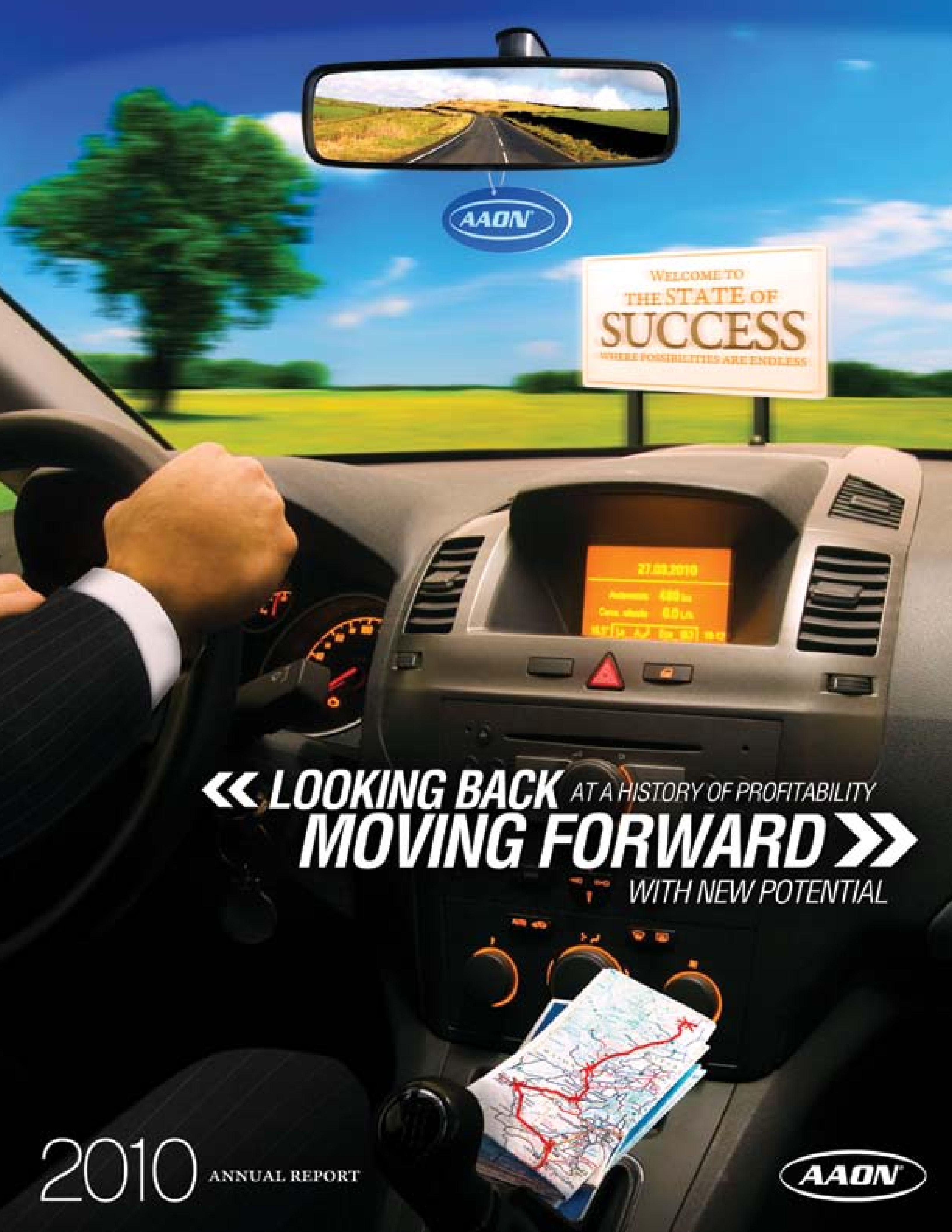


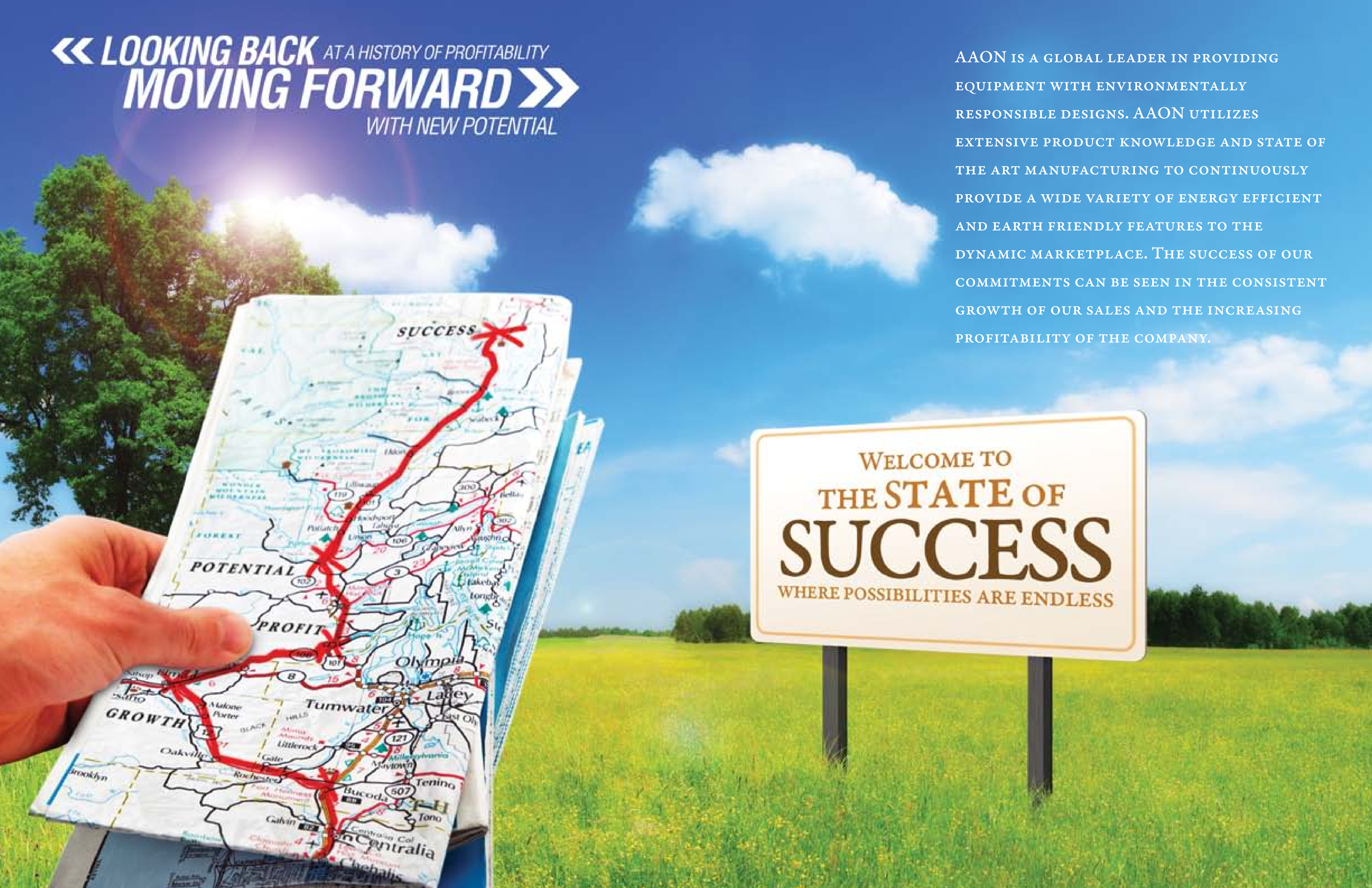
LOOKING BACK AT A HISTORY OF PROFITABILITY
MOVING FORWARD WITH NEW POTENTIAL

2010 ANNUAL REPORT

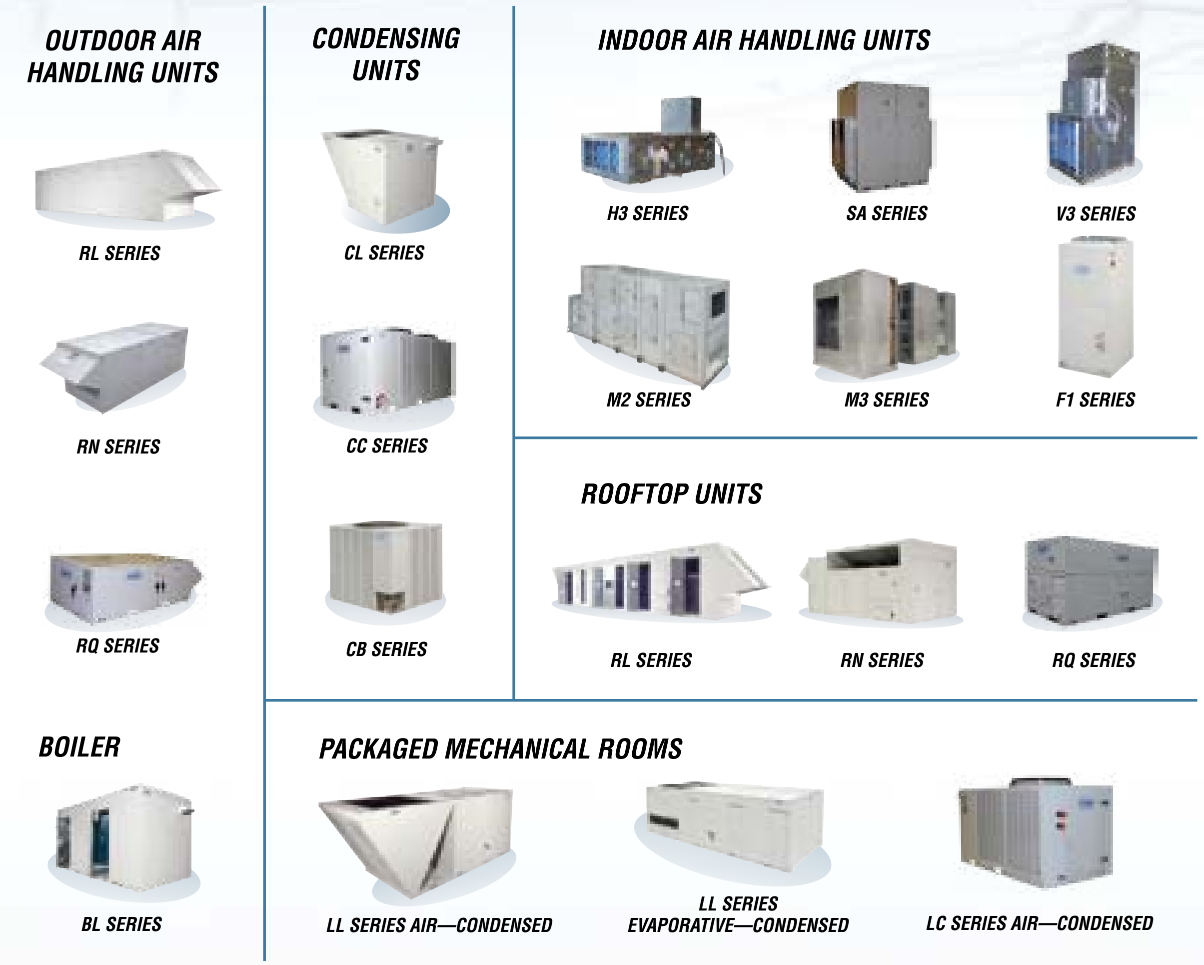
AAON

« LOOKING BACK AT A HISTORY OF PROFITABILITY
MOVING FORWARD » WITH NEW POTENTIAL

AAON is a global leader in providing equipment with environmentally responsible designs. AAON utilizes extensive product knowledge and state of the art manufacturing to continuously provide a wide variety of energy efficient and earth friendly features to the dynamic marketplace. The success of our commitments can be seen in the consistent growth of our sales and the increasing profitability of the company.



