inventions.

7. Restrictive Covenant.

(a) While the Employee is an employee of the Company and during a period in which the Company is making continuation payments of Base Salary pursuant to Section 4 hereof,

Employee shall not, without the prior written consent of the Company, (i) engage directly or indirectly in any Competing Business in the geographical area where the Company does business (including, without limitation, the United States and any country in which the Company has a sales representative at the time of termination) whether as an employee, consultant or advisor, or owner as principal, shareholder or partner of any equity interest in excess of 5% of any business entity (which shall include any proprietorship, trust, joint venture, partnership or any type of corporation or association), or (ii) serve as an officer, director, trustee, partner or the like in any such business entity.

(b) The term "Competing Business" as used in this Section 7 includes any business conducted by the Company, which initially includes the design, production and marketing of motion control products and any other products manufactured or marketed by the Company at the date of termination of this Agreement.

8. Arbitration. Any controversy or claim arising out of or relating to this Agreement or the breach thereof shall be settled by arbitration in the City and County of Denver in accordance with the rules of the American Arbitration Association. Judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof. The Company shall pay all costs of arbitration. In the event that it shall be necessary or desirable for Employee to retain legal counsel and/or incur other costs and expenses in connection with interpretation of his rights under this Agreement, including any procedure in arbitration, Employee shall be entitled to recover from the Company reasonable attorneys' fees and costs and expenses incurred by him in connection with such interpretation or arbitration, regardless of the final outcome, unless the arbitrator shall determine that under the circumstances such payment would be unjust. Reimbursement of attorneys' fees, costs and expenses shall be subject to the following requirements: (a) such reimbursement shall be available to the Employee for as long as he has enforceable rights under this Agreement; (b) reimbursements provided during the Employee's taxable year may not affect the reimbursements provided in any other taxable year; (c) reimbursement must be made on or before the last day of the Employee's taxable year following the taxable year in which the expense was incurred; and (d) no reimbursement provided under this paragraph shall be subject to liquidation or exchange for another benefit.

9. Mitigation. Employee shall not be required to mitigate the amount of any payment provided in this Agreement by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided in this Agreement be reduced by any compensation earned by Employee as the result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by Employee to the Company, or otherwise.

10. Announcements. No public announcement regarding termination of employment of the Employee or any change in status of the Employee of the Company shall be made without Employee's approval except the Company may announce Employee's termination if Company is otherwise required to do so pursuant to the rules of the Securities and Exchange Commission or to any other legal requirement. All matters with respect to termination of employment of Employee, retirement of Employee or other action taken pursuant to this Agreement shall be kept confidential and neither Company nor Employee will make unfavorable comments about the other in connection with this Agreement.

11. Severability. If any provision of this Agreement, including the Restrictive Covenant in Section 7, is held invalid or unenforceable, either in its entirety or by virtue of its scope or application to given circumstances, such provision shall thereupon be deemed modified only to the extent necessary to render same valid, or not applicable to given circumstances, or excised from this Agreement, as the situation may require, and this Agreement shall be construed and enforced as if such provision had been included herein as so modified in scope or application, or had not been included herein, as the case may be.

12. Non-Assignability. In light of the unique personal services to be performed by Employee hereunder, it is acknowledged and agreed that any purported or attempted assignment or transfer by Employee of this Agreement or any of Employee's duties, responsibilities or obligations hereunder shall be void. This Agreement may not be assigned by the Company without the prior written consent of Employee.

13. Notices. Any notice, request, demand or other communication required or permitted under this Agreement shall be in writing and shall be deemed to have been given when delivered personally or on the date of receipt when mailed by certified mail, return receipt requested, addressed as follows:

If to the Company:	Allied Motion Technologies, Inc. 23 Inverness Way East, Ste 150 Englewood, Colorado 80112 Attention: Chairman and Secretary
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If to the Employee:	Richard D. Smith
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or to such other address or addresses as may be specified from time to time by notice; provided however, that any notice of change of address shall not be effective until its receipt by the party to be charged therewith.

14. General.

14.1 Amendments. Neither this Agreement nor any of the terms or conditions hereof may be waived, amended or modified except by means of a written instrument duly executed by the party to be charged therewith.

14.2 Captions and Headings. The captions and paragraph headings used in this Agreement are for convenience of reference only, and shall not affect the construction or interpretation of this Agreement or any of the provisions hereof.

14.3 Governing Law. This Agreement, and all matters or disputes relating to the validity, construction, performance or enforcement hereof, shall be governed, construed and controlled by and under the laws of the State of Colorado without regard to principles of conflicts of law.

14.4 Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, personal representatives, successors and permitted assigns.

(a) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, by agreement in form and substance satisfactory to Employee, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle Employee to all rights for breach hereunder.

(b) If Employee should die while any amounts would still be payable to him hereunder if he had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to Employee's personal representatives or to his estate.

14.5 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original hereof, but all of which together shall constitute one and the same instrument.

QuickLinks

[AMENDED AND RESTATED EMPLOYMENT AGREEMENT Richard D. Smith](#)

December 22, 2008

Allied Motion Technologies Inc.
23 Inverness Way East, Suite 150
Englewood, Colorado 80112

Richard D. Smith

Dear Mr. Smith:

Allied Motion Technologies Inc. f/k/a Hathaway Corporation (the "Company") entered into an agreement with you dated July 24, 2003 (the "Agreement"), under which the Company agreed to provide you with certain severance benefits in the event your employment with the Company is Terminated following a change in control of the Company. In order to comply with the requirements of Section 409A of the Internal Revenue Code, as amended (the "Code"), as well as to incorporate certain changes to the Agreement approved by the board of directors of the Company (the "Board"), the Company and you hereby agree to amend and restate the Agreement as follows:

The Company has determined that it is essential to the best interests of the Company and its shareholders to foster the continuous employment of key management personnel including you as CEO of the Company. The Board recognizes that, as is the case with many publicly held corporations, the possibility of a change in control of the Company exists. Such possibility and the uncertainty and questions which it may raise among management, may result in the departure or distraction of management personnel to the detriment of the Company and its shareholders. In addition, the Company seeks your unequivocal support in realizing the maximum value per share to shareholders in the event of a disposition of the Company. In the event of a change of control, we also seek your cooperation in a smooth transition of management. These objectives require employment arrangements that provide security to you in the face of uncertainty.

The Board has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of management, including yourself, to their assigned duties without distraction in the face of potentially disturbing circumstances arising from the possibility of a change in control of the Company.

In order to induce you to remain in the employ of the Company, and in consideration of your agreements set forth in Section 2(ii), the Company agrees that you shall receive the severance benefits set forth in this Agreement in the event your employment with the Company is Terminated subsequent to a change in control of the Company (as defined in Section 2 hereof) under the circumstances described below.

1. *Term of Agreement.* As originally drafted, this Agreement commenced on July 24, 2003, and continued in effect through December 31, 2003. Commencing on January 1, 2004 and each January 1 thereafter, the term of this Agreement automatically extended for one additional year (meaning that as of each January 1 this Agreement shall then have a term of two years which shall reduce during the ensuing 12 months but shall again be extended on the next following January 1 to a term of two years) and shall continue to do so unless, not later than the September 30 immediately preceding each such January 1, the Company shall have given notice that it does not wish to extend this Agreement; provided further, if a change in control of the Company shall have occurred during the original or extended term of this Agreement, this Agreement shall continue in effect for a period of 24 months beyond the month in which such event occurred.

2. (i) *Change in Control of the Company.* No benefits shall be payable hereunder unless there shall have been a change in control of the Company, as set forth below. For purposes of this Agreement, a "change in control of the Company" shall be deemed to have occurred (A) if any "Person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as

amended (the "Exchange Act"), other than (1) a trustee or other fiduciary holding securities under an employee benefit plan of the Company, or any Person or entity organized, appointed or established by the Company for or pursuant to the terms of any such plan, or (2) any Person who, on the date hereof, is a director or officer of the Company or whose shares of common stock of the Company are treated as beneficially owned (as defined in Rule 13d-3 under the Exchange Act) by any such director or officer, is or becomes the beneficial owner, directly or indirectly, of securities of the Company representing more than 45% of the combined voting power of the Company's then outstanding securities; or (B) upon the first purchase of outstanding shares of the Company's outstanding common stock pursuant to a tender or exchange offer (other than a tender or exchange offer made by the Company, by an employee benefit plan established or maintained by the Company or by any of their respective affiliates); or (C) if during any period of two consecutive years, individuals who, at the beginning of such period, constitute the Board and any new director (other than a director designated by a person who has entered into an agreement with the Company to effect a transaction described in clauses (A) or (D) of this Subsection) whose election by the Board or nomination for election by the Company's shareholders was approved by a vote of at least two-thirds ($\frac{2}{3}$) of the Company directors then still in office who either (1) were directors at the beginning of the period or (2) whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; or (D) if the shareholders of the Company approve a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 80% of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation; or (E) the shareholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets;

provided, however, a spinoff distribution to shareholders of the Company of all or part of the Company's equity interest in a subsidiary entity shall not constitute a change in control of the Company.

(ii) *Potential Change in Control of the Company.* For purposes of this Agreement, a "potential change in control of the Company" shall be deemed to have occurred if (A) the Company enters into an agreement, the consummation of which would result in the occurrence of a change in control of the Company; (B) any Person (including the Company) publicly announces an intention to take or to consider taking actions which if consummated would constitute a change in control of the Company; (C) any Person, other than (1) a trustee or other fiduciary holding securities under an employee benefit plan of the Company, or (2) any Person or entity organized, appointed or established by the Company for or pursuant to the terms of any such plan, or (3) any Person who, on the date hereof, is a director or officer of the Company or whose shares of common stock of the Company are treated as beneficially owned by any such director or officer, increases his beneficial ownership of such securities by 8% or more of the shares of the Company issued and outstanding on the date of such determination; or (D) the Board adopts a resolution to the effect that, for purposes of this Agreement, a potential change in control of the Company has occurred. You agree that, subject to the terms and conditions of this Agreement, in the event of a potential change in control of the Company, you will remain in the employ of the Company until the earliest of (1) a date which is twelve (12) months after the occurrence of such potential change in control of the Company, (2) the Termination by you of your employment by reason of death or Disability or Retirement, as defined in Section 3(i), or (3) the occurrence of a change in control of the Company.

3. *Termination Following Change in Control.* If any of the events described in Section 2(i) hereof constituting a change in control of the Company shall have occurred, you shall be entitled to the benefits provided in Section 4(iii) hereof upon the subsequent Termination of your employment during

the term of this Agreement unless such Termination is (A) because of your death, Disability or Retirement, (B) by the Company for Cause, or (C) by you other than for Good Reason.

