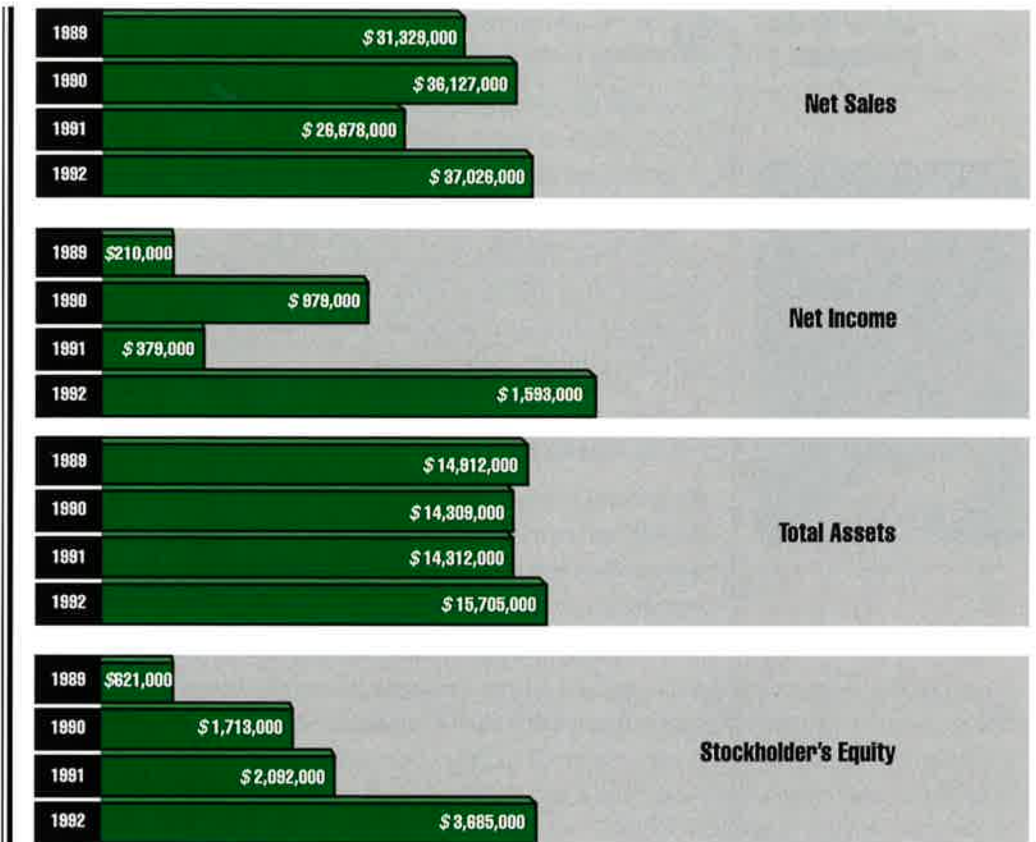
AAON
1992 ANNUAL REPORT

Financial Highlights



Company Highlights

August 1988	AAON, an Oklahoma corporation, founded.
September 1988	Purchase of John Zink Air Conditioning Division.
December 1988-April 1989	AAON purchased for $650,000, a 184,000 square foot plant at 2425 South Yukon, Tulsa, Oklahoma, renovated the facility and moved in.
December 1988-December 1989	Introduced new product line of rooftop heating and air conditioning units 2-140 tons.
June 1989	Became publically traded company with the reverse acquisition of Diamond Head Resources.
September 1989	Changed name of Diamond Head Resources to AAON, Inc., a Nevada corporation.
December 1990	Listed on NASDAQ–Symbol "AAON"
1991-1992	Major customer reduced new construction and purchasing of AAON units by $10,000,000 per year.
December 1991	Formed CP/AAON, a Texas Corporation, as a subsidiary to AAON, Inc. (Nevada).
December 1991	CP/AAON purchased coil making assets of Coils Plus.
1992	Introduced higher efficiency units 2-140 tons.
February 1993	CP/AAON purchased for $720,000 a 110,000 square foot plant in Longview, Texas.
February-June 1993	Renovating facility and moving CP/AAON.

Letter to the Stockholders

Nineteen ninety-two can be characterized as the year in which many of our control processes coalesced to produce a record profit.

Sales and net income for the year ended December 31, 1992, were $37,026,000 and $1,593,000 ($.07 per share), respectively, compared to $26,678,000 and $379,000 ($.02 per share) during the previous year.

The increase in sales was primarily attributable to the December, 1991, purchase of assets of Coils Plus, Inc., in Longview, Texas, a supplier of coils to AAON and other manufacturers of heating and air conditioning equipment. Improvements in operational efficiency and increased productivity resulted in gross margins of 19.7% in 1992 versus 16.1% in 1991 and correspondingly higher earnings.

Sales to other than our two major customers continued to increase as planned, constituting 46% of total sales in 1992 as compared to 28% in 1991 (and 16% in 1990).

While commercial real estate construction in the United States is projected to remain flat in 1993, we anticipate higher sales and earnings this year due to increasing market share. Our backlog was $12,138,000 at March 1, 1993, compared to $6,283,000 at the same time a year ago.

In an attempt to improve the marketability of your AAON shares, the Board of Directors has proposed a 1-for-4 reverse stock split effective September 15, 1993, which will be voted upon at this year's Annual Meeting of Stockholders.

Norman H. Asbjornson
President

April 14, 1993

Fundamental to AAON's growth and success in 1992 were our clarity of focus on a unique, specific market niche and our continuing dedication to quality. These two characteristics are the unifying elements in all aspects of our operation, sales, engineering and manufacturing.

In an industry historically attentive to initial cost purchasers of rooftop heating and air-conditioning equipment, AAON has taken a distinctively different approach. We have identified significant market opportunities in the owner-controlled sector which is concerned with ownership costs. The owner market represents strength not only in replacement purchasing, but also in increasingly prevalent new product purchasing. The latter is apparent in AAON's maintenance of key national accounts with owner-controlled contracting operations.

Installing 140 ton VAV rooftop unit.

For these owners, AAON's dedication to quality is essential. AAON gives owners the economic advantages which can only be actualized through the operational efficiency and maintainability of the final product. Because our products have met the criteria, our success and growth have ensued.

Meeting Marketing Opportunities With Service Strength

AAON plans to expand growth nationally through a broad, existing network of manufacturer's representatives. In addition, AAON will extend its sales focus to promising markets in the Middle East, the Far East and Europe. To achieve these goals, AAON must continue offering flexibility in production. The addition of a third assembly line in 1992 has been a key factor in maintaining our manufacturing edge. AAON's facilities are designed to offer benefits provided by custom manufacturers, but at a much lower cost.

With our sales, manufacturing and engineering centrally located in Tulsa, Oklahoma, we can capitalize on market opportunities identified worldwide by translating user requirements immediately into production realities. A major facet of AAON's service effort is to make continuous changes to our product lines in response to input from users, engineers and maintenance staffs, to all construction requirements and to legislation regarding energy consumption.

One key asset which allows us to keep this service commitment is our state-of-the-art mainframe computer. It gives us immediate control of design, engineering, inventory and cost functions. Coordination of material, manufacturing and shipping requirements is achieved in the most efficient, cost-effective manner possible. Sophisticated computer-aided drafting (CAD) software allows us to integrate customer requirements with AAON engineering and manufacturing specifications. Thereby, AAON can produce products which are tailored to our market and which exceed the quality and serviceability standards of the industry.

