UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K/A

(Amendment No. 1)

Current Report
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (date of earliest event reported): **December 6, 2018**

ALLIED MOTION TECHNOLOGIES INC.

(Exact Name of Registrant as Specified in its Charter)

Colorado	**0-04041**	**84-0518115**
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

495 Commerce Drive, Suite 3
Amherst, New York 14228
(Address of Principal Executive Offices, including zip code)

(716) 242-8634
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company o

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

Explanatory Note

This Amendment No. 1 on Form 8-K/A amends and supplements the Current Report on Form 8-K of Allied Motion Technologies Inc. (the "Company"), filed with the Securities and Exchange Commission on December 11, 2018 (the "Initial Form 8-K") to include financial statements and pro forma financial information permitted pursuant to Item 9.01 of Form 8-K to be excluded from the Initial Form 8-K and filed by amendment to the Initial Form 8-K no later than 71 days after the date on which the Initial Form 8-K was required to be filed. As previously reported in the Initial Form 8-K, effective as of December 6, 2018 the Company completed the acquisition of TCI, LLC pursuant to a Unit Purchase Agreement dated as of December 6, 2018.

Item 9.01 Financial Statements and Exhibits

(a) Financial Statements of Businesses Acquired.

The audited financial statements of TCI, LLC for the year ended December 31, 2017 and the related Independent Auditors Report thereon are included as Exhibit 99.1 to this Current Report on Form 8-K/A and are incorporated herein by reference. The unaudited condensed consolidated balance sheet as of September 30, 2018 and the related unaudited condensed consolidated statements of operations and cash flows for the nine months ended September 30, 2018 and 2017 of TCI, LLC are filed as Exhibit 99.2 and incorporated herein by reference.

(b) Pro Forma Financial Information.

The unaudited pro forma consolidated statements of operations for the nine-month period ended September 30, 2018 and the year ended December 31, 2017 and the unaudited pro forma consolidated balance sheet as of September 30, 2018 together with related explanatory notes, showing the pro forma effect on the Company's financial statements of the Company's acquisition of TCI, LLC are included as Exhibit 99.3 hereto and are incorporated herein by reference.

(d) Exhibits.

23.1 Consent of Baker Tilly Virchow Krause, LLP

99.1 Audited financial statements of TCI, LLC as of and for the year ended December 31, 2017,and notes thereto.

99.2 Unaudited condensed consolidated financial statements of TCI, LLC as of September 30, 2018 and December 31, 2017, for the nine months ended September 30, 2018 and 2017, and notes related thereto.

99.3 Unaudited pro forma combined consolidated balance sheet as of September 30, 2018, unaudited pro forma combined consolidated statements of operations and comprehensive income for the nine months ended September 30, 2018 and the year ended December 31, 2017 and notes related thereto.

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 hereunto duly authorized.

Date: February 15, 2019

ALLIED MOTION TECHNOLOGIES INC.

By: /s/ MICHAEL R. LEACH
Michael R. Leach
Chief Financial Officer

EXHIBIT 23.1

CONSENT OF INDEPENDENT AUDITORS

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

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-149279, 333-155889, 333-170563, 333-187369, and 333-217654) and in the Registration Statements on Form S-3 (Nos. 333-229029 and 333-119090) of Allied Motion Technologies Inc. of our report dated February 21, 2018, with respect to the financial statements of TCI, LLC as of and for the year ended December 31, 2017, which appears in this Current Report on Form 8-K/A.

/s/ Baker Tilly Virchow Krause, LLP

Milwaukee, Wisconsin
February 15, 2019

Exhibit 99.1

TCI, LLC

Germantown, Wisconsin

CONSOLIDATED FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2017

TCI, LLC

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT

Members and Board of Directors
TCI, LLC
Germantown Wisconsin

We have audited the accompanying consolidated financial statements of TCI, LLC, which comprise the consolidated balance sheet as of December 31, 2017, and the related consolidated statement of operations, members' equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of TCI, LLC as of December 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

/s/ Baker Tilly Virchow Krause, LLP

Milwaukee, Wisconsin
February 21, 2018

TCI, LLC

CONSOLIDATED BALANCE SHEET
As of December 31, 2017

		2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$	1,028,502
Accounts receivable, net		4,174,029
Inventories, net		3,479,156
Prepaid expenses		130,909
Total Current Assets		8,812,596
PROPERTY AND EQUIPMENT, NET		2,134,216
INTANGIBLE ASSETS		
Other intangibles, net		481,368
Goodwill		9,928,818
TOTAL ASSETS	$	21,356,998
LIABILITIES AND MEMBERS' EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term debt	$	2,020,784
Accounts payable		2,261,269
Accrued salaries, wages and bonuses		1,068,095
Accrued management fees		22,500
Accrued vacation		575,856
Other accrued expenses		470,290
Distributions payable		339,691
Total Current Liabilities		6,758,485
LONG-TERM LIABILITIES		
Long-term debt		2,180,654
Total Liabilities		8,939,139
MEMBERS' EQUITY		12,417,859
TOTAL LIABILITIES AND MEMBERS' EQUITY	$	21,356,998

See accompanying notes to consolidated financial statements.

TCI, LLC

CONSOLIDATED STATEMENT OF OPERATIONS
For the Year Ended December 31, 2017

		2017	Percent
NET SALES	$	34,314,778	100.0
COST OF GOODS SOLD		20,781,561	60.6
Gross Profit		13,533,217	39.4
OPERATING EXPENSES			
Selling and administrative expenses		9,964,026	29.1
Amortization expense		366,972	1.1
Management fees		100,000	0.3
Total Operating Expenses		10,430,998	30.4
Operating Income		3,102,219	9.0
OTHER INCOME (EXPENSE)			
Interest expense		(263,682)	(0.8)
Other expense, net		(15,192)	—
Net Other Expense		(278,874)	(0.8)
NET INCOME	$	2,823,345	8.2

See accompanying notes to consolidated financial statements.

TCI, LLC

CONSOLIDATED STATEMENT OF MEMBERS' EQUITY
For the Year Ended December 31, 2017

		Common Units		Incentive Units		Members' Equity
Units Outstanding, December 31, 2016		6,671		436		
Units issued		—		4		
Units exercised		94		(94)		
Units Outstanding, December 31, 2017		6,765		346		
BALANCES, December 31, 2016	$	10,096,883	$	260,018	$	10,356,901
Net Income		2,823,345		—		2,823,345
Cash portion for incentive units exercised		33,126		—		33,126
Exercise of incentive units		57,533		(57,533)		—
Incentive units compensation		—		51,583		51,583
Distributions		(847,096)		—		(847,096)
BALANCES, December 31, 2017	$	12,163,791	$	254,068	$	12,417,859

See accompanying notes to consolidated financial statements.