(i) *Disability; Retirement.* If, as a result of your incapacity due to physical or mental illness, you shall have been absent from the full-time performance of your duties with the Company for six (6) consecutive months, and within thirty (30) days after Notice of Termination is given you shall not have returned to the full-time performance of your duties, your employment may be Terminated for "Disability". Termination of your employment based on "Retirement" shall mean your Termination of employment in accordance with any retirement arrangement established with your consent.

(ii) *Cause.* Termination by the Company of your employment for "Cause" shall mean Termination upon (A) an act of dishonesty constituting a felony under the laws of your domicile and resulting or intending to result in your gain or personal enrichment at the expense of the Company, or (B) use of drugs or excessive and habitual use of alcohol either of which substantially affects your ability to perform your duties with the Company, or (C) continued unauthorized and significant absences from duty (other than any such absences resulting from your incapacity due to physical or mental illness or any such actual or anticipated absences after the issuance of a Notice of Termination by you for Good Reason as defined in Sections 3(iv) and 3(iii), respectively) after a written notice is delivered to you by the Company, which notice specifically identifies the cause referred to above which is identified as the basis for Termination. Notwithstanding the foregoing, you shall not be deemed to have been Terminated for Cause unless and until there shall have been delivered to you a copy of a resolution duly adopted by the Board with the approval of not less than three-fourths ($\frac{3}{4}$) of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice to you and an opportunity for you, together with your counsel, to be heard before the Board), finding that in the good faith opinion of the Board you were guilty of conduct set forth above and specifying the particulars thereof in detail.

(iii) *Good Reason.* You shall be entitled to Terminate your employment for Good Reason within two years following the initial existence of one or more of the circumstances described below. For purposes of this Agreement, "Good Reason" shall mean, without your express written consent, the occurrence after a change in control of the Company of any of the following circumstances, after you have given the Company notice within ninety (90) days following the initial existence of the circumstances, and the Company has failed to remedy such circumstances within thirty (30) days of receiving such notice:

(A) any change in your title or corporation office, to the extent such change results in a material diminution of your authority, duties or responsibilities; the assignment to you of any duties inconsistent with your status as CEO of the Company; or a substantial adverse alteration in the nature or status of your responsibilities (including reporting responsibilities) from those in effect immediately prior to the change in control of the Company;

(B) the change of the principal business of the Company (for purposes of this Agreement, as it is composed immediately prior to the change in control of the Company) as evidenced by, but not limited to, any sale of assets of the Company producing more than 50% of the Company's revenue, or comprising more than 50% of the Company's total assets, in any of the three most recent fiscal years prior to such sale, to the extent such change results in a material negative change to your duties, the conditions under which such duties are to be performed, or to your compensation;

(C) a reduction, without your consent, in your annual base salary as in effect on the date hereof or as the same may be increased from time to time;

(D) the relocation of your principal office to a location more than 50 miles from the location where such office is located immediately prior to the change in control of the Company except for required travel on Company business to an extent substantially consistent with your present business travel obligations;

(E) the failure, without your consent, to pay to you any portion of your current compensation or to pay to you any portion of an installment of deferred compensation under any deferred compensation program applicable to you, within seven (7) days of the date such compensation is due, to the extent such failure constitutes a material breach of this agreement or results in a material negative change to your compensation;

(F) the failure by the Company to continue in effect, except upon expiration in accordance with their terms, any compensation plan in which you participate immediately prior to the change in control of the Company which is material to your total compensation, including but not limited to the Company's Management Incentive Bonus Plan, Tax-Advantaged Investment Plan, Employee Stock Ownership Plan and Trust, and 1991 Incentive and Nonstatutory Stock Option Plan, or any plans adopted in substitution of existing plans prior to the change in control of the Company, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan, or the failure by the Company to continue your participation therein (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the amount of benefits provided and the level of your participation relative to other participants, as existed at the time of the change in control of the Company, to the extent such failure constitutes a material breach of this agreement or results in a material negative change to your compensation;

(G) the failure by the Company to continue to provide you with benefits substantially similar to those enjoyed by you under any of the Company's life insurance, medical, health and accident, or disability plans in which you were participating at the time of the change in control of the Company, the taking of any action by the Company which would directly or indirectly materially reduce any of such benefits or deprive you of any material fringe benefit enjoyed by you at the time of the change in control of the Company, or the failure by the Company to provide you with the number of paid vacation days to which you are entitled on the basis of years of service with the Company in accordance with the Company's normal vacation policy in effect at the time of the change in control of the Company, to the extent such failure constitutes a material breach of this agreement or results in a material negative change to your compensation;

(H) the events described as a breach in Section 7 (i) or (ii) hereof;

or

(I) any purported Termination of your employment which is not effected pursuant to a Notice of Termination satisfying the requirements of Subsection (iv) below (and, if applicable, the requirements of Subsection (ii) above); for purposes of this Agreement, no such purported Termination shall be effective.

Your right to Terminate your employment pursuant to this Subsection (iii) shall not be affected by your incapacity due to physical or mental illness. Your continued employment shall not constitute consent to, or a waiver of rights with respect to, any circumstance constituting Good Reason hereunder.

(iv) *Notice of Termination.* Any purported Termination of your employment by the Company or by you shall be communicated by written Notice of Termination to the other party hereto in accordance with Section 8 hereof. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific Termination provision in this Agreement relied

upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for Termination of your employment under the provision so indicated.

(v) *Date of Termination, Etc.* "Date of Termination" shall mean (A) if your employment is terminated for Disability, thirty (30) days after Notice of Termination is given (provided that you shall not have returned to the full-time performance of your duties during such thirty (30) day period), and (B) if your employment is terminated pursuant to Subsection (ii) or (iii) above or for any other reason (other than Disability), the date specified in the Notice of Termination (which, in the case of a termination pursuant to Subsection (ii) above shall be not less than thirty (30) days, and in the case of a termination pursuant to Subsection (Hi) above shall be not less than fifteen (15) nor more than sixty (60) days, respectively, your separation from the date such Notice of Termination is given); provided, however, that in each case the Date of Termination constitutes a separation from service as defined in Code Section 409A. If a dispute arises regarding your Termination of employment, you shall continue to perform your duties for the Company and the Company will continue to pay you your full compensation in effect when the notice giving rise to the dispute was given (including, but not limited to, base salary) and continue you as a participant in all compensation, benefit and insurance plans in which you were participating when the notice giving rise to the dispute was given, until the dispute is finally resolved. Amounts paid under this Subsection are in addition to all other amounts due under this Agreement and shall not be offset against or reduce any other amounts due under this Agreement.

4. *Compensation Upon Termination or During Disability.* Following a change in control of the Company, as defined by Section 2(i), upon Termination of your employment or during a period of Disability you shall be entitled to the following benefits:

(i) During any period that you fail to perform your full-time duties with the Company as a result of incapacity due to physical or mental illness, but during which you continue to be employed by the Company, you shall continue to receive your base salary at the rate in effect at the commencement of any such period, together with all compensation payable to you under the Management Incentive Compensation Plan or other plan during such period, until this Agreement is terminated pursuant to Section 3(i) hereof. Thereafter, or in the event your employment shall be Terminated by the Company or by you for Retirement, or by reason of your death, your benefits shall be determined pursuant to agreements between you and the Company and the Company's insurance and other compensation programs then in effect in accordance with the terms of such programs.

(ii) If your employment shall be Terminated by the Company for Cause or by you other than for Good Reason, Disability, death or Retirement, the Company shall pay you your full base salary through the Date of Termination at the rate in effect at the time Notice of Termination is given, plus all other amounts to which you are entitled under any compensation plan of the Company at the time such payments are due, and the Company shall have no further obligations to you under this Agreement.

(iii) If your employment by the Company shall be Terminated (a) by the Company other than for Cause, Retirement or Disability or (b) by you for Good Reason, then you shall be entitled to the benefits provided below:

(A) the Company shall pay you your full base salary through the Date of Termination at the rate in effect at the time Notice of Termination is given, plus all other amounts to which you are entitled under any compensation plan of the Company, at the time such payments are due, except as otherwise provided below;

(B) in lieu of any further salary payments to you for periods subsequent to the Date of Termination, the Company shall pay you a lump sum severance payment equal to 2.5 times

the sum of (x) your annual base salary in effect immediately prior to the occurrence of the circumstance giving rise to the Notice of Termination given in respect thereof and (y) the highest amount paid or payable to you pursuant to the Management Incentive Compensation Plan for any of the three (3) fiscal years ending prior to the Notice of Termination; provided however, that for purposes of computing the payment under this clause (B), your entitlement to incentive compensation shall be determined solely based on whether the parameters that have been determined by the Board for the applicable year have been achieved, and without regard to any discretionary or other right of the Board under the terms of any such incentive compensation plan to deny payment notwithstanding that such parameters have been achieved;

(C) notwithstanding any provision of any incentive compensation plan applicable to you, the Company shall pay to you a lump sum amount equal to the sum of (x) any incentive compensation paid or payable to you, or that has been allocated or awarded to you, for a fiscal year or other measuring period preceding the Date of Termination but which has not yet been paid, and (y) an allocation under any annual or long-term incentive plan applicable to you for the current fiscal year with all tests for income adjusted pro rata according to the number of calendar months, including the month in which the Date of Termination occurs, that have elapsed in the fiscal year of Termination; provided however, that for purposes of computing the payment under this clause (C), your entitlement to incentive compensation shall be determined solely based on whether the parameters that have been determined by the Board for the applicable year have been achieved, and without regard to any discretionary or other right of the Board under the terms of any such incentive compensation plan to deny payment notwithstanding that such parameters have been achieved;

(D) the Company shall also pay to you all legal fees and expenses incurred by you as a result of such Termination (including all such fees and expenses, if any, incurred in contesting or disputing any such Termination or in seeking to obtain or enforce any right or benefit provided by this Agreement or in connection with any tax audit or proceeding to the extent attributable to the application of Code Section 4999 to any payment or benefit provided hereunder). The right to reimbursement of legal fees and expenses that are not otherwise exempt from Code Section 409A: (i) shall be available to you for as long as you have enforceable rights under this Agreement; (ii) shall be payable without regarding to any amounts that have been reimbursed in prior tax years under this Agreement; (iii) shall be paid to you on or before the last day of the tax year following the year in which you incurred the expense; and (iv) shall not be subject to liquidation or exchange for another benefit;