COMPANY PROFILE



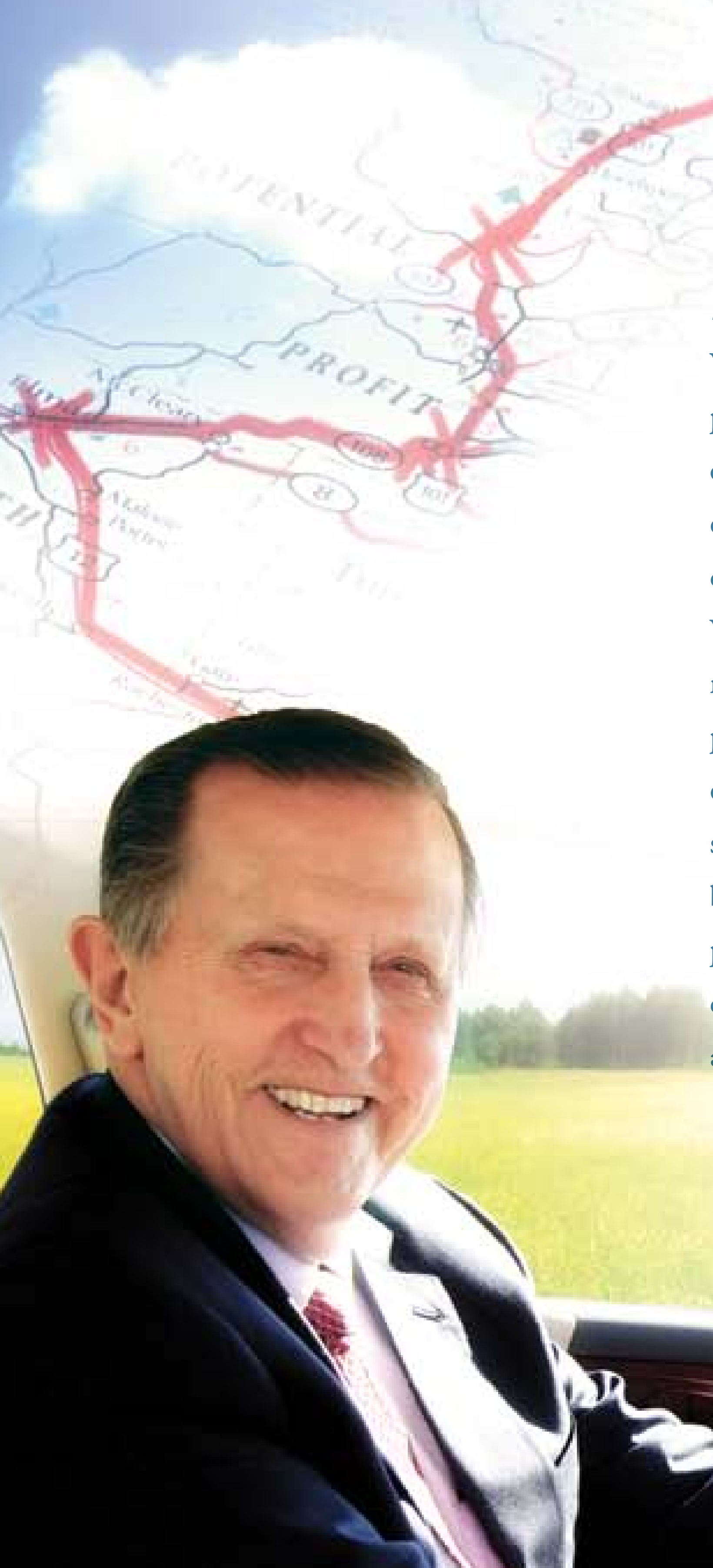
AAON is engaged in the engineering, manufacturing, marketing and sales of air conditioning and heating equipment consisting of rooftop units, chillers, air-handling units, make-up air units, heat recovery units, condensing units, commercial self-contained units and coils. Since the founding of AAON in 1988, AAON has maintained a commitment to design, develop, manufacture and deliver heating and cooling products to perform beyond all expectations and demonstrate the value of AAON to our customers. AAON provides specific and unique solutions for individual customer requirements.

FINANCIAL HIGHLIGHTS

	2010	2009	2008	2007	2006
Income Data ($000)					
Net Sales	$244,552	$245,282	$279,725	$262,517	$231,460
Gross Profit	$55,188	$67,545	$67,176	$57,369	$43,890
Operating Income	$32,715	$43,754	$43,388	$35,666	$25,831
Interest Expense	$45	$9	$71	$10	$81
Interest Income	$258	$71	$27	$8	$24
Depreciation	$9,886	$9,061	$9,412	$9,665	$9,146
Pre-Tax Income	$32,693	$43,892	$44,068	$35,343	$26,198
Net Income	$21,894	$27,721	$28,589	$23,156	$17,133
Earnings Per Share					
(Basic)[1]	$1.30	$1.61	$1.63	$1.24	$0.93
(Diluted)[1]	$1.30	$1.60	$1.60	$1.22	$0.90
Balance Sheet ($000)					
Working Capital	$55,502	$65,354	$40,600	$38,788	$36,356
Current Assets	$91,748	$96,240	$80,118	$76,295	$70,759
Net Fixed Assets	$67,418	$59,896	$60,550	$60,770	$59,222
Accumulated Depreciation	$86,307	$80,567	$72,269	$63,579	$54,182
Cash & Cash Investment	$2,393	$25,639	$269	$879	$288
Total Assets	$160,277	$156,211	$140,743	$137,140	$130,056
Current Liabilities	$36,246	$30,886	$39,518	$37,507	$34,403
Long-Term Debt	$0	$0	$121	$239	$0
Stockholders' Equity	$116,739	$117,999	$96,522	$95,420	$91,592
Stockholders' Equity per Diluted Share[1]	$6.91	$6.82	$5.41	$5.04	$4.83
Funds Flow Data ($000)					
Operations	$32,152	$45,205	$33,447	$31,247	$19,428
Investments	$(28,276)	$(9,639)	$(9,593)	$(10,751)	$(16,781)
Financing	$(27,200)	$(10,101)	$(24,460)	$(20,036)	$(3,333)
Net Increase (Decrease) in Cash	$(23,246)	$25,370	$(610)	$591	$(549)
Ratio Analysis					
Return on Average Equity	18.7%	25.8%	29.8%	24.8%	20.0%
Return on Average Assets	13.7%	17.7%	20.3%	16.9%	13.2%
Pre-Tax Income on Sales	13.4%	17.9%	15.8%	13.5%	11.3%
Net Income on Sales	9.0%	11.3%	10.2%	8.8%	7.4%
Total Liabilities to Equity	0.4	0.3	0.5	0.4	0.4
Quick Ratio[2]	1.2	1.9	1.0	1.1	1.1
Current Ratio	2.5	3.1	2.0	2.0	2.1
Year-End Price Earnings Ratio[1]	22	12	13	16	19

[1] Reflects 3-for-2 stock split in August 2007
[2] Cash, cash equivalents + receivables/current liabilities.

PRESIDENT'S LETTER



DEAR SHAREHOLDER,

We were quite pleased with our sales performance this past year taking into consideration the severely restricted economic environment which caused a 14% decline in non-residential construction. We maintained our commitment to manufacture technologically innovative products that are energy efficient, meet or exceed government standards and produce significant savings to our customers. Aided by wide acceptance of both our improved products and new products introduced during the last two years, we were once again able to increase our share of the market.

In 2010, total sales declined only slightly to $244.6 million from $245.3 million a year earlier. Impacted by higher commodity prices, one-time costs associated with the relocation and addition of certain production facilities and restricted pricing flexibility, gross profit decreased 18.3% from $67.5 million (27.5% of sales) to $55.2 million (22.6% of sales). It should be noted that the cost of sales in 2009 benefited by $2.2 million resulting from hedging of copper. Our SG&A expenses declined 5.5% to $22.5 million (9.2% of sales) from $23.8 million (9.7% of sales) primarily as a result of decreased profit sharing related to lower net income. Operating income dropped 25.2% from $43.8 million (17.8% of sales) to $32.7 million (13.4% of sales). Pretax income declined similarly to $32.7 million (13.4% of sales) in 2010 from $43.9 million (17.9% of sales), while net income was $21.9 million (9.0% of sales) or $1.30 per share, as compared with $27.7 million (11.3% of sales) or $1.60 per share. Net income in 2009, reflects a gain from copper hedging of $1.4 million or $0.08 per share.

Our 2010 tax rate was 33%, compared to 36.8%, due to credits received from programs initiated by State and Federal governments. Our per share calculations are based upon 16.9 million diluted shares outstanding in 2010 and 17.3 million diluted shares in 2009.

"We maintained our commitment to manufacture technologically innovative products that are energy efficient, meet or exceed government standards and produce significant savings to our customers."

STRONG FINANCIAL CONDITION

Our financial condition at December 31, 2010, remained strong. Total current assets were $91.7 million with a current ratio of 2.5:1. Capital expenditures climbed to $17.4 million as compared with $9.8 million a year earlier. We repurchased 822,740 shares of common stock at a total cost of $19.4 million and made dividend payments totaling $9.2 million. We maintained a strong liquid position, with no long-term debt. Total shareholders' equity at December 31, 2010, was $116.7 million or $7.07 per share, compared to $118.0 million or $6.85 per share at yearend 2009.

CAPITAL EXPENDITURES

We continue to witness increasing acceptance of our technologically innovative, highly reliable product lines. Our strong manufacturing and financial base enabled us to diversify both our product mix and customer base. These diversities give the Company significant potential for growth over the intermediate and longer term. In order to meet these future demands, we significantly increased our capital spending for both machinery and plant capacity. In 1998, we purchased a 40-acre tract of land including a 457,000 square foot building. Over the next decade this property was expanded to 713,000 square feet and, by the end of 2008, AAON utilized approximately 40% of the property with the remainder leased to a third party. The lease expired in May of last year and we began to immediately renovate the remaining 330,000 square feet.

"Our financial condition at December 31, 2010, remained strong. Total current assets were $91.7 million with a current ratio of 2.5:1. Capital expenditures climbed to $17.4 million as compared with $9.8 million a year earlier. We repurchased 822,740 shares of common stock at a total cost of $19.4 million and made dividend payments totaling $9.2 million. We maintained a strong liquid position, with no long-term debt.

We originally budgeted capital expenditures of $7-8 million for 2010. By mid-year it became evident that we would need to substantially raise our forecast due to our improving backlog and incoming order rate. Furthermore, we determined that two of our metal fabricating machines would have to be replaced by early 2011 and three additional machines were necessary to accommodate our future growth. We placed deposits on this equipment last year and took delivery of the two replacement machines at the beginning of this year. The remaining three units will be delivered by June 2011.

By yearend 2010 our capital expenditures had climbed to $17.4 million. We completed a 165,000 square foot facility dedicated to the production of our 16-30 ton line of products and initiated renovation of an additional 165,000 square feet of manufacturing which will house the production of our 26-70 ton product line. This facility is expected to be completed by mid-2011. In total, we spent approximately $4.0 million on additional plant capacity and approximately $13.4 million on machinery and equipment.

For 2011, we have budgeted total capital expenditures in the range of $28-30 million. Approximately 25% of that amount will be devoted to enlarging our manufacturing capacity and will include the completion of our 26-70 ton product line facility and the construction of a new 200,000 square foot warehouse and office building which is expected to be finished by year end. Once completed, we will have 1.2 million square feet of plant and buildings in our Tulsa facility with manufacturing capability of $800 million to $1 billion depending on our product mix.

The remainder of our capital expenditures will be directed toward the purchase of machinery. Over the past three years we redesigned our entire product line to include foam composite construction for the cabinets, making for a stronger, more highly energy efficient product compared with the traditional use of fiberglass as the inner liner of the cabinets. The response from our customers has been excellent. Since our entire product line now requires foam insulation it is necessary for us to buy additional foam manufacturing machinery. Furthermore, we will initiate a number of new production lines.

In December 2010, the Federal government passed the 2010 Tax Relief Act which provides a 100% depreciation allowance on any qualified asset placed in service from September 2010 through December 2011. This allowance continues through 2012, but at a reduced rate of 50%. We plan to take full advantage of this tax benefit over the next two years.

RECOGNITIONS

In October, the Company's RN series rooftop unit and LC series chiller product were named 2010 Product of the Year – Silver and Bronze, respectively, in the HVAC/R category by Consulting-Specifying Engineer Magazine. These awards add to the 2008 announcement that the rooftop product produced by AAON with Digital Precise Air Control had been voted "Product of the Year – Gold" in the HVAC category and "Most Valuable Product" for the overall competition.

Additionally, in May 2009 we were notified by the National Society of Professional Engineers (NSPE) that the Digital Precise Air Control System had been selected to receive the 2009 NSPE Professional Engineers in Industry New Product Award in the Large Company category. This prestigious award honors American companies and their contributions to society. Winning products were chosen for their exceptional engineering research, design and overall impact on our national economy.

Also, for the fourth consecutive year, AAON was selected to the Forbes "100 Best Small Companies" list, ranking 77th. Inclusion on the Forbes list requires companies to meet a series of financial benchmarks, including earnings and sales growth and return on equity in the past 12 months and over five years. Forbes also factors in the stock performance of each company compared with that of its peers. The Company was also previously honored in this list for years 2000-2002.

