SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C.

Form 10-Q

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

For the Quarter Ended **March 31, 2003** **(Unaudited)**	**Commission File Number** **0-4041**

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

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

84-0518115
(IRS Employer Identification Number)

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes o No ☒

Number of Shares of the only class of Common Stock outstanding: 4,854,545 as of April 30, 2003

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ALLIED MOTION TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED BALANCE SHEET

(In Thousands, except per share data)
(Unaudited)

	March 31, 2003	December 31, 2002
Assets		
Current Assets:		
Cash and cash equivalents	$ 1,114	$ 1,955
Current assets of segment held for sale	—	684
Trade receivables, net of allowance for doubtful accounts of $110 and $148 at March 31, 2003 and December 31, 2002, respectively	5,664	5,481
Inventories, net	3,725	3,953
Deferred income taxes	1,385	1,257
Prepaid expenses and other	980	846
Total Current Assets	12,868	14,176
Property, plant and equipment, net	6,549	6,431
Goodwill and intangible assets	7,662	7,741
Total Assets	$ 27,079	$ 28,348
Liabilities and Stockholders' Investment		
Current Liabilities:		
Accounts payable	$ 2,047	$ 2,375
Accrued liabilities and other	2,704	2,562
Debt obligations	3,708	4,133
Current liabilities of segment held for sale	—	535
Income taxes payable	671	713
Total Current Liabilities	9,130	10,318
Pension, post-retirement liabilities and other	3,112	3,053
Total Liabilities	12,242	13,371
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; 4,855 and 4,837 shares issued and outstanding at March 31, 2003 and December 31, 2002, respectively	8,130	8,100
Retained earnings	6,700	6,849
Cumulative translation adjustments	7	28
Total Stockholders' Investment	14,837	14,977
Total Liabilities and Stockholders' Investment	$ 27,079	$ 28,348

See accompanying notes to financial statements.

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

	For the three months ended March 31, 2003	2002
Revenues	$ 9,176	$ 4,051
Cost of products sold	6,973	2,861
Gross margin	2,203	1,190
Operating costs and expenses:		
Selling	464	233
General and administrative	1,310	935
Engineering and development	441	200
Amortization of intangible assets	78	—
Restructuring charge	105	—
Total operating costs and expenses	2,398	1,368
Operating loss	(195)	(178)
Other income (expense), net:		
Interest expense	(64)	—
Other income (expense), net	14	(3)
Total other expenses, net	(50)	(3)
Loss before income taxes from continuing operations	(245)	(181)
Benefit from income taxes	96	54
Loss from continuing operations	(149)	(127)
Income from discontinued operations, net of tax	—	434

Net (loss) income	$ (149)	$ 307
Basic and diluted net (loss) income per share:		
Loss from continuing operations	$ (0.03)	$ (0.03)
Income from discontinued operations	—	0.10
Net (loss) income per share	$ (0.03)	$ 0.07
Basic and diluted weighted average common shares	4,846	4,663

See accompanying notes to financial statements.

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

	For the three months ended March 31, 2003	2002
Cash Flows From Operating Activities:		
Net (loss) income	$ (149)	$ 307
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:		
Depreciation and amortization	347	199
Provision for doubtful accounts	10	18
Provision for obsolete inventory	62	110
Deferred income taxes	(128)	41
Other	(6)	(18)
Changes in assets and liabilities, net of effects from disposition:		
(Increase) decrease in -		
Trade receivables	(124)	35
Inventories, net	137	137
Prepaid expenses and other	66	130
Increase (decrease) in -		
Accounts payable	(359)	458
Accrued liabilities and other	(77)	(655)
Net cash (used in) provided by operating activities	(221)	762
Cash Flows From Investing Activities:		
Purchase of property and equipment	(357)	(316)
Net proceeds from sale of Calibrator Business	149	—
Net cash used in investing activities	(208)	(316)
Cash Flows From Financing Activities:		
Changes in restricted cash	—	(54)
Repayments on debt obligations	(425)	—
Proceeds from exercise of stock options	—	7
Common stock issued under employee benefit stock plans	30	—
Net cash used in financing activities	(395)	(47)
Effect of foreign exchange rate changes on cash	(17)	(23)
Net (decrease) increase in cash and cash equivalents	(841)	376
Cash and cash equivalents at beginning of period	1,955	3,412
Cash and cash equivalents at March 31	$ 1,114	$ 3,788
Supplemental disclosure of cash flow information:		
Net cash paid during the period for:		
Interest	$ 64	$ —
Income taxes	—	—

See accompanying notes to financial statements

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

1. **Corporate Changes**

Allied Motion Technologies, Inc. is engaged in the business of designing, manufacturing and selling motion products to a broad spectrum of customers throughout the world. Prior to October 2002, the Company was known as Hathaway Corporation. In connection with the sale of its Power and Process Business, the Hathaway name became the property of the buyers. At the October 2002 Annual Meeting of Stockholders, the stockholders approved an amendment to the Articles of Incorporation changing the Company's name to Allied Motion Technologies, Inc.

On July 30, 2002, the Company purchased 100% of the stock of Motor Products – Owosso Corporation and Motor Products – Ohio Corporation ("Motor Products") from Owosso Corporation, a publicly held corporation, for $11,800,000. Motor Products, located in Owosso, Michigan has been a motor producer for more than fifty years and is a vertically integrated manufacturer of customized, highly engineered sub-fractional horsepower permanent magnet DC motors serving a wide range of original equipment applications. The motors are used in HVAC and actuation systems in a variety of markets including trucks, buses, RV's, off-road vehicles, health, fitness, medical and industrial equipment. The Company acquired Motor Products to further its Motion Strategy. See Note 9 for further information about the acquisition of Motor Products.

On August 15, 2002, the Board of Directors approved the change of the Company's fiscal year end from June 30 to December 31. The change was effective December 31, 2002. The Company reported the six-month transition period on its Form 10-K for the period ended December 31, 2002.

2. **Basis of Preparation and Presentation**

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

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

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

It is suggested that the accompanying condensed interim financial statements be read in conjunction with the Consolidated Financial Statements and related Notes to such statements included in the December 31, 2002 Form 10-K previously filed by the Company.

3. **Inventories**

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

	March 31, 2003	December 31, 2002
Parts and raw materials, net	$ 2,255	$ 2,332
Work-in process, net	719	940
Finished goods, net	751	681
	$ 3,725	$ 3,953

4. **Stock-Based Compensation**

The Company accounts for employee stock-based compensation using the intrinsic value method prescribed by Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations. All options granted under these plans have an exercise price equal to the market value of the underlying common stock on the date of grant and therefore no stock-based compensation cost is reflected in net income (loss). Had compensation cost for these plans been determined consistent with SFAS No. 123, "Accounting for Stock-Based Compensation" as amended by SFAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure, an Amendment of FASB Statement No. 123", the Company's net income (loss) would have been adjusted to the following amounts (in thousands, except per share data):

	For the three months ended March 31, 2003	2002
Actual net (loss) income	$ (149)	$ 307
Pro forma net (loss) income	$ (284)	$ 148
Actual basic and diluted net income (loss) per share	$ (0.03)	$ 0.07
Pro forma basic and diluted net income (loss) per share	$ (0.06)	$ 0.03

Cumulative compensation cost recognized is adjusted for forfeitures by a reduction of adjusted compensation expense in the period of forfeiture.

For SFAS No. 123 purposes, the fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	For the three months ended March 31, 2003	2002

Risk-free interest rate	3.9%	3.9%
Expected dividend yield	0.0%	0.0%
Expected life	6 years	6 years
Expected volatility	108.6%	120.7%

The weighted average fair value of options granted, assuming the Black-Scholes option-pricing model, during the quarter ended March 31, 2003 and 2002 was $1.48 and $2.60, respectively. The total fair value of options granted was $186,000 and $546,000 in the quarter ended March 31, 2003 and 2002, respectively. These amounts are being amortized ratably over the vesting periods of the options for purposes of this disclosure.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company’s employee stock options have characteristics significantly different than those of traded options, and because changes in the subjective input assumptions can

materially affect the fair value estimate, in management’s opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its stock options.