TCI, LLC

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2017

		2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$	2,823,345
Adjustments to reconcile net income to net cash flows from operating activities		
Depreciation		822,338
Amortization of intangible assets		366,972
Change in allowance for doubtful accounts		5,210
Provision for inventory		(2,824)
Straight line rent adjustment		38,576
Incentive units compensation expense		51,583
Changes in assets and liabilities		
Accounts receivable		(1,259,477)
Inventories		191,513
Prepaid expenses		51,967
Accounts payable		832,500
Accrued salaries, wages and bonuses		841,266
Accrued vacation		89,138
Other accrued expenses		20,898
Net Cash Flows from Operating Activities		4,873,005
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures		(279,310)
CASH FLOWS FROM FINANCING ACTIVITIES		
Checks issued in excess of bank balance		—
Principal payments on long-term debt		(2,855,208)
Repayment of capital lease obligations		—
Member contributions		33,126
Distributions to members		(861,671)
Net Cash Flows from Financing Activities		(3,683,753)
Net Change in Cash and Cash Equivalents		909,942
CASH AND CASH EQUIVALENTS - Beginning of Year		118,560
CASH AND CASH EQUIVALENTS - END OF YEAR	$	1,028,502
Supplemental cash flow disclosures		
Cash paid for interest	$	263,682
Noncash financing activities		
Accrued distributions - net change	$	(14,578)

See accompanying notes to consolidated financial statements.

NOTE 1 - Summary of Significant Accounting Policies

Nature of Operations

TCI, LLC (the Company) is engaged in the manufacture and sale of harmonic filter (active and passive), reactors, and other line filter products for AC and DC drives. The Company grants credit to its customers which are primarily original equipment manufacturers and distributors located throughout the United States, Canada and Mexico.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the parent company, TCI, LLC, and its wholly-owned subsidiary, TCI International, Inc. (DISC). Significant intercompany accounts and transactions have been eliminated.

Cash and Cash Equivalents

The Company defines cash and cash equivalents as highly liquid, short-term investments with a maturity at the date of acquisition of three months or less.

Accounts Receivable

In the normal course of business, the Company extends limited unsecured credit to its customers. Accounts receivable are uncollateralized customer obligations resulting from the sale of its products. Accounts receivable are due in a variety of payment terms ranging from 30 to 60 days after the issuance of the invoice. Payments of accounts receivable are applied to the specific invoices identified on the customer’s remittance advice, or if unspecified, to the earliest unpaid invoices. Uncollected receivables are considered past-due after 30 days of the agreed-upon due date. Receivables are written-off only after all collection attempts have failed and are based on the individual credit evaluation and specific circumstances of the customer. Recoveries of receivables previously written-off are recorded when received.

The Company uses the allowance method to account for uncollectable accounts receivable. Accounts receivable have been adjusted for all known uncollectable accounts. The Company provides for an allowance for doubtful accounts, when appropriate, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions, on a per customer basis. Accounts receivable are presented net of an allowance for doubtful accounts of $5,210 at December 31, 2017.

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market. Manufacturing related labor and overhead costs are capitalized into work in process and finished goods.

NOTE 1 - Summary of Significant Accounting Policies (cont.)

Property and Equipment

Property and equipment are stated at cost and depreciated using the straight-line method over their estimated useful lives. Major expenditures for property and equipment are capitalized. Maintenance, repairs, and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income. For income tax reporting purposes, depreciation is calculated using applicable accelerated methods.

Other Intangible Assets

Other intangible assets relate to trade name, patented technology, customer lists and customer/vendor relationships acquired with the acquisition of Trans-Coil, Inc. in 2008. The cost of the intangible assets are amortized on a straight-line basis over their estimated lives ranging from 10-15 years. Total amortization expense related to the intangible assets was $366,972 for the year ended December 31, 2017.

The following table presents detail of the company's amortizable intangible assets at December 31, 2017:

	Life (years)	Gross	Accumulated Amortization	Balance
Customer relationships	15	$ 802,000	$ 503,478	$ 298,522
Patents	10	1,334,000	1,256,183	77,817
Tradename	10	1,801,000	1,695,971	105,029
Total		$ 3,937,000	$ 3,455,632	$ 481,368

Future amortization expense of the intangible assets will be as follows for the years ending December 31:

2018	$ 236,342
2019	53,467
2020	53,467
2021	53,467
2022	53,467
Thereafter	31,158
Total	$ 481,368

The Company accounts for intangible assets acquired during acquisition in accordance with accounting guidance related to business combinations. Accordingly, intangible assets acquired in a business combination are recognized apart from goodwill if the intangible asset meets the separate recognition criteria, as defined in the accounting guidance.

NOTE 1 - Summary of Significant Accounting Policies (cont.)

Goodwill

The Company has allocated a portion of the purchase price of the business acquired to goodwill. Goodwill is considered impaired to the extent it has been determined that carrying value is in excess of its fair value and is not recoverable. The Company reviews for impairment annually based on a qualitative analysis of the business, the customer segments, the economy, competition, and other such factors. Management believes there has been no impairment of the Company's goodwill as of December 31, 2017.

Impairment of Long-Lived Assets

The Company reviews long-lived assets, including property and equipment, and intangible assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. No such impairments were recognized for the year ended December 31, 2017.

Revenues

Revenue is recognized when products are shipped and title transfers to or services are performed for customers and payment is reasonably assured.

Shipping and Handling Costs

Shipping and handling costs charged to customers have been included in net sales. Shipping and handling costs incurred by the Company have been included in cost of goods sold.

Advertising

Advertising costs are charged to operations when incurred. Advertising expense was $196,249 for the year ended December 31, 2017.

Research and Development

Research and development costs are expensed as incurred and were $1,323,545 for the year ended December 31, 2017.

Product Warranties

The Company offers a standard one-year warranty against manufacturer's defects on all products. Estimated costs for product warranties are accrued and charged to operations when revenue is recognized. Warranty expenses were $47,948 for the year ended December 31, 2017.

NOTE 1 - Summary of Significant Accounting Policies (cont.)

Income Taxes

The Company is treated as a Partnership for federal and state income tax purposes. As such, the Company’s income, losses, and credits are included in the income tax returns of its members.

The Company recognizes the tax effects from uncertain tax positions only if the positions are more likely than not to be sustained under examination by a tax authority, based solely on the technical merits of the position. As of December 31, 2017 the Company was not aware of any uncertain tax positions. The Company’s policy is to record interest and penalties related to income tax liabilities in income tax expense. The Company is not currently under examination by any taxing jurisdiction.