NEW PRODUCTS

New Federal government regulations require that all commercial air conditioning systems larger than 10 tons must be capable of varying air volume in accordance with load requirements. The full product line of AAON, including the newly designed 2-10 ton equipment, meets these requirements. The Company's variable air volume system is designed with a backward curved fan and digital scroll compressor which can vary the amount of air into a space, thereby varying the amount of cooling and heating. The variable air volume system can produce annual energy savings up to 30-40% as compared with competing constant air volume systems.

In January, we attended the AHRI Expo, a large industry trade show, where we introduced our new oilless magnetic bearing centrifugal "break through" chiller system ranging in size from 90 to 540 tons. The response to this product was exceptional. The standard compressor in an air conditioner uses oil as a lubricant. The oil circulates throughout the entire refrigeration system. Oil, by its nature, reduces heat transfer effectiveness, thereby lowering the energy efficiency of the equipment. The oilless magnetic bearing compressor eliminates the need for lubrication, thus improving the efficiency of the refrigeration cycle. In addition, this type of compressor is more efficient than the traditional scroll compressor. The AAON patented evaporative condenser, combined with the magnetic bearing compressor, creates a chiller system with very low energy and water consumption compared to the systems now in the market. This chiller system uses approximately 30% less energy and water. The total chiller market is estimated to be $700 million annually. We expect to gain a modest share of this market over the next two to three years.

In 2010, we introduced a newly designed 2-6 ton unitary product and a redesigned 5-10 ton line. These products have inner and outer sheet metal walls filled with foam which create composite construction for the cabinets. In addition, these products are manufactured with direct drive blower assemblies and with our airfoil backward curved fan which produces a far more efficient product compared with the traditional belt driven, forward curved fan product. We established a strong foothold in that highly competitive market due to the excellent response to the technological innovations we incorporated into the line. We estimate the size of this market to be in the range of $1.1 to $1.3 billion or approximately 55-60% of the total unitary rooftop market. This market offers AAON excellent growth potential over the intermediate and longer term.

GEOTHERMAL

The growing acceptance of our redesigned 2-6 ton product line enabled our sales in the geothermal market to gain 40% to approximately $15 million in 2010. Our product, with composite cabinet, improved foam technology and enhanced coil design, is designed to be used as a rooftop product. The replacement market customer may choose our more efficient geothermal unit (water source heat pump system) over the traditional air cooled system. Furthermore, the American Recovery and Reinvestment Act of 2009 provides a tax credit for geothermal installations which reduces the payback period. This Act played an important role in stimulating geothermal product sales this past year.

SALES REPRESENTATIVE PERFORMANCE

Our growing market share can be directly attributed to the efforts of our sales representatives. At the end of 2010, AAON had 112 offices operating in all 50 states and Canada. The replacement market represented approximately 45% of AAON's total sales and firm demand in this segment helped to cushion the weakness in demand from new construction. End markets such as education, healthcare, government, municipal and the military performed relatively well, while we continued to witness a negative tone in the commercial, industrial and retail sectors. The success of our product line diversification along with a widening diversity of customers can be directly traced to the efforts of our sales representatives. They will continue to play a major role in the Company's future growth.

OUR EMPLOYEES

Our most important asset is our base of trained and knowledgeable employees. In response to the economic challenges of 2009, our workforce became more flexible and we saw increased participation in training efforts. This combination of outcomes allowed us to support fluctuating manufacturing demands over the past two years, retain our most skilled personnel and respond to the opportunities which arose in our markets.

Since our founding, we have distributed 10% of pre-tax profits equally to all personnel at each operating subsidiary. The purpose of this "profit sharing" has been to provide an immediate reward for maintaining the subsidiary's profitability. For a long-term focus, employees now own nearly 4% of the Company's outstanding stock through our 401(k) plan which allows employees to benefit, along with other shareholders, from share appreciation. AAON matches 50% of all employee contributions to the Plan up to 9% of compensation and, during 2010, we began contributing an amount equal to 1.5% of each employee's pre-tax earnings to the 401(k) plan even if the employee chose to make no contribution of his or her own. All company contributions purchase company stock on the open market using

"OUR GROWING MARKET SHARE CAN BE DIRECTLY ATTRIBUTED TO THE EFFORTS OF OUR SALES REPRESENTATIVES. AT THE END OF 2010, AAON HAD 112 OFFICES OPERATING IN ALL 50 STATES AND CANADA."

THE ONGOING SUCCESS OF OUR COMPANY CAN BE DIRECTLY ATTRIBUTED TO OUR EMPLOYEES.

September Purchase of John Zink Air Conditioning Division.

Spring AAON purchased, renovated and moved into a 184,000 square foot plant in Tulsa, Oklahoma. Introduced a new product line of rooftop heating and air conditioning units 2-140 tons.

December Formed AAON Coil Products, a Texas Corporation, as a subsidiary to AAON, Inc. (Nevada) and purchased coil making assets of Coils Plus.

September One-for-four reverse stock split. Retired $1,927,000 of subordinated debt.

March Purchase of property with 26,000 square foot building adjacent to AAON Coil Products plan in Longview, Texas. Issued a 10% stock dividend.

September Completed expansion of the Tulsa facility to 332,000 square feet.

April AAON received U.S. patent for Blower Housing assembly.

October U.S. patent granted to AAON for air conditioner with energy recovery heat wheel.

Spring Completed Tulsa, Oklahoma, and Longview, Texas, plant additions yielding a total exceeding one million square feet.

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August AAON, an Oklahoma corporation, was founded.

Summer Became a publicly traded company with the reverse acquisition of Diamond Head Resources (now "AAON, Inc."), a Nevada corporation.

December Listed on NASDAQ Small Cap—Symbol "AAON."

Spring AAON Coil Products purchased, renovated and moved into a 110,000 square foot plant in Longview, Texas.

November Listed on the NASDAQ National Market System.

January Introduced a desiccant heat recovery wheel option available on all AAON rooftop units.

December Purchased 40 acres with 457,000 square foot plan and 22,000 square foot office space located across from Tulsa facility.

November AAON yearly shipments exceed $100 million. Received U.S. patent for Dimpled Heat Exchanger Tube.

Fall Expanded rooftop product line to 230 tons. Introduced evaporative condensing energy savings feature. 3-for-2 stock split.

June 3-for-2 stock split.

July AAON added as a member of the Russell 2000® Index.

May Purchase of the assets of Air Wise, of Mississauga, Ontario, Canada.

October AAON listed in Forbes' 200 Best Small Companies

November Introduction of light commercial/residential product lines.

June Initiation of a semi-annual cash dividend for AAON shareholders.

October AAON Listed in Forbes '200 Best Small Companies'

December AAON rings closing bell at NASDAQ

August AAON added to Standard & Poor's SmallCap 600 Index

June AAON Named to the Fortune 40: Best Stocks to Retire On

National Society of Professional Engineers Award AAON 2009 Product of the Year

May AAON increases dividend payment by 13%

July AAON RQ Series Rooftop Unit wins ACHR News Dealer Design Award

October AAON listed in Forbes' 200 Best Small Companies

November AAON donates high efficiency equipment to ABC's "Extreme Makeover: Home Edition"

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October AAON listed in Forbes' 200 Best Small Companies

Fall Industry introduction of the modular air handler and chiller products.

October AAON, listed in FORBES Magazine's "Hot Shots 200 Up & Comers."

AAON listed in Forbes' 200 Best Small Companies

July Started production of polyurethane foam-filled double-wall construction panels for rooftop and chiller products using newly purchased manufacturing equipment.

August AAON received U.S. Patent for Plenum Fan Banding.

April AAON introduces factory engineered and assembled packaged mechanical room, which includes a boiler and all piping and pumping accessories.

March Modular air handler product extended to 50,000 CFM

August 3-for-2 stock split

October AAON rings opening bell at NASDAQ

AAON voted "Most Valuable Product" and "Product of the Year" by Consulting -Specifying Engineer Magazine

AAON listed in Forbes' 200 Best Small Companies

July AAON products receive Dealer Design Awards from ACHR News

October AAON listed in Forbes' 200 Best Small Companies

October RN series rooftop unit named 2010 Product of Year
- Silver by Consulting
- Specifying Engineer Magazine

LC series chiller product named 2010 Product of Year
- Bronze by Consulting
- Specifying Engineer Magazine

"We view our employees as a long-term investment in skills, talent and knowledge. We believe that our approach to personnel increases shareholder value by developing an ownership perspective and a sense of individual responsibility among our employees, while helping them meet their personal financial, health and development goals."

either cash contributions from the Company, dividends received from company stock or cash from prior divestitures of company stock within the plan. Shares of AAON stock are later sold to the Company and retired if participants choose to diversify their holdings or leave the plan. The 401(k) program improves retirement preparedness and encourages employee longevity through a six-year benefit vesting structure. We believe that the combination of these two incentives align the interests of our employees with those of our shareholders in a manner designed to improve capital appreciation and profitability.

We are in our third year of offering only a high-deductible health plan along with contributions to health savings accounts, wellness incentives and on-site clinics that are focused on preventative care. Total medical costs, including the employees' out-of-pocket costs, are running 30% below the national average cost of just health insurance, which indicates the effectiveness of the current plan design from a cost-control perspective. In addition to financial performance, nearly all of the average health indicators, as verified through our annual Health Risk Assessments, have improved since we began to focus on prevention and wellness. We have seen improvements in average blood pressure, cholesterol, blood sugar levels and smoking rates since tracking began for those figures while simultaneously reducing name-brand prescription usage. We believe that giving employees direct control over their health-care dollars has made our employees more health-conscious and cost-conscious while keeping health care costs competitive for the Company and its shareholders.

Unfortunately, the recent health care reform legislation has placed restrictions on our ability to manage a significant aspect of our employment costs. Due to the uncertainty surrounding the legislation, we have maintained our "grandfathered" status for the 2010-2011 plan year even though our existing plan design covers the level of benefits required under the new regulations. As the regulatory environment surrounding health insurance develops, we will be closely examining the costs and benefits of our current plan compared to a non-grandfathered status and the developing health insurance exchanges. However, in preparation for the requirement to report the value of health insurance on employee W-2s, we have modified our payroll statements. Now, on every payroll statement employees see the full value of all benefits paid on their behalf by the Company in combination with their regular earnings.

We view our employees as a long-term investment in skills, talent and knowledge. We believe that our approach to personnel increases shareholder value by developing an ownership perspective and a sense of individual responsibility among our employees, while helping them meet their personal financial, health and development goals.

OUTLOOK

Significant strides were made toward improving and enlarging our manufacturing capabilities during one of the most challenging economic periods witnessed in many years. We remain committed to providing the capital necessary in order to produce new, technologically innovative products which meet our customers' demands while addressing the major industry concern: energy efficiency. Over the past decade, we spent approximately $115 million on plant renovation, expansion and on the purchase of machinery. All of these expenditures were made from our free cash flow while remaining debt free.

Our growth objectives can be achieved, and enhanced by the continuing commitment and support of our customers, sales representatives and shareholders, as well as with the cooperation of our loyal employees, all of whose names appear at the end of this report. The future growth potential of AAON is in excellent hands and I believe will come to fruition.

Sincerely,

Norman H. Asbjornson
President & CEO
March 21, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2010

or

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

For the transition period from ____________________________ to ____________________________

Commission file number: 0-18953

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

Nevada	87-0448736
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
2425 South Yukon, Tulsa, Oklahoma	74107
(Address of principal executive offices)	(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 $.004
(Title of Class)
Rights to Purchase Series A Preferred Stock
(Title of Class)

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every
Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
[X] Yes [_] No

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934).

Large accelerated filer [_] Accelerated filer [X]
Non-accelerated filer [_] Smaller reporting company [_]

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Act.)
[_] Yes [X] No

The aggregate market value of the common equity held by non-affiliates computed by reference to the closing price of registrant's common stock on the last business day of registrant's most recently completed second quarter (June 30, 2010) was $386.4 million.

As of February 28, 2011, registrant had outstanding a total of 16,492,682 shares of its $.004 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 17, 2011, are incorporated into Part III.

TABLE OF CONTENTS

PART 1

ITEM 1. BUSINESS.

