



CORPORATE GOVERNANCE PRINCIPLES OF THE BOARD OF DIRECTORS

I. INTRODUCTION.

The Board of Directors (the “Board”) of Allied Motion Technologies Inc. (the “Corporation”), acting on the recommendation of its Governance and Nominating Committee, has developed and adopted these principles as a general guide to assist the Board in carrying out its responsibilities and to promote the effective functioning of the Board and its committees. The Board, on behalf of the Corporation and its shareholders, oversees and provides general direction to the management of the Corporation.

In addition to other Board or committee responsibilities outlined below, the responsibilities of the Board include reviewing the overall operating, financial and strategic plans and performance of the Corporation, selecting and evaluating the Corporation’s Chief Executive Officer (“CEO”); either directly or through a committee, overseeing the appointment and evaluation of the Corporation’s executive and senior officers; overseeing appropriate policies of corporate conduct and compliance with laws; and reviewing the process by which financial and non-financial information about the Corporation is provided to directors, executive and senior management, employees, the Corporation’s shareholders, the Nasdaq Stock Market, the Securities and Exchange Commission (“SEC”) and other regulatory authorities.

The Corporation’s executive and senior officers, under the direction of the CEO, are responsible for the day-to-day operations of the Corporation; implementation of the short-term and long-term strategic, financial, and management plans of the Corporation; identification, assessment and management of risk and risk mitigation strategies; preparation of financial statements and other reports that accurately reflect requisite information about the Corporation; and timely reports which inform the Board about the foregoing matters.

These principles are intended to be guidelines for the Board’s and management’s reference in fulfilling their respective roles in the management of the Corporation. They are not intended as binding legal obligations or inflexible requirements, and are not intended to interpret applicable laws and regulations or modify the Corporation’s Articles of Incorporation or Bylaws. These principles are subject to modification, in whole or in part. The Board, in the exercise of its discretion, shall be able to deviate from these principles from time to time as the Board may deem appropriate or desirable or as required by applicable laws and regulations.

II. BOARD COMPOSITION.

(a) Size of the Board. The Corporation’s Bylaws currently provide that the authorized number of directors will be not less than three or more than nine. The Board will periodically review the appropriate size of the Board given factors deemed relevant to the Board.

(b) Majority of Independent Directors. A majority of the directors serving on the Board should meet the standard of director independence set forth in the Nasdaq listing standards as the same may be amended from time to time (the “listing standards”), as well as other factors

not inconsistent with the listing standards that the Board considers appropriate for effective oversight and decision-making by the Board.

(c) Affirmative Determination of Independence. The Board will affirmatively determine annually and at other times required by the listing standards that the directors designated as independent have no material relationships to the Corporation (either directly or with an organization in which the director is a partner, shareholder or officer or is financially interested) that may interfere with the exercise of their independence from management and the Corporation. If the Board determines that a director has a relationship which is not material, the Corporation will disclose the determination in its annual proxy statement, provided that the Board may adopt and disclose categorical standards to assist it in making determinations of independence and disclose if a director meets these standards.

(d) Management Directors. The Board anticipates that the Corporation's CEO will be nominated to serve on the Board. The Board may also appoint or nominate other members of the Corporation's management whose experience and role at the Corporation are expected to help the Board fulfill its responsibilities.

(e) Selection of Board Nominees. The holders of the Corporation's common stock have the power to elect Directors at the annual meeting of shareholders. The Board has overall responsibility for the selection of candidates for nomination for election to the Board; provided, however, that in accordance with the Corporation's Bylaws, the Board has the authority to appoint individuals to fill vacancies on the Board between annual meetings of shareholders. To assist the Board with respect to these responsibilities and authority, the Governance and Nominating Committee will evaluate and recommend director candidates to the Board for nomination or appointment. The Board, upon consideration of the Governance and Nominating Committee's recommendations and such other factors as the Board considers relevant, will determine the individuals to be nominated to serve on the Corporation's Board for election by shareholders at each annual meeting of shareholders, and to be appointed by the Board to fill vacancies on the Board.

(f) Board Membership Criteria. The Board seeks to select as directors individuals with skills, temperament and experience who will contribute to the Corporation's overall corporate goals. An assessment of the skills and characteristics needed by the Board in the context of the current status of the Board must be performed on a regular basis. The following are some of the skills and characteristics that the Board should consider: (i) judgment; (ii) accountability and integrity; (iii) reputation; (iv) relevant experience, including leadership roles and experience working in a collaborative environment; (v) technical skills; (vi) financial literacy; (vii) mature confidence and emotional maturity; (viii) high performance standards; (ix) availability; (x) other board appointments and outside commitments; (xi) industry knowledge; (xii) networking/contacts; and (xiii) degree of independence from management.