5. Earnings per Share

Basic income (loss) per share from continuing operations is computed by dividing net income or loss by the weighted average number of shares of common stock outstanding. Diluted income or loss per share from continuing operations is determined by dividing the net income or loss by the sum of (1) the weighted average number of common shares outstanding and (2) if not anti-dilutive, the effect of stock options determined utilizing the treasury stock method. Stock options to purchase 1,096,000 and 742,000 shares of common stock (without regard to the treasury stock method), were excluded from the calculation of diluted loss per share for the quarters ended March 31, 2003 and 2002, respectively, since the results would have been anti-dilutive.

6. 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 historically operated in two different segments: Power and Process Business (Power and Process) and Motion Business. On July 29, 2002, the Company completed the sale of substantially all the Power and Process Business and on March 6, 2003 the Company sold the final portion of Power and Process transforming the Company into a Motion Business and therefore eliminated the need for segment reporting. The discontinued operations of Power and Process are discussed in Note 8.

7. 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 shareholders.

Comprehensive income (loss) is computed as follows (in thousands):

	For the three months ended March 31, 2003	2002
Net (loss) income	$ (149)	$ 307
Foreign currency translation adjustment	(21)	(60)
Comprehensive (loss) income	$ (170)	$ 247

8. Discontinued Operations

On July 29, 2002, the Company sold substantially all the assets of its Power and Process Business to Qualitrol Power Products, LLC (Qualitrol Power) and its affiliate Danaher UK Industries, Limited (DUKI). Both Qualitrol Power and DUKI are direct or indirect subsidiaries of Danaher Corporation, a publicly traded corporation under the symbol DHR. The Power and Process Business was comprised of power instrumentation products, systems and automation products, and process instrumentation products. It also included investments in two China joint ventures which were also sold.

Proceeds from the sale of substantially all of the Power and Process Business were $8,182,000 plus the assumption of certain related liabilities. The proceeds consisted of $7,682,000 received as

of March 31, 2003 plus $500,000 due on July 29, 2003. The amount due is included in prepaid expenses and other current assets in the accompanying March 31, 2003 balance sheet.

The remaining assets of the Power and Process Segment related to the Company’s Calibrator Business. On March 6, 2003, the Company completed the sale of its Calibrator Business to a subsidiary of Martel Electronics Corp. The proceeds consisted of $200,000 received on March 6, 2003 plus $50,000 due on March 6, 2004. The amount due is included in prepaid expenses and other current assets in the accompanying March 31, 2003 balance sheet. The Company did not recognize a gain or loss from the sale due to a writedown of the carrying value of the Calibrator Business to its estimated fair value at September 30, 2002.

In accordance with SFAS No. 144, the consolidated financial statements of the Company have been recast to present these businesses as discontinued operations. Accordingly, the revenues, costs and expenses and assets and liabilities of these discontinued operations have been excluded from the respective captions in the accompanying Consolidated Statements of Operations and Balance Sheets and have been reported in the various statements under the captions, "Income (loss) from discontinued operations", "Current assets of segment held for sale" and "Current liabilities of segment held for sale" for all periods presented. In addition, certain of these Notes have been recast for all periods to reflect the discontinuance of these operations.

Summary results for the discontinued operations are as follows (in thousands):

	For the three months ended March 31, 2003	2002
Revenues	$ 159(a)	$ 7,337(b)
Income from discontinued operations, net of taxes	$ —	$ 434

(a) Includes two months of Calibrator Business revenues.
(b) Includes three months of Power and Process segment revenues.

Amounts included in the Consolidated Balance Sheets for discontinued operations are as follows (in thousands):

	March 31, 2003	December 31, 2002
Current assets of segment held for sale		
Trade receivables, net	$ —	$ 165
Inventories, net	—	351
Property, plant and equipment	—	97
Prepaid expenses and other	—	71
Deferred income taxes	—	—
Total	$ —	$ 684
Current liabilities of segment held for sale		
Accounts payable	$ —	$ 53
Accrued liabilities	—	450
Product warranty reserve	—	32
Total	$ —	$ 535

9. **Motor Products Acquisition**

On July 30, 2002, the Company purchased 100% of the stock of Motor Products from Owosso Corporation, a publicly held corporation, for $11,800,000. The Company incurred approximately $712,000 in acquisition costs, which resulted in a total purchase price of $12,512,000. The

Company paid $11,500,000 in cash at closing and $300,000 was paid in January 2003 and was included in debt obligations in the accompanying December 31, 2002 balance sheet.

The acquisition was accounted for using the purchase method of accounting, and, accordingly, the purchase price was allocated to the assets purchased and the liabilities assumed based on their respective estimated fair values at the date of acquisition which in part was determined by a third-party appraisal. The net purchase price allocation was as follows (in thousands):

Trade receivables	$ 2,927
Inventories	2,300
Other current assets	56
Property, plant and equipment	5,377
Amortizable intangible assets	2,670
Goodwill	4,861
Accrued liabilities and other current liabilities	(2,937)
Pension and post-retirement obligations	(2,742)
Net purchase price	$ 12,512

The acquired goodwill and intangible assets are deductible for tax purposes. The amortizable intangible assets are amortized as discussed in Note 10.

The accompanying consolidated financial statements include the operating results of Motor Products subsequent to July 30, 2002.

The following presents the Company's unaudited pro forma financial information from continuing operations for the three months ended March 31, 2002. The pro forma statements of operations give effect to the acquisition of Motor Products as if it had occurred at January 1, 2002. The pro forma financial information is for informational purposes only and does not purport to present what the Company's results would actually have been had the acquisition actually occurred at the beginning of the fiscal period or to project the Company's results of operations for any future period (in thousands, except per share data).

For the three months ended

		March 31, 2002
Revenues	$	9,190
Gross margin		1,655
Operating loss		(338)
Loss from continuing operations		(206)
Diluted loss per share from continuing operations		(.04)

10. Goodwill and Intangible Assets

In June 2001, the FASB issued SFAS No. 142. SFAS No. 142 changes the accounting for goodwill and intangible assets and requires that goodwill no longer be amortized but be tested for impairment at least annually at the reporting unit level in accordance with SFAS No. 142. Recognized intangible assets with determinable useful lives should be amortized over their useful life and reviewed for impairment in accordance with SFAS No. 144. The provisions of SFAS No. 142 are effective for fiscal years beginning after December 15, 2001, except for provisions related to the non-amortization and amortization of goodwill and intangible assets acquired after June 30, 2001, which were subject immediately to the provisions of SFAS No. 142. The Company adopted SFAS No. 142 on July 1, 2002. SFAS No. 142 requires a transitional goodwill impairment test at each reporting unit within six months of the date of adoption. However, the amounts used in the transitional goodwill impairment testing are measured as of July 1, 2002. The Company completed its analysis of the fair value of its goodwill existing at July 1, 2002 and determined there was no indicated impairment of its goodwill. There can be no assurance that future goodwill

impairments will not occur. In addition, the Company has determined that the classifications of its intangible assets previously acquired and the related useful lives established were not impacted by the provisions of SFAS No. 142.

The change in the carrying amount of goodwill for the quarter ended March 31, 2003 is as follows (in thousands):

Balance as of December 31, 2002	$	5,202
Goodwill acquired during period		—
Balance as of March 31, 2003	$	5,202

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

		March 31, 2003		December 31, 2002	Estimated Life
Amortizable intangible assets					
Customer lists	$	1,930	$	1,930	8 years
Trade name		740		740	10 years
Accumulated amortization		(210)		(131)	
Total intangible assets	$	2,460	$	2,539	

Amortization expense for intangible assets for the quarter ended March 31 was $78,000.