(E) in the event that you become entitled to payments (the "Severance Payments") provided under paragraphs (B), (C), and (D), above, and Subsection (iv), below, if any of the Severance Payments will be subject to the tax (the "Excise Tax") imposed by Section 4999 of the Code, the Company shall pay to you at the time specified in paragraph (F), below, an additional amount (the "Gross-Up Payment") such that the net amount retained by you, after deduction of any Excise Tax on the Severance Payments and any federal and state and local income tax and Excise Tax upon the payment provided for by this paragraph, shall be equal to the Severance Payments. For purposes of determining whether any of the Severance Payments will be subject to the Excise Tax and the amount of such Excise Tax, (i) any other payments or benefits received or to be received by you in connection with a change in control of the Company or your Termination of employment (whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement with the Company, any person whose actions result in a change in control or any person affiliated with the Company or such person) shall be treated as "parachute payments" within the meaning of Section 280G(b)(2) of the Code, and all "excess parachute payments" within the meaning of Section 280G (b)(1) shall be treated as subject to the Excise Tax, unless in the opinion of tax counsel selected by

the Company's independent auditors and acceptable to you, such other payments or benefits (in whole or in part) do not constitute parachute payments, or such excess parachute payments (in whole or in part) represent reasonable compensation for services actually rendered within the meaning of Section 280G(b)(4) of the Code in excess of the base amount within the meaning of Section 280G(b)(3) of the Code, or are otherwise not subject to the Excise Tax, (ii) the amount of the Severance Payments which shall be treated as subject to the Excise Tax shall be equal to the lesser of (A) the total amount of the Severance Payments or (B) the amount of excess parachute payments within the meaning of Section 280G(b)(1) (after applying clause (i), above), and (iii) the value of any non-cash benefits or any deferred payment or benefit shall be determined by the Company's independent auditors in accordance with the principles of Sections 280G(d)(3) and (4) of the Code. For purposes of determining the amount of the Gross-Up Payment, you shall be deemed to pay federal income taxes at the highest marginal rate of federal income taxation in the calendar year in which the Gross-Up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of your residence on the Date of Termination, net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes. In the event that the Excise Tax is subsequently determined to be less than the amount taken into account hereunder at the time of Termination of your employment, you shall repay to the Company at the time that the amount of such reduction in Excise Tax is finally determined the portion of the Gross-Up Payment attributable to such reduction (plus the portion of the Gross-Up Payment attributable to the Excise Tax and federal and state and local income tax imposed on the Gross-Up Payment being repaid by you if such repayment results in a reduction in Excise Tax and/or a federal and state and local income tax deduction) plus interest on the amount of such repayment at the rate provided in Section 1274(b)(2)(B) of the Code. In the event that the Excise Tax is determined to exceed the amount taken into account hereunder at the time of the Termination of your employment (including by reason of any payment the existence or amount of which cannot be determined at the time of the Gross-Up Payment), the Company shall make an additional gross-up payment in respect of such excess (plus any interest payable with respect to such excess) at the time that the amount of such excess is finally determined;

(F) the payments provided for in paragraphs (B), (C) and (E) above, shall be made not later than the fifth day following the Date of Termination, provided, however, that if the amounts of such payments cannot be finally determined on or before such day, the Company, shall pay to you on such day an estimate, as determined in good faith by the Company, of the minimum amount of such payments and shall pay the remainder of such payments (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code) as soon as the amount thereof can be determined but in no event later than the thirtieth day after the Date of Termination. In the event that the amount of the estimated payments exceeds the amount subsequently determined to have been due, such excess shall constitute a loan by the Company to you payable on the fifth day after demand by the Company (together with interest at the rate provided in Section 1274 (b) (2) (B) of the Code). In no event shall the Gross-Up Payment be made later than the end of the tax year following the year in which you paid the Excise Tax.

(iv) If your employment shall be Terminated (A) by the Company other than for Cause, Retirement or Disability or (B) by you for Good Reason, then for a 24-month period immediately following such Termination of employment, the Company shall pay you on a monthly basis, pursuant to the Company's regular payroll timing, an amount equal to 25% of your monthly Base Salary being paid on your Date of Termination, to assist you in purchasing whatever benefits you choose during such period.

(v) You shall not be required to mitigate the amount of any payment provided for in this Section 4 by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for in this Section 4 be reduced by any compensation earned by you as the result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by you to the Company, or otherwise.

5. *Termination Before Change in Control.* If your employment by the Company shall be terminated by the Company other than for Cause, Retirement or Disability, and a change in control of the Company occurs within 90 days thereafter, you shall be entitled to the benefits provided in Section 4(iii) hereof.

6. *Definition of Termination of Employment.* With respect to any payment triggered upon your "termination" of employment, such payment may not be made unless and until such termination constitutes your separation from service with the Company, as defined under Code Section 409A. Furthermore, if you are a "specified employee" within the meaning of Code Section 409A, as determined by the Company, the payment of any amount that is subject to Code Section 409A and that is due under this Agreement upon your Termination of employment shall not be made until at least six months following your separation from service. At that time, all amounts, if any, that would have been paid during the six-month period shall be paid to you, and thereafter all payments shall be made as if there had been no six-month delay.

7. *Successors; Binding Agreement; Release of the Company.*

(i) In the event there is a disposition of the Company in a transaction as described in Section 2(i)(A), (B) (C) or (D), and the Company under new ownership or any successor to the Company in such transactions, and any business entity beneficially owning directly or indirectly 50% or more equity interest in the Company or any such successor, (A) does not assume and agree to perform this Agreement in the same manner and to the same extent the Company would be required to perform it if no succession had taken place, or (B) alternatively, does not offer to provide you an agreement with benefits substantially similar to this Agreement, resulting in your Termination of employment, then such failure to obtain the events described in clauses (A) or (B) above of this Section 7(i), prior to the effectiveness of such succession shall be a breach of this Agreement and shall entitle you to compensation from the Company in the same amount and on the same terms as you would be entitled to hereunder if you Terminated your employment for Good Reason following a change in control of the Company, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination. However, if you enter into an employment agreement with the Company or such successor as a part of the transaction or if the Company or any such successor, (1) does assume and agree to perform this Agreement in the same manner and to the same extent the Company would be required to perform it if no succession had taken place, or (2) alternatively, does offer to provide you an agreement with benefits substantially similar to this Agreement, then the obligation hereunder of the Company shall be released from all obligations under this Agreement.

(ii) In the event there is a disposition in a transaction described in Section 2(iii)(D) and any transferee entity in such a transaction, and any business entity beneficially owning directly or indirectly 50% or more equity interest in such transferee entity (A) does not assume and agree to perform this Agreement in the same manner and to the same extent the Company would be required to perform it if no succession had taken place, or (B) alternatively, does not offer to provide you an agreement with benefits substantially similar to this Agreement, resulting in your Termination of employment, then such failure to obtain the events described in clauses (A) or (B) above of this Section 7(ii), prior to the effectiveness of such succession shall be a breach of this Agreement and shall entitle you to compensation from the Company in the same amount and

on the same terms as you would be entitled to hereunder if you Terminated your Employment for Good Reason following a change in control of the Company, except that for purposes of implementing the foregoing the date on which any such succession becomes effective shall be deemed the Date of Termination. However, if you enter into an employment agreement with the transferee entity as a part of the transaction or if such transferee entity (1) does assume and agree to perform this Agreement in the same manner and to the same extent the Company would be required to perform it if no succession had taken place, or (2) alternatively, does offer to provide you an agreement with benefits substantially similar to this Agreement, then the obligation hereunder of the Company shall be released from all obligations under this Agreement.

(iii) This Agreement shall inure to the benefit of and be enforceable by your personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If you should die while any amount would still be payable to you hereunder if you had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to your devisee, legatee or other designee or, if there is no such designee, to your estate.

(iv) Your obligations hereunder shall inure to the benefit of and be enforceable by the Company and each of its successors and assigns by contract, operation of law or otherwise.

8. *Notice.* For the purpose of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered by overnight courier, transmitted electronically over the internet as long as confirmation of receipt is obtained from the recipient or mailed by United States certified or registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth on the first page of this Agreement, provided that all notices to the Company shall be directed to the attention of the Chairman of the Board of Directors with a copy to the Secretary of the Company to Allied Motion Technologies, Inc., 23 Inverness Way East, Suite 150, Englewood, Colorado 80112, or to such other address as any such person may have furnished to the others in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

9. *Miscellaneous.* No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by you and such officer as may be specifically designated by the Board. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the state of incorporation of the Company. All references to sections of the Exchange Act or the Code shall be deemed also to refer to any successor provisions to such sections. Any payments provided for hereunder shall be paid net of any applicable withholding required under federal, state or local law. The obligations of the Company under Section 4 shall survive the expiration of the term of this Agreement.

10. *Counterparts.* This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

11. *Arbitration.* Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in the city where you reside or in an alternate location approved by you in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrators award in any court having jurisdiction; provided, however, that you shall be entitled to seek specific performance of your right to be paid until the Date of

Termination during the pendency of any dispute or controversy arising under or in connection with this Agreement.

12. *Severability.* In the event that any provision or portion of this Agreement shall be determined to be invalid or unenforceable for any reason, the remaining provisions and portions of this Agreement shall be unaffected thereby and shall remain in full force and effect to the fullest extent provided by law.

If this letter sets forth our agreement on the subject matter hereof, kindly sign and return to the Company the enclosed copy of this letter which will then constitute our agreement on this subject.

Sincerely,

ALLIED MOTION TECHNOLOGIES INC.

By: /s/ DELWIN HOCK

Name: Delwin Hock

Title: *Chairman*

APPROVED: December 23, 2008.

/s/ RICHARD D. SMITH

Richard D. Smith

QuickLinks

[Exhibit 10.5](#)

AMENDED AND RESTATED EMPLOYMENT AGREEMENT
Richard S. Warzala

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT, dated and effective as of December 22, 2008 is between Allied Motion Technologies Inc., a Colorado corporation (the "Company"), and Richard S. Warzala ("Employee").

RECITALS:

WHEREAS, the Employee has acknowledged skills and experience in the business conducted by the Company and the Company desires to obtain the benefit of the Employee's knowledge, skills and experience and assure itself of the ongoing right to Employee's services from and after the date hereof, and is willing to do so on the terms and conditions set forth in this Agreement; and

WHEREAS, Employee is willing and able to render services to the Company, from and after the date hereof, on the terms and conditions set forth in this Agreement; and

WHEREAS, the Company and Employee entered into an Employment Agreement effective as of March 1, 2003; and

WHEREAS, the Company and Employee desire to amend and restate that Employment Agreement in order to conform with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code").

AGREEMENT:

NOW, THEREFORE, the Company and Employee agree as follows:

1. Employment.

1.1 Title and Duties of Employee. The Company hereby employs Employee as President and Chief Operating Officer of the Company and Employee hereby accepts such employment with the Company.