The Board and the Governance and Nominating Committee will from time to time review the experience and characteristics appropriate for Board members and director candidates in light of the Board's composition at the time and the skills and expertise needed for effective operation of the Board and its committees.

(g) No Term Limits; Retirement; Change in Status; Other Directorships.

(i) *No Term Limits.* The Board does not impose term limits, because of the belief they could unnecessarily interfere with the continuity, developed experience and knowledge, and the long-term outlook of the Board. The Board, based on recommendations by the Governance and Nominating Committee, will review the prior service of the director who is eligible to be re-nominated for Board membership, including an assessment of individual director performance, attendance, length of service, number of other public and private corporation boards on which the individual serves, composition and requirements of the Board at that time, and other relevant factors.

(ii) *Retirement Policy.* Directors will retire from the Board and shall tender his or her resignation effective at the end of the term of office during which the Director becomes age 75, unless the Governance and Nominating Committee has voted, on an annual basis, to waive, or continue to waive, the mandatory retirement age of such person as a Director. In the case of such waiver, the Director will offer to resign each year thereafter during his or her extended service, which resignation the Board may determine to accept or not accept on a case-by-case basis.

(iii) *Change in Status.* Individual directors who retire or change the primary job responsibility or employer they had when last elected or appointed to the Board, will promptly tender their resignation so that the Governance and Nominating Committee and the Board may determine, on a case-by-case basis, whether the director's continued Board membership is in the best interest of the Corporation, free from conflict of interests, and is otherwise appropriate.

(iv) *Other Directorships.* The Board recognizes that individuals should limit the number of boards, whether public, private or nonprofit, on which they serve so they can give proper attention to each board responsibility. The Governance and Nominating Committee shall consider the number of other boards on which a prospective nominee is a member. Directors are required to advise the Chairman of the Board or the Chairperson of the Governance and Nominating Committee in advance of accepting any directorship on another board and the Board must determine that this simultaneous service would not impair the member's ability to serve on the Board or any committee of the Board.

III. BOARD COMPENSATION.

The Board, through the Compensation Committee, will review or request management or outside consultants (retained by or at the direction of the Compensation Committee) to review appropriate compensation policies or changes in compensation policies for the directors serving on the Board and its committees. This review may consider Board compensation practices of other comparable public companies, contributions to the Board functions, time commitments expected for Board and committee service, and other appropriate factors. The Board believes that equity based compensation can be an important component of director compensation as it aligns the director's interests with those of shareholders. The Board, upon the recommendation of the Governance and Nominating Committee, may adopt stock ownership guidelines for

independent directors. The Compensation Committee will review director compensation annually and recommend changes, if any, to the Board for approval.

IV. BOARD MEETINGS.

(a) Scheduling of Full Board Meetings and Committee Meetings. The Board meeting schedule and agenda are developed with direct input from directors. Meeting lengths vary as business and discussion dictate. Teleconference meetings may be used between regular meetings to address significant issues. During each fiscal year, the Board will generally hold four regular meetings.

(b) Executive Sessions of Independent Directors. To ensure free and open communication among the independent directors of the Board, each fiscal year the independent directors will hold four regular executive sessions without non-independent directors or management present, at such times and for such purposes as the independent directors consider appropriate. For the convenience of the directors, these meetings may, but need not, be scheduled to coincide with the dates of regular Board meetings. The independent directors may invite the Corporation's independent auditors, legal counsel, other consultants or advisors, finance staff and other employees to attend portions of these meetings.

(c) Agenda. The Board shall be responsible for its agenda. The Chairman of the Board, CEO and the Corporate Secretary will have primary responsibility for suggesting the specific agenda for each meeting and arranging for the agenda to be sent in advance of the meeting to the directors along with appropriate written information and background materials. Each Board committee Chairperson and each individual director is encouraged to suggest specific items for inclusion on the agenda. The Chairperson and the full Board each separately may require the Board to meet in executive sessions to discuss sensitive matters with or without distribution of written materials.

(d) Chairperson and presiding independent director. The Board will periodically appoint a Chairperson of the Board. Both independent and management directors, including the CEO, are eligible for appointment as the Chairperson. If the Chairperson is not an independent director, the Board will either designate an independent director to preside at the meetings of independent directors or a procedure by which a presiding director is selected for these meetings. The Corporation will appropriately disclose the name of this presiding director or method by which interested parties may contact the independent directors.