Display of various unit cabinet sizes.

AAON•CP/AAON Employees: Facilitating Success Through Quality

At AAON, quality control is much more than a popularly used phrase. On the production lines, quality is achieved by rigid control checks which are the distinct responsibility of the AAON staff. It is our goal to make each component of our products reliable. This extends to our vendors who, like our internal production crews, must pass our quality control inspections.

Sixteen row coil assembly.

Production line No. 3 showing a series of 8, 140 ton units.

About AAON Products

At its Tulsa facility, AAON manufactures a wide variety of heating and cooling products. Our three production lines exemplify the variety of product offering. Line One produces high volume, standard models, Line Two is for rooftop units with numerous options and Line Three is for more specialized, large tonnage models.

Design considerations such as ease of maintenance are important features of the entire AAON line. For instance, by reducing through engineering and material excellence the maintenance costs of our products, those products are extremely attractive in the critical replacement sales market.

CP/AAON: Exemplifying Vertical Integration

Large vertical expander area.

Located in Longview, Texas, CP/AAON is a wholly-owned subsidiary of AAON, Inc. CP/AAON manufactures O.E.M., new construction and replacement coils for residential, industrial and commercial markets. CP/AAON enjoys the advantages of AAON's technological leadership by virtue of its link to the Tulsa office via our mainframe computer and its application of CAD software.

For AAON, the integration of CP/AAON into its span of operation is one of several decisions consistent with management's determination to be the industry's quality leader. Such decisions have given AAON an excellent vertical integration—insuring the highest level of materials and operation efficiency while maintaining our cost competitiveness within the industry.

Fin press and tube expanding area.

FORM 10-K

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

For the fiscal year ended December 31, 1992

Commission file number: 33-18336-LA

AAON, INC.
(Exact name of Registrant as specified in its charter)

Nevada (State or other jurisdiction of incorporation or organization)	87-0448736 (IRS Employer Identification No.)
2425 South Yukon, Tulsa, Oklahoma (Address of principal executive offices)	74107 (Zip Code)

Registrant's telephone number, including area code: (918) 583-2266

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, par value $.001
(Title of Class)

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

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

The aggregate market value of Registrant's voting stock held by non-affiliates computed by reference to the average bid and asked prices of such stock on March 1, 1993, was approximately $9,593,000. For purposes of this computation, all officers, directors and 5% beneficial owners of Registrant are deemed to be affiliates.

As of March 1, 1993, Registrant had outstanding a total of 22,150,318 shares of its $.001 par value Common Stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of Registrant's definitive Proxy Statement to be filed in connection with the Annual Meeting of Stockholders to be held May 11, 1993, are incorporated into Part III.

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PART I

Item 1. Business.

General Development of Business

AAON, INC., formerly Diamond Head Resources, Inc., a Nevada corporation ("AAON-Nevada" or, including its subsidiaries, the "Company"), was incorporated on August 18, 1987. During February and March, 1988, Diamond Head Resources, Inc., made a public offering of its stock in furtherance of the objective of seeking and acquiring an interest in a prospective business opportunity.

AAON, Inc., an Oklahoma corporation ("AAON-Oklahoma), was incorporated on August 15, 1988, for the purpose of acquiring the assets, subject to certain liabilities, of the Heating, Ventilation and Air-Conditioning ("HVAC") Division of John Zink Company ("JZC"). AAON-Oklahoma's purchase of the HVAC business was consummated on September 30, 1988, at a price of $9,219,000, consisting of a cash payment of $7,035,000 and assumption of accounts payable totalling $2,184,000. $2,222,000 of the cash payment was provided from equity investments of $272,000 and stockholder subordinated loans totalling $1,950,000. In addition to a $580,000 loan from AAON-Nevada (discussed below), $4,233,000 was obtained from bank loans. The bank debt was guaranteed by AAON-Nevada.

On September 30, 1988, AAON-Nevada made a loan of virtually all of its assets ($580,000) to AAON-Oklahoma, to partially finance AAON-Oklahoma's purchase of the HVAC business on that date. An integral part of that transaction was a Conversion/Exchange Agreement by and among AAON-Nevada, AAON-Oklahoma and the stockholders of AAON-Oklahoma, which was "triggered" on June 16, 1989. As a result, the $580,000 loan was converted to equity (10,000 shares of AAON-Oklahoma stock), the former stockholders of AAON-Oklahoma became the owners of 80% of the outstanding stock of AAON-Nevada and AAON-Oklahoma became the wholly-owned subsidiary of AAON-Nevada.

AAON-Oklahoma is engaged in the manufacture and sale of commercial rooftop air conditioners and heating equipment. Its predecessor began the HVAC business as a manufacturer of residential heating equipment in the 1930's. In 1959, the business was expanded to heating and air-conditioners. In 1968, JZC began the production of commercial rooftop heating and air-conditioning units. Production of residential units was phased out between 1974-1987.

On December 30, 1991, CP/AAON, Inc. ("CP/AAON"), a Texas corporation organized as a wholly-owned subsidiary of AAON-Nevada for the purpose of the acquisition, purchased most of the assets of Coils Plus, Inc. ("CP"), of Longview, Texas, which manufactures coils used in the products of AAON-Oklahoma. The purchase price was $2,166,000, which was financed mostly through short-term notes and borrowings under the Company's bank line of credit. Under the asset purchase agreement, CP/AAON is required to make payments to the unsecured creditors of CP equal to 20% of CP/AAON's pre-tax net income in 1992, 1993 and 1994.

In connection with the purchase of assets from CP, CP/AAON entered into a non-compete agreement with the former stockholder of CP. The agreement requires payments equal to 20% of CP/AAON's pre-tax income for each of the years ending December 31, 1992 through 1996. In addition, a lump-sum equal to five times the average of the payments for 1995 and 1996, subject to a maximum of $4,000,000, will be payable in April 1997. Also, the agreement requires CP/AAON to make monthly advances of $20,000 through December 1996 against amounts becoming due thereunder.

Products and Markets

The Company engineers, manufactures and markets commercial rooftop air-conditioning and heating equipment and air-conditioning coils. Its products serve the commercial and industrial new construction and replacement markets.

The rooftop market consists of units installed on commercial or industrial structures of generally less than 10 stories in height.

CP/AAON's coil sales are made to air-conditioning unit manufacturers, including AAON-Oklahoma, and to the commercial/industrial general building market.

The size of these markets is determined primarily by the number of commercial and industrial building completions. The replacement market consists of products installed to replace existing units/components which are worn or damaged. Historically, approximately half of the industry's market has consisted of replacement units.

The commercial and industrial new construction market is subject to cyclical fluctuations in that it is generally tied to housing starts, but has a lag factor of 6-18 months. Housing starts are, in turn, affected by such factors as interest rates, the state of the economy, population growth and the relative age of the population. When new construction is down, the Company emphasizes the replacement market.

Based on its 1992 level of sales, approximately $37 million, the Company has a 5% share of the rooftop market and a 2% share of the coil market. Approximately 70% of the Company's sales now come from new construction and 30% from renovation/replacements. The percentage of sales (for new construction vs. replacement) to particular customers is related to their stage of development, e.g., Wal-Mart, 90% new construction and 10% replacement.