(a) *Powers and Duties.* Employee shall have the powers and duties normally incident to the offices he holds as provided in the bylaws of the Company and such other duties as shall be determined from time to time by the Chief Executive Officer and/or the Company's Board of Directors (the "Board") consistent with Employee's qualifications and the best interest of the Company. Employee shall report to the Chief Executive Officer (the "CEO"). Except for the CEO, Employee's powers and authorities shall be superior to those of any other officer or employee of the Company or any subsidiary thereof.

(b) *Contract Rights.* Failure of the Board to elect Employee as President and Chief Operating Officer, or action by the Board to remove Employee from such offices, shall be without prejudice to the contract rights in this Agreement.

1.2 Performance. Throughout the period of Employee's employment hereunder, Employee shall devote Employee's full business time, attention, knowledge and skills, faithfully, diligently, and to the best of Employee's ability, to the active performance of Employee's duties and responsibilities hereunder; provided, however, Employee may serve as a director of other corporations and entities and may engage in other activities to the extent they do not inhibit the performance of Employee's duties hereunder, or conflict with the business of the Company. Employee shall disclose to the Company the name of any corporation or entity on which he serves as a director or in a similar capacity and describe other activities that are not personal in nature in which he engages. Employee shall do such traveling as reasonably may be required in connection with the performance of such duties and responsibilities. Employee shall not be required to

relocate Employee's residence and Employee may conduct work out of his residence from time to time as he determines appropriate.

2. Term of Employment. Unless terminated as provided in Section 4 hereof, the term of this Agreement shall extend to February 28, 2008 (the "Initial Period"), and thereafter shall automatically continue on a year to year basis (each a "Subsequent Period") unless the Company or Employee shall give the other party notice at least 60 days prior to the termination of the Initial Period or any Subsequent Period of its or his election not to renew the term of employment, in which case this Agreement shall terminate at the end of the period in which the notice is given; provided, however, the Company's obligation to pay compensation pursuant to Section 3 or perform any other acts with respect to the last year for which this Agreement is effective shall continue and be enforceable notwithstanding the termination of this Agreement.

3. Compensation Benefits.

3.1 Base Salary. As compensation for services to be rendered by Employee hereunder, the Company shall pay to Employee an annual salary of not less than \$225,000 per year, payable in periodic installments (but in no event less frequently than monthly) in accordance with the standard payroll practices of the Company in effect from time to time. Employee's salary shall be reviewed annually for increase (but not decrease) on a merit basis. Such review shall be conducted at the first meeting of the Board after the end of a fiscal year but not later than February 28 of each year and the effective date of any such increase shall be March 1. The Employee's annual salary in effect from year to year is herein referred to as the "Base Salary".

3.2 Annual Bonus.

(a) Performance Criteria. The Company shall pay to Employee an Annual Bonus with respect to each fiscal year in amounts determined as provided by the Board based on achieving performance criteria established at the beginning of each fiscal year. Such performance criteria will recognize the overall financial performance of the Company and the improvements made in financial results.

(b) Time of Payment. The first payment of the Annual Bonus to Employee pursuant to Section 3.2 (a) shall be with respect to the fiscal year ended December 31, 2003. An Annual Bonus provided herein shall be paid, subject to achieving the performance criteria, with respect to each fiscal year thereafter during the term of this Agreement. All Annual Bonuses payable under Section 3.2 (a) shall be paid in cash immediately following the first Board meeting held after the end of the applicable fiscal year at which the Annual Bonus calculation is approved by the Board. In no event shall payment be made later than March 15th of the year following the year in which the Annual Bonus was earned.

3.3 Long-Term Incentive Payment Plan. On or before the first Board meeting held in a current fiscal year, the Board shall consider whether to grant options to purchase the Company's Common Stock ("Stock Options") to Employee, including the terms and the provisions of any Stock Options. Grants of Stock Options provided under this Section 3.3 are referred to herein as "Long-Term Incentive Payout". In making its determination the Board shall consider, among other things, the Employee's responsibilities and efforts and performance under this Agreement in relation to the business plan and forecast, the relationship between the benefits of Stock Options and improving shareholder value, the development of the Company's products and the performance of the Company's products in the marketplace, impact of the Company's products and product development on future prospects for the Company, and an increase in the trading price per share of the Company's Common Stock. The Board shall also consider customary business practices and Long-Term Incentive Payment Plan benefits granted to Employee in comparison to such benefits provided to other executives in positions similar to the Employee.

3.4 Expenses. The Company promptly shall reimburse Employee, upon presentation of appropriate receipts and vouchers, for any reasonable business expenses incurred by Employee in connection with the performance of his duties and responsibilities hereunder.

3.5 Vacation. Throughout the period of Employee's employment hereunder, Employee shall be entitled to take, from time to time, 4 weeks of vacation annually with pay at such times as shall be mutually convenient to Employee and the Company.

3.6 Benefits and Perquisites.

(a) *Participation.* The Company shall make available to Employee, throughout the period of employment hereunder, such benefits and perquisites as are generally provided by the Company to its employees. Without limiting the foregoing, Employee shall be eligible to participate in any bonus plan, stock option plan, stock purchase plan, pension plan and group life, health and accident insurance plans as the Company shall continue to provide or which may hereafter be adopted by the Company for the benefit of its employees generally. The Company shall provide and pay the premium on long term disability insurance for Employee. The Company shall not make any changes in such plans or arrangements which would adversely affect the Employee's rights or benefits thereunder, unless such changes occur pursuant to a program applicable to all employees of the Company and do not result in a proportionately greater reduction in the rights of, or benefits to, the Employee as compared with any other employee of the Company.

(b) *Office Space.* The Company shall provide office space and secretarial services at the Company's offices suitable to Employee's position.

(c) *Life Insurance.* The Company shall provide whole life insurance on the life of Employee with death benefits of \$500,000 with all premiums paid by the Company. Employee may designate the beneficiary or beneficiaries of such policy.

(d) *Automobile.* The Company shall provide a new automobile no less frequently than every 3 years for Employee's sole use and the Company shall pay all costs of operating and maintaining or repairing such automobile. At or before the time of replacement, Employee shall have the right to purchase, at its depreciated cost to the Company, the automobile previously provided.

(e) *Benefit Plans.* The Company will make non-qualified contributions for Employee's benefit under the Company's IRS §401(k) plan on the same basis as it makes contributions for other employees.

(f) *Retirement Plan Benefits.* The Company will provide to Employee retirement plan benefits under any plan on the same basis it provides benefits to other employees.

4. Termination. This Agreement may be terminated by the Company or Employee as provided in this Section 4. Notwithstanding anything in this Agreement to the contrary, any payment that is subject to Code Section 409A and is payable upon termination of this Agreement due to Retirement, Disability, or termination of employment other than for cause, shall only be made if such termination otherwise meets the definition of a "separation from service" as defined under Code Section 409A. Furthermore, if Employee is a "specified employee" within the meaning of Code Section 409A, the payment of any amount that is both subject to Code Section 409A and due upon termination of this Agreement shall not be made until at least six months following Employee's separation from service. At that time, all amounts, if any, that would have been paid during the six-month period shall be paid to Employee, and thereafter all payments shall be made as if there had been no six-month delay.

4.1 Cause.

(a) *Definition.* This Agreement may be terminated at any time at the option of the Company for Cause (as such term is hereinafter defined), effective as provided in Section 4.9. As used herein, the term "Cause" shall mean and be limited to: (i) conviction of, the indictment for (or its procedural equivalent), or the entering of a guilty plea or plea of no contest with respect to, a felony; (ii) the willful violation of the terms of this Agreement; (iii) gross negligence by Employee in connection with the performance of Employee's duties, responsibilities, agreements and covenants hereof, which violation or negligence shall continue uncorrected for a period of 45 days after receipt by Employee of a written notice from the Company; (iv) the appropriation (or attempted appropriation) of a material business opportunity of the Company, including attempting to secure or securing any personal profit in connection with any transaction entered into on behalf of the Company; (v) the misappropriation (or attempted misappropriation) of any of the Company's funds or property; or (vi) the excessive use (following at least one written warning) of alcohol or any illegal use of drugs or narcotics. For purposes of this Section, no act or failure to act on the Employee's part shall be considered "willful" unless done, or omitted to be done, by him not in good faith and without reasonable belief that his action or omission was in the best interest of the Company. Notwithstanding the foregoing, Employee shall not be deemed to have been terminated for Cause without written notice pursuant to Section 13 and providing Employee an opportunity to be heard before the Board with the provisions relied upon for termination provided in reasonable detail.

(b) *Salary; Benefits; Bonuses.* Upon termination for Cause, the Company shall (i) continue the Base Salary through the Date of Termination, (ii) pay all fringe benefits through the end of the calendar month in which termination occurs, and (iii) pay any annual bonuses pursuant to Section 3.2 treating the effective Date of Termination as being the last day of the fiscal year in which termination under this Section 4 occurs.

4.2 Retirement. Termination of employment based on "Retirement" shall mean termination in accordance with any retirement arrangement established with Employee's consent, including settlement for the Annual Bonus pursuant to Section 3.2.

4.3 Death of Employee. This Agreement shall terminate upon the death of Employee; provided, however, the Company shall (i) continue Employee's Base Salary through the month in which death occurs and for the following three months and (ii) shall make payments as provided in Section 4.5 in place of (x) Annual Bonus payments provided in Section 3.2 and (y) the Long-Term Incentive Payout pursuant to Section 3.3.

4.4 Disability of Employee.

(a) *Termination; Definition.* In the event Employee becomes mentally or physically disabled during the term of employment hereunder, this Agreement shall terminate as of the date such disability is established. As used in this Section, the term "Disabled" or "Disability" means suffering from any mental or physical condition, other than use of alcohol or illegal use of drugs or narcotics, which renders Employee unable to perform substantially all of Employee's duties and services under this Agreement in a satisfactory manner for 120 consecutive days, or 180 days during any 12-month period. If, by reason of Disability, Employee is absent from the full-time performance of his duties with the Company for the periods above provided, Notice of Termination may be given and if Employee has not returned to the full-time performance of his duties within 30 days thereafter, Employee's Disability shall be deemed "established" at the end of such 30-day period.

(b) Salary, Benefits. During any period that Employee fails to perform his full duties with the Company because he is Disabled, Employee shall continue to receive Base Salary until this Agreement is terminated pursuant to Section 4.8 at the rate in effect at the commencement of any such period adjusted for any compensation payable to him under any Company paid disability plan during such period. In the event of termination for Disability the Company shall continue (i) Employee's Base Salary adjusted for any compensation payable to him under any Company paid disability plan during such period and (ii) the same coverage under medical, dental, long-term disability and life insurance for the greater of (x) the remaining term of this Agreement or (y) until long term disability insurance coverage becomes effective.