11. Restructuring Charge

Restructuring charges include the costs associated with the Company's strategy of reducing its facility requirements and implementing lean manufacturing initiatives. These charges consist of costs that are incremental to the Company's ongoing operations and, for the quarter ended March 31, 2003, include employee termination related charges. In periods subsequent to March 31, 2003, the Company anticipates incurring restructuring charges related to lease termination costs and moving and relocation expenses.

The Company recorded restructuring charges of $105,000 in the first quarter of 2003, primarily associated with workforce reductions which were paid in the first quarter or will be paid by May 31, 2003.

At March 31, 2003, outstanding liabilities related to the 2003 restructuring charges were $61,000 and are included in accrued liabilities and other in the accompanying condensed consolidated balance sheet.

The following table summarizes the components of the restructuring charges as of March 31, 2003 (in thousands):

		For the three months ended March 31, 2003
Restructuring charges	$	105
Payments made		(44)
Accrued liability	$	61

12. Recently Issued Accounting Standards

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," (effective January 1, 2003) which replaces Emerging Issues Task Force

(EITF) Issue No. 94-3 "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred and states that an entity's commitment to an exit plan, by itself, does not create a present obligation that meets the definition of a liability. SFAS No. 146 also establishes that fair value is the objective for initial measurement of the liability. The Company accounted for its restructuring activities during the first quarter 2003 in accordance with SFAS No. 146.

In November 2002, the FASB issued FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure for Guarantees, Including Indirect Guarantees of Indebtedness of Others" (FIN 45). FIN 45 requires a liability to be recognized at the time a company issues a guarantee for the fair value of the obligations assumed under certain guarantee agreements. Additional disclosures about guarantee agreements are also required in the interim and annual financial statements, including a roll forward of the entity's product warranty liabilities to the extent they are material. The provisions for initial recognition and measurement of guarantee agreements are effective on a prospective basis for guarantees that are issued or modified after December 31, 2002. The adoption of FIN 45 had no impact on the Company's consolidated financial statements.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation, Transition and Disclosure". SFAS No. 148 provides alternative methods of transition for a voluntary change in the fair value based method of accounting for stock-based compensation. SFAS No. 148 also requires that disclosures of the pro forma effect of using the fair value method of accounting for stock-based employee compensation be displayed more prominently and in a tabular format. Additionally, SFAS No. 148 requires disclosure of the pro forma effect in interim financial statements. The adoption of SFAS No. 148 did not have a material impact on the Company's financial statements.

In January 2003, the Financial Accounting Standards Board issued FASB Interpretation No. 46, "Consolidation of Variable Interest Entities" (FIN No. 46). This interpretation clarifies existing accounting principles related to the preparation of consolidated financial statements when the equity investors in an entity do not have the characteristics of a controlling financial interest or when the equity at risk is not sufficient for the entity to finance its activities without additional subordinated financial support from others parties. FIN No. 46 requires a company to evaluate all existing arrangements to identify situations where a company has a "variable interest" (commonly evidenced by a guarantee arrangement or other commitment to provide financial support) in a "variable interest entity" (commonly a thinly capitalized entity) and further determine when such variable interests require a company to consolidate the variable interest entities' financial statement with its own. The Company is required to perform this assessment by September 30, 2003 and consolidate any variable interest entities for which it will absorb a majority of the entities' expected losses or receive a majority of the expected residual gains. Management is not aware of any variable interest entities that it may be required to consolidate.

ALLIED MOTION TECHNOLOGIES, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

All statements contained herein that are not statements of historical fact constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include, without limitation, any statement that may predict, forecast, indicate, or imply future results, performance, or achievements, and may contain the word "believe," "anticipate," "expect," "project," "intend," "will continue," "will likely result," "should" or words or phrases of similar meaning. Forward-looking statements involve known and unknown risks and uncertainties that may cause actual results of the Company to differ materially from the forward-looking statements. The risks and uncertainties include international, national and local general business and economic conditions in the Company's motion markets, introduction of new technologies, products and competitors, the ability to protect the Company's intellectual property, the ability of the Company to sustain, manage or forecast its growth and product acceptance, success of new corporation strategies and implementation of defined critical issues designed for growth and improvement in profits, the continued success of the Company's customers to allow the Company to realize revenues from its order backlog and to support the Company's expected delivery schedules, the continued viability of the Company's customers and their ability to adapt to changing technology and product demand, the ability of the Company to meet the technical specifications of its customers, the continued availability of parts and components, increased competition and changes in competitor responses to the Company's products and services, changes in government regulations, availability of financing, the ability of the Company's lenders and financial institutions to provide additional funds if needed for operations or for making future acquisitions or the ability of the Company to obtain alternate financing if present sources of financing are terminated, the ability to attract and retain qualified personnel who can design new applications and products for the motion industry, the ability of the Company to identify and consummate favorable acquisitions to support external growth and new technology, 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.

Because of the risks and uncertainties, investors should not place undue reliance on 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.

Operating Results

Effective July 29, 2002, the Company sold its Power and Process Business. In addition, on March 6, 2003, the Company sold the Company's Calibrator Business. Together, these two businesses comprised the Company's Power and Process segment as historically reported. See Note 8 to the accompanying condensed consolidated financial statements for more information regarding these events. In accordance with SFAS No. 144, these businesses have been presented as discontinued operations in the accompanying condensed consolidated financial statements. As such, the operating results from continuing operations of the Company now only include results from the Company's Motion Business. All activities related to the Power and Process segment are excluded from continuing operating results and are included in the results from discontinued operations.

On July 30, 2002, the Company purchased 100% of the stock of Motor Products – Owosso Corporation and Motor Products – Ohio Corporation ("Motor Products") from Owosso Corporation, a publicly held corporation, for $11,800,000. Motor Products, located in Owosso, Michigan has been a motor producer for more than fifty years and is a vertically integrated manufacturer of customized, highly engineered sub-fractional horsepower permanent magnet DC motors serving a wide range of original equipment applications. The motors are used in HVAC and actuation systems in a variety of markets including trucks, buses, RV's, off-road vehicles, health, fitness, medical and industrial equipment. The Company acquired Motor Products to further its Motion Strategy. See Note 9 for further information about the acquisition of Motor Products.

NET INCOME The Company had a net loss of $149,000 or $.03 per diluted share for the first quarter 2003 compared to net income of $307,000 or $.07 per diluted share for the same quarter last year.

INCOME FROM CONTINUING OPERATIONS The Company had a loss from continuing operations of $149,000 or $.03 per diluted share for the quarter ended March 31, 2003 compared to $127,000 or $.03 per diluted share for the same quarter last year.

REVENUES Revenues were $9,176,000 in the quarter ended March 31, 2003 compared to $4,051,000 for the quarter ended March 31, 2002. Included in revenues for the quarter ended March 31, 2003 are revenues related to Motor Products, which was acquired on July 30, 2002. On a proforma basis, including Motor Products revenues for the quarter ended March 31, 2002, revenues were approximately the same for the first quarter of this year compared to the same period last year.

GROSS MARGINS Gross margin as a percentage of revenues decreased to 24% from the quarter ended March 31, 2003 from 29% for the same quarter last year. The primary reason for this decline is due to the impact of acquiring Motor Products. Motor Products has not historically achieved as high a gross margin percentage from the industry sectors to which it sells as is achieved from other industry sectors to which the Company's other businesses sells its products. In the quarter ended March 31, 2002 on a proforma basis, including Motor Products, gross margin was 18%. This improvement is due to the implementation of lean manufacturing and off-shore purchasing initiatives.

SELLING EXPENSES Selling expenses in the first quarter were $464,000 compared to $233,000 for the first quarter last year. This increase is primarily due to the impact of acquiring Motor Products.