GENERAL DEVELOPMENT AND DESCRIPTION OF BUSINESS

AAON, Inc., a Nevada corporation, was incorporated on August 18, 1987. We have two operating subsidiaries, AAON, Inc., an Oklahoma corporation and AAON Coil Products, Inc., a Texas corporation. Unless the context otherwise requires, references in this Annual Report to "AAON," the "Company", "we," "us," "our" or "ours" refer to AAON, Inc., and our subsidiaries.

We are engaged in the manufacture and sale of air-conditioning and heating equipment. Our products consist of rooftop units, chillers, air-handling units, make-up air units, heat recovery units, condensing units, commercial self contained units and coils.

PRODUCTS AND MARKETS

Our products serve the commercial and industrial new construction and replacement markets. To date our sales have been primarily to the domestic market. Foreign sales accounted for approximately 5% of our sales in 2010.

Our rooftop and condenser markets consist of units installed on commercial or industrial structures of generally less than 10 stories in height. Our air-handling units, commercial self contained units, chillers, and coils are applicable to all sizes of commercial and industrial buildings.

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 that 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, in turn, are 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, we emphasize the replacement market.

Based on our 2010 level of sales of $245 million, we estimate that we have a 14% share of the rooftop market and a 1% share of the coil market. Approximately 55% of our sales now come from new construction and 45% from renovation/replacements. The percentage of sales for new construction vs. replacement to particular customers is related to the customer's stage of development.

We purchase certain components, fabricate sheet metal and tubing and then assemble and test the finished products. Our primary finished products consist of a single unit system containing heating, cooling and/or heat recovery components in a selfcontained cabinet, referred to in the industry as "unitary" products. Our other finished products are chillers, coils, air-handling units, condensing units, make-up air units, heat recovery units and commercial self-contained units.

We offer four groups of rooftop units. Our RQ Series consisting of six cooling sizes ranging from one to six tons; our RN Series offered in 18 cooling sizes ranging from six to 70 tons; our RL Series, which is offered in 15 cooling sizes ranging from 40 to 230 tons; and our HA Series, which is a horizontal discharge package for either rooftop or ground installation offered in eight sizes ranging from seven and one-half to 50 tons.

We manufacture a Model LC Chiller, air cooled, and a Model LL chiller, which is available in both air-cooled condensing and evaporative cooled configurations.

Our air-handling units consist of the F1 and H/V Series and the modular (M2 and M3) Series.

Our heat recovery option applicable to our RQ, RN and RL units, as well as our M2 and M3 Series air handlers, respond to the U.S. Clean Air Act mandate to increase fresh air in commercial structures. Our products are designed to compete on the higher quality end of standardized products.

Performance characteristics of our products range in cooling capacity from 20,000 - 4,320,000 BTU's and in heating capacity from 69,000 - 9,000,000 BTU's. All of our products meet the Department of Energy's efficiency standards, which define the maximum amount of energy to be used in producing a given amount of cooling.

A typical commercial building installation 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 can involve multiple units.

We have developed and are beginning to market a residential condensing unit (CB Series) and air handlers (F1 Series).

MAJOR CUSTOMERS

No customer accounted for 10% of our sales during 2010, 2009 or 2008.

SOURCES AND AVAILABILITY OF RAW MATERIALS

The most important materials we purchase are steel, copper and aluminum, which are obtained from domestic suppliers. We also purchase from other domestic manufacturers certain components, including compressors, electric motors and electrical controls used in our products. We attempt to obtain the lowest possible cost in our purchases of raw materials and components, consistent with meeting specified quality standards. We are not dependent upon any one source for raw materials or the major components of our manufactured products. By having multiple suppliers, we believe that we will have adequate sources of supplies to meet our manufacturing requirements for the foreseeable future.

We attempt to limit the impact of increases in raw materials and purchased component prices on our profit margins by negotiating with each of our major suppliers on a term basis from six months to one year.

DISTRIBUTION

We employ a sales staff of 20 individuals and utilize approximately 93 independent manufacturer representatives' ("Representatives") organizations having 108 offices to market our products in the United States and Canada. We also have one international sales organization, which utilizes 12 distributors in other countries. Sales are made directly to the contractor or end user, with shipments being made from our Tulsa, Oklahoma and Longview, Texas plants to the job site.

Our products and sales strategy focus on niche markets. The targeted markets for our equipment are customers seeking products of better quality than offered, and/or options not offered, by standardized manufacturers.

To support and service our customers and the ultimate consumer, we provide parts availability through our sales offices and have factory service organizations at each of our plants. Also, a number of the manufacturer representatives we utilize have their own service organizations, which, in connection with us, provide the necessary warranty work and/or normal service to customers.

Our product warranty policy is: the earlier of one year from the date of first use or 18 months from date of shipment for parts only; an additional four years for compressors (if applicable); 15 years on aluminized steel gas-fired heat exchangers (if applicable); 25 years on stainless steel heat exchangers (if applicable); and 10 years on gas-fired heat exchangers in RL products (if applicable). With the introduction of the RQ product line in 2010, our warranty policy for the RQ series was implemented to cover parts for two years from date of unit shipment and labor for one year from date of unit shipment.

RESEARCH AND DEVELOPMENT

All of our R&D activities are self-sponsored, rather than customer-sponsored. R&D has involved the RQ, RN and RL (rooftop units), F1, H/V, M2 and M3 (air handlers), LC and LL (chillers), CB and CC (condensing units), SA (commercial self-contained units) and BL (boilers), as well as component evaluation and refinement, development of control systems and new product development. We incurred research and development expenses of approximately $3,605,000, $3,074,000 and $2,577,000 in 2010, 2009 and 2008, respectively.

BACKLOG

Our current backlog as of March 1, 2011, was approximately $37,978,000 compared to approximately $33,569,000 at March 1, 2010. The current backlog consists of orders considered by management to be firm and substantially all of which will be filled by July 1, 2011; 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. Our management regularly reviews our working capital with a view to maintaining the lowest level consistent with requirements of anticipated levels of operation. Our greatest needs arise during the months of July - November, the peak season for inventory (primarily purchased material) and accounts receivable. Our working capital requirements are generally met by cash flow from operations and a bank revolving credit facility, which currently permits borrowings up to $15,150,000. We believe that we will have sufficient funds available to meet our working capital needs for the foreseeable future. We expect to renew our revolving credit agreement in July 2011. We do not expect that the current situation in the credit market will impact our renewal.

SEASONALITY

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

COMPETITION

In the standardized market, we compete primarily with Lennox International, Inc., Ingersoll Rand Limited, Johnson Controls Inc. and United Technologies Corporation. All of these competitors are substantially larger and have greater resources than we do. In the custom market, we compete with many larger and smaller manufacturers. Our products compete on the basis of total value, 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, we are often at a competitive disadvantage because of the emphasis placed on initial cost. In the replacement market and other owner-controlled purchases, we have a better chance of getting the business since quality and long-term cost are generally taken into account.

EMPLOYEES

As of March 1, 2011, we had 1,394 permanent employees and 26 temporary employees. Our employees are not currently represented by unions. Management considers relations with our employees to be good.

PATENTS, TRADEMARKS, LICENSES AND CONCESSIONS

We do not consider any patents, trademarks, licenses or concessions to be material to our business operations, other than patents issued regarding our heat recovery wheel option, blower, gas-fired heat exchanger and evaporative condenser desuperheater which have terms of twenty years with expiration dates ranging from 2016 to 2022.

ENVIRONMENTAL MATTERS

Laws concerning the environment that affect or could affect our 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. We believe that we presently comply with these laws and that future compliance will not materially adversely affect our earnings or competitive position.

AVAILABLE INFORMATION

Our Internet website address is http://www.aaon.com. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act of 1934 will be available through our Internet website as soon as reasonably practical after we electronically file such material with, or furnish it to, the SEC.

ITEM 1A. RISK FACTORS.

The following risks and uncertainties may affect our performance and results of operations.

OUR BUSINESS HAS BEEN HURT BY THE CURRENT ECONOMIC DOWNTURN.

Our business is affected by a number of economic factors, including the level of economic activity in the markets in which we operate. The state of the United States economy has negatively impacted the commercial and industrial new construction markets. The current decline in economic activity in the United States could materially affect our financial condition and results of operations. Sales in the commercial and industrial new construction markets correlate closely to the number of new homes and buildings that are built, which in turn is influenced by cyclical factors such as interest rates, inflation, consumer spending habits, employment rates and other macroeconomic factors over which we have no control. In the Heating, Ventilation, and Air Conditioning ("HVAC") business, a decline in economic activity as a result of these cyclical or other factors typically results in a decline in new construction and replacement purchases, which has resulted in a decrease in our sales volume and profitability.

WE MAY BE ADVERSELY AFFECTED BY PROBLEMS IN THE AVAILABILITY, OR INCREASES IN THE PRICES, OF RAW MATERIALS AND COMPONENTS.

Our business is affected by a number of economic factors, including the level of economic activity in the markets in which we operate. The state of the United States economy has negatively impacted the commercial and industrial new construction markets. The current decline in economic activity in the United States could materially affect our financial condition and results of operations. Sales in the commercial and industrial new construction markets correlate closely to the number of new homes and buildings that are built, which in turn is influenced by cyclical factors such as interest rates, inflation, consumer spending habits, employment rates and other macroeconomic factors over which we have no control. In the Heating, Ventilation, and Air Conditioning ("HVAC") business, a decline in economic activity as a result of these cyclical or other factors typically results in a decline in new construction and replacement purchases, which has resulted in a decrease in our sales volume and profitability.

WE RISK HAVING LOSSES RESULTING FROM THE USE OF NONCANCELABLE FIXED PRICE CONTRACTS.

Historically, we attempted to limit the impact of price fluctuations on commodities by entering into noncancelable fixed price contracts with our major suppliers for periods of 6 - 18 months. We expect to receive delivery of raw materials from our fixed price contracts for use in our manufacturing operations. These fixed price contracts are not accounted for as financial derivative instruments since they meet the normal purchases and sales exemption.

WE MAY NOT BE ABLE TO SUCCESSFULLY DEVELOP AND MARKET NEW PRODUCTS.

Our future success will depend upon our continued investment in research and new product development and our ability to continue to realize new technological advances in the HVAC industry. Our inability to continue to successfully develop and market new products or our inability to achieve technological advances on a pace consistent with that of our competitors could lead to a material adverse effect on our business and results of operations.

WE MAY INCUR MATERIAL COSTS AS A RESULT OF WARRANTY AND PRODUCT LIABILITY CLAIMS THAT WOULD NEGATIVELY AFFECT OUR PROFITABILITY.

The development, manufacture, sale and use of our products involve a risk of warranty and product liability claims. Our product liability insurance policies have limits that, if exceeded, may result in material costs that would have an adverse effect on our future profitability. In addition, warranty claims are not covered by our product liability insurance and there may be types of product liability claims that are also not covered by our product liability insurance.

WE MAY NOT BE ABLE TO COMPETE FAVORABLY IN THE HIGHLY COMPETITIVE HVAC BUSINESS.

Competition in our various markets could cause us to reduce our prices or lose market share, or could negatively affect our cash flow, which could have an adverse effect on our future financial results. Substantially all of the markets in which we participate are highly competitive. The most significant competitive factors we face are product reliability, product performance, service and price, with the relative importance of these factors varying among our product line. Other factors that affect competition in the HVAC market include the development and application of new technologies and an increasing emphasis on the development of more efficient HVAC products. Moreover, new product introductions are an important factor in the market categories in which our products compete. Several of our competitors have greater financial and other resources than we have, allowing them to invest in more extensive research and development. We may not be able to compete successfully against current and future competition and current and future competitive pressures faced by us may materially adversely affect our business and results of operations.

THE LOSS OF NORMAN H. ASBJORNSON COULD IMPAIR THE GROWTH OF OUR BUSINESS.

Norman H. Asbjornson, our founder, has served as our President and Chief Executive Officer from inception to date. He has provided the leadership and vision for our growth. Although important responsibilities and functions have been delegated to other highly experienced and capable management personnel, our products are technologically advanced and well positioned for sales into the future and we carry key man insurance on Mr. Asbjornson, his death, disability or retirement could impair the growth of our business. We do not have an employment agreement with Mr. Asbjornson.

OUR STOCKHOLDER RIGHTS PLAN AND SOME PROVISIONS IN OUR BYLAWS AND NEVADA LAW COULD DELAY OR PREVENT A CHANGE IN CONTROL.

Our stockholder rights plan and some provisions in our bylaws and Nevada law could delay or prevent a change in control, which could adversely affect the price of our common stock.

OUR BUSINESS IS SUBJECT TO THE RISKS OF INTERRUPTIONS BY PROBLEMS SUCH AS COMPUTER VIRUSES.