(c) Bonuses. In the event of termination upon established Disability the Company shall make payments as provided in Section 4.5 in place of (i) the Annual Bonus payment provided in Section 3.2 and (ii) the Long-Term Incentive Payout pursuant to Section 3.3.

4.5 Death and Disability of Employee. In the event of termination upon death the Company shall make payments to Employee's personal representative, and in the event of termination for Disability the Company shall make payments to Employee, as hereinafter provided. Such payments shall be made immediately following the first meeting of the Board held after the end of the fiscal year in which death or Disability occurred, but in no event later than February 28 of the year following the year of such death or disability.

(a) Annual Bonus. With respect to the Annual Bonus payment provided in Section 3.2(a) the Company shall make a separate determination of the Annual Bonus based on the factors provided in Section 3.2(a) for the fiscal year in which death or Disability occurs.

(b) Long Term Incentive Plan. With respect to the Long-Term Incentive Payout provided in Section 3.3 the Company shall make a separate determination of the Long-Term Incentive Payout based on the factors provided in Section 3.3 for the fiscal year in which death or Disability occurs.

4.6 Other than for Cause. If Employee's employment shall be terminated by the Company other than for Cause, Retirement, death or Disability, prior to a change in control of the Company or potential change in control of the Company as defined in the Severance Agreement referred to in Section 4.7, then Employee shall be entitled to the payments provided below:

(a) Base Salary. On the effective Date of Termination the Company shall pay Employee his full Base Salary through the end of the month in which termination occurs at the rate in effect at the time Notice of Termination is given, and for one full year thereafter with payments being made over the following 12 months and no less frequently than once per month.

(b) Benefits. The Company shall continue providing medical, dental, long-term disability and life insurance equal to the coverages existing at the time Notice of Termination is given for one full year.

(c) Annual and Long Term Bonus. On the effective Date of Termination the Company shall make payments to and issue to Employee with respect to, and in place of (i) the Annual Bonus payment provided in Section 3.2 an amount in cash equal to 0.9 multiplied by Base Salary for the year in which employment is terminated and (ii) the Long Term Incentive Payout provided in Section 3.3 for the fiscal year in which employment is terminated under this Section.

4.7 Change in Control.

(a) *Severance Agreement Continued.* The letter agreement dated May 1, 2002 as subsequently amended, (Severance Agreement) between the Company and Employee providing certain benefits to Employee upon a change in control of the Company is continued and upon a change in control of the Company the Severance Agreement shall apply and have priority over this Agreement so that in the event of any conflict between this Agreement and the Severance Agreement the Severance Agreement shall apply. Any payments made or benefits provided pursuant to the Severance Agreement are not to be duplicated by any requirements of this Agreement.

(b) *Definition.* As used in this Agreement the term "change in control of the Company" shall have the meaning expressed in the Severance Agreement.

4.8 Notice of Termination. Any purported termination of employment by the Company or by Employee, other than for death, may be communicated orally or in writing. If communicated orally, such communication shall be followed within 10 days by a written communication which, and if communicated by written communication the communication, shall indicate the specific termination provisions in this Agreement relied upon, shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of employment under the provisions so indicated and shall state an effective date of termination.

4.9 Date of Termination, Etc. "Date of Termination" shall mean: (i) if employment is terminated for Disability, the date as provided in Section 4.4(a), and (ii) if employment is terminated for Cause pursuant to Section 4.1 or for any other reason (other than Disability), the date specified in the Notice of Termination (which, in the case of a termination pursuant to Section 4.1 shall be the end of a calendar month but not less than 15 days). Amounts paid under this Section are in addition to all other amounts due under this Agreement and shall not be offset against or reduce any other amounts due under this Agreement.

4.10 Termination by Employee. Employee may terminate this Agreement by resigning as President and Chief Operating Officer upon at least 30 days prior written notice of the effective Date of Termination. In such event the Company shall continue Employee's Base Salary and all fringe benefits to the effective Date of Termination. Termination of this Agreement under this Section does not affect the Company's obligation to make all payments to Employee which were fixed and determined prior to the effective Date of Termination.

5. Confidential Information

5.1 Definition. Confidential Information means:

(a) Any and all (i) trade secrets concerning the business and affairs of the Company, product specifications, data, know-how, formula, compositions, processes, designs, sketches, photographs, graphs, drawings, samples, inventions and ideas, past, current, and planned research and development, current and planned manufacturing or distribution methods and processes, customer lists, current and anticipated customer requirements, price lists, market studies, business plans, computer software and programs (including object code and source code), computer software and database technologies, systems, structures, architectures (and related formula), improvements, devices, discoveries, concepts, ideas, methods and information, and any other information, however documented, that is a trade secret within the meaning of Colorado Revised Statutes § 7-74-101 et seq.; and

(b) information concerning the business and affairs of the Company (which includes historical financial statements, financial projections and budgets, historical and projected sales,

capital spending budgets and plans, the names and backgrounds of key personnel, personnel training and techniques and materials), however documented; and

(c) notes, analyses, compilations, studies, summaries and other material prepared by or for the Company containing or based, in whole or in part, on any information included in the foregoing.

5.2 Disclosure and Use. Employee shall not disclose, either during or subsequent to Employee's employment with the Company, any Confidential Information or proprietary data of the Company, whether or not developed by Employee, except (i) as may be required for Employee to perform Employee's employment duties with the Company; (ii) to the extent such information has been disclosed to Employee by a third party who is not subject to restriction on the dissemination of such information; (iii) as such information becomes generally available to the public other than as a result of a disclosure by Employee; (iv) information which must be disclosed as a result of a subpoena or other legal process, or (v) if Employee shall first secure the Company's prior written authorization. This covenant shall survive the termination of the Employee's employment with the Company, and shall remain in effect and be enforceable against Employee for so long as any such Confidential Information or proprietary data retains economic value, whether actual or potential, from not being generally known to other persons who can obtain economic value from its disclosure or use.

5.3 Return of Materials. The Employee will not remove from the Company's premises (except to the extent such removal is for the purposes of the performance of Employee's duties at home or while traveling, or except as otherwise specifically authorized by the CEO), any Confidential Information Employee recognizes that, as between the Company and Employee, all the Confidential Information, whether or not developed by the Employee, are the exclusive property of the Company. Upon termination of employment by the Company, Employee shall promptly deliver to the Company all Confidential Information, and all other materials of a secret or confidential nature relating to the Company's business, which are in the possession or under the control of Employee and Employee shall not retain copies of any such Confidential Information.

6. Inventions and Discoveries. Employee hereby assigns to the Company all of the Employee's rights, title and interest in and to all inventions, techniques, discoveries, processes, designs or improvements (whether patentable or not), any industrial design (whether registrable or not), or uses Confidential Information as described in Section 5.1, or other intellectual property rights pertaining thereto, that relates in any way to, or is useful in any manner in, the business then being conducted or proposed to be conducted by the Company, and any such item created by the Employee, either solely or in conjunction with others, following termination of Employee's employment with the Company (hereinafter referred to collectively as the "Inventions"). Promptly upon the development or making of any Invention or improvement thereon, Employee shall disclose the same to the Company and shall execute and deliver to the Company such reasonable documents as the Company may request to confirm the assignment of Employee's rights therein and if requested by the Company, shall assist the Company in applying for and prosecuting any patents which may be available in respect thereof. Employee acknowledges that all of Employee's Company-related writing, works of authorship, specially commissioned works and other Employee Inventions are works made for hire, property of the Company, including all copyrights, patents, and other intellectual property rights pertaining thereto. If it is determined that any such works are not works made for hire, the Employee hereby assigns to the Company all of the Employee's right, title, and interest, including all rights of copyright, patent, and other intellectual property rights, to or in such Inventions.

7. Restrictive Covenant.

(a) While the Employee is an employee of the Company and during a period in which the Company is making continuation payments of Base Salary pursuant to Section 4 hereof,

Employee shall not, without the prior written consent of the Company, (i) engage directly or indirectly in any Competing Business in the geographical area where the Company does business (including, without limitation, the United States and any country in which the Company has a sales representative at the time of termination) whether as an employee, consultant or advisor, or owner as principal, shareholder or partner of any equity interest in excess of 5% of any business entity (which shall include any proprietorship, trust, joint venture, partnership or any type of corporation or association), or (ii) serve as an officer, director, trustee, partner or the like in any such business entity.

(b) The term "Competing Business" as used in this Section 7 includes any business conducted by the Company, which initially includes the design, production and marketing of motion control products and any other products manufactured or marketed by the Company at the date of termination of this Agreement.

8. Arbitration. Any controversy or claim arising out of or relating to this Agreement or the breach thereof shall be settled by arbitration in the City and County of Denver in accordance with the rules of the American Arbitration Association. Judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof. The Company shall pay all costs of arbitration. In the event that it shall be necessary or desirable for Employee to retain legal counsel and/or incur other costs and expenses in connection with interpretation of his rights under this Agreement, including any procedure in arbitration, Employee shall be entitled to recover from the Company reasonable attorneys' fees and costs and expenses incurred by him in connection with such interpretation or arbitration, regardless of the final outcome, unless the arbitrator shall determine that under the circumstances such payment would be unjust. Reimbursement of attorneys' fees, costs and expenses shall be subject to the following requirements: (a) such reimbursement shall be available to the Employee for as long as he has enforceable rights under this Agreement; (b) reimbursements provided during the Employee's taxable year may not affect the reimbursements provided in any other taxable year; (c) reimbursement must be made on or before the last day of the Employee's taxable year following the taxable year in which the expense was incurred; and (d) no reimbursement provided under this paragraph shall be subject to liquidation or exchange for another benefit.

9. Mitigation. Employee shall not be required to mitigate the amount of any payment provided in this Agreement by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided in this Agreement be reduced by any compensation earned by Employee as the result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by Employee to the Company, or otherwise.

10. Announcements. No public announcement regarding termination of employment of the Employee or any change in status of the Employee of the Company shall be made without Employee's approval except the Company may announce Employee's termination if Company is otherwise required to do so pursuant to the rules of the Securities and Exchange Commission or to any other legal requirement. All matters with respect to termination of employment of Employee, retirement of Employee or other action taken pursuant to this Agreement shall be kept confidential and neither Company nor Employee will make unfavorable comments about the other in connection with this Agreement.

11. Severability. If any provision of this Agreement, including the Restrictive Covenant in Section 7, is held invalid or unenforceable, either in its entirety or by virtue of its scope or application to given circumstances, such provision shall thereupon be deemed modified only to the extent necessary to render same valid, or not applicable to given circumstances, or excised from this Agreement, as the situation may require, and this Agreement shall be construed and enforced as if such provision had been included herein as so modified in scope or application, or had not been included herein, as the case may be.