GENERAL AND ADMINISTRATIVE EXPENSES General and administrative expenses were $1,310,000 in the quarter ended March 31, 2003 compared to $935,000 in the quarter ended March 31, 2002. This increase was due to the impact of acquiring Motor Products, increased salary costs of $39,000 associated with the Company's new chief operating officer and marketing executive, and $116,000 additional incentive bonus charges.

ENGINEERING AND DEVELOPMENT EXPENSES Engineering and development expenses were $441,000 in the first quarter and $200,000 in the same quarter last year. This increase was primarily due to the impact of acquiring Motor Products.

AMORTIZATION Amortization expense was $78,000 in the quarter ended March 31, 2003 and zero in the same quarter last year. This increase is due to the amortization of costs related to the amortizable intangible assets acquired in the Motor Products acquisition.

RESTRUCTURING CHARGE Restructuring charges were $105,000 and zero for the quarters ended March 31, 2003 and 2002, respectively. The restructuring expense relates to the consolidation of the Company's manufacturing facilities resulting from the implementation of lean manufacturing initiatives. This year's first quarter charge relates to severance costs arising from workforce reductions.

INTEREST EXPENSE Interest expense for the first quarter ended March 31, 2003 was $64,000 compared to zero in the quarter ended March 31, 2002. This increase is due to the borrowings related to the financing of the acquisition of Motor Products.

BENEFIT FROM INCOME TAXES Benefit from income taxes was $96,000 and $54,000 in the first quarter ended March 31, 2003 and 2002, respectively. The effective rate used to record income taxes is based on projected income for the fiscal year and differs from the statutory amounts primarily due to certain expenses that are not deductible for income tax purposes and the impact of differences in state and foreign tax rates.

DISCONTINUED OPERATIONS Income from discontinued operations was zero in the quarter ended March 31, 2003 compared to income of $434,000 in the quarter ended March 31, 2002. The Calibrator Business was sold during the first quarter 2003 and the Company did not recognize a gain or loss from the sale due to a writedown of the carrying value to its estimated fair value at September 30, 2002.

Liquidity and Capital Resources

The Company's liquidity position as measured by cash and cash equivalents decreased $841,000 during the quarter to $1,114,000 at March 31, 2003. The decrease compares to $376,000 generated in the same period last year.

Net cash used in operating activities was $221,000 for the quarter ended March 31, 2003 compared to cash provided by operating activities of $762,000 for the quarter ended March 31, 2002. The decrease was primarily due to the decline in operating results and larger uses of working capital.

Net cash used in investing activities was $208,000 and $316,000 for the quarters ended March 31, 2003 and 2002, respectively. In the quarter ended March 31, 2003, the Company received net proceeds from the sale of the Calibrator Business of $149,000. Purchases of property and equipment were $357,000 and $316,000 in the quarters ended March 31, 2003 and 2002, respectively.

Net cash used in financing activities was $395,000 and $47,000 for the quarters ended March 31, 2003 and 2002, respectively. In the quarter ended March 31, 2003, the Company made payments of $300,000 related to a note payable issued in the acquisition of Motor Products and $125,000 on its term loan compared to no payments on its debt obligations for the same period last year.

The Company's working capital, capital expenditure and debt service requirements are expected to be funded from cash provided by operations, the Company's existing cash balance and amounts available under the line of credit facility. The Company believes the capital currently available is sufficient for its currently anticipated needs for the next twelve months, but if additional financing is needed in the future, the Company would pursue additional capital via debt or equity financing.

A key component of the Company's liquidity relates to the availability of amounts under the line of credit agreement with Silicon Valley Bank (Silicon). Any lack of availability of this facility could have a material adverse impact on the Company's liquidity position. The Agreement matures on Septebmer 10, 2003 but can be extended upon agreement with Silicon. The Company believes it will be able to extend the agreement with Silicon. The Agreement requires that the Company maintain compliance with certain covenants related to tangible net worth and debt service coverage. As of March 31, 2003 the Company was in compliance or has obtained waivers for such covenants. The Company anticipates it will meet all covenant requirements prior to the end of the second quarter. At March 31, 2003, the Company had $1,371,000 available on the line of credit.

Critical Accounting Policies

The Company has prepared its financial statements in conformity with accounting principles generally accepted in the United States, and these statements necessarily include some amounts that are based on informed judgments and estimates of management. The Company's critical accounting policies are subject to judgments and uncertainties which affect the application of such policies. The Company uses historical experience and all available information to make these judgments and estimates. As discussed below the Company's financial position or results of operations may be materially different when reported under different conditions or when using different assumptions in the application of such policies. In the event

estimates or assumptions prove to be different from actual amounts, adjustments are made in subsequent periods to reflect more current information. The Company's critical accounting policies include:

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

Inventory is valued at the lower of cost or market. The Company monitors and forecasts expected inventory needs based on changing sales forecasts. Inventory is written down or written off when it becomes obsolete, generally because of engineering changes to a product or discontinuance of a product line, or when it is deemed excess. These determinations involve the exercise of significant judgment by management, and as demonstrated in recent periods demand for our products is volatile and changes in expectations regarding the level of future sales can result in substantial charges against earnings for obsolete and excess inventory.

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

The Company reviews the carrying values of its long-lived assets whenever events or changes in circumstances indicate that such carrying values may not be fully recoverable. Under current standards, the 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, estimate the fair value of the impaired long-lived asset. The estimated future cash flows are based upon, among other things, assumptions about expected future operating performance and may differ from actual cash flows. There can be no assurance that future long-lived asset impairments will not occur.

Goodwill represents the excess of the purchase price over the fair value of identifiable net tangible and intangible assets acquired in a business combination. Effective July 1, 2002, the Company adopted Statement of Financial Accounting Standard No. 142, "Goodwill and Other Intangibles" (SFAS No. 142) and ceased amortization of its goodwill. Goodwill is required to be tested for impairment annually, or more frequently if events or changes in circumstances indicate that goodwill may be impaired. This assessment requires estimates of future revenues, operating results and cash flows, as well as estimates of critical valuation inputs such as discount rates, terminal values and similar data. The Company will continue to perform periodic and annual impairment analyses of goodwill resulting from its acquisitions. As a result of future periodic, at least annual, impairment analyses, impairment charges may be recorded and may have a material adverse impact on the financial position and operating results of the Company. Additionally, the Company may make strategic business decisions in future periods which impact the fair value of goodwill, which could result in significant impairment charges. There can be no assurance that future goodwill impairments will not occur.

Outlook

The Company's total sales order backlog at March 31, 2003 was $14,387,000 compared to $9,243,000 as of March 31, 2002 which did not include backlog for Motor Products. Backlog was up 5% from December 31, 2002 and also from the first quarter of last year including Motor Products on a proforma basis.

The Company is proceeding with activities to restructure its operating facilities and reduce the number of facilities to three. The restructuring activities are expected to be complete by the end of the third quarter. In addition, the vigorous implementation of lean manufacturing initiatives are expected to result in continuous improvement in productivity and operating profits well into the future.

As a supplement to internal growth, the Company continues to be in active discussions with other companies in pursuing strategic acquisitions to both provide external growth and to strengthen its technology base.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk represents the risk of loss that may impact the financial position, results of operations or cash flows of the Company due to adverse changes in financial and commodity market prices and rates. The Company is exposed to market risk in the areas of changes in United States interest rates and changes in foreign currency exchange rates as measured against the United States dollar. These exposures are directly related to its normal operating and funding activities. Historically, and as of March 31, 2003, the Company has not used derivative instruments or engaged in hedging activities.

Interest Rate Risk

The interest payable on the Company's line-of-credit is variable based on the prime rate, and, therefore, affected by changes in market interest rates. The line-of-credit matures in September 2003. The Company manages interest rate risk by investing excess funds in cash equivalents bearing variable interest rates that are tied to various market indices. As a result, the Company does not believe that reasonably possible near-term changes in interest rates will result in a material effect on future earnings, fair values or cash flows of the Company. A change in the interest rate of 1% on the Company's variable rate debt would have the impact of changing interest expense by approximately $22,000 annually.