The Company purchases certain components, fabricates sheet metal and tubing and then assembles and tests the finished products. The finished products of AAON-Oklahoma consist of a single unit system containing heating and/or cooling components in a self-contained cabinet, referred to in the industry as "unitary" products. The finished products of CP/AAON are coils, consisting of a sheet metal casing with tubing and fins contained therein.

The Company now has three groups of rooftop products: its RE Series of products, which is offered in 19 cooling sizes ranging from 2 to 60 tons; its RH Series, which is a higher efficiency version of the RE Series; and its RF Series, which is offered in nine cooling sizes

ranging from 40 to 130 tons. Also being developed is a RG Series of products, which is a heat pump variation of the RH Series.

AAON-Oklahoma's products are designed to compete on the high side of standardized, packaged rooftop products. Accordingly, its prices range from $300 and $550 per ton of cooling, which is approximately 5%, on average, higher than other standardized products. Performance characteristics of these products range in cooling capacity from 32,900-1,569,200 BTU's and in heating capacity from 65,000-1,680,000 BTU's. All of the Company's rooftop products meet the Department of Energy's efficiency standards, which are designed to set the maximum amount of energy to be used in producing a given amount of cooling. The standard for less than 65,000 BTU/HR is 8.7 energy efficiency rating ("EER"), for 65,000 to 135,000 BTU/HR is 8.5 EER and for over 135,000 BTU/HR is 8.2 EER.

When used to describe the size or cooling capacity of HVAC equipment, the term "ton" refers to the amount of cooling capacity required to reduce the temperature of one ton of water one degree Fahrenheit in one hour. A ton is equivalent to approximately 12,000 BTU. A typical commercial building requires a ton of air-conditioning for every 300-400 square feet or, for a 100,000 square foot building, 250 tons of air-conditioning, which may involve multiple units.

Major Customer

Wal-Mart Stores, Inc., accounted for approximately 42% of the Company's sales in 1992, compared to 59% in 1991.

Sales to Wal-Mart are made pursuant to calendar year contracts, now effective for 1993, which are by letter agreement providing for automatic renewal for additional terms of one year each, unless terminated by either party upon ninety days' notice prior to the end of the existing year term. Wal-Mart has been a significant customer of the Company and its predecessor since 1971.

The loss of Wal-Mart as a customer would have a material adverse effect on the Company. However, with the Company's emphasis on marketing to other customers, management believes that the extent of its dependence on sales to Wal-Mart will diminish over a period of time.

In order to diversify its customer base, the Company plans to add to and/or upgrade its sales representation in various markets, seek general trade business, as well as other national accounts, penetrate additional trade areas and introduce its RG Series of products.

Sources and Availability of Raw Materials

The most important materials purchased by the Company are steel, copper and aluminum, which are obtained from domestic suppliers. The Company also purchases from other domestic manufacturers certain components, including compressors, electric motors and electrical controls used in its products. The Company endeavors to obtain the lowest possible cost in its purchases of raw materials and components, consistent with meeting specified quality standards. The Company is not dependent upon any one source for its raw material or the major components of its manufactured products, but AAON-Oklahoma purchases all of its coils from CP/AAON. By having multiple suppliers, the Company believes that it will have adequate sources of supplies to meet its manufacturing requirements for the foreseeable future.

Further, the Company attempts to limit the impact of increases in raw materials and purchased component prices on its profit margins by negotiating with each of its major suppliers on a term basis from six months to a year.

Distribution

The Company utilizes a direct sales staff of seven individuals and approximately 74 independent manufacturer representatives' organizations (of which 59 contributed business in 1992) to market its products. Sales are made directly to the contractor or end user, with shipments being made from the Company's Tulsa and Longview plants to the job site. Billings are to the contractor or end user, with a commission paid directly to the manufacturer representative.

AAON-Oklahoma's products and sales strategy focus on a "niche" market. The targeted market for its rooftop equipment is customers seeking a product of better quality than offered, and/or options not offered, by standardized manufacturers.

To support and service its customers and the ultimate consumer, AAON-Oklahoma provides parts availability through seven independent parts distributors and has a factory service organization at its Tulsa plant. Also, a number of the manufacturer representatives utilized by the Company have their own service organizations, which, together with the Company, provide the necessary warranty work and/or normal service to customers.

The Company's warranty on its products is: for parts only, the earlier of one year from the date of first use or 15 months from date of shipment; compressor, an additional four years; and on gas-fired heat exchangers (if applicable), 10 years.

Research and Development

All R&D activities of the Company are company-sponsored, rather than customer-sponsored. Ongoing work involves the RG Series, component evaluation and refinement, and development of control systems. This work will cost approximately $175,000 per year and is budgeted as a normal, recurring expense.

Backlog

The Company had a current backlog as of March 1, 1993, of $12,138,000, compared to $6,283,000 at February 29, 1992. The current backlog consists of orders considered by management to be firm and substantially all of which will be filled by June 1, 1993; however, the orders are subject to cancellation by the customers.

Working Capital Practices

Working capital practices in the industry center on inventories and accounts receivable. The Company regularly reviews its working capital components with a view to maintaining the lowest level consistent with requirements of anticipated levels of operation. Its greatest needs arise during the months of July-November, the peak season for inventory (primarily purchased material) and accounts receivable. The Company's working capital requirements are generally met through a bank revolving credit facility, which currently permits allowable borrowings up to $4 million. The Company believes that it will have sufficient bank credit available to meet its working capital needs through 1993 and beyond.

Seasonality

Sales of the Company's products are moderately seasonal with the peak period being July-November of each year.

Competition

In the domestic market, the Company competes primarily with Trane Company, a division of American Standard, Inc., Lennox Industries, Inc., York International Corporation, SnyderGeneral Corporation and Carrier Corporation, a subsidiary of Untied Technologies Corporation. All of these competitors are substantially larger and have greater resources than the Company. The Company competes primarily on the basis of price, quality, function, serviceability, efficiency, availability of product, product line recognition and acceptability of sales outlet. However, in new construction where the contractor is the purchasing decision maker, AAON-Oklahoma often is at a competitive disadvantage on sales of rooftop units because of the emphasis placed on initial cost; whereas, in the replacement market and other owner-controlled purchases of such units, the Company has a better chance of getting the business since quality and long-term cost are generally taken into account.

Employees

As of March 24, 1993, the Company had 343 employees, including 129 of CP/AAON, none of whom are represented by unions. Management considers its relations with its employees to be good.

Patents, Trademarks, Licenses and Concessions

The Company does not consider any patents, trademarks, licenses or concessions held by it be material to its business operations.

Environmental Matters

Laws concerning the environment that affect or could affect the Company's domestic operations include, among others, the Clean Water Act, the Clean Air Act, the Resource Conservation and Recovery Act, the Occupational Safety and Health Act, the National Environmental Policy Act, the Toxic Substances Control Act, regulations promulgated under these

Acts, and any other federal, state or local laws or regulations governing environmental matters. The Company believes that it presently complies with these laws and that future compliance will not materially adversely affect the Company's earnings or competitive position.

Item 2. Properties.