Distributions and Distributions Payable

The Company pays quarterly tax distributions based on the current year’s estimate of income tax obligations to be incurred by the members of the Company. To calculate the total tax distributions required, management estimates income tax obligations using the highest effective income tax brackets at the individual level and the anticipated Company taxable income, net of income tax credits. Management records distributions payable at each year end related to estimated income tax obligations resulting from that year’s activity. As of December 31, 2017, a distribution payable of $339,691 was recorded relating to taxable income generated during the year ended December 31, 2017.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Company has evaluated subsequent events through February 21, 2018, which is the date that the consolidated financial statements were available for issue.

NOTE 2 - Future Accounting Standards

ASU No. 2017-04, Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment

During January 2017, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2017-04, “Simplifying the Test for Goodwill Impairment.” ASU No. 2017-04 simplifies how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. ASU No. 2017-04 is effective for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2021. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company is currently assessing the effect that ASU No. 2017-04 will have on its results of operations, financial position and cash flows.

ASU No. 2016-02, Leases (Topic 842)

During February 2016, the FASB issued ASU No. 2016-02, “Leases (Topic 842).” ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the balance sheet. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. ASU No. 2016-02 is effective for annual periods beginning after December 15, 2019. Early adoption is permitted. The Company is currently assessing the effect that ASU No. 2016-02 will have on its consolidated financial position.

ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606) and Other ASUs Issued Amending Topic 606

During May 2014, the FASB issued ASU No. 2014-09, “Revenue from Contracts with Customers (Topic 606).” ASU No. 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. During 2015 and 2016, the FASB also issued ASU No. 2015-14, which defers the effective date of ASU No. 2014-09; ASU No. 2016-08, “Principal versus Agent Considerations (Reporting Revenue Gross versus Net)”, which clarifies the implementation guidance on principal versus agent considerations in Topic 606; ASU No. 2016-10, “Identifying Performance Obligations and Licensing”, which clarifies the identification of performance obligations and the licensing implementation guidance; ASU No. 2016-12, “Narrow-Scope Improvements and Practical Expedients” and ASU No. 2016-20, “Technical Corrections and Improvements to Topic 606”, which both affect narrow aspects of Topic 606. Topic 606 (as amended) is effective for fiscal years beginning after December 15, 2018. The Company may elect to apply the guidance earlier, but has not elected to do so. The amendments may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of initial application. The Company is currently assessing the effect that Topic 606 (as amended) will have on its results of operations, financial position and cash flows.

NOTE 3 - Inventories

Inventories consist of the following at December 31:

		2017
Raw materials	$	2,508,010
Work in process		53,180
Finished goods		917,966
Total Inventory		3,479,156
Less: reserve for excess and obsolescence		—
Total Inventories, net	$	3,479,156

NOTE 4 - Property and Equipment

The major categories of property and equipment at December 31 are summarized as follows:

	Depreciable Lives		2017
Machinery and equipment	3-10 yrs.	$	2,151,706
Office furniture and equipment	3-10 yrs.		1,531,229
Leasehold improvements	7-10 yrs.		1,983,387
Software	5 yrs.		503,093
Assets in progress	N/A		184,288
Total Property and Equipment			6,353,703
Less: accumulated depreciation			(4,219,487)
Net Property and Equipment		$	2,134,216

NOTE 5 - Line of Credit

The Company has a loan agreement with a bank which provides a line of credit totaling $7,000,000 subject to a percentage of eligible assets as defined in the agreement. Borrowings bear interest at the rate of the one month London Interbank Offered Rate (LIBOR) plus applicable margin based on the Company's funded debt to EBITDA ratio, as defined (4.74% at December 31, 2017). There were no outstanding borrowings on the line of credit at December 31, 2017. The bank debt (including the bank term note payable) is collateralized by substantially all business assets under a general business security agreement. The line of credit expires in 2020, and the Company's line of credit agreement meets other accounting requirements to be classified as a long-term obligation.

NOTE 6 - Long-Term Debt

Long-term debt consists of the following at December 31:

	2017
Bank term note - Original amount of $7,500,000. Interest payments are due monthly and principal payments are due in quarterly installments of $180,852 through February 1, 2020 and a final lump sum payment of remaining principal and interest due on February 12, 2020. Interest is computed at LIBOR plus applicable margin based on the Company's funded debt to EBITDA ratio, as defined (4.99% at December 31, 2017).	$ 3,617,033
Note payable - bank, original amount of $688,700, for the purchase of certain equipment and leasehold improvements. The note is due in monthly installments of $12,858 including interest at 4.48%, through January 26, 2018 and a final lump sum payment of the remaining principal and interest due on February 26, 2018, secured by the related equipment and leasehold improvements as identified in the agreement.	317,379
Note payable - Washington County, which is administered through the Washington County Economic Development Corporation (EDWC), original amount of $500,000, payments due in monthly installments of $5,726, including interest at 2.40% through December 1, 2018 and a final lump sum payment of remaining principal and interest due on January 1, 2019, secured by certain equipment, as identified in the agreement.	267,026
Totals	4,201,438
Less: Current portion	(2,020,784)
Long-Term Portion	$ 2,180,654

Principal requirements on long-term debt for years ending after December 31, 2017 are as follows:

2018	$ 2,020,784
2019	927,435
2020	1,253,219
Total	$ 4,201,438

NOTE 6 - Long-Term Debt (cont.)

Applicable Margin

For the line of credit, the applicable margin ranges from LIBOR plus 3.25% to LIBOR plus 3.50%. For the Bank term note, the applicable margin ranges from LIBOR plus 3.50% to LIBOR plus 3.75%.

Financial Covenants

The bank debt agreements contain financial covenants which, among others, require the maintenance of certain financial covenants related to the Company's debt service coverage ratio and EBITDA levels. The Company was in compliance with these covenants at December 31, 2017.

Mandatory Prepayment of Debt

The line of credit and bank term note agreements contain mandatory prepayment terms which require the payment of principal in the amounts of net cash received from certain events relating to asset dispositions, issuance of capital securities, excess cash flow, or receipt of proceeds from life insurance policies as defined in the agreement. For the year ended December 31, 2017, the Company calculated the mandatory prepayment to be approximately $917,000. This amount will be paid within 90 days of December 31, 2017, as required in the debt agreement. This payment is reflected in the principal requirements schedule above.

NOTE 7 - Members' Equity

Common Units

The Company has 7,111 common units authorized to be issued, of which 711 were reserved as incentive units. As of December 31, 2017, 365 of the incentive unit options have been exercised and converted into common units. The number of common units outstanding at December 31, 2017 was 6,765. See below for more discussion of the incentive units.

NOTE 7 - Members' Equity (cont.)

Incentive Units

Pursuant to the First Amendment to the TCI, LLC 2008 Common Unit Option Plan, the Company has reserved 711 common units for issuance to officers or directors of the Company in connection with a non-qualified equity incentive plan. The options typically became exercisable over a 5 year vesting period from the effective date of grant, but exceptions can be made at the discretion of the board. No options may be exercised more than 10 years from the date of grant. Additionally, an option holder may not exercise their options more than 30 or 90 days after their employment terminates depending on the reason for termination.