Foreign Currency Risk

After July 29, 2002, upon the sale of the Power and Process Business, the Company has one foreign wholly-owned subsidiary which is located in England. Sales from this operation are typically denominated in British Pounds, thereby creating exposures to changes in exchange rates. The changes in the British/U.S. exchange rate may positively or negatively affect the Company's sales, gross margins, net income and retained earnings. The Company does not believe that reasonably possible near-term changes in exchange rates will result in a material effect on future earnings, fair values or cash flows of the Company, and therefore, has chosen not to enter into foreign currency hedging instruments. There can be no assurance that such an approach will be successful, especially in the event of a significant and sudden decline in the value of the British Pound.

Item 4. Controls and Procedures

The Company's controls and procedures include those designed to ensure that material information is accumulated and communicated to the Company's management as appropriate to allow timely decisions regarding required disclosure. Within 90 days prior to the filing of this report, the Company's chief executive officer and chief financial officer evaluated the Company's 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 10-Q and concluded that they are effective. There have not been any significant changes in the Company's internal controls or in other factors that could significantly affect the internal controls subsequent to the date of the evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

10. Asset Purchase Agreement among Hathaway Process Instrumentation Corporation and Martel Electronics Corp dated March 3, 2003.

99. Certification of Periodic Financial Reports.

(b) Reports on Form 8-K

There were no reports on Form 8-K filed during the three months ended March 31, 2003. On May 15, 2003, the Company filed Amendment No. 1 to Form 8-K to amend its previously filed report on Form 8-K dated July 29, 2002.

SIGNATURES

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

DATE: May 15, 2003

ALLIED MOTION TECHNOLOGIES, INC.

By: /s/ Richard D. Smith

Chief Executive Officer and Chief Financial Officer

CERTIFICATION

I, Richard D. Smith, certify that:

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

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a – 14 and 15d – 14) for the registrant and I have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) presented in this quarterly report my conclusions about the effectiveness of the disclosure controls and procedures based on my evaluation as of the Evaluation Date;

5. I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 15, 2003

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

CERTIFICATION

I, Richard S. Warzala, certify that:

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

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a – 14 and 15d – 14) for the registrant and I have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) presented in this quarterly report my conclusions about the effectiveness of the disclosure controls and procedures based on my evaluation as of the Evaluation Date;

5. I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 15, 2003

/s/ Richard S. Warzala

Richard S. Warzala
President and
Chief Operating Officer

ASSET PURCHASE AGREEMENT

This **AGREEMENT**, made this 3rd day of March 2003, is by and among **HATHAWAY PROCESS INSTRUMENTATION CORPORATION**, a Colorado corporation ("Seller"), **BETA CALIBRATOR CORP.,** a Texas corporation ("Buyer"), and **MARTEL ELECTRONICS CORP.**, a New Hampshire corporation ("Guarantor").

Recitals:

A. Seller is engaged in the business of designing, manufacturing and distributing process instrumentation calibrators (the "Products") under the trade name "Beta Calibrators" (hereinafter referred to as the "Beta Calibrators Business").

B. Seller desires to sell and transfer substantially all of the operating assets used in its Beta Calibrators Business, and Buyer desires to purchase those assets and assume certain liabilities of Seller related to the Beta Calibrators Business, all on the terms and conditions set forth in this Agreement.

C. Buyer is a wholly-owned subsidiary of Guarantor, and Guarantor agrees to guarantee all of Buyer's responsibilities and obligations under this Agreement.

NOW, THEREFORE, the parties hereto, for good and valuable consideration as set forth below, hereby agree as follows:

ARTICLE 1
Purchase and Sale of Assets

1.1 **Purchase and Sale.** Subject to the terms and conditions of this Agreement, at the Closing, as hereinafter defined, Seller shall sell and Buyer shall purchase the Assets, as hereinafter defined, free and clear of all liens, encumbrances and security interests, and Buyer shall pay to Seller the Purchase Price, as hereinafter defined, in the amount and manner and at the time hereinafter specified.

1.2 **Assets to be Purchased.** The following is an identification of the assets to be transferred to Buyer (the "Assets") at Closing:

(a) **Inventory.** All finished, in process and raw material inventory of the Beta Calibrators Business, located at Seller's leased facility in Farmers Branch, Texas or held by Seller's suppliers for outside processing or ordered by Seller, in each instance as of the date of Closing (the "Inventory").

(b) **Tangible Assets.** All the tangible personal property owned and used by Seller in the Beta Calibrators Business (other than Inventory) including furniture, fixtures, equipment, signage, machinery, telephones, marketing materials and office supplies used by Seller in the Beta Calibrators Business and located at Seller's leased facility in Farmers Branch, Texas or ordered by Seller as of the date of Closing (the "Tangible Assets").

(c) **Intangible Assets.** The goodwill and customer list of the Beta Calibrators Business; the trade names "BetaGauge", "BetaFLEX", "MasterCAL" and "CALTools"; the registered trademarks "BETAFLEX", "MASTERCAL" and "CALTOOL"; "CAL TOOL" (and Design), for which a trademark application is currently pending; the domain names "betacalibrators.com" and "calibrationcentral.com"; and manufacturing know-how and drawings used by Seller in the Beta Calibrators Business (the "Intangible Assets").

(d) **Contracts.** All of Seller's rights, title and interest in and under contracts and agreements between Seller and its distributors, sales representatives and contract manufacturers, all operating leases for manufacturing or office equipment, and all capital leases for computer hardware and software, as such are used by Seller in the Beta Calibrators Business as set forth in Schedule 1.2(d) attached hereto (the "Contracts"); all purchase orders and sales commitments between Seller and its customers; and all licenses and permits used by Seller in the Beta Calibrators Business.

1.3 **Excluded Assets.** Notwithstanding the foregoing categories of Assets, the following shall not be sold to Buyer and shall be retained by Seller (the "Excluded Assets"):

(a) cash;

(b) bank accounts;

(c) all prepaid expenses, including but not limited to rent, security deposits, taxes and insurance premiums;

(d) claims and refunds under insurance policies issued in Seller's name or in which Seller is listed as "an insured" or "an additional insured";

(e) tax refunds and credits related to the operations of the Beta Calibrators Business prior to Closing;

(f) corporate books and records, including minute books, stock records, accounting records and work papers, financial statements, tax returns, and insurance policies;

(g) accounts receivable outstanding as of the Closing, as well as accounts receivable representing amounts due from customers of the Beta Calibrators Business for goods or services sold to them by Seller prior to Closing but not billed until after Closing (the "Accounts Receivable"); and

(h) any assets of Seller not used in or related to the Beta Calibrators Business.

1.4 **Lease.** Seller's Beta Calibrators Business is conducted from leased facilities located in Valley View Tech Center II and III at 2309 Springlake Road, Suite #600, Farmers Branch, Texas pursuant to a Commercial Lease Agreement with MRP/VV, L.P. (the "Landlord") dated January 25, 2001, as set forth in Schedule 1.4 attached hereto (the "Lease"). Seller and Buyer shall use their best efforts to obtain the consent of the Landlord to the assignment of the Lease to Buyer effective as of the Closing. Pending receipt of Landlord's consent, effective from and after Closing, Buyer shall assume and be responsible for all obligations of Seller under the Lease. Buyer shall not be entitled to Seller's security deposit under the Lease.

1.5 **Purchase Price.** The Buyer shall pay to Seller a purchase price of $250,000 for the Assets (the "Purchase Price"), which shall be allocated among the Inventory, Tangible Assets, Intangible Assets and Contracts as set forth in Schedule 1.5 attached hereto.