The plant and office building of AAON-Oklahoma is of sheet metal construction, containing 184,000 square feet (172,000 sq. ft. of manufacturing/warehouse space and 13,000 sq. ft. of office space), located on a 12-acre tract of land at 2425 South Yukon, Tulsa, Oklahoma. The manufacturing area is in a heavy industrial type building, with total coverage by bridge cranes, containing manufacturing equipment designed for sheet metal fabrication and metal stamping. Assembly lines consist of three cart-type conveyor lines with variable line speed adjustment, two of which are motor driven. Subassembly areas and production line manning are based upon line speed. The manufacturing facility varies in width from 160 feet to 220 feet and in length from 700 feet to 900 feet. Production at this facility averages approximately $3 million per month, which is 30% of the estimated capacity of the plant (to reach capacity would require the addition of sheet metal manufacturing equipment and other necessary manufacturing support items). Management deems this plant to be nearly ideal for the type of rooftop products being manufactured by the Company. The office space is believed to be adequate to support all capabilities of the manufacturing facility.

The operations of CP/AAON are currently conducted in a leased building in Longview, Texas, containing 49,000 square feet of manufacturing/warehouse space and 3,200 square feet of office space. On February 25, 1993, CP/AAON purchased a plant/office building at 203 Gum Springs Road in Longview, which will contain 110,000 square feet on 7.96 acres. The purchase price was $720,000 and additional improvements will cost approximately $300,000. The manufacturing area (approximately 106,000 square feet) is located in two 120 foot wide sheet metal buildings connected by an adjoining structure. The facility is built for light industrial manufacturing.

Bank borrowings of the Company, totalling $7,424,000 at March 1, 1993, are secured, in part, by its Tulsa and Longview facilities (buildings and equipment).

Item 3. Legal Proceedings.

The Company is not a party to any pending legal proceeding which management believes is likely to result in a material liability and no such action is contemplated by or, to the best of its knowledge, has been threatened against the Company. However, on February 26, 1992, suit was filed against AAON, Inc., by Leon O'Neal, a former employee of the company, alleging defamation-slander and intentional infliction of emotional injury, wherein the plaintiff seeks alleged actual damages totalling $2,001,000 plus punitive damages of $2,000,000, and on January 15, 1993, a suit was filed against AAON, Inc., by Steve Pilant, also a former employee, alleging "wrongful termination" and seeking damages for emotional and mental distress of $500,000, punitive damages of $100,000 and compensation for lost income; both of these cases are in the District Court of Tulsa County, Oklahoma.

Item 4. Submission of Matters to a Vote of Security Holders.

No matter was submitted to a vote of security holders, through solicitation of proxies or otherwise, during the period from October 1, 1992, through December 31, 1992.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters.

The Company's Common Stock has been traded in the over-the counter market since April 1988, and since December 31, 1990, on the NASDAQ Small-Cap Market under the symbol "AAON". The following table sets forth, for the respective periods indicated, the prices for the Company's Common Stock in the over-the-counter market, based on interdealer bid prices without retail mark-up, mark-down or commission (which may not represent actual transactions), as reported and summarized by the National Quotation Bureau.

Quarter Ended	High Bid	Low Bid
March 31, 1991	$.3125	$.21875
June 30, 1991	$.28125	$.21875
September 30, 1991	$.25	$.15625
December 31, 1991	$.28125	$.15625
March 31, 1992	$.34375	$.25
June 30, 1992	$.3125	$.25

The range of sales prices for the Company's Common Stock during the last two quarters of 1992, as reported by the National Association of Securities Dealers, Inc., was as follows:

Quarter Ended	High Bid	Low Bid
September 30, 1992	$.4375	$.25
December 31, 1992	$.59375	$.28125

On March 1, 1993, there were 267 holders of record, and 727 beneficial owners, of the Company's Common Stock.

Since its inception, no dividends have been paid on the Company's Common Stock and the Company does not anticipate paying dividends in the foreseeable future. Further, there is a negative covenant under the Company's Revolving Credit and Term Loan Agreement which prohibits the payment of dividends.

Item 6. Selected Financial Data:

The following selected financial data should be read in conjunction with the financial statements and related notes thereto for the periods indicated, which are included in this report.

		Successor Company (1)					Predecessor Company
		Years ended				From inception (8/15/88) through	Nine months
Results of Operations:		12/31/92	12/31/91	12/31/90	12/31/89	12/31/88	ended 9/30/88
			(000's) Except earnings (loss) per share				
Net sales		$37,026	$26,678	$36,127	$31,329	$ 5,663	$13,936
Net income (loss)		$ 1,593	$ 379	$ 979	$ 210	$ (482)	$ 891
Earnings (loss) per share (2)		$ .07	$ .02	$ .04	$ .01	$ (.03)	$ .05
Balance Sheet Data:	As of:	12/31/92	12/31/91	12/31/90	12/31/89	12/31/88	As of: 9/30/88
				(000's)			
Total assets		$15,705	$14,309	$14,312	$14,912	$ 9,992	$ 9,079
Long-term debt		$ 4,087	$ 5,343	$ 4,660	$ 2,519	$ 3,130	$ -
Stockholders' equity (3)		$ 3,685	$ 2,092	$ 1,713	$ 621	$ (210)	$ 5,531

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(1) AAON, Inc. (Oklahoma), was organized on August 15, 1988, for the purpose of acquiring the HVAC Division of John Zink Company ("JZC"). On September 30, 1988, AAON acquired the assets of HVAC and assumed certain of its liabilities. The acquisition was accounted for by the "purchase" method of accounting, which resulted in inventory being "stepped up" by $691,000 and machinery and equipment being written down by approximately $550,000. The inventory purchased was sold during the initial three months of operations of AAON and the added cost of $691,000 was included in cost of sales and thereby reduced the gross margin by a like amount.

(2) Earnings (loss) per share for the years ended December 31, 1992, 1991, 1990 and 1989 are based on 22,150,318, 22,150,318, 21,989,000 and 19,828,000 shares, respectively, and for all other periods are based on 17,460,000 shares.

(3) The Company has not paid any dividends as the Company's Revolving Credit and Term Loan Agreement prohibits the payment of dividends.

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

Set forth below is income statement information with respect to the Company for years 1992, 1991 and 1990:

	Years ended December 31,		
	1992	1991	1990
		(000's)	
Net sales	$37,026	$26,678	$36,127
Cost of sales	(29,724)	(22,396)	(29,980)
Other expenses	(4,849)	(3,763)	(4,721)
Income before income taxes	2,453	519	1,426
Income tax provision	(860)	(140)	(447)
Net income	$ 1,593	$ 379	$ 979

Material Changes in Financial Condition. The increases of $1,067,000 in accounts receivable and $663,000 in inventories at year-end 1992 (vs. 1991) reflect the higher volume of sales attributable to the addition of CP/AAON, Inc., in December 1991. While current liabilities increased by $919,000 in 1992 primarily due to $1,927,000 of subordinated debt moving from "long-term" to "current", there were offsets of $1,154,000 from reduction of accounts payable and retirement of a $525,000 note payable relating to the purchase of assets of Coils Plus by CP/AAON. These paydowns were made from working capital generated by earnings.