12. Non-Assignability. In light of the unique personal services to be performed by Employee hereunder, it is acknowledged and agreed that any purported or attempted assignment or transfer by Employee of this Agreement or any of Employee's duties, responsibilities or obligations hereunder shall be void. This Agreement may not be assigned by the Company without the prior written consent of Employee.

13. Notices. Any notice, request, demand or other communication required or permitted under this Agreement shall be in writing and shall be deemed to have been given when delivered personally or on the date of receipt when mailed by certified mail, return receipt requested, addressed as follows:

If to the Company: Allied Motion
Technologies, Inc.
23 Inverness Way East, Ste 150
Englewood, Colorado 80112
Attention: CEO

If to the Employee: Richard S. Warzala

or to such other address or addresses as may be specified from time to time by notice; *provided however*, that any notice of change of address shall not be effective until its receipt by the party to be charged therewith.

14. General.

14.1 Amendments. Neither this Agreement nor any of the terms or conditions hereof may be waived, amended or modified except by means of a written instrument duly executed by the party to be charged therewith.

14.2 Captions and Headings. The captions and paragraph headings used in this Agreement are for convenience of reference only, and shall not affect the construction or interpretation of this Agreement or any of the provisions hereof.

14.3 Governing Law. This Agreement, and all matters or disputes relating to the validity, construction, performance or enforcement hereof, shall be governed, construed and controlled by and under the laws of the State of Colorado without regard to principles of conflicts of law.

14.4 Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, personal representatives, successors and permitted assigns.

(a) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, by agreement in form and substance satisfactory to Employee, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle Employee to all rights for breach hereunder.

(b) If Employee should die while any amounts would still be payable to him hereunder if he had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to Employee's personal representatives or to his estate.

14.5 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original hereof, but all of which together shall constitute one and the same instrument.

QuickLinks

[AMENDED AND RESTATED EMPLOYMENT AGREEMENT Richard S. Warzala](#)

December 22, 2008

Allied Motion Technologies Inc.
23 Inverness Way East, Suite 150
Englewood, Colorado 80112

Richard S. Warzala

Dear Mr. Warzala:

Allied Motion Technologies Inc. f/k/a Hathaway Corporation (the "Company") entered into an agreement with you dated May 1, 2002 (the "Agreement"), under which the Company agreed to provide you with certain severance benefits in the event your employment with the Company is Terminated following a change in control of the Company. In order to comply with the requirements of Section 409A of the Internal Revenue Code, as amended (the "Code"), as well as to incorporate certain changes to the Agreement approved by the board of directors of the Company (the "Board"), the Company and you hereby agree to amend and restate the Agreement as follows:

The Company has determined that it is essential to the best interests of the Company and its shareholders to foster the continuous employment of key management personnel including you as COO of the Company. The Board recognizes that, as is the case with many publicly held corporations, the possibility of a change in control of the Company exists. Such possibility and the uncertainty and questions which it may raise among management, may result in the departure or distraction of management personnel to the detriment of the Company and its shareholders. In addition, the Company seeks your unequivocal support in realizing the maximum value per share to shareholders in the event of a disposition of the Company. In the event of a change of control, we also seek your cooperation in a smooth transition of management. These objectives require employment arrangements that provide security to you in the face of uncertainty.

The Board has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of management, including yourself, to their assigned duties without distraction in the face of potentially disturbing circumstances arising from the possibility of a change in control of the Company.

In order to induce you to remain in the employ of the Company, and in consideration of your agreements set forth in Section 2(ii), the Company agrees that you shall receive the severance benefits set forth in this Agreement in the event your employment with the Company is Terminated subsequent to a change in control of the Company (as defined in Section 2 hereof) under the circumstances described below.

1. *Term of Agreement.* As originally drafted, this Agreement commenced on May 1, 2002, and continued in effect through December 31, 2002. Commencing on January 1, 2003 and each January 1 thereafter, the term of this Agreement automatically extended for one additional year (meaning that as of each January 1 this Agreement shall then have a term of two years which shall reduce during the ensuing 12 months but shall again be extended on the next following January 1 to a term of two years) and shall continue to do so unless, not later than the September 30 immediately preceding each such January 1, the Company shall have given notice that it does not wish to extend this Agreement; provided further, if a change in control of the Company shall have occurred during the original or extended term of this Agreement, this Agreement shall continue in effect for a period of 24 months beyond the month in which such event occurred.

2. (i) *Change in Control of the Company.* No benefits shall be payable hereunder unless there shall have been a change in control of the Company, as set forth below. For purposes of this Agreement, a "change in control of the Company" shall be deemed to have occurred (A) if any "Person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as

amended (the "Exchange Act"), other than (1) a trustee or other fiduciary holding securities under an employee benefit plan of the Company, or any Person or entity organized, appointed or established by the Company for or pursuant to the terms of any such plan, or (2) any Person who, on the date hereof, is a director or officer of the Company or whose shares of common stock of the Company are treated as beneficially owned (as defined in Rule 13d-3 under the Exchange Act) by any such director or officer, is or becomes the beneficial owner, directly or indirectly, of securities of the Company representing more than 45% of the combined voting power of the Company's then outstanding securities; or (B) upon the first purchase of outstanding shares of the Company's outstanding common stock pursuant to a tender or exchange offer (other than a tender or exchange offer made by the Company, by an employee benefit plan established or maintained by the Company or by any of their respective affiliates); or (C) if during any period of two consecutive years, individuals who, at the beginning of such period, constitute the Board and any new director (other than a director designated by a person who has entered into an agreement with the Company to effect a transaction described in clauses (A) or (D) of this Subsection) whose election by the Board or nomination for election by the Company's shareholders was approved by a vote of at least two-thirds ($\frac{2}{3}$) of the Company directors then still in office who either (1) were directors at the beginning of the period or (2) whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; or (D) if the shareholders of the Company approve a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 80% of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation; or (E) the shareholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets;

provided, however, a spinoff distribution to shareholders of the Company of all or part of the Company's equity interest in a subsidiary entity shall not constitute a change in control of the Company.

(ii) *Potential Change in Control of the Company.* For purposes of this Agreement, a "potential change in control of the Company" shall be deemed to have occurred if (A) the Company enters into an agreement, the consummation of which would result in the occurrence of a change in control of the Company; (B) any Person (including the Company) publicly announces an intention to take or to consider taking actions which if consummated would constitute a change in control of the Company; (C) any Person, other than (1) a trustee or other fiduciary holding securities under an employee benefit plan of the Company, or (2) any Person or entity organized, appointed or established by the Company for or pursuant to the terms of any such plan, or (3) any Person who, on the date hereof, is a director or officer of the Company or whose shares of common stock of the Company are treated as beneficially owned by any such director or officer, increases his beneficial ownership of such securities by 8% or more of the shares of the Company issued and outstanding on the date of such determination; or (D) the Board adopts a resolution to the effect that, for purposes of this Agreement, a potential change in control of the Company has occurred. You agree that, subject to the terms and conditions of this Agreement, in the event of a potential change in control of the Company, you will remain in the employ of the Company until the earliest of (1) a date which is twelve (12) months after the occurrence of such potential change in control of the Company, (2) the Termination by you of your employment by reason of death or Disability or Retirement, as defined in Section 3(i), or (3) the occurrence of a change in control of the Company.

3. *Termination Following Change in Control.* If any of the events described in Section 2(i) hereof constituting a change in control of the Company shall have occurred, you shall be entitled to the benefits provided in Section 4(iii) hereof upon the subsequent Termination of your employment during

the term of this Agreement unless such Termination is (A) because of your death, Disability or Retirement, (B) by the Company for Cause, or (C) by you other than for Good Reason.

(i) *Disability; Retirement.* If, as a result of your incapacity due to physical or mental illness, you shall have been absent from the full-time performance of your duties with the Company for six (6) consecutive months, and within thirty (30) days after Notice of Termination is given you shall not have returned to the full-time performance of your duties, your employment may be Terminated for "Disability". Termination of your employment based on "Retirement" shall mean your Termination of employment in accordance with any retirement arrangement established with your consent.

(ii) *Cause.* Termination by the Company of your employment for "Cause" shall mean Termination upon (A) an act of dishonesty constituting a felony under the laws of your domicile and resulting or intending to result in your gain or personal enrichment at the expense of the Company, or (B) use of drugs or excessive and habitual use of alcohol either of which substantially affects your ability to perform your duties with the Company, or (C) continued unauthorized and significant absences from duty (other than any such absences resulting from your incapacity due to physical or mental illness or any such actual or anticipated absences after the issuance of a Notice of Termination by you for Good Reason as defined in Sections 3(iv) and 3(iii), respectively) after a written notice is delivered to you by the Company, which notice specifically identifies the cause referred to above which is identified as the basis for Termination. Notwithstanding the foregoing, you shall not be deemed to have been Terminated for Cause unless and until there shall have been delivered to you a copy of a resolution duly adopted by the Board with the approval of not less than three-fourths ($\frac{3}{4}$) of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice to you and an opportunity for you, together with your counsel, to be heard before the Board), finding that in the good faith opinion of the Board you were guilty of conduct set forth above and specifying the particulars thereof in detail.

(iii) *Good Reason.* You shall be entitled to Terminate your employment for Good Reason within two years following the initial existence of one or more of the circumstances described below. For purposes of this Agreement, "Good Reason" shall mean, without your express written consent, the occurrence after a change in control of the Company of any of the following circumstances, after you have given the Company notice within ninety (90) days following the initial existence of the circumstances, and the Company has failed to remedy such circumstances within thirty (30) days of receiving such notice:

(A) any change in your title or corporation office, to the extent such change results in a material diminution of your authority, duties or responsibilities; the assignment to you of any duties inconsistent with your status as CEO of the Company; or a substantial adverse alteration in the nature or status of your responsibilities (including reporting responsibilities) from those in effect immediately prior to the change in control of the Company;

(B) the change of the principal business of the Company (for purposes of this Agreement, as it is composed immediately prior to the change in control of the Company) as evidenced by, but not limited to, any sale of assets of the Company producing more than 50% of the Company's revenue, or comprising more than 50% of the Company's total assets, in any of the three most recent fiscal years prior to such sale, to the extent such change results in a material negative change to your duties, the conditions under which such duties are to be performed, or to your compensation;

(C) a reduction, without your consent, in your annual base salary as in effect on the date hereof or as the same may be increased from time to time;

(D) the relocation of your principal office to a location more than 50 miles from the location where such office is located immediately prior to the change in control of the Company except for required travel on Company business to an extent substantially consistent with your present business travel obligations;

(E) the failure, without your consent, to pay to you any portion of your current compensation or to pay to you any portion of an installment of deferred compensation under any deferred compensation program applicable to you, within seven (7) days of the date such compensation is due, to the extent such failure constitutes a material breach of this agreement or results in a material negative change to your compensation;