1.6 **Assumed Liabilities.** At Closing, Buyer shall assume all liabilities and obligations of Seller for or under the following (the "Assumed Liabilities"):

(a) the Lease;

(b) all Contracts;

(c) all warranty claims related to the Beta-Port-P pressure modules sold by Seller on or prior to Closing;

(d) all warranty claims related to all products (other than the Beta-Port-P pressure module, for which Buyer assumes liability pursuant to Section 1.6(c) hereof) shipped by Seller on or prior to Closing, in an amount that shall not exceed three percent (3%) of the previous fiscal year's gross sales revenue for all such products (the "Warranty Return Cost"). In the event that the costs incurred by Buyer under this Section 1.6(d) with respect to warranty claims during each twelve (12) month period commencing on the date of Closing exceed the Warranty Return Cost for the preceding fiscal year, the amount of such excess may be offset against Buyer's payment obligation under the Promissory Note, as hereinafter defined; and

(e) obligations owed by Seller to employees of Seller who are hired by Buyer for:

(i) wages and benefits earned on and after the Closing Date;

(ii) any severance pay resulting from the sale of the Assets to Buyer or owed as a result of the termination of the employment of any such employee by Buyer after the Closing Date;

(iii) any earned and accrued vacation that has accrued through the Closing Date as set forth in Schedule 1.6(e) attached hereto; and

(iv) any accrued sick time or time off with pay set forth in Schedule 1.6(e).

The obligations in clauses (i) through (iv) under this Section 1.6(e) are hereinafter referred to as "Obligations Owed to Employees".

1.7 **Excluded Liabilities.** Except for the Assumed Liabilities, Buyer does not and shall not assume, and nothing contained in this Agreement shall be construed as an assumption by Buyer of, any liabilities, obligations or undertakings of Seller of any nature whatsoever, whether fixed or contingent, known or unknown. Seller shall be responsible for all of the liabilities, obligations and undertakings of the Beta Calibrators Business not specifically assumed herein, including the "Product Development and Manufacturing Agreement" dated May 7, 2001, with Transmation Products Group, and any stock options, vested or otherwise, held by any of the employees hired by Buyer. For

convenience of reference, the liabilities, obligations and undertakings not included in the definition of Assumed Liabilities, and which are being retained by Seller, are collectively referred to in this Agreement as the "Excluded Liabilities".

ARTICLE 2
Covenants

2.1 **Collection of Accounts Receivable.** Seller shall retain ownership of and be responsible for collecting all Accounts Receivable; provided, however, Buyer shall use its best efforts to cooperate with Seller in collecting the Accounts Receivable and shall remit to Seller within three (3) business days of receipt any funds that Buyer receives from a customer that relate to an Account Receivable. Buyer shall deposit those funds in Seller's bank account or otherwise remit them to Seller as Seller may instruct.

2.2 **Use of Name "Hathaway".** By not later than June 30, 2003, Buyer shall cease using the name "Hathaway" and any derivation, form or likeness thereof on any products or in any other manner.

2.3 **Employees.** Buyer agrees to hire Seller's employees listed on Schedule 1.6(e) attached hereto, for the same positions with the same titles, hire dates and wages as listed in Schedule 1.6(e) (the "Employees"). Buyer agrees that it will indemnify and hold Seller harmless for any claims asserted against Seller by any such Employee for Obligations Owed to Employees.

ARTICLE 3
Representations and Warranties

3.1 **Representations and Warranties of Seller.** Seller represents and warrants to Buyer as follows:

(a) **Corporate Authority and Binding Agreement.** Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of Colorado, is duly qualified to do business in Texas, has all requisite corporate power to own all of its properties and assets and to conduct its business as it is now being conducted, and to enter into this Agreement. This Agreement and its performance by Seller do not conflict with any provision of Seller's Certificate of Incorporation or By-Laws or any law, regulation, ordinance or any provision of any agreement, instrument, order, award, judgment or decree to which Seller is a party or by which it is bound. This Agreement is a legal, valid and binding agreement of Seller enforceable against Seller in accordance with its terms. Seller has obtained all necessary authorization and approval and consents for the execution of this Agreement and the consummation of the transactions contemplated herein, except for the consents listed in Schedule 3.1(a) attached hereto.

(b) **Taxes.** Seller has paid or will pay all taxes that are due that are related to the Beta Calibrators Business or the Assets or which could in any way be imposed on the Beta Calibrators Business, Assets, or Buyer as purchaser of the Beta Calibrators Business or the Assets, except for any sales tax or bulk transfer tax arising as a result of the sale to Buyer, which shall be the responsibility of Buyer.

(c) **Title Conveyed.** At Closing, Seller shall convey to Buyer good and marketable title to the Assets being transferred, conveyed, assigned and delivered, free and clear of all liens, claims, pledges, security interests, charges, obligations and encumbrances.

(d) **No Proceedings.** No suit, action or other proceeding is pending or, to the knowledge of the Seller, threatened before any governmental authority seeking to restrain the Seller or prohibit its entry into this Agreement or prohibit the consummation of the transactions contemplated hereby, or seeking damages against the Seller or its Assets as a result of the consummation of the transactions contemplated hereby.

(e) **Employee Benefit Matters.** Prior to the date of this Agreement, Seller has delivered to Buyer copies of each of the documents listed in Schedule 3.1(e).

(f) **Financial Statements.** The Seller has delivered to Buyer the unaudited balance sheet and income statement for the Beta Calibrators Business as of and for the twelve (12) months ended December 31, 2002.

(g) **No Material Adverse Change.** To the best knowledge of the Seller, since December 31, 2002, there has not been: any event, circumstance or change that had or might have a material adverse effect on the business, operations, prospects, Assets, financial condition or working capital of the Seller; any material adverse change in the Seller's sales patterns, pricing policies, accounts receivable or accounts payable; or any transaction outside the ordinary course of the Beta Calibrators Business.

(h) **Compliance with Laws.** To the best knowledge of the Seller, the Seller is and has been in compliance in all material respects with any and all material legal requirements applicable to the Seller, other than failures to so comply that would not have a material adverse effect on the business, operations, prospects, Assets or financial condition of the Seller.

(i) **Litigation.** To the best knowledge of the Seller, there are no claims, actions, suits, investigations or proceedings against the Seller pending or, to the knowledge of the Seller, threatened in any court or before or by any governmental authority, or before any arbitrator, that might have a material adverse effect (whether covered by insurance or not) on the Assets or condition of the Beta Calibrators Business.

(j) **Suppliers, Distributors and Customers.** Since December 31, 2002, no material supplier, distributor or customer of the Beta Calibrators Business has cancelled or otherwise modified its relationship with the Beta Calibrators Business in a manner that is materially adverse to the Seller and, to the knowledge of the Seller, no supplier, distributor or customer of the Seller has any intention to do so.

(k) **Product Warranty.** Each product sold, leased, licensed or delivered by the Seller has been in conformity in all material respects with all material contractual commitments and all material express and implied warranties applicable thereto. Since January 1, 2002, the warranty expenses incurred by the Seller have not been material to the Seller in the aggregate. The Seller has no notice of any claim of failure of its products to conform to any applicable contractual commitments or warranties that could give rise to material liability on the part of the Seller. No product sold, leased,

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licensed or delivered by the Seller is subject to any guaranty, warranty, or other indemnity that differs in any material respect from the applicable standard terms and conditions of license and sale, other than differences that, individually or in the aggregate, could not reasonably be expected to give rise to material liability on the part of the Seller.

(l) **Full Disclosure.** All information furnished to Buyer in accordance herewith is true, correct and complete in all material respects. No representation or warranty of Seller in this Agreement, nor any written statement or certificate executed by Seller and furnished or to be furnished to Buyer pursuant to this Agreement or in connection with the transactions contemplated hereby contains or will contain as of the Closing any untrue statement of a material fact or omits or will omit as of the Closing to state a material fact necessary to make the statements contained herein or therein not misleading.