Material Changes in Results of Operations. Sales increased by $10,348,000 during 1992, compared to 1991, whereas sales decreased by $9,449,000 in 1991 vs. 1990. Both changes in level of sales were primarily attributable to the volume of business (approximately 95%), with most of the increased sales in 1992 being attributable to the addition of CP/AAON. Gross profit increased to 19.7% in 1992 compared to 16.1% in 1991, due to improvements in operational efficiency and increased productivity in 1992. Margins in 1990 were 17.0% reflecting better margin business that year as compared to 1991.

Other expenses increased during the current year by $1,086,000, primarily due to added selling, general and administrative expenses ($1,124,000) attributable to CP/AAON. Other expenses decreased in 1991 compared to 1990 by $958,000, primarily due to reductions in SG&A and interest expense.

The increase in income before income taxes of $1,934,000 in 1992 compared to 1991 resulted primarily from higher margins. The decrease of $907,000 in 1991 was primarily due to reduced sales and margins.

Liquidity and Capital Resources. The capital needs of the Company are met primarily by its bank revolving credit facility. Management believes this bank debt (or comparable financing) and projected profits from operations will provide the necessary liquidity and capital resources to the Company for at least the next five years. The Company's belief that it will have the necessary liquidity and capital resources is based upon its knowledge of the HVAC industry and its place in that industry, its ability to limit the growth of its business if necessary and its relationship with its existing bank lender.

The Company's revolving credit line (which currently extends to May 31, 1993) provides for maximum borrowings of $4 million. Interest on this loan is payable monthly at the Chase Manhattan Bank prime rate plus 1%. Availability of funds under the agreement is based on 80% of eligible accounts receivable, plus 50% of raw materials and finished goods inventories, with inventories not to exceed 50% of the borrowing base. Its term loans were in the original principal amounts of $2,550,000 and $1,450,000, providing for monthly principal payments of $25,000 and $15,000, respectively, commencing June 30, 1992, and both maturing on January 31, 1994. Interest on these loans was also payable monthly at the Chase Manhattan Bank prime rate plus 1%. The Company's loan agreement was amended in February 1993, to add a $1,000,000 term loan, establish the maturity of all three term loans at January 31, 1999, and fix the interest for these loans at Chase Manhattan Bank prime plus 1-1/4%.

Additionally, the Company has had the benefit of $1,927,000 of subordinated loans from stockholders due September 30, 1993.

Trends. While commercial real estate construction in the United States is projected to remain flat in 1993, management anticipates higher sales and earnings in the current year due to increasing market share.

Item 8. Financial Statements and Supplementary Data.

The financial statements and supplementary data are included at page 16.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

PART III

Item 10. Management Report.

Incorporated by reference to the Company's definitive Proxy Statement to be filed with the Securities and Exchange Commission in connection with the Company's 1993 Annual Meeting of Stockholders.

Item 11. Executive Compensation.

Incorporated by reference to the Company's definitive Proxy Statement to be filed with the Securities and Exchange Commission in connection with the Company's 1993 Annual Meeting of Stockholders.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

Incorporated by reference to the Company's definitive Proxy Statement to be filed with the Securities and Exchange Commission in connection with the Company's 1993 Annual Meeting of Stockholders.

Item 13. Certain Relationships and Related Transactions.

Incorporated by reference to the Company's definitive Proxy Statement to be filed with the Securities and Exchange Commission in connection with the Company's 1993 Annual Meeting of Stockholders.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

(a) 1. Financial statements.

See Index to Consolidated Financial Statements on page 15.

2. Exhibits:

(3) (A) Articles of Incorporation (i)
(A-1) Certificate of Amendment (ii)
(B) Bylaws (i)
(B-1) Amendment of Bylaws (iii)

(4) (A) Restated Revolving Credit and Term Loan Agreement ("Loan Agreement") and related documents (iii)

(A-1) First Amendment to Loan Agreement (iv)

(A-2) Unit Purchase Agreement dated September 30, 1988, pertaining to $1,927,000 of Notes (iv)

(10) (A) Letter Agreement with Wal-Mart Stores, Inc. (ii)

(B) Asset Purchase Agreement and related agreements concerning the purchase of assets of Coils Plus, Inc., by CP/AAON, Inc., on December 30, 1991 (v)

(C) AAON, Inc. 1992 Stock Option Plan (vi)

(22) List of Subsidiaries (vi)

(i) Incorporated herein by reference to the exhibits to the Company's Form S-18 Registration Statement No. 33-18336-LA.

(ii) Incorporated herein by reference to the exhibits to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1990.

(iii) Incorporated herein by reference to the Company's Form 8-K dated June 22, 1992, or exhibits thereto.

(iv) Incorporated herein by reference to the exhibits to the Company's From 8-K dated March 4, 1993.

(v) Incorporated herein by reference to exhibits to the Company's Form 8-K dated January 13, 1992.

(vi) Incorporated herein by reference to exhibits to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1991.

(b) The Company did not file any reports on Form 8-K during the period from October 1, 1992, to December 31, 1992.

SIGNATURES

Pursuant to the requirement of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

AAON, INC.

Dated: March 29, 1993

By: /s/ Norman H. Asbjornson
Norman H. Asbjornson, President

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Dated: March 29, 1993

/s/ Norman H. Asbjornson
Norman H. Asbjornson
President and Director
(principal executive officer)

Dated: March 29, 1993

/s/ William A. Bowen
William A. Bowen
Vice President-Finance and Director
(principal financial officer
and principal accounting officer)

Dated: March 29, 1993

/s/ John B. Johnson, Jr.
John B. Johnson, Jr.
Director

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INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders and Board of Directors
of AAON, Inc.:

We have audited the accompanying consolidated balance sheets of AAON, Inc. (a Nevada corporation) and subsidiaries as of December 31, 1992 and 1991, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1992. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AAON, Inc. and subsidiaries as of December 31, 1992 and 1991, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1992, in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the index of consolidated financial statements are presented for purposes of complying with the Securities and Exchange Commission's rules and are not a required part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in our audit of the basic consolidated financial statements and, in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

Arthur Andersen & Co.

Tulsa, Oklahoma
March 12, 1993

AAON, INC.

CONSOLIDATED BALANCE SHEETS

ASSETS	December 31, 1992	December 31, 1991
CURRENT ASSETS:		
Cash	$ 65,000	$ 296,000
Accounts receivable, net of allowance for doubtful accounts of $81,000 and $50,000, respectively (Note 3)	4,129,000	3,062,000
Inventories (Notes 2 and 3)	4,617,000	3,954,000
Prepaid expenses	139,000	44,000
Deferred income taxes	330,000	220,000
Total current assets	9,280,000	7,576,000
PROPERTY, PLANT AND EQUIPMENT, at cost (Note 2):		
Land	185,000	185,000
Buildings	2,800,000	2,551,000
Machinery and equipment	3,394,000	3,285,000
Furniture and fixtures	249,000	180,000
	6,628,000	6,201,000
Less- accumulated depreciation	1,261,000	699,000
Net property, plant and equipment	5,367,000	5,502,000
NONCOMPETITION AGREEMENT, net (Notes 1 and 2)	780,000	975,000
OTHER ASSETS	278,000	256,000
	$ 15,705,000	$ 14,309,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 1,755,000	$ 2,909,000
Accrued liabilities (Note 2)	959,000	805,000
Note payable	-	525,000
Current maturities of long-term debt (Note 4)	2,585,000	463,000
Revolving credit agreement (Note 3)	2,394,000	2,072,000
Total current liabilities	7,693,000	6,774,000
LONG-TERM DEBT (Note 4)	4,087,000	3,393,000
SUBORDINATED NOTES PAYABLE TO STOCKHOLDERS (Note 4)	-	1,950,000
DEFERRED INCOME TAXES PAYABLE	240,000	100,000
COMMITMENTS AND CONTINGENCIES (Notes 1 and 5)		
STOCKHOLDERS' EQUITY (Note 8):		
Common stock, $.001 par value, 50,000,000 shares authorized, 22,150,318 issued and outstanding	22,000	22,000
Preferred stock, 5,000,000 shares authorized, no shares issued	-	-
Additional paid-in capital	984,000	984,000
Retained earnings	2,679,000	1,086,000
Total stockholders' equity	3,685,000	2,092,000
	$ 15,705,000	$ 14,309,000

The accompanying notes are an integral part of these balance sheets.