The Company uses the modified prospective method to account for the incentive units. All equity-based payments to employees, including grants of incentive units, are recognized as expense in the statements of operations based on an estimated fair value. The amount of compensation expense is determined based on the fair value of the incentive units when granted and is expensed over the required service period, which is normally the vesting period. The assumptions used to determine compensation expense were as follows:

Year	Number of Incentive Units Granted	Number of Unvested Incentive Units	Volatility	Risk Free Rate of Return
2011	135	—	58%	1.10%
2012	120	—	49%	0.56%
2013	50	10	49%	0.56%
2014	217	46	40%	1.00%
2015	50	30	40%	1.10%
2016	—	—	—%	—%
2017	4	4	40%	1.10%

The following is a summary of incentive units activity for the year ended December 31:

	2017	
	Units	Weighted Average Exercise Price
Units outstanding - beginning	436	$ 3,107
Units granted	4	2,253
Units exercised	(94)	(352)
Units outstanding - ending	346	$ 3,915

Compensation expense recognized was $51,583 for the year ended December 31, 2017. At December 31, 2017, future compensation expense related to vested and unvested units will be approximately $96,000 and is expected to be recognized as expense through 2021. At December 31, 2017, 90 of the 346 units outstanding were unvested.

NOTE 8 - Leases

Operating Leases

In April 2014 the Company began leasing its manufacturing and office facilities in Germantown, Wisconsin under an operating lease that expires in April 2026. The real estate lease provides for monthly rental payments of approximately $45,000 with incremental 2.5% annual increases. Total rent payments for the term of the lease are expensed on a straight-line basis. The rent expense under the lease was $611,000 for the year ended December 31, 2017. The Company is responsible for repairs and maintenance of the premises. The difference between lease payments made and the straight line expense was $194,544 at December 31, 2017. This amount is included as "Other accrued expenses" on the balance sheet.

Total rent expense related to all operating leases was $614,318 for the year ended December 31, 2017. The following is a schedule of future minimum lease payments under the operating lease agreements as of December 31, 2017:

Future minimum lease payments due in		
2018	$	584,836
2019		597,635
2020		611,082
2021		624,831
2022		638,890
Thereafter		2,180,918
Total Future Minimum Lease Payments	$	5,238,192

NOTE 9 - Related Party Transactions

Management Fee

In 2008, the Company entered into agreements with two of the Company's members to provide financial and management consulting services. During 2017, the Company entered into an agreement with a third member to provide management consulting services and concurrently modified the two existing agreements to keep the annual fee at $100,000.

Two agreements each called for the Company to pay a quarterly management fee of $10,000 and reimbursement of any direct expenses related to the management services provided. The final agreement called for the Company to pay a quarterly management fee of $5,000 and reimbursement of any direct expenses. The term of the agreements shall continue until the occurrence of certain events. The agreements are subordinate to the senior debt. The Company expensed management fees under these agreements totaling $100,000 for the year ended December 31, 2017. Management fees of $22,500 were accrued as of December 31, 2017.

NOTE 10 - Benefit Plan

The Company maintains a retirement savings and profit-sharing plan for substantially all employees meeting certain eligibility requirements. The plan includes a provision, under Section 401(k) of the Internal Revenue Code, which allowed employees to contribute a portion of their compensation to the plan. The Company matches 100% of employee contributions for contributions up to 3% of the employee’s compensation, plus 50% of employee contributions in excess of 3% but not in excess of 5% of the employee’s compensation. The Company matching contribution was $287,707 for the year ended December 31, 2017. The plan also allows for discretionary “profit sharing” contributions, and none were made during the year ended December 31, 2017.

NOTE 11 - Concentrations

Cash Balance

The Company maintains its cash balances primarily in one area bank. At times, cash balances may exceed federally insured limits. The Company has not experienced any losses in such accounts, and believes it is not exposed to any significant risk on cash.

Major Customers

One customer accounted for 13% of net sales for the year ended December 31, 2017. Accounts receivable from this customer totaled 19% of total receivables as of December 31, 2017.

TCI, LLC
Germantown, Wisconsin

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As of September 30, 2018 and December 31, 2017 and for the
Nine Months Ended September 30, 2018 and 2017

TCI, LLC

TABLE OF CONTENTS

Condensed Consolidated Financial Statements

TCI, LLC

CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	September 30, 2018	December 31, 2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 950,046	$ 1,028,502
Accounts receivable, net	6,399,858	4,174,029
Inventories	3,639,577	3,479,156
Prepaid expenses	104,839	130,909
Total Current Assets	11,094,320	8,812,596
PROPERTY AND EQUIPMENT, NET	1,672,139	2,134,216
INTANGIBLE ASSETS		
Other intangibles, net	304,112	481,368
Goodwill	9,928,818	9,928,818
TOTAL ASSETS	$ 22,999,389	$ 21,356,998
LIABILITIES AND MEMBERS' EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term debt	$ 948,099	$ 2,020,784
Accounts payable	2,787,252	2,261,269
Accrued salaries, wages and bonuses	944,125	1,068,095
Accrued management fees	25,000	22,500
Accrued vacation	560,987	575,856
Other accrued expenses	444,008	470,290
Distributions payable	127,639	339,691
Total Current Liabilities	5,837,110	6,758,485
LONG-TERM LIABILITIES		
Long-term debt	1,434,560	2,180,654
Total Liabilities	7,271,670	8,939,139
MEMBERS' EQUITY	15,727,719	12,417,859
TOTAL LIABILITIES AND MEMBERS' EQUITY	$ 22,999,389	$ 21,356,998

See accompanying notes to unaudited condensed consolidated financial statements

TCI, LLC

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	For the nine months ended September 31,					
		2018	Percent		2017	Percent
NET SALES	$	33,611,933	100.0	$	25,190,426	100.0
COST OF GOODS SOLD		20,414,629	60.7		15,009,506	59.6
Gross Profit		13,197,304	39.3		10,180,920	40.4
OPERATING EXPENSES						
Selling and administrative expenses		8,609,356	25.6		7,238,494	28.7
Amortization expense		177,256	0.5		275,229	1.1
Management fees		75,000	0.2		75,000	0.3
Total Operating Expenses		8,861,612	26.4		7,588,723	30.1
Operating Income		4,335,692	12.9		2,592,197	10.3
OTHER INCOME (EXPENSE)						
Interest expense		(134,479)	(0.4)		(208,818)	(0.8)
Other expense, net		(17,074)	(0.1)		(15,206)	(0.1)
Net Other Expense		(151,553)	(0.5)		(224,024)	(0.9)
NET INCOME	$	4,184,139	12.4	$	2,368,173	9.4