(F) the failure by the Company to continue in effect, except upon expiration in accordance with their terms, any compensation plan in which you participate immediately prior to the change in control of the Company which is material to your total compensation, including but not limited to the Company's Management Incentive Bonus Plan, Tax-Advantaged Investment Plan, Employee Stock Ownership Plan and Trust, and 1991 Incentive and Nonstatutory Stock Option Plan, or any plans adopted in substitution of existing plans prior to the change in control of the Company, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan, or the failure by the Company to continue your participation therein (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the amount of benefits provided and the level of your participation relative to other participants, as existed at the time of the change in control of the Company, to the extent such failure constitutes a material breach of this agreement or results in a material negative change to your compensation;

(G) the failure by the Company to continue to provide you with benefits substantially similar to those enjoyed by you under any of the Company's life insurance, medical, health and accident, or disability plans in which you were participating at the time of the change in control of the Company, the taking of any action by the Company which would directly or indirectly materially reduce any of such benefits or deprive you of any material fringe benefit enjoyed by you at the time of the change in control of the Company, or the failure by the Company to provide you with the number of paid vacation days to which you are entitled on the basis of years of service with the Company in accordance with the Company's normal vacation policy in effect at the time of the change in control of the Company, to the extent such failure constitutes a material breach of this agreement or results in a material negative change to your compensation;

(H) the events described as a breach in Section 7 (i) or (ii) hereof;

or

(I) any purported Termination of your employment which is not effected pursuant to a Notice of Termination satisfying the requirements of Subsection (iv) below (and, if applicable, the requirements of Subsection (ii) above); for purposes of this Agreement, no such purported Termination shall be effective.

Your right to Terminate your employment pursuant to this Subsection (iii) shall not be affected by your incapacity due to physical or mental illness. Your continued employment shall not constitute consent to, or a waiver of rights with respect to, any circumstance constituting Good Reason hereunder.

(iv) *Notice of Termination.* Any purported Termination of your employment by the Company or by you shall be communicated by written Notice of Termination to the other party hereto in accordance with Section 8 hereof. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific Termination provision in this Agreement relied

upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for Termination of your employment under the provision so indicated.

(v) *Date of Termination, Etc.* "Date of Termination" shall mean (A) if your employment is terminated for Disability, thirty (30) days after Notice of Termination is given (provided that you shall not have returned to the full-time performance of your duties during such thirty (30) day period), and (B) if your employment is terminated pursuant to Subsection (ii) or (iii) above or for any other reason (other than Disability), the date specified in the Notice of Termination (which, in the case of a termination pursuant to Subsection (ii) above shall be not less than thirty (30) days, and in the case of a termination pursuant to Subsection (Hi) above shall be not less than fifteen (15) nor more than sixty (60) days, respectively, your separation from the date such Notice of Termination is given); provided, however, that in each case the Date of Termination constitutes a separation from service as defined in Code Section 409A. If a dispute arises regarding your Termination of employment, you shall continue to perform your duties for the Company and the Company will continue to pay you your full compensation in effect when the notice giving rise to the dispute was given (including, but not limited to, base salary) and continue you as a participant in all compensation, benefit and insurance plans in which you were participating when the notice giving rise to the dispute was given, until the dispute is finally resolved. Amounts paid under this Subsection are in addition to all other amounts due under this Agreement and shall not be offset against or reduce any other amounts due under this Agreement.

4. *Compensation Upon Termination or During Disability.* Following a change in control of the Company, as defined by Section 2(i), upon Termination of your employment or during a period of Disability you shall be entitled to the following benefits:

(i) During any period that you fail to perform your full-time duties with the Company as a result of incapacity due to physical or mental illness, but during which you continue to be employed by the Company, you shall continue to receive your base salary at the rate in effect at the commencement of any such period, together with all compensation payable to you under the Management Incentive Compensation Plan or other plan during such period, until this Agreement is terminated pursuant to Section 3(i) hereof. Thereafter, or in the event your employment shall be Terminated by the Company or by you for Retirement, or by reason of your death, your benefits shall be determined pursuant to agreements between you and the Company and the Company's insurance and other compensation programs then in effect in accordance with the terms of such programs.

(ii) If your employment shall be Terminated by the Company for Cause or by you other than for Good Reason, Disability, death or Retirement, the Company shall pay you your full base salary through the Date of Termination at the rate in effect at the time Notice of Termination is given, plus all other amounts to which you are entitled under any compensation plan of the Company at the time such payments are due, and the Company shall have no further obligations to you under this Agreement.

(iii) If your employment by the Company shall be Terminated (a) by the Company other than for Cause, Retirement or Disability or (b) by you for Good Reason, then you shall be entitled to the benefits provided below:

(A) the Company shall pay you your full base salary through the Date of Termination at the rate in effect at the time Notice of Termination is given, plus all other amounts to which you are entitled under any compensation plan of the Company, at the time such payments are due, except as otherwise provided below;

(B) in lieu of any further salary payments to you for periods subsequent to the Date of Termination, the Company shall pay you a lump sum severance payment equal to 2.5

times the sum of (x) your annual base salary in effect immediately prior to the occurrence of the circumstance giving rise to the Notice of Termination given in respect thereof and (y) the highest amount paid or payable to you pursuant to the Management Incentive Compensation Plan for any of the three (3) fiscal years ending prior to the Notice of Termination; provided however, that for purposes of computing the payment under this clause (B), your entitlement to incentive compensation shall be determined solely based on whether the parameters that have been determined by the Board for the applicable year have been achieved, and without regard to any discretionary or other right of the Board under the terms of any such incentive compensation plan to deny payment notwithstanding that such parameters have been achieved;

(C) notwithstanding any provision of any incentive compensation plan applicable to you, the Company shall pay to you a lump sum amount equal to the sum of (x) any incentive compensation paid or payable to you, or that has been allocated or awarded to you, for a fiscal year or other measuring period preceding the Date of Termination but which has not yet been paid, and (y) an allocation under any annual or long-term incentive plan applicable to you for the current fiscal year with all tests for income adjusted pro rata according to the number of calendar months, including the month in which the Date of Termination occurs, that have elapsed in the fiscal year of Termination; provided however, that for purposes of computing the payment under this clause (C), your entitlement to incentive compensation shall be determined solely based on whether the parameters that have been determined by the Board for the applicable year have been achieved, and without regard to any discretionary or other right of the Board under the terms of any such incentive compensation plan to deny payment notwithstanding that such parameters have been achieved;

(D) the Company shall also pay to you all legal fees and expenses incurred by you as a result of such Termination (including all such fees and expenses, if any, incurred in contesting or disputing any such Termination or in seeking to obtain or enforce any right or benefit provided by this Agreement or in connection with any tax audit or proceeding to the extent attributable to the application of Code Section 4999 to any payment or benefit provided hereunder). The right to reimbursement of legal fees and expenses that are not otherwise exempt from Code Section 409A: (i) shall be available to you for as long as you have enforceable rights under this Agreement; (ii) shall be payable without regarding to any amounts that have been reimbursed in prior tax years under this Agreement; (iii) shall be paid to you on or before the last day of the tax year following the year in which you incurred the expense; and (iv) shall not be subject to liquidation or exchange for another benefit;

(E) in the event that you become entitled to payments (the "Severance Payments") provided under paragraphs (B), (C), and (D), above, and Subsection (iv), below, if any of the Severance Payments will be subject to the tax (the "Excise Tax") imposed by Section 4999 of the Code, the Company shall pay to you at the time specified in paragraph (F), below, an additional amount (the "Gross-Up Payment") such that the net amount retained by you, after deduction of any Excise Tax on the Severance Payments and any federal and state and local income tax and Excise Tax upon the payment provided for by this paragraph, shall be equal to the Severance Payments. For purposes of determining whether any of the Severance Payments will be subject to the Excise Tax and the amount of such Excise Tax, (i) any other payments or benefits received or to be received by you in connection with a change in control of the Company or your Termination of employment (whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement with the Company, any person whose actions result

in a change in control or any person affiliated with the Company or such person) shall be treated as "parachute payments" within the meaning of Section 280G(b)(2) of the Code, and all "excess parachute payments" within the meaning of Section 280G(b)(1) shall be treated as subject to the Excise Tax, unless in the opinion of tax counsel selected by the Company's independent auditors and acceptable to you, such other payments or benefits (in whole or in part) do not constitute parachute payments, or such excess parachute payments (in whole or in part) represent reasonable compensation for services actually rendered within the meaning of Section 280G(b)(4) of the Code in excess of the base amount within the meaning of Section 280G(b)(3) of the Code, or are otherwise not subject to the Excise Tax, (ii) the amount of the Severance Payments which shall be treated as subject to the Excise Tax shall be equal to the lesser of (A) the total amount of the Severance Payments or (B) the amount of excess parachute payments within the meaning of Section 280G(b)(1) (after applying clause (i), above), and (iii) the value of any non-cash benefits or any deferred payment or benefit shall be determined by the Company's independent auditors in accordance with the principles of Sections 280G(d)(3) and (4) of the Code. For purposes of determining the amount of the Gross-Up Payment, you shall be deemed to pay federal income taxes at the highest marginal rate of federal income taxation in the calendar year in which the Gross-Up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of your residence on the Date of Termination, net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes. In the event that the Excise Tax is subsequently determined to be less than the amount taken into account hereunder at the time of Termination of your employment, you shall repay to the Company at the time that the amount of such reduction in Excise Tax is finally determined the portion of the Gross-Up Payment attributable to such reduction (plus the portion of the Gross-Up Payment attributable to the Excise Tax and federal and state and local income tax imposed on the Gross-Up Payment being repaid by you if such repayment results in a reduction in Excise Tax and/or a federal and state and local income tax deduction) plus interest on the amount of such repayment at the rate provided in Section 1274(b)(2)(B) of the Code. In the event that the Excise Tax is determined to exceed the amount taken into account hereunder at the time of the Termination of your employment (including by reason of any payment the existence or amount of which cannot be determined at the time of the Gross-Up Payment), the Company shall make an additional gross-up payment in respect of such excess (plus any interest payable with respect to such excess) at the time that the amount of such excess is finally determined;

(F) the payments provided for in paragraphs (B), (C) and (E) above, shall be made not later than the fifth day following the Date of Termination, provided, however, that if the amounts of such payments cannot be finally determined on or before such day, the Company, shall pay to you on such day an estimate, as determined in good faith by the Company, of the minimum amount of such payments and shall pay the remainder of such payments (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code) as soon as the amount thereof can be determined but in no event later than the thirtieth day after the Date of Termination. In the event that the amount of the estimated payments exceeds the amount subsequently determined to have been due, such excess shall constitute a loan by the Company to you payable on the fifth day after demand by the Company (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code). In no event shall the Gross-Up Payment be made later than the end of the tax year following the year in which you paid the Excise Tax.