Despite our implementation of network security measures, our services are vulnerable to computer viruses, break-ins and similar disruptions from unauthorized tampering with our computer systems. Any such event could have a material adverse affect on our business.

EXPOSURE TO ENVIRONMENTAL LIABILITIES COULD ADVERSELY AFFECT OUR RESULTS OF OPERATIONS.

Our future profitability could be adversely affected by current or future environmental laws. We are subject to extensive and changing federal, state and local laws and regulations designed to protect the environment in the United States and in other parts of the world. These laws and regulations could impose liability for remediation costs and result in civil or criminal penalties in case of non-compliance. Compliance with environmental laws increases our costs of doing business. Because these laws are subject to frequent change, we are unable to predict the future costs resulting from environmental compliance.

WE ARE SUBJECT TO ADVERSE CHANGES IN TAX LAWS.

Tax benefits could be adversely affected by changes in tax provisions, unfavorable findings in tax examinations or differing interpretations by tax authorities. We are unable to estimate the impact that current and future tax proposals and tax laws could have on our results of operations. We are not currently under audit by any taxing jurisdiction other than one state sales tax audit.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

Our plant and office facilities in Tulsa, Oklahoma, consist of a 342,000 sq. ft. building (327,000 sq. ft. of manufacturing/warehouse space and 15,000 sq. ft. of office space) located on a 12-acre tract of land at 2425 South Yukon Avenue (the "original facility"), and a 693,000 sq. ft. manufacturing/warehouse building and a 22,000 sq. ft. office building (the "expansion facility") located on a 40-acre tract of land across the street from the original facility (2440 South Yukon Avenue). We own both the original facility and the expansion facility. Both plants are of sheet metal construction.

The original facility's 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. The manufacturing equipment contained in the original facility consists primarily of automated sheet metal fabrication equipment, supplemented by presses, press breaks and numerical control punching equipment. Assembly lines consist of three cart-type conveyor lines with variable line speed adjustment, which are motor driven. Subassembly areas and production line manning are based upon line speed. The manufacturing facility is 1,140 feet in length and varies in width from 390 feet to 220 feet.

In the expansion facility we use 22,000 sq. ft. for office space, 20,000 sq. ft. for warehouse space and 80,000 sq. ft. for two production lines; an additional 106,000 sq. ft. is utilized for sheet metal fabrication. The remaining 487,000 sq. ft. is presently being prepared as additional plant space for long-term growth.

Our operations in Longview, Texas are conducted in a plant/office building at 203-207 Gum Springs Road, containing 258,000 sq. ft. on 14 acres. The manufacturing area (approximately 251,000 sq. ft.) is located in three 120-foot wide sheet metal buildings connected by an adjoining structure. The remaining 7,000 square feet are utilized as office space. The facility is built for light industrial manufacturing. An additional, contiguous 15 acres were purchased in 2004 and 2005 for future expansion. We own both the existing plant/office building, and the 15 acres designated for future expansion.

ITEM 3. LEGAL PROCEEDINGS.

We are 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 our knowledge, has been threatened against us.

PART 2

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Our Common Stock is traded on the NASDAQ Global Select Market under the symbol "AAON". The range of high and low sale prices for our Common Stock during the last two years, as reported by National Association of Securities Dealers, Inc., was as follows:

QUARTER ENDED	HIGH	LOW
March 31, 2009	$ 21.18	$ 14.54
June 30, 2009	$ 21.93	$ 15.95
September 30, 2009	$ 22.32	$ 18.57
December 31, 2009	$ 20.65	$ 18.00
March 31, 2010	$ 23.05	$ 18.64
June 30, 2010	$ 25.26	$ 21.50
September 30, 2010	$ 26.13	$ 20.08
December 31, 2010	$ 29.64	$ 22.91

On February 28, 2011, there were 1,006 holders of record, and approximately 4,400 beneficial owners, of our Common Stock.

On February 14, 2006, the Board of Directors voted to initiate a semi-annual cash dividend. We initially paid semi-annual dividends of $0.20 per share. The Board of Directors approved dividend payments of $0.16 per share related to the 3-for-2 stock split effective August 21, 2007. The Board of Directors approved future dividend payments of $0.18 per share on May 19, 2009. Board approval is required to determine the date of declaration and amount for each semi-annual dividend payment.

In 2009, dividends were declared to shareholders of record at the close of business on December 14, 2009 and were paid on January 4, 2010. In 2010, dividends were declared to shareholders of record at the close of business on June 10, 2010 and December 1, 2010 and were paid on July 1, 2010 and December 22, 2010. We paid cash dividends of $9.2 million during the year ended December 31, 2010.

On November 6, 2007, our Board of Directors authorized a stock buyback program, targeting repurchases of up to approximately 10% (1.8 million shares) of our outstanding stock from time to time in open market transactions. On May 12, 2010, we completed the stock buyback program. Through May 12, 2010, we repurchased a total of 1,800,000 shares under this program for an aggregate price of $36,061,425, or an average price of $20.03 per share. We purchased the shares at current market prices.

On May 17, 2010, the Board authorized a new stock buyback program, targeting repurchases of up to approximately 5% (approximately 850,000 shares) of our outstanding stock from time to time in open market transactions. Through December 31, 2010, we repurchased a total of 478,493 shares under this program for an aggregate price of $11,509,433, or an average price of $24.05 per share. We purchased the shares at current market prices.

On July 1, 2005, we entered into a stock repurchase arrangement by which employee-participants in our 401(k) savings and investment plan are entitled to have shares of AAON stock in their accounts sold to us to provide diversification of their investments. The maximum number of shares to be repurchased is contingent upon the number of shares sold by employees. Through December 31, 2010, we repurchased 993,155 shares for an aggregate price of $18,042,789, or an average price of $18.17 per share. We purchased the shares at current market prices.

On November 7, 2006, the Board of Directors authorized us to repurchase shares from certain directors and officers following their exercise of stock options. The maximum number of shares to be repurchased is contingent upon the number of shares sold. Through December 31, 2010, we repurchased 379,750 shares for an aggregate price of $7,894,792, or an average price of $20.79 per share. We purchased the shares at current market prices.

Repurchases during the fourth quarter of 2010 were as follows:

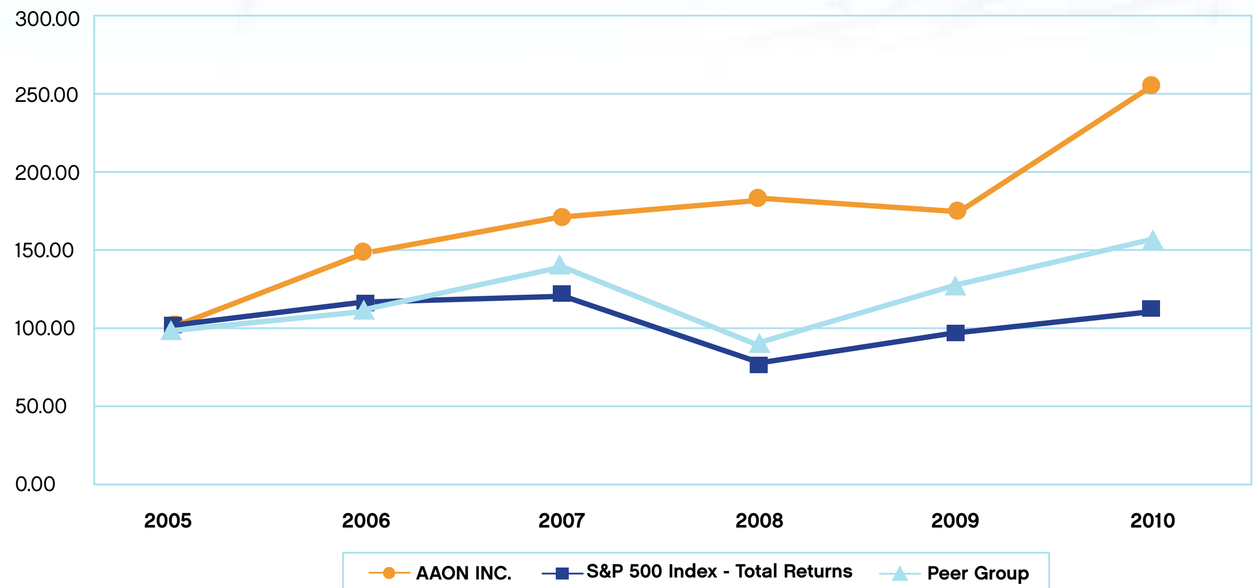
ISSUER PURCHASES OF EQUITY SECURITIES

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid Per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
October 2010	17,444	$24.41	17,444	-
November 2010	5,445	$25.13	5,445	-
December 2010	18,912	$28.51	18,912	-
Total	41,801	$26.36	41,801	-

STOCK PERFORMANCE GRAPH (1)

The following graph compares our cumulative total shareholder return, the NASDAQ Composite and the peer group named below. The graph assumes a $100 investment at the closing price on January 1, 2005, and reinvestment of dividends on the date of payment without commissions. This table is not intended to forecast future performance of our Common Stock.

COMPULSION OF 5 YEAR CUMULATIVE TOTAL RETURN
ASSUMES INITIAL INVESTMENT OF $100
DECEMBER 2010



The peer group consists of Lennox International, Inc., Ingersoll Rand Limited, Johnson Controls Inc., and United Technologies Corporation. All companies in the peer group are in the business of manufacturing air conditioning and heat exchange equipment.

(1) Securities and Exchange Commission ("SEC") filings sometimes "incorporate information by reference." This means we are referring you to information that has previously been filed with the SEC, and that this information should be considered as part of the filing you are reading. Unless we specifically state otherwise, this Stock Performance Graph shall not be deemed to be incorporated by reference and shall not constitute soliciting material or otherwise be considered filed under the Securities Act of 1933, as amended, or the Securities Exchange act of 1934, as amended.

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 elsewhere in this report.

	YEARS ENDED DECEMBER 31,				
Results of Operations:	2010	2009	2008	2007	2006
			(in thousands, except per share data)		
Net sales	$ 244,552	$ 245,282	$ 279,725	$ 262,517	$ 231,460
Net income	$ 21,894	$ 27,721	$ 28,589	$ 23,156	$ 17,133
Earnings per share:					
Basic	$ 1.30	$ 1.61	$ 1.63	$ 1.24	$ 0.93
Diluted	$ 1.30	$ 1.60	$ 1.60	$ 1.22	$ 0.90
Cash dividends declared per common share	$ 0.36	$ 0.36	$ 0.32	$ 0.32	$ 0.32
Weighted average shares outstanding:					
Basic	16,799	17,187	17,560	18,628	18,456
Diluted	16,893	17,309	17,855	18,927	18,968

	DECEMBER 31,				
Financial Position at End of Fiscal Year:	2010	2009	2008	2007	2006
			(in thousands)		
Working capital	$ 55,502	$ 65,354	$ 40,600	$ 38,788	$ 36,356
Total assets	$ 160,277	$ 156,211	$ 140,743	$ 137,140	$ 130,056
Long-term and current debt	$ 0	$ 76	$ 3,113	$ 330	$ 59
Total stockholders' equity	$ 116,739	$ 117,999	$ 96,522	$ 95,420	$ 91,592

Basic earnings per common share were computed by dividing net income by the weighted average number of shares of common stock outstanding during the reporting period. Diluted earnings per common share were determined on the assumed exercise of dilutive options, as determined by applying the treasury stock method.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

OVERVIEW

We engineer, manufacture and market air-conditioning and heating equipment consisting of rooftop units, chillers, air-handling units, make-up air units, heat recovery units, condensing units, commercial self-contained units and coils. These products are marketed and sold to retail, manufacturing, educational, medical and other commercial industries. We market units to all 50 states in the United States and certain provinces in Canada. Foreign sales were approximately 5% of our 2010 sales.

We sell our products to property owners and contractors through a network of manufacturers' representatives and our internal sales force. Demand for our products is influenced by national and regional economic and demographic factors. 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, in turn, are 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, we emphasize the replacement market.

The principal components of cost of goods sold are labor, raw materials, component costs, factory overhead, freight out and engineering expense. The principal high volume raw materials used in our manufacturing processes are steel, copper and aluminum, which are obtained from domestic suppliers. The raw materials market was volatile during 2010 and 2009 due to the economic environment. Prices decreased by approximately 34% for steel and increased by approximately 155% for aluminum and 210% for copper from December 31, 2008 to December 31, 2010. During 2010, we entered into an aluminum contract for 2011 purchases that was slightly above the average index price as of December 31, 2010. As market prices for aluminum have shown increases since January 1, 2011, our contract price more closely approximates market value in 2011.