AAON, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	FOR THE YEARS ENDED DECEMBER 31,		
	1992	1991	1990
NET SALES (Note 7)	$37,026,000	$26,678,000	$36,127,000
COST OF SALES	29,724,000	22,396,000	29,980,000
GROSS PROFIT	7,302,000	4,282,000	6,147,000
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	4,061,000	2,937,000	3,652,000
INCOME FROM OPERATIONS	3,241,000	1,345,000	2,495,000
INTEREST EXPENSE	785,000	756,000	1,104,000
OTHER (INCOME) EXPENSE	3,000	70,000	(35,000)
INCOME BEFORE INCOME TAXES	2,453,000	519,000	1,426,000
INCOME TAX PROVISION (Notes 2 and 6)	860,000	140,000	447,000
NET INCOME	$ 1,593,000	$ 379,000	$ 979,000
EARNINGS PER SHARE	$ .07	$ .02	$ .04
WEIGHTED AVERAGE SHARES OUTSTANDING	22,150,318	22,150,318	21,989,000

The accompanying notes are an integral part of these statements.

AAON, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 1992, 1991 AND 1990

(Note 1)

	Common Stock			Retained	
	Shares	Amount	Paid-in Capital	Earnings (Accumulated Deficit)	Total
BALANCE, DECEMBER 31, 1989	21,825,016	$ 22,000	$ 871,000	$ (272,000)	$ 621,000
WARRANTS EXERCISED (Note 8)	325,302	-	113,000	-	113,000
NET INCOME	-	-	-	979,000	979,000
BALANCE, DECEMBER 31, 1990	22,150,318	22,000	984,000	707,000	1,713,000
NET INCOME	-	-	-	379,000	379,000
BALANCE, DECEMBER 31, 1991	22,150,318	22,000	984,000	1,086,000	2,092,000
NET INCOME	-	-	-	1,593,000	1,593,000
BALANCE, DECEMBER 31, 1992	22,150,318	$ 22,000	$ 984,000	$ 2,679,000	$ 3,685,000

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Notes 1 and 2)

	FOR THE YEARS ENDED DECEMBER 31, 1992	1991	1990
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 1,593,000	$ 379,000	$ 979,000
Adjustments to reconcile net income to net cash provided by (used in) operating activities-			
Depreciation and amortization	806,000	302,000	257,000
Provision for losses on accounts receivable	31,000	20,000	(30,000)
Provision for losses on inventories	182,000	(62,000)	120,000
Loss on disposition of assets	13,000	-	38,000
Deferred income taxes	30,000	(51,000)	(34,000)
Change in assets and liabilities, net of effect from purchase of CP-			
(Increase) decrease in accounts receivable	(1,098,000)	1,579,000	(374,000)
(Increase) decrease in income tax refund receivable	-	300,000	(300,000)
(Increase) decrease in inventories	(845,000)	1,681,000	1,887,000
(Increase) decrease in prepaid expenses	(95,000)	(16,000)	43,000
(Increase) decrease in other assets	(22,000)	2,000	-
Decrease in accounts payable	(1,040,000)	(411,000)	(2,752,000)
Increase (decrease) in accrued liabilities	154,000	(23,000)	225,000
Total adjustments	(1,884,000)	3,321,000	(920,000)
Net cash provided by (used in) operating activities	(291,000)	3,700,000	59,000
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of property, plant and equipment	20,000	9,000	-
Capital expenditures	(623,000)	(349,000)	(650,000)
Purchase of CP	-	(51,000)	-
Net cash used in investing activities	(603,000)	(391,000)	(650,000)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Borrowings under revolving credit agreement	17,429,000	12,642,000	19,408,000
Payments under revolving credit agreement	(17,107,000)	(15,587,000)	(20,964,000)
Proceeds from long-term debt	1,450,000	-	2,391,000
Payments on long-term debt and note payable	(1,109,000)	(325,000)	-
Warrants exercised	-	-	113,000
Net cash provided by (used in) financing activities	663,000	(3,370,000)	948,000
NET INCREASE (DECREASE) IN CASH	(231,000)	(61,000)	357,000
CASH, beginning of year	296,000	357,000	-
CASH, end of year	$ 65,000	$ 296,000	$ 357,000

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1992, 1991 AND 1990

1. OPERATIONS AND ORGANIZATION:

Diamond Head Resources, Inc. (Diamond Head, a Nevada corporation) was formed in August 1987 for the purpose of creating a capital resource fund to acquire or enter into a favorable business opportunity. Diamond Head completed a public offering of its stock in March 1988. In 1989, Diamond Head exchanged newly issued stock for AAON, Inc.'s (AAON, an Oklahoma corporation) stock, which resulted in AAON's stockholders owning 80 percent of Diamond Head and was accounted for as a reverse acquisition. In 1990, Diamond Head changed its name to AAON, Inc. (the Company).

CP/AAON, Inc. (CP/AAON), a Texas corporation, was organized in December 1991, as a wholly owned subsidiary of AAON for the purpose of acquiring certain assets of Coils Plus, Inc. (CP), an air coil manufacturer. On December 30, 1991, CP/AAON acquired certain assets of CP for $2,166,000 which was financed mostly through short-term notes and borrowings under AAON's bank line of credit. The purchase method of accounting was used to account for the purchase of CP whereby the total purchase consideration was allocated to the assets purchased based on their estimated fair values.

Under the asset purchase agreement with CP, CP/AAON is required to make payments to the unsecured creditors of CP equal to 20 percent of CP/AAON's pre-tax income in 1992, 1993 and 1994. Any amounts paid to the unsecured creditors will be recorded as additional purchase consideration.

In connection with the purchase from CP, CP/AAON entered into a noncompete agreement with the former stockholder of CP. The agreement requires payments equal to 20 percent of CP/AAON's pre-tax income for each of the years ending December 31, 1992 through 1996. In addition, a lump-sum equal to five times the average of the payments for 1995 and 1996, subject to a maximum of $4,000,000, will be payable in April 1997. Also, the agreement requires CP/AAON to make monthly advances of $20,000 through December 1996. The present value of the total of advances is recorded as a noncompetition agreement (see Note 4). Any additional amounts payable will be expensed at the end of each year. No such expense was required for 1992.

AAON is engaged in the manufacture and sale of commercial rooftop air conditioners and heating equipment. CP/AAON is engaged in the manufacture of coils used in AAON's products and sale to third parties.