(e) Access to Management and Information; Meeting Materials Distributed in Advance. The Corporation's management will afford each Board member full access to the Corporation's management and employees and the outside auditors, legal counsel and other professional advisors for any purpose reasonably related to the Board's responsibilities. Each director is entitled to: (i) inspect the Corporation's books and records and obtain such other data and information as the director may reasonably request; (ii) inspect facilities as reasonably appropriate for the performance of director duties; and (iii) receive notice of all meetings in which a director is entitled to participate and copies of all Board and committee meeting minutes. Information and data that is important to the business and/or that relate to items expected to be discussed or acted upon by the Board at a meeting, will be distributed to the Board before the

Board meets. The Board intends that this information be understandable, organized and distributed in a timely manner to allow for meaningful review.

(f) Independent Inquiries and Advisors. The Board is authorized to conduct investigations, and to retain, at the expense of the Corporation, independent legal, accounting, investment banking, or other professional advisors selected by the Board, for any matters relating to the purpose or responsibilities of the Board.

V. BOARD COMMITTEES.

(a) Committees. The standing committees of the Board are: the Audit Committee; Governance and Nominating Committee; and Compensation Committee. The Board may from time to time establish additional committees or form committees to comply with applicable law and applicable listing standards.

(b) Committee Member Selection. After considering the recommendations of the Governance and Nominating Committee, the Board will designate the members and the Chairperson of each committee, endeavoring to match the committee's function and needs for expertise with individual skills and experience of the appointees to the committee. Each member of the Audit, Compensation, and Governance and Nominating Committees will be independent as defined in the applicable listing standards, laws and regulations and, in the case of the Audit and Compensation Committees, who also satisfy the additional eligibility requirements of the SEC's rules and regulations. The required qualifications for the members of each committee shall be set out in the respective committee's charter.

(c) Committee Functions. Each of the Board committees will have a written charter approved by the Board in compliance with applicable listing standards, laws and regulations. The number and content of committee meetings and means of carrying out committee responsibilities will be determined by each committee in light of the committee's charter, the authority delegated by the Board to the committee, and legal, regulatory, accounting or governance principles applicable to that committee's function. The Chairperson of each committee, in consultation with the appropriate members of the committee and management, will develop and approve the committee's agenda. The Corporation's management will afford access to the Corporation's employees, professional advisors, and other resources, if needed, to enable committee members to carry out their responsibilities.

VI. BOARD MEMBER RESPONSIBILITIES.

(a) Director Responsibilities.

(i) *Generally.* The business and affairs of the Corporation shall be managed by or under the supervision and direction of the Board in accordance with Colorado law. The core responsibility of the Board of Directors is to exercise its fiduciary duty to act in the best interest of the Corporation and its shareholders. A director is expected to discharge his or her director duties, including duties as a member of a committee on which the director serves, in good faith and in a manner the director reasonably believes to be in the best interests of the Corporation.

(ii) *Disclose Relationships.* Each independent director is expected to disclose promptly to the Board any existing or proposed relationships with the Corporation (other than service as a Board member or on Board committees) which could affect the independence of the director under applicable listing standards or any additional standards as may be established by the Board from time to time, including direct relationships between the Corporation and the director and his or her family members, and indirect relationships between the Corporation and any business, nonprofit or other organization in which the director is a general partner or manager, officer, or significant shareholder, or is materially financially interested.

(iii) *Attendance and Preparation.* Board members are expected to devote sufficient time and attention to prepare for, attend and participate in Board meetings and meetings of committees on which they serve, including advance review of meeting materials that may be circulated prior to each meeting. In the absence of unavoidable conflict, all Board members are also expected to attend the Annual Meeting of Shareholders. SEC rules require disclosure in the Corporation's proxy statement of any director who fails to attend an aggregate of 75% of all Board and committee meetings on which the director served, and the number of Board members that attended the prior year's Annual Meeting of Shareholders.

(iv) *Reliance on Information.* In discharging responsibilities as a director, a director is entitled to rely in good faith on reports, opinions or other information provided by Corporation management, independent auditors, legal counsel, other consultants and advisors, and other persons as to matters the director reasonably believes to be within such other person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Corporation.