3.2 **Representations and Warranties of Buyer.** Buyer represents and warrants to Seller as follows:

(a) **Corporate Authority and Binding Agreement.** Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of Texas. Buyer has all requisite corporate power to enter into this Agreement and to issue the Promissory Note to Seller. This Agreement and the Promissory Note, and their performance by Buyer do not conflict with any provision of the Buyer's Articles or Certificate of Incorporation or By-Laws or any law, regulation, ordinance or any provision of any agreement, instrument, order, award, judgment or decree to which Buyer is a party or by which it is bound. This Agreement and the Promissory Note are legal, valid and binding agreements of Buyer enforceable against Buyer in accordance with their terms. Buyer has obtained all necessary authorization and approval for the execution of this Agreement and the Promissory Note and the consummation of the transactions contemplated herein and therein, except for the consent of Landlord for the assignment of the Lease to Buyer.

(b) **Litigation.** To the best knowledge of the Buyer, there are no claims, actions, suits, investigations or proceedings against the Buyer pending or, to the knowledge of the Buyer, threatened in any court or before or by any governmental authority, or before any arbitrator, that seek to prevent or, which if successful, would prevent Buyer from consummating the transactions contemplated by this Agreement.

(c) **Full Disclosure.** All information furnished to Seller in accordance herewith is true, correct and complete in all respects. No representation or warranty of Buyer in this Agreement, nor any written statement or certificate executed by Buyer and furnished or to be furnished to Seller pursuant to this Agreement or in connection with the transactions contemplated hereby contains or will contain as of the Closing any untrue statement of a material fact or omits or will omit as of the Closing to state a material fact necessary to make the statements contained herein or therein not misleading.

ARTICLE 4
<u>Closing</u>

4.1 **<u>Closing Procedures.</u>**

(a) **<u>Closing Date</u>.** The closing (the "Closing") hereunder shall take place at the offices of Merra, Kanakis, Creme & Mellor, PC on the later of:

(i) March 3, 2003 at 11:30 a.m. Eastern Time; or

(ii) three (3) business days after the date on which all conditions have been satisfied or are capable of being satisfied (the "Closing Date").

(b) **<u>Buyer's Closing Deliveries</u>.** At the Closing:

(i) <u>Payment of Purchase Price</u>.

(1) Buyer shall pay to Seller $200,000 of the Purchase Price in cash, or in immediately available funds by certified or official bank check, or by wire transfer;

(2) Buyer shall pay, or remit to Seller for payment, any sales or transfer tax arising from the sale of the Assets to Buyer; and

(3) Buyer shall pay to Seller the balance of the Purchase Price (i.e. $50,000) by executing and delivering to Seller a promissory note in the form of Exhibit A attached hereto (the "Promissory Note").

(ii) <u>Assumption of Liabilities</u>. Buyer shall assume, and agrees to perform, pay and discharge, and will indemnify and hold Seller harmless against, the Assumed Liabilities and all costs, including reasonable attorney fees, incurred by Seller in connection with any claims asserted against it in connection with any Assumed Liability.

(iii) <u>Officer's Certificate</u>. Buyer shall deliver to Seller the certificates executed by a duly authorized officer of the Buyer, as required by Sections 4.2(a) and 4.2(b) hereof.

(iv) <u>Guaranty</u>. Buyer shall deliver a signed original of Guarantor's Unlimited Guaranty Agreement in the form of Exhibit B attached hereto (the "Guaranty").

(c) **<u>Seller's Closing Deliveries</u>.** At the Closing:

(i) <u>Consents</u>. Seller shall deliver to Buyer any and all consents listed in Schedule 3.1(a) attached hereto, which consents shall be duly executed by the appropriate persons and entities.

(ii) <u>Transfer of Assets</u>. Seller shall transfer all of the Assets to Buyer.

(iii) <u>Officer's Certificate.</u> Seller shall deliver to Buyer the certificates executed by a duly authorized officer of the Seller, as required by Sections 4.3(a) and 4.3(b) hereof.

(d) **<u>Documents</u>.**. At Closing, the parties shall execute and exchange such bills of sale, assignments, instruments of assignment and other documents as may be reasonably necessary to effect the transaction contemplated by this Agreement.

4.2 **<u>Seller's Conditions to Closing</u>.** The obligations of the Seller to close shall be subject to the following conditions:

(a) **<u>Representations and Warranties</u>.** The representations and warranties of the Buyer set forth in Section 3.2 hereof shall be true and correct as of the date of this Agreement and as of the Closing as though those representations and warranties had been made at and as of that time, and the Seller shall have received at the Closing a certificate to that effect signed by a duly authorized officer of the Buyer;

(b) **<u>No Litigation</u>.** There shall not have been instituted or threatened against Buyer on or before the Closing any action or proceeding to restrict or prohibit the transactions contemplated by this Agreement, and Seller shall have received at the Closing a certificate to that effect signed by a duly authorized officer of the Buyer;

(c) **<u>Consideration</u>.** The Purchase Price required to be paid at the Closing pursuant to Section 4.1(b)(1) shall have been paid; and

(d) **<u>Guaranty</u>.** The Guarantor's Guaranty shall have been delivered to Seller at the Closing.

4.3 **<u>Buyer's Conditions to Closing</u>.** The obligations of the Buyer to close shall be subject to the following conditions:

(a) **Representations and Warranties**. The representations and warranties of the Seller set forth in Section 3.1 hereof shall be true and correct as of the date of this Agreement and as of the Closing as though those representations and warranties had been made at and as of that time, and the Buyer shall have received at the Closing a certificate to that effect signed by a duly authorized officer of the Seller;.

(b) **No Litigation**. There shall not have been instituted or threatened against Seller any action or proceeding to restrict or prohibit the transactions contemplated by this Agreement and Buyer shall have received at the Closing a certificate to that effect signed by a duly authorized officer of the Seller to that effect; and

(c) **Consents**. Any and all consents listed or required to be listed in Schedule 3.1(a) attached hereto shall have been duly executed by the person or entity required to consent and shall have been delivered to Buyer. The Buyer shall have received all licenses and permits necessary for operation of the Beta Calibrators Business from and after the Closing.

4.4 **Best Efforts to Satisfy Conditions**. The parties will use their best efforts to promptly secure the satisfaction of the conditions to Closing.

4.5 **Waiver of Conditions**. Seller and Buyer may, at their respective options, waive any conditions to their respective obligations to close.

4.6 **Termination of Agreement**. This Agreement may be terminated at any time prior to the Closing:

(a) by written agreement of the parties hereto;

(b) by Buyer, if there has been a violation or breach by the Seller of any of Seller’s material agreements, representations or warranties contained in this Agreement which has not been waived by Buyer in writing or if there has been any event or occurrence which has rendered the satisfaction of a condition to the obligations of Buyer impossible and such condition has not been waived by Buyer in writing;

(c) by Seller, if there has been a violation or breach by Buyer of any of Buyer’s material agreements, representations or warranties contained in this Agreement which has not been waived by Seller in writing or if there has been any event or occurrence which has rendered the satisfaction of a condition to the obligations of Seller impossible and such condition has not been waived by Seller in writing; or

(d) by any party hereto if the Closing shall not have occurred on or before June 30, 2003.

4.7 **Procedure Upon Termination**. In the event of termination by Buyer or by Seller pursuant to Section 4.6 hereof, written notice thereof shall forthwith be given to the other party and the transactions contemplated by this Agreement shall be terminated without further action by the parties hereto. If the transactions contemplated by this Agreement are terminated as provided herein:

(a) each party, if requested, will redeliver all documents, work papers and other material of the other party relating to the transactions contemplated hereby, whether so obtained before or after the execution hereof, to the party furnishing the same;

(b) all confidential information received by either party hereto with respect to the business of any other party shall not be used or disclosed to another person to the detriment of any other party; and

(c) no party hereto and none of their respective directors, officers, stockholders, affiliates or controlling persons shall have any liability or further obligation to the other party to this Agreement.

ARTICLE 5
Post-Closing Covenants and Indemnities

5.1 **Post-Closing Indemnification by Seller.**

(a) The representations and warranties of the Seller contained in Section 3.1 shall expire eighteen (18) months from the date of this Agreement.