See accompanying notes to unaudited condensed consolidated financial statements

TCI, LLC

CONDENSED CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY
(Unaudited)

	Common Units	Incentive Units	Members' Equity
BALANCES, December 31, 2017	$ 12,163,791	$ 254,068	$ 12,417,859
Net Income	4,184,139	—	4,184,139
Distributions	(874,279)	—	(874,279)
BALANCES, September 30, 2018	$ 15,473,651	$ 254,068	$ 15,727,719

See accompanying notes to unaudited condensed consolidated financial statements

TCI, LLC

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the nine months ended September 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 4,184,139	$ 2,368,173
Adjustments to reconcile net income to net cash flows from operating activities		
Depreciation	638,590	636,110
Amortization of intangible assets	177,256	275,229
Change in allowance for doubtful accounts	7,951	5,000
Provision for inventory	50,026	25,551
Changes in assets and liabilities		
Accounts receivable	(2,233,781)	(1,552,818)
Inventories	(210,445)	276,921
Prepaid expenses	26,052	89,671
Accounts payable	506,016	875,653
Accrued salaries, wages and bonuses	(123,970)	491,851
Accrued vacation	(14,869)	578
Other accrued expenses	101,228	6,201
Net Cash Flows from Operating Activities	3,050,577	3,498,120
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(176,514)	(199,721)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	(1,818,779)	(2,524,551)
Member contributions	—	30,336
Distributions to members	(1,191,356)	(861,674)
Net Cash Flows from Financing Activities	(3,010,135)	(3,355,889)
Net Change in Cash and Cash Equivalents	(78,456)	(57,490)
CASH AND CASH EQUIVALENTS - Beginning of Year	1,028,502	118,560
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 950,046	$ 61,070
Noncash financing activities		
Accrued distributions - net change	$ (317,077)	$ —

See accompanying notes to unaudited condensed consolidated financial statements

NOTE 1 — Basis of Preparation and Presentation

Nature of Operations

TCI, LLC (the Company) is engaged in the manufacture and sale of harmonic filter (active and passive), reactors, and other line filter products for AC and DC drives. The Company grants credit to its customers which are primarily original equipment manufacturers and distributors located throughout the United States, Canada and Mexico.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the parent company, TCI, LLC, and its wholly-owned subsidiary, TCI International, Inc. (DISC). Significant intercompany accounts and transactions have been eliminated.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

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

It is suggested that the accompanying condensed consolidated financial statements be read in conjunction with the *Consolidated Financial Statements including Independent Auditors' Report as of and for the year ended December 31, 2017* that are included in this filing as Exhibit 99.1.

NOTE 2 — Other Intangible Assets

The following table presents detail of the company's amortizable intangible assets at September 30, 2018:

	Life (years)	Gross	Accumulated Amortization	Balance
Customer relationships	15	$ 802,000	$ 543,578	$ 258,422
Patents	10	1,334,000	1,314,548	19,452
Tradename	10	1,801,000	1,774,762	26,238
Total		$ 3,937,000	$ 3,632,888	$ 304,112

The following table presents detail of the company's amortizable intangible assets at December 31, 2017:

	Life (years)	Gross	Accumulated Amortization	Balance
Customer relationships	15	$ 802,000	$ 503,478	$ 298,522
Patents	10	1,334,000	1,256,183	77,817
Tradename	10	1,801,000	1,695,971	105,029
Total		$ 3,937,000	$ 3,455,632	$ 481,368

Total amortization expense related to the intangible assets was $177,256 and $275,229 for the nine months ended September 30, 2018 and 2017, respectively.

NOTE 3 — Distributions and Distributions Payable

The Company pays quarterly tax distributions based on the current year's estimate of income tax obligations to be incurred by the members of the Company. To calculate the total tax distributions required, management estimates income tax obligations using the highest effective income tax brackets at the individual level and the anticipated Company taxable income, net of income tax credits. Management records distributions payable at each year end related to estimated income tax obligations resulting from that year's activity. As of September 30, 2018, a distribution payable of $127,639 was recorded related to taxable income generated during the nine months ended September 30, 2018. As of December 31, 2017, a distribution payable of $339,691 was recorded relating to taxable income generated during the year ended December 31, 2017.

Actual results could differ from those estimates.

NOTE 4 - Inventories

Inventories consist of the following as of September 30, 2018 and December 31, 2017:

	September 30, 2018	December 31, 2017
Raw materials	$ 2,590,481	$ 2,508,010
Work in process	94,559	53,180
Finished goods	1,004,563	917,966
Total Inventory	3,689,603	3,479,156
Less: reserve for excess and obsolescence	(50,026)	—
Total Inventories, net	$ 3,639,577	$ 3,479,156

Inventories are stated at the lower of cost (first-in, first-out method) or market. Manufacturing related labor and overhead costs are capitalized into work in process and finished goods.

NOTE 5 - Property and Equipment

The major categories of property and equipment at September 30, 2017 and December 31, 2017 are summarized as follows:

	Depreciable Lives	September 30, 2018	December 31, 2017
Machinery and equipment	3-10 yrs.	$ 2,245,264	$ 2,151,706
Office furniture and equipment	3-10 yrs.	1,618,273	1,531,229
Leasehold improvements	7-10 yrs.	1,983,387	1,983,387
Software	5 yrs.	503,093	503,093
Assets in progress	N/A	—	184,288
Total Property and Equipment		6,530,217	6,353,703
Less: accumulated depreciation		(4,858,078)	(4,219,487)
Net Property and Equipment		$ 1,672,139	$ 2,134.216

Total depreciation expense related to property plant and equipment was $638,590 and $636,110 for the nine months ended September 30, 2018 and 2017, respectively.

NOTE 6 - Long-Term Debt

Long-term debt consisted of the following:

	September 30, 2018	December 31, 2017
Line of credit - (5.35% at September 30, 2018).	—	—
Bank term note - (5.60% at September 30, 2018).	$ 2,382,659	$ 3,617,033
Note payable	—	317,379
Note payable - Washington County. Balance was paid in full in January 2018.	—	267,026
Totals	2,382,659	4,201,438
Less: Current portion	(948,099)	(2,020,784)
Long-Term Portion	$ 1,434,560	$ 2,180,654

Financial Covenants

The bank debt agreements contain financial covenants which, among others, require the maintenance of certain financial covenants related to the Company's debt service coverage ratio and EBITDA levels. The Company was in compliance with these covenants at September 30, 2018 and December 31, 2017.

NOTE 8 - Members' Equity

Common Units

The Company has 7,111 common units authorized to be issued, of which 711 were reserved as incentive units. As of September 30, 2018 and December 31, 2017, 365 of the incentive unit options have been exercised and converted into common units, respectively. The number of common units outstanding at September 30, 2018 and December 31, 2017 was 6,765.