(iv) If your employment shall be Terminated (A) by the Company other than for Cause, Retirement or Disability or (B) by you for Good Reason, then for a 24-month period immediately following such Termination of employment, the Company shall pay you on a monthly basis, pursuant to the Company's regular payroll timing, an amount equal to 25% of your monthly Base Salary being paid on your Date of Termination, to assist you in purchasing whatever benefits you choose during such period.

(v) You shall not be required to mitigate the amount of any payment provided for in this Section 4 by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for in this Section 4 be reduced by any compensation earned by you as the result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by you to the Company, or otherwise.

5. *Termination Before Change in Control.* If your employment by the Company shall be terminated by the Company other than for Cause, Retirement or Disability, and a change in control of the Company occurs within 90 days thereafter, you shall be entitled to the benefits provided in Section 4(iii) hereof.

6. *Definition of Termination of Employment.* With respect to any payment triggered upon your "termination" of employment, such payment may not be made unless and until such termination constitutes your separation from service with the Company, as defined under Code Section 409A. Furthermore, if you are a "specified employee" within the meaning of Code Section 409A, as determined by the Company, the payment of any amount that is subject to Code Section 409A and that is due under this Agreement upon your Termination of employment shall not be made until at least six months following your separation from service. At that time, all amounts, if any, that would have been paid during the six-month period shall be paid to you, and thereafter all payments shall be made as if there had been no six-month delay.

7. *Successors; Binding Agreement; Release of the Company.*

(i) In the event there is a disposition of the Company in a transaction as described in Section 2(i)(A), (B) (C) or (D), and the Company under new ownership or any successor to the Company in such transactions, and any business entity beneficially owning directly or indirectly 50% or more equity interest in the Company or any such successor, (A) does not assume and agree to perform this Agreement in the same manner and to the same extent the Company would be required to perform it if no succession had taken place, or (B) alternatively, does not offer to provide you an agreement with benefits substantially similar to this Agreement, resulting in your Termination of employment, then such failure to obtain the events described in clauses (A) or (B) above of this Section 7(i), prior to the effectiveness of such succession shall be a breach of this Agreement and shall entitle you to compensation from the Company in the same amount and on the same terms as you would be entitled to hereunder if you Terminated your employment for Good Reason following a change in control of the Company, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination. However, if you enter into an employment agreement with the Company or such successor as a part of the transaction or if the Company or any such successor, (1) does assume and agree to perform this Agreement in the same manner and to the same extent the Company would be required to perform it if no succession had taken place, or (2) alternatively, does offer to provide you an agreement with benefits substantially similar to this Agreement, then the obligation hereunder of the Company shall be released from all obligations under this Agreement.

(ii) In the event there is a disposition in a transaction described in Section 2(i)(E) and any transferee entity in such a transaction, and any business entity beneficially owning directly or indirectly 50% or more equity interest in such transferee entity (A) does not assume and agree to

perform this Agreement in the same manner and to the same extent the Company would be required to perform it if no succession had taken place, or (B) alternatively, does not offer to provide you an agreement with benefits substantially similar to this Agreement, resulting in your Termination of employment, then such failure to obtain the events described in clauses (A) or (B) above of this Section 7(ii), prior to the effectiveness of such succession shall be a breach of this Agreement and shall entitle you to compensation from the Company in the same amount and on the same terms as you would be entitled to hereunder if you Terminated your Employment for Good Reason following a change in control of the Company, except that for purposes of implementing the foregoing the date on which any such succession becomes effective shall be deemed the Date of Termination. However, if you enter into an employment agreement with the transferee entity as a part of the transaction or if such transferee entity (1) does assume and agree to perform this Agreement in the same manner and to the same extent the Company would be required to perform it if no succession had taken place, or (2) alternatively, does offer to provide you an agreement with benefits substantially similar to this Agreement, then the obligation hereunder of the Company shall be released from all obligations under this Agreement.

(iii) This Agreement shall inure to the benefit of and be enforceable by your personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If you should die while any amount would still be payable to you hereunder if you had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to your devisee, legatee or other designee or, if there is no such designee, to your estate.

(iv) Your obligations hereunder shall inure to the benefit of and be enforceable by the Company and each of its successors and assigns by contract, operation of law or otherwise.

8. *Notice.* For the purpose of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered by overnight courier, transmitted electronically over the internet as long as confirmation of receipt is obtained from the recipient or mailed by United States certified or registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth on the first page of this Agreement, provided that all notices to the Company shall be directed to the attention of the Chairman of the Board of Directors with a copy to the Secretary of the Company to Allied Motion Technologies, Inc., 23 Inverness Way East, Suite 150, Englewood, Colorado 80112, or to such other address as any such person may have furnished to the others in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

9. *Miscellaneous.* No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by you and such officer as may be specifically designated by the Board. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the state of incorporation of the Company. All references to sections of the Exchange Act or the Code shall be deemed also to refer to any successor provisions to such sections. Any payments provided for hereunder shall be paid net of any applicable withholding required under federal, state or local law. The obligations of the Company under Section 4 shall survive the expiration of the term of this Agreement.

10. *Counterparts.* This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

11. *Arbitration.* Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in the city where you reside or in an alternate location approved by you in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrators award in any court having jurisdiction; provided, however, that you shall be entitled to seek specific performance of your right to be paid until the Date of Termination during the pendency of any dispute or controversy arising under or in connection with this Agreement.

12. *Severability.* In the event that any provision or portion of this Agreement shall be determined to be invalid or unenforceable for any reason, the remaining provisions and portions of this Agreement shall be unaffected thereby and shall remain in full force and effect to the fullest extent provided by law.

If this letter sets forth our agreement on the subject matter hereof, kindly sign and return to the Company the enclosed copy of this letter which will then constitute our agreement on this subject.

Sincerely,

ALLIED MOTION TECHNOLOGIES INC.

By: /s/ RICHARD D. SMITH

Name: Richard D. Smith

Title: *CEO*

APPROVED: December 22, 2008.

/s/ RICHARD S. WARZALA

Richard S. Warzala

QuickLinks

[Exhibit 10.7](#)

**ALLIED MOTION TECHNOLOGIES INC.
DEFERRED COMPENSATION PLAN
As Amended and Restated Effective January 1, 2007**

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 hereby amends and restates the Plan in its entirety. The provisions of the amended and restated Plan shall apply to all Plan Participants on and after January 1, 2007.

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 January 1, 2006.

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.

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

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

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

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

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

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

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

2. 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 who first becomes a Participant on or after January 1, 2007, 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. Effective on and after January 1, 2007, 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;
- (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 (i) specify a Deferral which is a stated percentage of the Participant's Salary for such Year, and (ii) designate the form and time of distribution of that portion of the Participant's Deferral Sub-Account (as defined in Section 3.03) attributable to such Deferral Election, as further provided in Section 8.01.

(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 (i) specify a Deferral which is a stated percentage of such Bonus, and (ii) designate the form and time of distribution of that portion of the Participant's Deferral Sub-Account (as defined in Section 3.03) attributable to such Deferral Election, as further provided in Section 8.01.

(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.

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

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

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

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

4. Performance Contributions.

4.01 Basis of Performance Contributions; Performance Criteria.

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

(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 a "Performance Contribution Sub-Account" of 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.

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.

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 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 and Other Matters.*

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

(b) No later than the date on which the Board designates the Participant(s) who shall receive such Discretionary Contributions, and the amount thereof, it shall also designate when and how

such amounts shall be distributed to the eligible Participants, from among the options stated in Section 8.02.

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

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

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

7.02 *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 Contribution Sub-Account 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 or any Sub-Account among different Investment Funds in increments of 10%. Furthermore, each Participant may change his designation of Investment Funds once every month. The Investment Funds so designated are referred to herein as the "Designated Investment Funds".

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

7.04 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 *Default Rule.* Except as provided in Section 8.04, a Participant's Discretionary Sub-Account and, unless the Participant elects otherwise in accordance with Section 8.02, a Participant's Deferral Sub-Account and Performance Contribution Sub-Account shall be distributed in a lump sum within the period of thirty (30) days beginning on 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 *Election of Time and Form of Payment.*

(a) Each Participant may designate a different time of payment of all or a portion of his Deferral Sub-Account by specifying the time of payment in his Deferral Election, as provided in Section 3.02.

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

(c) To be effective with respect to any 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 8.02 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.

(d) The optional methods are as follows:

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

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

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

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

(c) An election to revoke or change with respect to payments scheduled to be made or 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.

8.04 *Payment on Death.*

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

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

(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.

8.05 *Unforeseeable Emergency.*

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

(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.

8.06 *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, 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.

8.07 *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

(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.

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

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

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

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

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

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.

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[ALLIED MOTION TECHNOLOGIES INC. DEFERRED COMPENSATION PLAN As Amended and Restated Effective January 1, 2007](#)

LIST OF SUBSIDIARIES

Computer Optical Products, Inc., COPI, a Colorado Corporation

Emoteq Corporation, a Colorado Corporation

Motor Products Corporation, a Delaware Corporation

Stature Electric, Inc., a Pennsylvania Corporation

Precision Motor Technology B.V., Premotec, incorporated in The Netherlands

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[LIST OF SUBSIDIARIES](#)

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of
Allied Motion Technologies Inc.:

We hereby consent to the incorporation by reference in the Registration Statements (Nos. 33-44997, 333-21337, 333-55344, 333-122281, 333-149279, and 333-155889) on Form S-8 and in the registration statement (No.333-119090) on Form S-3 of Allied Motion Technologies Inc. of our report dated March 18, 2009, with respect to the consolidated balance sheets of Allied Motion Technologies Inc. and subsidiaries as of December 31, 2008 and the related consolidated statements of operations, stockholders' investment and comprehensive income and cash flows for the year then ended and the related financial statement schedule, which report appears in the December 31, 2008 annual report on Form 10-K of Allied Motion Technologies Inc.

Ehrhardt Keefe Steiner & Hottman
PC

March 18, 2009
Denver, Colorado

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[CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM](#)

CERTIFICATION

I, Richard D. Smith, certify that:

1. I have reviewed this annual report on Form 10-K 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. I am 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 control over financial reporting.

Date: March 18, 2009

/s/ RICHARD D. SMITH

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

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[CERTIFICATION](#)

**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 Annual Report on Form 10-K of the Company for the year ended December 31, 2008 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-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 18, 2009

/s/ RICHARD D. SMITH

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

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[Certification of Periodic Financial Reports Pursuant to 18 U.S.C. Section 1350](#)