(b) The Seller shall indemnify and hold harmless Buyer and its shareholders, directors, officers, employees and representatives for, from and against any and all damages arising out of, resulting from or in any way related to:

(i) a breach of, or the failure to perform or satisfy any of, the representations, warranties, covenants and agreements made by the Seller in this Agreement or in any document or certificate delivered by the Seller pursuant hereto;

(ii) the Excluded Liabilities;

(iii) the existence of any liabilities or obligations, whether arising from any breach, warranty, misrepresentation or omission or failure to perform any agreement or covenant of the Seller other than the Assumed Liabilities; and/or

(iv) any infringement claims based upon the Buyer’s use of the trademarks assigned hereunder.

(c) Notwithstanding anything contained in Sections 5.1(a) and 5.1(b) to the contrary, the Seller shall be required to indemnify and hold harmless Buyer under this Article 5 only to the extent the aggregate amount of any damages asserted by Buyer under Section 5.1(b) exceed a deductible of $20,000. In addition, the Seller shall not be required to indemnify and hold harmless Buyer under this Article 5 to the extent that any such damages asserted by Buyer under Section 5.1(b) exceeds the Purchase Price, less the $20,000 deductible..

5.2 **Post-Closing Indemnification by Buyer.**

(a) The representations and warranties of the Buyer contained in Section 3.2 shall expire eighteen (18) months from the date of this Agreement.

(b) The Buyer shall indemnify and hold harmless Seller and its shareholders, directors, officers, employees and representatives for, from and against any and all damages arising out of, resulting from or in any way related to:

(i) a breach of, or the failure to perform or satisfy any of, the representations, warranties, covenants and agreements made by the Buyer in this Agreement or in any document or certificate delivered by the Buyer pursuant hereto;

(ii) any product liability claims with respect to any products sold by Buyer after the Closing or arising from warranty, replacement or repair work done by Buyer after Closing relating to any products made by Seller prior to Closing;

(iii) the Assumed Liabilities; and

(iv) any and all liabilities and obligations of Buyer related to Buyer's operations of the Beta Calibrators Business arising after the Closing.

5.3 **Assignment of Contracts.** At the option of Buyer, and notwithstanding anything in this Agreement to the contrary, this Agreement shall not constitute an assignment of any claim, contract, license, franchise, lease, commitment, sales order, sales contract, supply contract, service agreement, purchase order or purchase commitment if an attempted assignment thereof without the consent of a third party thereto would constitute a breach thereof or in any way adversely affect the rights of Buyer thereunder. If such consent is not obtained, or if any attempt at an assignment thereof would be ineffective or would affect the rights of the Seller thereunder so that Buyer would not in fact receive all such rights, the Seller shall cooperate with Buyer to the extent necessary to provide for Buyer the benefits under such claim, contract, license, franchise, lease, commitment, sales order, sales contract, supply contract, service agreement, purchase order or purchase commitment, including enforcement for the benefit of Buyer of any and all rights of the Seller against a third party thereto arising out of the breach or cancellation by such third party or otherwise.

5.4 **Confidentiality.** The parties agree to only disclose information concerning the transactions contemplated by this Agreement to those of their respective employees, agents, accountants, legal counsel and other representatives and advisers who need to know such information for purposes of evaluating and implementing such transactions. The parties shall, and shall cause their respective employees, agents, accountants, legal counsel and other representatives and advisers to hold in strict confidence all, and not divulge or disclose any, information of any kind concerning the transactions contemplated by this Agreement, the Seller, Buyer or their respective businesses; provided, however, that the foregoing obligation of confidence shall not apply to (i) information that is or becomes generally available to the public other than as a result of a disclosure by the parties or any of their respective employees, agents, accountants, legal counsel or other representatives or advisers, (ii) information that is or becomes available to the parties, or any of their respective employees, agents, accountants, legal counsel or other representatives or advisers after the date hereof on a non-confidential basis prior to its disclosure by the parties, or any of their respective employees, agents, accountants, legal counsel or other representatives or advisers and (iii) information that is required to be disclosed by the parties or any of their respective employees, agents, accountants, legal counsel or other representatives or advisers as a result of any applicable law, rule or regulation of any governmental authority; and provided further that when a party is required to disclose information pursuant to clause (iii) of this Section, it shall promptly notify the other party of such disclosure.

5.5 **Further Assurances.** Following the Closing, the Seller and Buyer shall execute and deliver such documents, and take such other action, as shall be reasonably requested by any other party hereto to carry out the transactions contemplated by this Agreement.

ARTICLE 6
Miscellaneous

6.1 **Expenses.** The parties shall each pay all of their respective legal, accounting and other expenses incurred in connection with the transactions contemplated by this Agreement. Seller shall be solely responsible for any fees due to Blitzer, Ricketson & Co. arising out of this Agreement.

6.2 **Notices.** Any notice or other communication required or permitted hereunder shall be in writing and delivered personally, or mailed by Registered or Certified Mail return receipt requested or by overnight delivery service, prepaid, addressed as follows or to such other address as a party shall specify for this purpose in a notice given in the same manner:

If to Seller:

Hathaway Process Instrumentation Corporation
c/o Allied Motion Technologies, Inc.
23 Inverness Way East, Suite 150
Englewood, Colorado, 80112
Attn: Richard D. Smith, President

Copies of notices to Seller shall be sent to:

Jaeckle Fleischmann & Mugel, LLP
800 Fleet Bank Building
12 Fountain Plaza

Buffalo, NY 14202-2292
Attn: James J. Tanous

If to Buyer:

Beta Calibrator Corp.
c/o Martel Electronics Corp.
P.O. Box 770
1F Commons Drive
Londonberry, NH 03053
Attn: Thomas Fatur

Copies of notices to Buyer shall be sent to:

Merra, Kanakis, Creme & Mellor, PC
60 Main Street
Nashua, New Hampshire 03060
Attn: Paul Creme, Esq.

If to Guarantor:

Martel Electronics Corp.
P.O. Box 770
1F Commons Drive
Londonberry, NH 03053
Attn: Thomas Fatur

Copies of notices to Buyer shall be sent to:

Merra, Kanakis, Creme & Mellor, PC
60 Main Street
Nashua, New Hampshire 03060
Attn: Paul Creme, Esq.

Any notice given pursuant to this Section shall be deemed given when personally delivered or three (3) days after mailing.

6.3 **Entire Agreement.** This Agreement, which includes the Schedules and Exhibits attached hereto, contains the entire agreement between the parties and supersedes all prior agreements and understandings, oral or written, with respect to the transactions contemplated herein. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by the party to be charged therewith.

6.4 **Waiver.** Buyer hereby waives any requirement that Seller may have to comply with any sales tax, transfer tax or bulk sales law or regulation. No waiver of any of the provisions of this Agreement shall be deemed to or shall constitute a waiver of any other provision, whether or not similar, nor shall any waiver constitute a continuing waiver. Any waiver must be in writing and signed by the party entitled to performance.

6.5 **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of Texas without giving effect to the principles of conflicts of law.

6.6 **Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original and all of which shall constitute the same instrument.

Signature Page Follows

IN WITNESS WHEREOF, this Agreement has been executed the day and year first above written.

SELLER:

HATHAWAY PROCESS INSTRUMENTATION CORPORATION

By: /s/ Richard D. Smith
Richard D. Smith, President

BUYER:

BETA CALIBRATOR CORP.

By: /s/ Thomas Fatur
Thomas Fatur, President

GUARANTOR:

MARTEL ELECTRONICS CORP.

By: /s/ Thomas Fatur
Thomas Fatur, President

EXHIBIT 99

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

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

(1) The Quarterly Report on Form 10-Q of the Company for the quarterly period ended March 31, 2003 fully complies with the requirements of Section 13 (a) or 15 (d) of the Securities Exchange Act of 1934; and

(2) The information contained in that Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 15, 2003

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