We entered into a derivative instrument in the third quarter of 2009 with a large financial institution to mitigate our exposure to volatility in copper prices. The derivative was in the form of a commodity futures contract. The derivative contract settled monthly beginning in January 2010 and ending in December 2010. The contract was for a total of 2,250,000 pounds of copper at $2.383 per pound. The contract was for quantities equal to or less than those expected to be used in our manufacturing operations. We recorded adjustments of $14,000 and $2.2 million ($1.4 million after tax) to cost of sales from the unrealized gain on derivative assets at fair value in the Consolidated Statements of Income for the years ended 2010 and 2009 respectively.

We attempt to limit the impact of price fluctuations on these materials by entering into cancelable and noncancelable fixed price contracts with our major suppliers for periods of 6 - 18 months. We expect to receive delivery of raw materials from our fixed price contracts for use in our manufacturing operations. These contracts are not accounted for as derivative instruments since they meet the normal purchases and sales exemption.

We are subject to claims and legal actions that arise in the ordinary course of business. Management believes that the ultimate liability from these claims and actions, if any, will not have a material effect on our results of operations or financial position.

Selling, general, and administrative ("SG&A") costs include our internal sales force, warranty costs, profit sharing and administrative expenses. Warranty expense is estimated based on historical trends and other factors. Our product warranty policy is: the earlier of one year from the date of first use or 18 months from date of shipment for parts only; an additional four years on compressors (if applicable); 15 years on aluminized steel gas-fired heat exchangers (if applicable); 25 years on stainless steel heat exchangers (if applicable); and 10 years on gas-fired heat exchangers in RL products (if applicable). Warranty charges on heat exchangers do not occur frequently. With the introduction of the RQ product line in 2010, our warranty policy for the RQ series was implemented to cover parts for two years from date of unit shipment and labor for one year from date of unit shipment.

Our plant and office facilities in Tulsa, Oklahoma consist of a 342,000 sq. ft. building (327,000 sq. ft. of manufacturing/ warehouse space and 15,000 sq. ft. of office space) located at 2425 S. Yukon Avenue ("the original facility"), and a 693,000 sq. ft. manufacturing/warehouse building and a 22,000 sq. ft. office building ("the expansion facility") located across the street from the original facility at 2440 S. Yukon Avenue. We own both the original facility and the expansion facility.

In the expansion facility we use 22,000 sq. ft. for office space, 20,000 sq. ft. for warehouse space and 80,000 sq. ft. for two production lines; an additional 106,000 sq. ft. is utilized for sheet metal fabrication. The remaining 487,000 sq. ft. is presently being prepared as additional plant space for long-term growth.

Other operations in Longview, Texas are conducted in a plant/office building at 203-207 Gum Springs Road, containing 258,000 sq. ft. (251,000 sq. ft. of manufacturing/ warehouse and 7,000 sq. ft. of office space). An additional 15 acres were purchased in 2004 and 2005 for future expansion. We own both the existing plant/office building, and the 15 acres designated for future expansion.

Our previous operations in Burlington, Ontario, Canada, were located at 279 Sumach Drive, consisting of an 82,000 sq. ft. office/manufacturing facility. The property was sold in September 2010 for $1.5 million ($0.4 million cash and we are carrying back a $1.1 million note receivable).

Set forth below is income statement information and as a percentage of sales for years 2010, 2009 and 2008:

	YEARS ENDING DECEMBER 31,					
	2010		2009		2008	
	(in thousands)					
Net sales	$ 244,552	100.0%	$ 245,282	100.0%	$ 279,725	100.0%
Cost of sales	189,364	77.4%	177,737	72.5%	212,549	76.0%
Gross profit	55,188	22.6%	67,545	27.5%	67,176	24.0%
Selling, general and administrative expenses	22,473	9.2%	23,791	9.7%	23,788	8.5%
Income from operations	32,715	13.4%	43,754	17.8%	43,388	15.5%
Interest expense	(45)	0.0%	(9)	0.0%	(71)	0.0%
Interest income	258	0.1%	71	0.0%	27	0.0%
Other income (expense), net	(235)	0.1%	76	0.1%	724	0.3%
Income before income taxes	32,693	13.4%	43,892	17.9%	44,068	15.8%
Income tax provision	10,799	4.4%	16,171	6.6%	15,479	5.6%
Net income	$ 21,894	9.0%	$ 27,721	11.3%	$ 28,589	10.2%

RESULTS OF OPERATIONS

Key events impacting our cash balance, financial condition and results of operations in 2010 include the following:

- We have again taken a leading position in energy savings with the introduction of the direct drive blower which has eliminated the traditional V-belt drive, thus saving energy and maintenance problems associated with the V-belt drives. This has been made possible by advances in electronic motor control by use of variable frequency drive on larger motors and electrically commutated motors on smaller horsepowers. All of this is being further enhanced by requirements on buildings through ASHRAE (American Society of Heating, Refrigerating and Air-Conditioning Engineers) Standard 189-1 which requires one of these concepts on high efficiency buildings at the present time and will be required by ASHRAE Standard 90-1 on January 2012. We also utilize a high performance composite foam panel to eliminate over half of the heat transfer from typical fiberglass insulated panels. All of these innovations increase the demand for our products thus increasing market share.
- Released new products and set up new manufacturing lines in the new building addition which was completed at the end of 2009.
- We attempt to moderate the volatility of certain commodity costs by utilizing purchase agreements and pricing strategies which affect our gross margins.
- In February 2006, our Board of Directors initiated a program of semi-annual cash dividend payments. Cash payments of $9.2 million were made in 2010. Dividends payable of $3.1 million were declared in June 2010, released for payment to our transfer agent in June 2010 and paid to stockholders in July 2010. Dividends payable of $3.0 million were declared and paid in December 2010. Dividends payable of $3.1 million were declared in December 2009 and paid in January 2010.
- Stock repurchases resulted in cash payments of $19.5 million. This cash outlay is partially offset by cash received from options exercised by employees as a part of an incentive bonus program of $1.2 million.
- We have a strong liquidity position at December 31, 2010 with cash on hand of approximately $2.4 million, $1.5 million in certificates of deposit and $9.5 million of current assets in corporate notes and bonds. In view of the current economic environment, our goal remains to maintain a healthy financial condition.
- Purchases of equipment and renovations to manufacturing facilities remained a priority. Our capital expenditures were $17.5 million. Equipment purchases create significant efficiencies, lower production costs and allow continued growth in production. We currently estimate dedicating $28 million to $30 million to capital expenditures in 2011 for continued growth.

NET SALES

Net sales were $244.6 million, $245.3 million and $279.7 million in 2010, 2009 and 2008, respectively. Sales in 2010 remained substantially level with 2009 due to the favorable reception to our new products and increased market share, despite poor economic conditions which caused non-residential construction spending to decline 14.1%. The decrease in sales in 2009 from 2008 was due to decreased volume related to the economic environment and lower sales from our Canadian operations. The economic environment negatively impacted commercial construction markets with some projects delayed, postponed indefinitely or cancelled. The replacement market was also affected by customers delaying equipment replacement as a cost saving strategy. In 2008, an increase in volume of products sold related to our new and redesigned products being favorably received by our customers, the diversified customer mix of products, active marketing by sales representatives and pricing strategies implemented in order to keep up with the then increasing raw material costs.

GROSS PROFIT

Gross margins were $55.2 million, $67.5 million and $67.2 million in 2010, 2009 and 2008, respectively. Gross margins decreased $12.3 million in 2010 from 2009. As a percentage of sales, gross margins were 22.6%, 27.5% and 24.0% in 2010, 2009 and 2008, respectively. The 18.0% decrease in gross margins in 2010 from 2009 was primarily a result of the absence of a derivative related to a copper hedge of $2.2 million that we benefited from in 2009, higher raw material and commodity costs, increased labor expenses to relocate a production line and set up new production lines for the Tulsa building addition and related supplies to stock the new lines, and our inability in the current economic environment to implement price increases to our minimum sales prices for HVAC units. The increase in gross profit in 2009 from 2008, resulted from lower material costs, improved production and labor efficiencies, a reduction in manufacturing related expenses and a $2.2 million ($1.4 million net of tax) unrealized gain from a financial derivative asset included in cost of sales, despite lower net sales and expenses associated with the Canadian facility closure. Our gross margins as a percentage of sales excluding the unrealized gain were 22.6%, 26.6% and 24.0% in 2010, 2009 and 2008, respectively.

The principal components of cost of goods sold are labor, raw materials, component costs, factory overhead, freight out and engineering expense. The principal high volume raw materials used in our manufacturing processes are steel, copper and aluminum, which are obtained from domestic suppliers. We also purchase from other domestic manufacturers certain components, including compressors, electric motors and electrical controls used in our products. The suppliers of these components are significantly affected by the raw material costs of steel, copper and aluminum used in their products. The raw materials market was volatile during 2010 and 2009 due to the economic environment. Prices decreased by approximately 34% for steel and increased by approximately 155% for aluminum and 210% for copper from December 31, 2008 to December 31, 2010. During 2010, we entered into an aluminum contract for 2011 purchases that was slightly above the average index price as of December 31, 2010. As market prices for aluminum have shown increases since January 1, 2011, our contract price more closely approximates market value in 2011.

We entered into a financial derivative instrument in the third quarter of 2009 with a large financial institution to mitigate our exposure to volatility in copper prices. The financial derivative was in the form of a commodity futures contract. The contract was for a total of 2,250,000 pounds of copper at $2.383 per pound. In March 2010, we locked in the settlement price of $3.3975 per pound for the remainder of 2010. The contract was for quantities equal to or less than those used in our manufacturing operations in 2010. The derivative contract began settling in January 2010 and concluded in December 2010.

In addition to our financial derivative instrument, we attempt to limit the impact of price fluctuations on these materials by entering into cancelable and noncancelable fixed price contracts with our major suppliers for periods of 6 - 18 months. We expect to receive delivery of raw materials from our fixed price contracts for use in our manufacturing operations. These contracts are not accounted for as financial derivative instruments since they meet the normal purchases and sales exemption.

We are subject to claims and legal actions that arise in the ordinary course of business. Management believes that the ultimate liability from these claims and actions, if any, will not have a material effect on our results of operations or financial position.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

SG&A were $22.5 million, $23.8 million and $23.8 million in 2010, 2009 and 2008, respectively. As a percentage of sales, SG&A expenses were 9.2%, 9.7% and 8.5% in 2010, 2009 and 2008 respectively. In 2010, compared to 2009, we experienced a decrease in our SG&A expenses. The decrease was primarily due to a decrease in profit sharing expense related to lower net income. In 2009, our SG&A expenses remained consistent with 2008, despite lower sales volumes in 2009 compared to 2008. Warranty expenses in 2009 increased due to specific warranty items and sales related expenses increased due to our expanded marketing to remain competitive in the current environment.

INTEREST EXPENSE

Interest expense was approximately $45,000, $9,000 and $71,000 in 2010, 2009 and 2008, respectively. The increase in interest expense of approximately $36,000 in 2010 from 2009 was due to increased borrowings on the revolving credit facility. We borrowed $20.8 million from the revolving credit facility during 2010 compared to $10.0 million during 2009. Interest on borrowings is payable monthly at the greater of 4.0% or LIBOR plus 2.5% (4.0% at December 31, 2010). The decrease in interest expense in 2009 from 2008 was due to fewer borrowings on the revolving credit facility. In 2008, we borrowed $46.9 million from the revolving credit facility. Average borrowings under the revolving credit facility are typically paid in full within the month of borrowing or the following month.

INTEREST INCOME

Interest income was approximately $258,000, $71,000 and $27,000 in 2010, 2009 and 2008, respectively. The increase in interest income of approximately $187,000 in 2010 from 2009 was mainly due to interest income from our investments in corporate notes and bonds, see Note 1. Investments Held to Maturity. The increase in interest income in 2009 from 2008 was mainly due to interest income from a tax refund.

OTHER INCOME (EXPENSE)

Other expense was approximately $235,000 in 2010. Other income was approximately $76,000 and $724,000 in 2009 and 2008, respectively. The decrease in other income of approximately $311,000 in 2010 from 2009 was primarily due to the termination of the lease on our expansion facility in May 2009. Prior to the lease expiration in May 2009, other income was predominantly attributable to rental income from our expansion facility. The decrease in other income in 2009 from 2008 was also primarily related to the termination of the lease. We began renovations on the expansion facility to give us increased manufacturing capacity upon expiration of the lease. Our 2010 capital expenditures reflected the outlay to remodel the facility.