Compensation expense recognized was approximately $36,311 and $38,687 for the nine months ending September 30, 2018 and 2017, respectively. At December 31, 2017, future compensation expense related to vested and unvested units will be approximately $96,000 and is expected to be recognized as expense through 2021. At September 30, 2018 and December 31, 2017, 90 of the 346 units outstanding were unvested.

NOTE 9 - Related Party Transactions

Management Fee

In 2008, the Company entered into agreements with two of the Company's members to provide financial and management consulting services. During 2017, the Company entered into an agreement with a third member to provide management consulting services and concurrently modified the two existing agreements to keep the annual fee at $100,000.

Two agreements each called for the Company to pay a quarterly management fee of $10,000 and reimbursement of any direct expenses related to the management services provided. The final agreement called for the Company to pay a quarterly management fee of $5,000 and reimbursement of any direct expenses. The term of the agreements shall continue until the occurrence of certain events. The agreements are subordinate to the senior debt. The Company expensed management fees under these agreements totaling $75,000 for the nine months ended September 31, 2018 and 2017. Management fees of $25,000 and $22,500 were accrued as of September 30, 2018 and December 31, 2017, respectively.

NOTE 10 - Concentrations

Cash Balance

The Company maintains its cash balances primarily in one area bank. At times, cash balances may exceed federally insured limits. The Company has not experienced any losses in such accounts, and believes it is not exposed to any significant risk on cash.

Major Customers

One customer accounted for 12% and 11% of net sales for the nine months ended September 30, 2018 and 2017, respectively. Accounts receivable from this customer totaled 12% and 19% of total receivables as of September 30, 2018 and December 31, 2017, respectively.

UNAUDITED PROFORMA COMBINED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except per share data)

On December 6, 2018, Allied Motion Technologies Inc., a Colorado corporation (the "Company" or "Allied Motion") entered into a Unit Purchase Agreement (the "Purchase Agreement") with TCI, LLC, a Wisconsin limited liability company ("TCI"), and the members of TCI ("Sellers"), pursuant to which Allied Motion acquired 100% of the issued and outstanding common units of TCI from Sellers (the "Acquisition") in a transaction valued at $64,100. The Acquisition consideration is subject to adjustments based on a determination of closing net working capital, cash, indebtedness and other TCI liabilities. A portion of the Acquisition consideration was placed in escrow to secure payment of any post-closing adjustments to the purchase price and to secure the Sellers' indemnification obligations to Allied Motion. Cash consideration was funded from borrowings on the Company's existing credit facilities.

The unaudited pro forma combined consolidated balance sheet is presented to show how Allied Motion may have looked had the acquisition occurred as of September 30, 2018. The unaudited pro forma combined consolidated statements of operations and comprehensive income for the year ended December 31, 2017 and the nine months ended September 30, 2018 are presented to show how Allied Motion might have looked had the acquisition occurred as of January 1, 2017, the beginning of the earliest period presented.

This pro forma information is based on, and should be read in conjunction with, the following:

- The historical audited financial statements of Allied Motion as of and for the fiscal year ended December 31, 2017, included in Form 10-K filed on March 14, 2018;

- The historical unaudited financial statements of Allied Motion as of and for the nine months ended September 30, 2018, included in Form 10-Q filed on October 31, 2018;

- The historical audited financial statements of TCI, LLC as of and for the fiscal year ended December 31, 2017, included as Exhibit 99.1 in this Form 8-K/A.

- The historical unaudited financial statements of TCI, LLC as of and for the nine months ended September 30, 2018 included as Exhibit 99.2 in this Form 8-K/A.

The unaudited pro forma combined consolidated financial information was prepared, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). The unaudited pro forma adjustments reflecting the acquisition have been prepared in accordance with the business combination accounting guidance and reflect the preliminary allocation of the purchase price to the acquired assets and liabilities based upon the estimate of fair values, using the assumptions set forth in the notes to the unaudited pro forma combined consolidated financial information. The detailed assumptions used to prepare the unaudited pro forma combined consolidated financial information are contained in the notes hereto and such assumptions should be reviewed in their entirety.

The unaudited pro forma combined consolidated financial information is provided for illustrative purposes only and is not necessarily indicative of the operating results or financial position that would have occurred if the acquisition had been completed as of the dates set forth above, nor is it indicative of the future results or financial position of the combined company. In connection with the unaudited pro forma combined consolidated financial information, the total purchase consideration was allocated based on the best estimates of fair value. The allocation is dependent upon certain valuations and other analysis that are not yet final. Accordingly, the pro forma acquisition price adjustments are subject to further adjustments as additional information becomes available and as additional analyses are performed. There can be no assurances that the final valuations will not result in material changes to the estimated purchase price allocation. The unaudited pro forma combined financial information also does not give effect to the potential impact of current financial conditions, any anticipated synergies, operating efficiencies or cost savings that may result from the transaction or any integration costs. Furthermore, the unaudited pro forma combined consolidated statements of operations and comprehensive income do not include certain nonrecurring charges which resulted directly from the acquisition as described in the accompanying notes.

Allied Motion Technologies Inc.
Pro Forma Combined Consolidated Balance Sheet
As of September 30, 2018
(In thousands, except per share data)
(Unaudited)

	Historical Results					
	Allied Motion Technologies, Inc.	TCI, LLC	Combined Subtotal	Pro Forma Adjustments	Note 3. References	Unaudited Pro Forma Combined
Assets						
Current assets:						
Cash and cash equivalents	$ 11,357	$ 950	$ 12,307	$ (5,421)	**B, J, K**	$ 6,886
Trade receivables, net of allowance for doubtful accounts	45,230	6,400	51,630	—		51,630
Inventories	44,887	3,640	48,527	277	**E**	48,804
Prepaid expenses and other assets	3,490	104	3,594	—		3,594
Total current assets	104,964	11,094	116,058	(5,144)		110,914
Property, plant and equipment, net	43,026	1,672	44,698	1,792	**F**	46,490
Deferred income taxes	129	—	129	—		129
Intangible assets, net	33,075	304	33,379	36,096	**A, G**	69,475
Goodwill	34,938	9,929	44,867	7,854	**A, D, E, F, G, K, L**	52,721
Other long-term assets	5,981	—	5,981	—		5,981
Total Assets	$ 222,113	$ 22,999	$ 245,112	$ 40,598		$ 285,710
Liabilities and Stockholders' Equity						
Current liabilities:						
Debt obligations	$ 437	$ 948	$ 1,385	$ (948)	**B**	$ 437
Accounts payable	24,587	2,787	27,374	—		27,374
Accrued liabilities	18,051	2,101	20,152	(1)	**C, I**	20,151
Total current liabilities	43,075	5,836	48,911	(949)		47,962
Long-term debt	62,021	1,435	63,456	58,122	**B, H, J**	121,578
Deferred income taxes	3,164	—	3,164	—		3,164
Pension and post-retirement obligations	4,238	—	4,238	—		4,238
Other long-term liabilities	9,132	—	9,132	—		9,132
Total liabilities	121,630	7,271	128,901	57,173		186,074
Stockholders' Equity:						
Common stock, no par value	32,867	—	32,867	—		32,867
Preferred stock, par value $1.00 per share	—	—	—	—		—
Additional paid-in capital	—	6,747	6,747	(6,747)	**D**	—
Retained earnings	74,366	8,981	83,347	(9,828)	**D**	73,519
Accumulated other comprehensive loss	(6,750)	—	(6,750)	—		(6,750)
Total Stockholders' equity	100,483	15,728	116,211	(16,575)		99,636
Total Liabilities and Stockholders' Equity	$ 222,113	$ 22,999	$ 245,112	$ 40,598		$ 285,710