2. ACCOUNTING POLICIES:

Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries, AAON and CP/AAON. All significant intercompany accounts and transactions have been eliminated.

Revenue Recognition

Revenues are recognized at the time of shipment.

Inventories

Inventories are valued at the lower of cost or market. Cost is determined by the first-in, first-out (FIFO) method. Inventories at December 31, consist of the following:

	1992	1991
Raw materials	$3,468,000	$3,485,000
Work in process	713,000	173,000
Finished goods	676,000	354,000
	4,857,000	4,012,000
Less allowance for excess and obsolete inventory	240,000	58,000
	$4,617,000	$3,954,000

Property, Plant and Equipment

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

	Years
Buildings	25
Machinery and equipment	4-10
Furniture and fixtures	10

Noncompetition Agreement

The noncompetition agreement is being amortized over five years and is shown net of $195,000 of amortization on the balance sheet at December 31, 1992.

Warranties

A provision is made for the estimated cost of warranty obligations at the time the related products are sold. Warranty expense was $880,000, $755,000 and $1,414,000 for the years ended December 31, 1992, 1991 and 1990, respectively. The accrual for warranty obligations was $376,000 and $485,000 at December 31, 1992 and 1991, respectively, and is included in accrued liabilities in the balance sheets.

Research and Development

Research and development costs are expensed as incurred. Research and development costs for the years ended December 31, 1992, 1991 and 1990, were $35,000, $77,000 and $169,000, respectively.

Income Taxes

The Company has adopted Statement of Financial Accounting Standards No. 96 - Accounting for Income Taxes. This statement requires an asset and liability approach for financial accounting and reporting for income taxes.

The Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 109 - Accounting for Income Taxes which is effective for fiscal years beginning after December 15, 1992. The Company will adopt the statement in the first quarter of 1993 and the impact to its financial statements is not expected to be material.

Statement of Cash Flows

Interest payments of $783,000, $722,000 and $1,162,000 were made for the years ended December 31, 1992, 1991 and 1990, respectively. Payments for income taxes of approximately $789,000, $152,000 and $780,000 were made during the years ended December 31, 1992, 1991 and 1990, respectively.

3. REVOLVING CREDIT AGREEMENT AND SHORT-TERM NOTE PAYABLE:

The Company had outstanding borrowings of $2,394,000 as of December 31, 1992 under a revolving credit agreement with a bank. Under the agreement, interest is payable monthly at the Chase Manhattan Bank prime rate plus one percent (6 1/2 percent at December 31, 1992). A commitment fee of one-half percent per annum is payable on the average daily unborrowed amount. Availability of funds under the agreement is based on 80 percent of eligible accounts receivable plus 50 percent of raw materials and finished goods inventories, with inventories not to exceed 50 percent of the borrowing base, not to exceed $4,000,000 in borrowings at December 31, 1992. The agreement is collateralized by accounts receivable, inventory contracts, intangibles and the stock of AAON and CP/AAON.

The agreement along with the term loan agreements described in Note 4 requires, among other things, that the Company maintain minimum net worth, a minimum tangible net worth plus subordinated debt, minimum working capital, a minimum debt to tangible net worth ratio and restricts the transfer of funds between the Company and its subsidiaries. The revolving credit facility expires on May 31, 1993. At December 31, 1992, the Company was in compliance with the covenants of the revolving credit and term-loan agreement.

The highest amount of short-term borrowings from the bank revolving credit agreement, the average amount of borrowings under the agreement and the weighted average interest rates were as follows:

	Year Ended December 31,	
	1992	1991
Largest amount borrowed	$4,000,000	$5,017,000
Average amount borrowed	3,059,000	2,570,000
Weighted average interest rate	6.9%	10.2%

4. LONG-TERM DEBT:

Long-term debt at December 31, consist of the following:

	Year Ended December 31,	
	1992	1991
Bank term-loan agreement, payable in monthly payments of $25,000 through January 1999 with a balloon payment in January 1999, plus interest payable monthly at Chase Manhattan Bank prime plus 1 1/4% (6 3/4% at December 31, 1992), collateralized by machinery, equipment and real estate.	$2,375,000	$2,675,000
Bank term-loan agreement, payable in monthly payments of $15,000 through January 1999 with a balloon payment in January 1999, plus interest payable monthly at Chase Manhattan Bank prime plus 1 1/4% (6 3/4% at December 31, 1992), collateralized by machinery, equipment and real estate.	1,345,000	-
10% subordinated notes to stockholders, payable in September 1993, interest payable quarterly.	1,927,000	1,950,000
Noncompetition agreement discounted at 8.5%, payable in monthly payments of $20,000 beginning in January 1992 through December 1996.	812,000	975,000
Unsecured note payable to a bank, discounted at 8.5%, payable in December 1994.	211,000	194,000
Other	2,000	12,000
	$6,672,000	$5,806,000
Less- current maturities	2,585,000	463,000
	$4,087,000	$5,343,000

Combined maturities of long-term debt for each of the years ended December 31, are as follows:

1993	$2,585,000
1994	887,000
1995	691,000
1996	709,000
1997	480,000
Thereafter	1,320,000
	$6,672,000

5. COMMITMENTS AND CONTINGENCIES:

AAON leases certain equipment and office space under various operating leases. CP/AAON leases a building for office and manufacturing space. Rental expense for the years ended December 31, 1992, 1991 and 1990 was approximately $286,000, $190,000 and $190,000, respectively. At December 31, 1992, the aggregate future commitments under operating leases are as follows:

1993	$206,000
1994	42,000

6. INCOME TAXES:

The income tax provision consists of the following:

	Years Ended December 31,		
	1992	1991	1990
Current			
Federal	$ 824,000	$ 190,000	$ 477,000
State	6,000	1,000	4,000
Deferred	30,000	(51,000)	(34,000)
	$ 860,000	$ 140,000	$ 447,000

The difference between income tax reporting and financial reporting arises primarily from differences in the methods of accounting for inventory capitalization, inventory reserves, depreciation, warranty expense and bad-debt expense. The reconciliation of the statutory income tax rate to the effective income tax rate is as follows:

	Years Ended December 31,		
	1992	1991	1990
Statutory rate	34%	34%	34%
Adjustment of estimated income taxes for prior year	-	(7%)	-
Other	1%	-	(3%)
	35%	27%	31%

7. MAJOR CUSTOMERS:

Sales to major customers consist of the following:

	Years Ended December 31,		
	1992	1991	1990
Wal-Mart Stores, Inc.	42%	59%	55%
K-Mart	12%	-	-
McDonald's Corporation	-	13%	29%

8. WARRANTS REGISTERED AND EXERCISED:

In March 1988, the Company completed a public offering of 2,400,000 units, each consisting of one share of common stock and a warrant to purchase one share of common stock for $.50 per share at any time 60 days after the effective date of the registration of the shares with the Securities and Exchange Commission. The registration statement was effective on June 1, 1990. There were 325,302 warrants exercised resulting in additional paid-in capital of $113,000, which is the proceeds net of $50,000 direct costs related to the registration statement. The remaining warrants were terminated on July 31, 1990.