IMPACT OF CURRENT ECONOMIC CONDITIONS

Our business is affected by a number of economic factors, including the level of economic activity in the markets in which we operate. The state of the economy has negatively impacted the commercial and industrial new construction markets. The decline in economic activity has resulted in a decrease in our sales volume and profitability. Sales in the commercial and industrial new construction markets correlate closely to the number of new homes and buildings that are built, which in turn is influenced by cyclical factors such as interest rates, inflation, consumer spending habits, employment rates and other macroeconomic factors over which we have no control.

ANALYSIS OF LIQUIDITY AND CAPITAL RESOURCES

Our working capital and capital expenditure requirements are generally met through net cash provided by operations and the occasional use of the revolving bank line of credit based on our current liquidity at the time.

GENERAL

Our revolving credit facility provides for maximum borrowings of $15.2 million which is provided by the Bank of Oklahoma, National Association. At December 31, 2010, borrowings available under the revolving credit facility were $14.3 million. Under the line of credit, there is one standby letter of credit totaling $0.9 million. Interest on borrowings is payable monthly at the greater of 4.0% or LIBOR plus 2.5% (4.0% at December 31, 2010). No fees are associated with the unused portion of the committed amount. At December 31, 2010, we had no borrowings outstanding under the revolving credit facility.

At December 31, 2009, we had no borrowings outstanding under the revolving credit facility. At December 31, 2008, we had $2.9 million outstanding under the revolving credit facility. At December 31, 2010, 2009 and 2008, we were in compliance with our financial ratio covenants. The covenants are related to our tangible net worth, total liabilities to tangible net worth ratio and working capital. At December 31, 2010 our tangible net worth was $117.0 million which meets the requirement of being at or above $75.0 million. Our total liabilities to tangible net worth ratio was 1 to 3, which meets the requirement of not being above 2 to 1. Our working capital was $55.5 million which meets the requirement of being at or above $30.0 million. On July 30, 2010, we renewed the line of credit with a maturity date of July 30, 2011 with terms substantially the same as the previous agreement. Subsequently, as a requirement of our workers compensation insurance, our standby letter of credit was extended with an increase of $1.5 million to $2.4 million and will expire December 31, 2011. We expect to renew our revolving credit agreement in July 2011. We do not anticipate that the current situation in the credit market will impact our renewal.

We believe projected cash flows from operations and our bank revolving credit facility (or comparable financing) will provide us the necessary liquidity and capital resources for fiscal year 2011 and the foreseeable future. The belief that we will have the necessary liquidity and capital resources is based upon our knowledge of the HVAC industry and our place in that industry, our ability to limit our growth if necessary, our ability to adjust dividend cash payments, and our relationship with our existing bank lender. For information concerning our revolving credit facility at December 31, 2010, see Note 3, Revolving Credit Facility.

Cash Provided by Operating Activities. Net cash provided from operating activities has fluctuated from year-to-year. Net cash provided by operating activities was $32.2 million, $45.2 million and $33.4 million in 2010, 2009 and 2008, respectively. The year-to-year variances are primarily from changes in net income, accounts receivable, inventories, accounts payable and accrued liabilities as described below.

Net income was $21.9 million, $27.7 million and $28.6 million in 2010, 2009 and 2008 respectively. The decrease in net income of $5.8 million in 2010 from 2009 was primarily due to the absence of a derivative related to a copper hedge of $2.2 million ($1.4 million net of tax) that we benefited from in 2009, higher raw material and commodity costs, increased labor expenses to relocate a production line and set up new production lines for the Tulsa building addition and related supplies to stock the new lines, and our inability in the current economic environment to implement price increases to our minimum sales prices for HVAC units. The decrease in net income in 2009 from 2008 was primarily due to lower volume of sales which was a result of the economic environment and lower sales from our Canadian operations offset by lower material costs, improved production and labor efficiencies, a reduction in manufacturing related expenses and a $2.2 million ($1.4 million net of tax) unrealized gain from a financial derivative asset.

Depreciation expense was $9.9 million, $9.1 million and $9.4 million in 2010, 2009 and 2008, respectively. The increase in depreciation is due to the increase in depreciable assets of equipment and building additions. The decrease in depreciation in 2009 was due to the realization of full depreciation of certain capital assets. Share-based compensation was $0.8 million in each of 2010, 2009 and 2008. Both depreciation expense and share-based compensation expense decreased net income, but had no effect on operating cash.

Accounts receivable increased by $6.4 million at December 31, 2010 due primarily to slower customer payments. Accounts receivable decreased by $5.5 million at December 31, 2009 compared to December 31, 2008 and was attributable to a decrease in sales. Accounts receivable increased by $0.9 million at December 31, 2008 compared to December 31, 2007 due to increased sales.

Inventories increased by $4.8 million at December 31, 2010 compared to December 31, 2009 due to an increase related to the valuation of inventories associated with higher raw material and component part prices and increased inventory levels associated with an increase in our backlog. Inventories decreased by $7.2 million at December 31, 2009 compared to December 31, 2008. The decrease in inventories in 2009 from 2008 was attributable to a decrease in inventory requirements related to lower sales volumes, a decrease related to the valuation of inventories due to lower raw material and component part prices and sales of inventory as part of the Canadian facility closure. Inventories increased by $4.8 million at December 31, 2008 compared to December 31, 2007 primarily related to the procurement of inventory to accommodate increased sales.

Accounts payable increased by $6.5 million at December 31, 2010 compared to December 31, 2009 due an increase in inventory levels and timing of payments to vendors. Accounts payable decreased by $6.3 million at December 31, 2009 compared to December 31, 2008. The decrease in accounts payable in 2009 from 2008 was attributable to fewer purchases related to lower sales volumes. Accounts payable increased by $0.4 million at December 31, 2008 compared to December 31, 2007 due to the timing of payment to vendors.

Accrued liabilities increased by $2.4 million at December 31, 2010 compared to December 31, 2009 due to an increase in amounts due to representatives and payroll partially offset by a decrease in medical self-insurance reserves. Accrued liabilities increased by $0.8 million at December 31, 2009 compared to December 31, 2008. The increase in accrued liabilities in 2009 from 2008 is attributable to higher warranty and medical self-insurance reserves related to specific items. Accrued liabilities increased by $0.9 million at December 31, 2008 compared to December 31, 2007 due to higher workers compensation expenses and higher warranty expenses related to increased sales.

Cash Flows Used in Investing Activities. Cash flows used in investing activities were $28.3 million, $9.6 million and $9.6 million in 2010, 2009 and 2008, respectively. Cash flows used in investing activities in 2010 increased significantly from 2009 and were related to a $15.0 million investment with a large financial institution in January 2010. The investments were allocated to cash and money market funds, certificates of deposit, corporate notes and bonds and foreign corporate notes and bonds with a maturity of one year or less. The investments began maturing during 2010 and at December 31, 2010 the investment balance was $11.0 million. The increase was also attributable to manufacturing and equipment purchases and costs to expand our manufacturing facilities. Cash flows used in investing activities in 2009 did not significantly fluctuate from 2008 and were related to manufacturing and equipment purchases and costs to expand our manufacturing facilities. The decrease in cash flows used in investing activities in 2008 from 2007 was primarily related to lower capital expenditures. Management utilizes cash flows provided from operating activities to fund capital expenditures that are expected to increase growth and create efficiencies. We expect to expend approximately $28 million - $30 million in 2011 for a building addition at the Tulsa facility and machinery and equipment to accommodate anticipated growth. We expect the cash requirements to be provided by cash flows from operations and matured investments. We did not invest in certificates of deposits, money market funds or corporate notes and bonds in 2009 or 2008.

Cash Flows Used in Financing Activities. Cash flows used in financing activities were $27.2 million, $10.1 million and $24.5 million in 2010, 2009 and 2008, respectively. The increase in cash flows used in financing activities of $17.1 million in 2010 from 2009 is primarily related to a higher volume of stock repurchases and the payment of $9.2 million in dividends. The decrease in cash flows used in financing activities in 2009 from 2008 was primarily related to lower volume of stock repurchases. We occasionally utilize our revolving line of credit to meet certain short-term cash demands based on our liquidity at the time. We had no borrowings outstanding under the revolving credit facility at December 31, 2010 or at December 31, 2009. We had $2.9 million outstanding under the revolving credit facility at December 31, 2008. We accessed $20.8 million, $10.0 million and $46.9 million of borrowings under the line of credit during 2010, 2009 and 2008, respectively.

We received cash from stock options exercised of $1.2 million, $1.2 million and $1.7 million and classified the excess tax benefit of stock options exercised and restricted stock awards vested of $0.4 million, $0.7 million and $1.6 million in financing activities in 2010, 2009 and 2008, respectively.

We repurchased shares of stock under the Board of Directors authorized stock buyback programs. We also repurchased shares of stock from our employees' 401(k) savings and investment plan, directors and officers and the open market in the amount of $19.6 million for 822,740 shares, $3.1 million for 165,117 shares and $24.8 million for 1,211,538 shares of stock in 2010, 2009 and 2008, respectively.

On February 14, 2006, the Board of Directors voted to initiate a semi-annual cash dividend. We initially paid semi-annual dividends of $0.20 per share. On July 12, 2007, our Board of Directors approved a 3-for-2 stock split of our outstanding stock for shareholders of record as of August 3, 2007. The stock split was treated as a 50% stock dividend which was distributed on August 21, 2007. As a result of the stock split, our Board of Directors adjusted the dividend paid per share to $0.16. The Board of Directors approved future dividend payments of $0.18 per share on May 19, 2009. Board approval is required to determine the date of declaration and amount for each semi-annual dividend payment.

Cash dividends of $9.2 million were paid in 2010. Cash dividends of $5.9 million were paid in 2009, and we accrued a liability for payment of $3.1 million of dividends in January 2010. Cash dividends of $5.8 million were paid in 2008, and $2.8 million in dividends were declared and accrued as a liability in December 2008 for payment in January 2009.

COMMITMENTS AND CONTRACTUAL AGREEMENTS

The following table summarizes our contractual agreements as of December 31, 2010:

	PAYMENTS DUE BY PERIOD				
CONTRACTUAL OBLIGATIONS	TOTAL	LESS THAN 1 YEAR	1–3 YEARS	4–5 YEARS	AFTER 5 YEARS
	(in thousands)				
Purchase obligations[(1)]	$ 1,662	$ 1,662	$ -	$ -	$ -
Total contractual obligations	$ 1,662	$ 1,662	$ -	$ -	$ -

[(1)] The purchase obligation consists of an aluminum commitment with one supplier. We expect to receive delivery of raw materials for use in our manufacturing operations. This contract is not accounted for as a derivative instrument because it meets the normal purchases and sales exemption.

We are subject to claims and legal actions that arise in the ordinary course of business. Management believes that the ultimate liability from these claims and actions, if any, will not have a material effect on our results of operations of financial position.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Because these estimates and assumptions require significant judgment, future actual results could differ from those estimates and could have a significant impact on our results of operations, financial position and cash flows. We reevaluate our estimates and assumptions on a monthly basis.

The following accounting policies may involve a higher degree of estimation or assumption:

Revenue Recognition – We recognize revenues from sales of products when the products are shipped and the title and risk of ownership pass to the customer. Final sales prices are fixed based on purchase orders. Sales allowances and customer incentives are treated as reductions to sales and are provided for based on historical experiences and current estimates. Our policy is to record the collection and payment of sales taxes through a liability account.

We present revenues net of certain payments to our independent manufacturer representatives ("Representatives"). Representatives are national companies that are in the business of providing HVAC units and other related products and services to customers. The end user customer orders a bundled group of products and services from the Representative and expects the Representative to fulfill the order. Only after the specifications are agreed to by the Representative and the customer, and the decision is made to use an AAON HVAC unit, will we receive notice of the order. We establish the amount we must receive for our HVAC unit ("minimum sales price"), but do not control the total order price which is negotiated by the Representative with the end user customer.

We are responsible for billings and collections resulting from all sales transactions, including those initiated by our Representatives. The Representatives submit the total order price to us for invoicing and collection. The total order price includes our minimum sales price and an additional amount which may include both the Representatives' fee and amounts due for additional products and services required by the customer. These additional products and services may include controls purchased from another manufacturer to operate the unit, start-up services, and curbs for supporting the unit ("Third Party Products"). All are associated with the purchase of a HVAC unit but may be provided by the Representative or another third party. The Company is under no obligation related to Third Party Products.