See accompanying notes to pro forma combined consolidated financial statements

Allied Motion Technologies Inc.
Pro Forma Combined Consolidated Statement of Operations and Comprehensive Income
For the Nine Months Ended September 30, 2018
(In thousands, except per share data)
Unaudited

	Historical Results: Allied Motion Technologies, Inc.	Historical Results: TCI, LLC	Combined Subtotal	Pro Forma Adjustments	Note 3. References	Unaudited Pro Forma Combined
Revenues	$ 236,649	$ 33,612	$ 270,261	$ —		$ 270,261
Cost of goods sold	166,816	20,415	187,231	(336)	M	186,895
Gross profit	69,833	13,197	83,030	336		83,366
Operating costs and expenses:						
Selling	8,402	3,540	11,942	(159)	M	11,783
General and administrative	23,969	3,863	27,832	(103)	M, Q	27,729
Engineering and development	14,610	1,050	15,660	(52)	M	15,608
Business development	349	232	581	(232)	L	349
Amortization of intangible assets	2,634	177	2,811	1,509	M, O	4,320
Total operating costs and expenses	49,964	8,862	58,826	963		59,789
Operating income	19,869	4,335	24,204	(627)		23,577
Other expense (income):						
Interest expense	1,839	134	1,973	1,335	N, P	3,308
Other expense (income), net	(118)	17	(101)	—		(101)
Total other expense (income) , net	1,721	151	1,872	1,335		3,207
Income before income taxes	18,148	4,184	22,332	(1,962)		20,370
Provision for income taxes	(4,859)	—	(4,859)	(622)	R	(5,481)
Net income	$ 13,289	$ 4,184	$ 17,473	$ (2,584)		$ 14,889
Basic earnings per share:						
Earnings per share	$ 1.44					$ 1.61
Basic weighted average common shares	9,251					9,251
Diluted earnings per share:						
Earnings per share	$ 1.42					$ 1.59
Diluted weighted average common shares	9,337					9,337
Net income	$ 13,289					$ 14,889
Other comprehensive income:						
Foreign currency translation adjustment	(2,152)					(2,152)
Change in accumulated loss on derivatives	988					988
Comprehensive income	$ 12,125					$ 13,725

See accompanying notes to pro forma combined consolidated financial statements

Allied Motion Technologies Inc.
Pro Forma Combined Consolidated Statement of Operations and Comprehensive Income
For the Year Ended December 31, 2017
(In thousands, except per share data)
(Unaudited)

	Historical Results					
	Allied Motion Technologies, Inc.	TCI, LLC	Combined Subtotal	Pro Forma Adjustments	Note 3. References	Unaudited Pro Forma Combined
Revenues	$ 252,012	$ 34,315	$ 286,327	$ —		$ 286,327
Cost of goods sold	176,333	20,782	197,115	(351)	**M**	196,764
Gross profit	75,679	13,533	89,212	351		89,563
Operating costs and expenses:						
Selling	10,979	3,821	14,800	(167)	**M**	14,633
General and administrative	24,926	4,850	29,776	(62)	**M, Q**	29,714
Engineering and development	17,542	1,384	18,926	(70)	**M**	18,856
Business development	213	9	222	(9)	**L**	213
Amortization of intangible assets	3,219	367	3,586	1,882	**M, O**	5,468
Total operating costs and expenses	56,879	10,431	67,310	1,574		68,884
Operating income	18,800	3,102	21,902	(1,223)		20,679
Other expense:						
Interest expense	2,474	264	2,738	1,493	**N, P**	4,231
Other expense, net	190	15	205	—		205
Total other expense, net	2,664	279	2,943	1,493		4,436
Income before income taxes	16,136	2,823	18,959	(2,716)		16,243
Provision for income taxes	(8,100)	—	(8,100)	(42)	**R**	(8,142)
Net income	$ 8,036	$ 2,823	$ 10,859	$ (2,758)		$ 8,101
Basic earnings per share:						
Earnings per share	$ 0.88					$ 0.89
Basic weighted average common shares	9,153					9,153
Diluted earnings per share:						
Earnings per share	$ 0.87					$ 0.87
Diluted weighted average common shares	9,275					9,275
Net income	$ 8,036					$ 8,101
Other comprehensive income:						
Foreign currency translation adjustment	6,314					6,314
Change in accumulated loss on derivatives	226					226
Pension adjustments	(123)					(123)
Comprehensive income	$ 14,453					$ 14,518

See accompanying notes to pro forma combined consolidated financial statements

1. BASIS OF PRO FORMA PRESENTATION

On December 6, 2018, Allied Motion Technologies Inc., a Colorado corporation (the "Company" or "Allied Motion") entered into a Unit Purchase Agreement (the "Purchase Agreement") with TCI, LLC, a Wisconsin limited liability company ("TCI"), and the members of TCI ("Sellers"), pursuant to which Allied Motion acquired 100% of the issued and outstanding common units of TCI from Sellers (the "Acquisition") in a transaction valued at $64,100. The Acquisition consideration is subject to adjustments based on a determination of closing net working capital, cash, indebtedness and other TCI liabilities. A portion of the Acquisition consideration was placed in escrow to secure payment of any post-closing adjustments to the purchase price and to secure the Sellers' indemnification obligations to Allied Motion. Cash consideration was funded from borrowings on the Company's existing credit facilities.

On October 28, 2016, the Company entered into a Credit Agreement (the "Credit Agreement") for a $125,000 revolving credit facility (the "Revolver"), with an initial term of five years. On December 6, 2018, the Company and certain of its subsidiaries entered into a Second Amendment to Credit Agreement to exercise the $50 million accordion feature of its existing senior secured revolving credit facility and to add TCI as an additional guarantor.