9. STOCK OPTION PLAN:

During 1992, the shareholders approved a stock option plan for key employees and directors, covering 1,100,000 shares of common stock. Under the terms of this plan, the exercise price of shares granted will not be less than 85 percent of their fair market value at the date of the grant. Options granted vest at a rate of 20 percent per year, commencing one year after date of grant, and are exercisable for ten years.

At December 31, 1992, 150,000 shares were available for granting further options. Options for 500,000 shares were outstanding at an exercise price of $.3125 and options for 450,000 shares were outstanding at an exercise price of $.328125 per share. The exercise price was equal to the market price at the date of grant for all of the options and none were exercisable at December 31, 1992.

10. SUBSEQUENT EVENT:

Subsequent to December 31, 1992, CP/AAON purchased a building for $720,000, with proceeds from a $1,000,000 bank term-loan. The difference between the loan proceeds and the purchase price will be used to remodel the facility before moving operations into the building.

AAON, INC.

SCHEDULE II - AMOUNTS RECEIVABLE FROM RELATED PARTIES, UNDERWRITERS, PROMOTERS AND EMPLOYEES OTHER THAN RELATED PARTIES

Column A	Column B Balance at Beginning of Period	Column C Additions	Column D Deductions	Column E Balance at End of Period
For the year ended December 31, 1992				
Jack Greer (1)	$ 244,000	$ 54,000	$ 40,000	$ 258,000(2)
For the year ended December 31, 1991				
Jack Greer(1)	$ -	$ 244,000	$ -	$ 244,000(2)

(1) Noninterest-bearing note receivable, due April 1997, with monthly payments of $3,333.

(2) Amount included in other assets in the balance sheets.

AAON, INC.

SCHEDULE IV - INDEBTEDNESS OF AND TO RELATED PARTIES - NONCURRENT

Column A (1)	Column F Balance at Beginning of Period	Column G Additions	Column H Deductions	Column I Balance at End of Period
For the year ended December 31, 1991				
10% subordinated notes to stockholders	$1,950,000	$ -	$ -	$1,950,000
For the year ended December 31, 1990				
10% subordinated notes to stockholders	$1,950,000	$ -	$ -	$1,950,000

(1) Columns B, C, D and E have been eliminated as the required disclosures are either not applicable or the amounts are not material.

AAON, INC.

SCHEDULE V - PROPERTY, PLANT AND EQUIPMENT

FOR THE THREE YEARS ENDED DECEMBER 31, 1992

Description	Balance at Beginning of Period	Additions at Cost	Retirements	Balance at End of Period
Year Ended December 31, 1992:				
Land	$ 185,000	$ -	$ -	$ 185,000
Buildings	2,551,000	254,000	5,000	2,800,000
Machinery and equipment	3,285,000	297,000	188,000	3,394,000
Furniture and fixtures	180,000	72,000	3,000	249,000
	$ 6,201,000	$ 623,000	$196,000	$ 6,628,000
Year Ended December 31, 1991:				
Land	$ 185,000	$ -	$ -	$ 185,000
Buildings	2,445,000	106,000	-	2,551,000
Machinery and equipment	1,421,000	1,873,000	9,000	3,285,000
Furniture and fixtures	168,000	12,000	-	180,000
	$ 4,219,000	$ 1,991,000	$ 9,000	$ 6,201,000
Year Ended December 31, 1990:				
Land	$ 185,000	$ -	$ -	$ 185,000
Buildings	2,318,000	127,000	-	2,445,000
Machinery and equipment	1,032,000	443,000	54,000	1,421,000
Furniture and fixtures	88,000	80,000	-	168,000
	$ 3,623,000	$ 650,000	$ 54,000	$ 4,219,000

AAON, INC.

SCHEDULE VI - ACCUMULATED DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

FOR THE THREE YEARS ENDED DECEMBER 31, 1992

Description	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Retirements	Balance at End of Period
Year Ended December 31, 1992:				
Buildings	$ 308,000	$ 145,000	$ -	$ 453,000
Machinery and equipment	354,000	417,000	49,000	722,000
Furniture and fixtures	37,000	49,000	-	86,000
	$ 699,000	$ 611,000	$ 49,000	$1,261,000
Year Ended December 31, 1991:				
Buildings	$ 178,000	$ 130,000	$ -	$ 308,000
Machinery and equipment	205,000	149,000	-	354,000
Furniture and fixtures	20,000	17,000	-	37,000
	$ 403,000	$ 296,000	$ -	$ 699,000
Year Ended December 31, 1990:				
Buildings	$ 58,000	$ 120,000	$ -	$ 178,000
Machinery and equipment	100,000	122,000	17,000	205,000
Furniture and fixtures	9,000	11,000	-	20,000
	$ 167,000	$ 253,000	$ 17,000	$ 403,000

AAON, INC.

SCHEDULE VIII - VALUATION AND QUALIFYING ACCOUNTS

Column A	Column B Balance at Beginning of Period	Column C Charged to costs and expenses	Column D Deductions	Column E Balance at End of Period
For the year ended December 31, 1992				
Allowance for doubtful accounts (1)	$ 50,000	$ 257,000	$ 226,000	$ 81,000
Allowance for excess and obsolete inventory (2)	$ 58,000	$ 182,000	$ -	$ 240,000
For the year ended December 31, 1991				
Allowance for doubtful accounts (1)	$ 30,000	$ 111,000	$ 91,000	$ 50,000
Allowance for excess and obsolete inventory (2)	$ 120,000	$ -	$ 62,000	$ 58,000
For the year ended December 31, 1990				
Allowance for doubtful accounts (1)	$ 60,000	$ 60,000	$ 90,000	$ 30,000
Allowance for excess and obsolete inventory (2)	$ -	$ 120,000	$ -	$ 120,000

(1) Netted against accounts receivable in the balance sheets.

(2) Netted against inventories in the balance sheets.

AAON, INC.

SCHEDULE X - SUPPLEMENTARY INCOME STATEMENT INFORMATION (1)

Column A	Column B
	Charged to expense for the Year Ended December 31, 1990
Maintenance and repairs	$370,000

(1) No other item exceeded one percent of total revenues in any of the periods presented in the statements of operations.

Board of Directors

Norman H. Asbjornson
President and Treasurer
AAON, Inc.

William A. Bowen
President
The Bowen Company
Tulsa, Oklahoma
(Financial Consulting)

Richard E. Minshall
President
Capital Advisors, Inc.
Tulsa, Oklahoma
(Investment Advisory Firm)

Anthony Pantaleoni
Partner, Fulbright & Jaworski L.L.P.
New York, New York
(Law Firm)

John B. Johnson, Jr.
Member, Gable & Gotwals
Tulsa, Oklahoma
(Law Firm)

Officers

Norman H. Asbjornson
President and Treasurer

Robert G. Fergus
Vice President

William A. Bowen
Vice President–Finance

John B. Johnson, Jr.
Secretary

Corporate Data

Transfer Agent and Registrar
Progressive Transfer Company
1981 East Murray-Holladay Road
Suite 200
Salt Lake City, Utah 84117

Auditors
Arthur Andersen & Co.
One Williams Center
Suite 1900
Tulsa, Oklahoma 74172

Corporate Counsel
Gable & Gotwals
2000 Fourth National Bank Building
Tulsa, Oklahoma 74119

Corporate Offices
2425 South Yukon Avenue
Tulsa, Oklahoma 74107

Common Stock
NASDAQ–AAON