(b) Risk oversight. The Board should understand the principal risks associated with the Corporation's business on an ongoing basis and it is the responsibility of management to assure that the Board and its committees are kept well informed of these changing risks on a timely basis. It is important that the Board oversee the key risk decisions of management, which includes comprehending the appropriate balance between risks and rewards. The Board reserves oversight of the major risks facing the Corporation and has delegated risk oversight responsibility to the appropriate committees as set forth in the charter of each Board committee.

(c) Code of Ethics and Business Conduct. Each member of the Board shall at all times exhibit high standards of integrity and ethical behavior. Each director shall adhere to the applicable Corporation policies concerning integrity and ethical behavior, including the Corporation's *Code of Ethics and Business Conduct*. In addition, directors must avoid any conflict between their own interests and the interests of the Corporation in dealing with suppliers, customers, and other third parties, and in the conduct of their personal affairs.

(d) Orientation and Continuing Education. The Board is expected periodically to review appropriate policies and procedures for providing orientation sessions for newly elected or appointed directors, including background material on the Corporation, its business plans, legal affairs, and risk profile, and meetings with senior management, and recommending on an as-needed basis continuing director education programs for Board or committee members.

VII. SUCCESSION PLANNING.

(a) CEO Succession Planning. At least annually, the Board shall review a succession plan addressing the policies and principles for selecting a successor to the CEO, both in an emergency situation or retirement and in the ordinary course of business. The succession plan should include an assessment of the experience, performance, skills and planned career paths for possible successors to the CEO.

(b) Management Succession Planning. The CEO will review with the Board management succession and development plans for senior officers.

VIII. CEO EVALUATION AND EXECUTIVE COMPENSATION.

(a) Evaluating and Approving Compensation for the CEO. The Board, acting through the Compensation Committee, annually reviews and evaluates the performance of the CEO and the Corporation against the Corporation's goals and objectives and, upon advice or with the assistance of the Compensation Committee, approves the compensation and incentives of the CEO.

(b) Evaluating and Approving Compensation of Senior Officers. The Board, acting through the Compensation Committee and with input from the CEO, has the responsibility to approve overall compensation policies applicable to senior officers.

IX. MANAGEMENT RESPONSIBILITY.

(a) Financial Reporting and Legal Compliance. While the Board has an oversight function, the Corporation's management has the primary responsibility for (i) preparing financial statements which accurately and fairly present the Corporation's financial results and condition, and (ii) maintaining systems, procedures and corporate culture which comply with legal and regulatory requirements and the ethical conduct of the Corporation's business.

(b) Corporate Communications. Management has the primary responsibility to establish policies concerning the Corporation's communications with investors, shareholders, stock exchange, governmental authorities, the press, customers, suppliers and employees. The CEO and designated management speak for the Corporation. Inquiries from the press, shareholders, or others should be referred to the CEO for response.

(c) Communication of Corporate Governance Principles and Charters. Management will assure that the Corporation's website includes a copy of these *Corporate Governance Principles*, copies of the charters of the Audit, Governance and Nominating, and Compensation Committees and, if applicable, other committees of the Board, and a copy of the Corporation's *Code of Ethics and Business Conduct* and the *Supplemental Code of Ethics for Senior Financial Officers*. Management will also include in the Corporation's annual report to shareholders statements to the effect that this information is available on the Corporation's website and in print to any shareholder who requests it.

(d) Outside Directorships of Chief Executive Officer. The CEO's first obligation is to the Corporation but it is recognized that service on outside boards, especially public company

boards, may be beneficial to both the CEO and the Corporation. The CEO will advise the Board, in advance of his/her desire to accept a position on another board. The Board, based on recommendation of the Governance and Nominating Committee will decide if such a directorship is appropriate.

(e) Standards of Business Conduct. The Corporation maintains a *Code of Ethics and Business Conduct*, which sets forth the Corporation's commitment to integrity and ethical behavior in all aspects of its business activity. The standards are applicable to all of the Corporation's directors, officers, and employees and each is required to periodically verify their awareness of, and compliance with, the standards.

X. EVALUATION OF BOARD PERFORMANCE.

The Board, acting through the Governance and Nominating Committee, should conduct a self-evaluation at least annually to assess whether it is functioning effectively. The Governance and Nominating Committee will periodically consider the mix of skills and experience that directors bring to the Board to assess whether the Board has the requisite experience and qualifications to perform its oversight function effectively.

Each committee of the Board shall conduct a self-evaluation at least annually and report the results to the Board. Each committee's evaluation must compare the performance of the committee with the requirements of its written charter.

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