The Company's credit facility, which matures in October 2021, increased capacity from $125 million to $175 million with the additional borrowing capacity being provided by the existing lenders. The effective interest rate on the credit facility is currently 3.75% and the commitment fee on the unused portion of the credit facility is 1.25%. Other terms and conditions under the credit facility remain unchanged.

The unaudited pro forma combined consolidated balance sheet as of September 30, 2018 is based on historical financial statements of Allied Motion and the historical financial statements of TCI after giving effect to the acquisition adjustments. The unaudited pro forma combined consolidated balance sheet as of September 30, 2018 is presented as if the acquisition had occurred on September 30, 2018.

The unaudited pro forma combined consolidated statements of operations and comprehensive income for the year ended December 31, 2017 and for the nine months ended September 30, 2018 is based on the historical financial statements of Allied Motion and TCI for the respective periods then ended after giving effect to the acquisition adjustments. The unaudited pro forma combined consolidated statements of operations and comprehensive income are presented as if the acquisition had occurred on January 1, 2017.

The historical financial information has been adjusted to give pro forma effect to events that are (i) directly attributable to the transaction, (ii) factually supportable, and (iii) with respect to the unaudited pro forma combined consolidated statements of operations and comprehensive income, expected to have a continuing impact on the combined results. The pro forma adjustments are preliminary and based on estimates of the fair value and useful lives of the assets acquired and liabilities assumed and have been prepared to illustrate the estimated effects of the transaction and certain other adjustments.

Under the acquisition method, acquisition-related transaction costs (e.g. advisory, legal, valuation and other professional fees) are not included as consideration transferred but are accounted for as expenses in the periods in which the costs are incurred. These costs are not presented in the unaudited pro forma combined consolidated statements of operations and comprehensive income because they will not have a continuing impact on the combined results.

2. PURCHASE PRICE ALLOCATION

The purchase price was approximately $64,100 excluding cash acquired as of September 30, 2018 and was funded using existing cash and Revolver borrowings.

The allocation of the purchase price paid for TCI is based on estimated fair values of the assets acquired and liabilities assumed of TCI as of September 30, 2018. The allocation of the purchase price is preliminary as the valuation of both the tangible and identifiable intangible assets is being finalized. While the final amounts allocated to assets and liabilities could change from the information presented in the unaudited pro forma combined condensed financial statements, the Company does not expect changes to be material. Cost and fees incurred by Allied Motion associated with the acquisition of TCI are estimated to be approximately $413.

The preliminary allocation of purchase price based on estimated fair values (in thousands):

Inventory	$	3,917
Other assets, net		2,536
Property, plant and equipment		3,464
Amortizable intangible assets		36,400
Goodwill		17,783
Net purchase price	$	64,100

Intangible assets

The fair value of identifiable intangible assets of $36,400 has been allocated to the following asset categories (in thousands):

		Preliminary Value		Initial 12 months amortization	Amortization method	Estimated Useful Life
Customer relationships		22,200		1,388	Straight line	16 years
Technology		8,100		540	Straight line	15 years
Trade name	$	6,100	$	321	Straight line	19 years
	$	36,400	$	2,249		

3. UNAUDITED PRO FORMA ADJUSTMENTS

The unaudited pro forma combined consolidated balance sheet as of September 30, 2018 and unaudited proforma combined consolidated statements of operations and comprehensive income for the nine months ended September 30, 2018 and for the year ended December 31, 2017 gives effect to the following adjustments (in thousands):

A. To reflect the removal of TCI's intangible assets ($304) and goodwill ($9,929) at the date of purchase.

B. To remove historical debt ($2,383) paid prior to the acquisition.

C. To remove liabilities not assumed as part of the acquisition. Includes distributions payable ($128) accrued profit sharing ($767) and accrued management fees ($25).

D. To reflect the removal of TCI's historical equity ($15,728) at the date of purchase.

E. To reflect the estimated purchase accounting adjustment for capitalization of estimated manufacturing profit in inventory acquired. (Note: The unaudited pro forma combined consolidated statement of operations and comprehensive income does not reflect the impact of the one-time adjustment to costs of products sold during the periods when this inventory will be sold.)

F. To reflect the fair value of property, plant and equipment acquired in the business combination.

G. To reflect the fair value of the purchased intangible assets and goodwill resulting from the acquisition.

H. To reflect the borrowings on revolving line of credit facility related to the acquisition.

I. To reflect accrued transaction costs and accrued interest related to the acquisition and the incurrence of related debt. This adjustment reflects the accrual of expected transaction costs as of September 30, 2018.

J. To reflect the new debt issuance costs resulting from the amendment of the credit agreement to allow for increased Revolver borrowings for the acquisition.

K. To reflect the fair value of the purchased cash, intangible assets and goodwill resulting from the acquisition.

L. To reflect the removal of TCI's transaction costs ($232 and $9 for the nine months ended September 30, 2018 and the year ended December 31, 2017, respectively) incurred that were directly attributable to the acquisition.

M. To remove TCI non-recurring expenses. For the nine months ended September 30, 2018, amount includes $767 partner bonuses, $75 management fees and $177 amortization of historical intangible assets. For the year ended December 31, 2017, amount includes $788 partner bonuses, $100 management fees and $367 amortization of historical intangible assets.

N. To reflect the interest expense ($1,451 and $1,733, for the nine months ended September 30, 2018 and the year ended December 31, 2017 respectively) on the acquisition debt incurred on the revolving line of credit, calculated using the historical interest rates in effect for the periods presented. Also reflects the removal of historical TCI interest expense of $134 for the nine months ended September 30, 2018 and $264 for the year ended December 31, 2017 as TCI's existing debt was paid prior to the acquisition.

O. To reflect the amortization expense of finite lived purchased intangible assets, which lives are nineteen years for trade names, fifteen years for technology and sixteen years for customer relationships.

P. To reflect the amortization of new debt issuance costs as interest expense ($18 and $24 for the nine months ended September 30, 2018 and the year ended December 31, 2017, respectively), for which the amortization period is three years.

Q. To reflect the depreciation expense ($192 and $255 for the nine months ended September 30, 2018 and the year ended December 31, 2017, respectively) of purchased property, plant and equipment, which depreciable life is seven years for machinery and equipment.

R. To reflect the recognition of income taxes at a 28% and 39% statutory rate for the nine months ended September 30, 2018 and the year ended December 31, 2017, respectively, on the combined income before income taxes as adjusted for the income statement pro forma adjustments and the previously untaxed income of TCI as a passthrough entity.

4. UNAUDITED PRO FORMA COMBINED CONSOLIDATED NET INCOME PER SHARE

The pro forma basic and diluted net income per share amounts presented are based upon the weighted average number of common shares outstanding during the periods presented. The basic and diluted earnings per share and the information of the number of shares used to compute basic and diluted earnings per share.