The Representatives do not provide us with a break-out of the amount of the total order price over the minimum sales price which includes the Representatives' fee and Third Party Product amounts ("Due to Representatives"). The Due to Representatives amount is paid only after all amounts associated with the order are collected from the customer. The amount of payments to our Representatives was $51.4 million, $58.0 million and $55.4 million for the years ended December 31, 2010, 2009, and 2008, respectively.

Allowance for Doubtful Accounts - Our allowance for doubtful accounts is estimated to cover the risk of loss related to accounts receivable. We establish an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends in collections and write-offs, current customer status, the age of the receivable, economic conditions and other information. Aged receivables are reviewed on a monthly basis to determine if the reserve is adequate and adjusted accordingly at that time. The evaluation of these factors involves complex, subjective judgments. Thus, changes in these factors or changes in economic circumstances may significantly impact our Consolidated Financial Statements.

Inventory Reserves – We establish a reserve for inventories based on the change in inventory requirements due to product line changes, the feasibility of using obsolete parts for upgraded part substitutions, the required parts needed for part supply sales, replacement parts and for estimated shrinkage.

Warranty – A provision is made for estimated warranty costs at the time the product is shipped and revenue is recognized. The warranty period is: the earlier of one year from the date of first use or 18 months from date of shipment for parts only; an additional four years on compressors (if applicable); 15 years on aluminized steel gas-fired heat exchangers (if applicable); 25 years on stainless steel heat exchangers (if applicable); and 10 years on gas-fired heat exchangers in RL products (if applicable). With the introduction of the RQ product line in 2010, our warranty policy for the RQ series was implemented to cover parts for two years from date of unit shipment and labor for one year from date of unit shipment. Warranty expense is estimated based on the warranty period, historical warranty trends and associated costs, and any known identifiable warranty issue. Warranty charges associated with heat exchangers do not occur frequently.

Due to the absence of warranty history on new products, an additional provision may be made for such products. Our estimated future warranty cost is subject to adjustment from time to time depending on changes in actual warranty trends and cost experience. Should actual claim rates differ from our estimates, revisions to the estimated product warranty liability would be required.

Medical Insurance – A provision is made for medical costs associated with our Medical Employee Benefit Plan, which is primarily a self-funded plan. A provision is made for estimated medical costs based on historical claims paid and potential significant future claims. The plan is supplemented by employee contributions and an excess policy for claims over $125,000 each.

Stock Compensation – We account for equity-based compensation in accordance with FASC Topic 718, *Compensation – Stock Compensation*. Applying this standard to value equity-based compensation requires us to use significant judgment and to make estimates, particularly for the assumptions used in the Black-Scholes valuation model, such as stock price volatility and expected option lives, as well as for the expected option forfeiture rates. We measure the cost of employee services received in exchange for an award of equity instruments using the Black-Scholes valuation model to calculate the grant-date fair value of the award. The compensation cost is recognized over the period of time during which an employee is required to provide service in exchange for the award, which will be the vesting period.

Historically, actual results have been within management's expectations.

NEW ACCOUNTING PRONOUNCEMENTS

In January 2010, the FASB issued ASU 2010-06, *Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements* ("ASU 2010-06"), which requires reporting entities to provide information about movements of assets among Levels 1 and 2 of the three-tier fair value hierarchy. Separate disclosures need to be made of the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements along with a description of the reason for the transfers. Also, disclosure of activity in Level 3 fair value measurements needs to be made on a gross basis rather than as one net number. ASU 2010-06 also requires: (1) fair value measurement disclosures for each class of assets and liabilities, and (2) disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements, which are required for fair value measurements that fall in either Level 2 or Level 3. The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the Level 3 activity disclosures, which are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. Adoption of ASU 2010-06 did not have a material impact on our Consolidated Financial Statements.

In February 2010, the FASB issued ASU 2010-09,*Topic 855, Subsequent Events* ("ASU 2010-09"), which discontinues the requirement that entities disclose the date through which they have evaluated subsequent events. ASU 2010-09 is effective upon issuance. We adopted ASU 2010-09 for reporting in the fourth quarter of 2009. Adoption of ASU 2010-09 did not have a material impact on our Consolidated Financial Statements.

FORWARD-LOOKING STATEMENTS

This Annual Report includes "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as "expects", "anticipates", "intends", "plans", "believes", "seeks", "estimates", "will", and variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions, which are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forwardlooking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date on which they are made. We undertake no obligations to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise. Important factors that could cause results to differ materially from those in the forward-looking statements include (1) the timing and extent of changes in raw material and component prices, (2) the effects of fluctuations in the commercial/industrial new construction market, (3) the timing and extent of changes in interest rates, as well as other competitive factors during the year, and (4) general economic, market or business conditions.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

INTEREST RATE RISK.

We are subject to interest rate risk on our revolving credit facility, which bears variable interest based upon the greater of a rate of 4.0% or LIBOR plus 2.5%. We had no borrowings outstanding under the revolving credit facility as of December 31, 2010.

COMMODITY PRICE RISK

We entered into a financial derivative instrument in the third quarter of 2009 with a large financial institution to mitigate our exposure to volatility in copper prices. We did not incur losses due to counterparty non-performance. We do not use financial derivatives for speculative purposes.

Fluctuations in copper commodity prices impacted the value of the financial derivative we held. The financial derivative contract began settling monthly in January 2010 and concluded in December 2010. The contract was for a total of 2,250,000 pounds of copper at $2.383 per pound. In March 2010, we locked in the settlement price of $3.3975 per pound for the remainder of 2010. Prior to locking in the settlement price, we would have been subject to gains which we would have recorded as a financial derivative asset if the forward copper commodity prices increased and losses which we would have recorded as a financial derivative liability if they decreased. We were in an unrealized gain position on the financial derivative asset during 2009 and 2010. We settled the derivative December 2010.

We used COMEX index pricing to support our fair value calculation, which is a Level 2 input per the valuation hierarchy as the pricing is for instruments similar but not identical to the contract we settled. We did not designate the financial derivative as a cash flow hedge. We recorded changes in the financial derivative's fair value in earnings based on mark-to-market accounting. For the year ended December 31, 2010, we recorded approximately $14,000 to cost of sales from the unrealized gain on our financial derivative asset at fair value in the Consolidated Statements of Income.

The principal components of cost of goods sold are labor, raw materials, component costs, factory overhead, freight out and engineering expense. The principal high volume raw materials used in our manufacturing processes are steel, copper and aluminum, which are obtained from domestic suppliers. The raw materials market was volatile during 2010 and 2009 due to the economic environment. We have included a three-year comparison to show fluctuations in raw materials costs. Prices have decreased by approximately 34% for steel and increased by approximately 155% for aluminum and 211% for copper from December 31, 2008 to December 31, 2010. During 2010, we entered into an aluminum contract for 2011 purchases that was slightly above the average index price as of December 31, 2010. As market prices for aluminum have shown increases since January 1, 2011, our contract price more closely approximates market value in 2011.

We are subject to claims and legal actions that arise in the ordinary course of business. Management believes that the ultimate liability from these claims and actions, if any, will not have a material effect on our results of operations or financial position.

In addition to the financial derivative instrument described above, we attempt to limit the impact of price fluctuations on these materials by entering into cancelable and noncancelable fixed price contracts with our major suppliers for periods of 6 - 18 months. We expect to receive delivery of raw materials from our fixed price contracts for use in our manufacturing operations. These contracts are not accounted for as financial derivative instruments since they meet the normal purchases and sales exemption.

We do not utilize financial derivative financial instruments to hedge our interest rate risk. We occasionally use financial derivatives to economically hedge our commodity price risk.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The financial statements and supplementary data are included commencing at page 33.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

(A) EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

At the end of the period covered by this Annual Report on Form 10-K, our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer believe that:

- Our disclosure controls and procedures are designed at a reasonable assurance threshold to ensure that information required to be disclosed by us in the reports we file under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms; and
- Our disclosure controls and procedures operate at a reasonable assurance threshold such that important information flows to appropriate collection and disclosure points in a timely manner and are effective to ensure that such information is accumulated and communicated to our management, and made known to our Chief Executive Officer and Chief Financial Officer, particularly during the period when this Annual Report was prepared, as appropriate to allow timely decisions regarding the required disclosure.

AAON's Chief Executive Officer and Chief Financial Officer have evaluated our disclosure controls and procedures and concluded that these controls and procedures were effective as of December 31, 2010.

(B) MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of AAON, Inc. and our subsidiaries is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control system was designed to provide reasonable assurance to our management and Board of Directors regarding the preparation and fair presentation of published financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

In making our assessment of internal control over financial reporting, management used the criteria issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework. Based on our assessment, we believe that, as of December 31, 2010, our internal control over financial reporting is effective at the reasonable assurance level based on those criteria.

Our independent registered public accounting firm has issued an attestation report on our internal control over financial reporting.

Date: March 10, 2011

/s/ Norman H. Asbjornson
Norman H. Asbjornson
Chief Executive Officer

/s/ Kathy I. Sheffield
Kathy I. Sheffield
Chief Financial Officer

(C) REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
AAON, Inc.

We have audited AAON, Inc. (a Nevada Corporation) and subsidiaries', collectively, the "Company", internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control – Integrated Framework issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of AAON, Inc. and subsidiaries, as of December 31, 2010 and 2009, and the related consolidated statements of income, stockholders' equity and comprehensive income, and cash flows for each of the three years in the period ended December 31, 2010 and our report dated March 10, 2011, expressed an unqualified opinion on those consolidated financial statements.

/s/ GRANT THORNTON LLP

Tulsa, Oklahoma
March 10, 2011

(D) CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in internal control over financial reporting that occurred during the fourth quarter of 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

None.

PART 3

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The information required by Items 401, 405, 406 and 407(c)(3), (d)(4) and (d)(5) of Regulation S-K is incorporated by reference to the information contained in our definitive Proxy Statement to be filed with the Securities and Exchange Commission in connection with our 2011 Annual Meeting of Stockholders.

CODE OF ETHICS

We adopted a code of ethics that applies to our principal executive officer, principal financial officer and principal accounting officer or persons performing similar functions, as well as other employees and directors. Our code of ethics can be found on our website at www.aaon.com. We will also provide any person without charge, upon request, a copy of such code of ethics. Requests may be directed to AAON, Inc., 2425 South Yukon Avenue, Tulsa, Oklahoma 74107, attention Kathy I. Sheffield, or by calling (918) 382-6204.

ITEM 11. EXECUTIVE COMPENSATION.

The information required by Items 402 and 407(e)(4) and (e)(5) of Regulation S-K is incorporated by reference to the information contained in our definitive Proxy Statement to be filed with the Securities and Exchange Commission in connection with our 2011 Annual Meeting of Stockholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The information required by Item 403 and Item 201(d) of Regulation S-K is incorporated by reference to the information contained in our definitive Proxy Statement to be filed with the Securities and Exchange Commission in connection with our 2011 Annual Meeting of Stockholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

TRANSACTIONS WITH RELATED PERSONS

Our Code of Conduct guides the Board of Directors in its actions and deliberations with respect to related party transactions. Under the Code, conflicts of interest, including any involving the directors or any Named Officers, are prohibited except under any guidelines approved by the Board of Directors. Only the Board of Directors may waive a provision of the Code of Conduct for a director or a Named Officer, and only then in compliance with all applicable laws, rules and regulations. We did not enter into any new related party transactions and have no preexisting related party transactions in 2010, 2009 or 2008.

DIRECTOR INDEPENDENCE

The Board of Directors ("Board") has adopted director independence standards that meet and/or exceed listing standards set by NASDAQ. NASDAQ has set forth six applicable tests and requires that a director who fails any of the tests be deemed not independent. In 2010, the Board affirmatively determined, considering the standards described more fully below, that Messrs. Short, Lackey, McElroy, Levine and Cappy are independent. As a result of his position as our President, Mr. Asbjornson does not qualify as independent under the standards set forth below. The Board has determined that Mr. Johnson should not be deemed independent, because he is a member of the law firm that serves as our General Counsel. In addition, each member of the Audit Committee and the Compensation Committee is independent.

Our director independence standards are as follows:

It is the policy of the Board that a majority of the members of the Board consist of directors independent of the Company and of our management. For a director to be deemed "independent," the Board shall affirmatively determine that the director has no material relationship with us or our affiliates or any member of the senior management or his or her affiliates. In making this determination, the Board applies, at a minimum and in addition to any other standards for independence established under applicable statutes and regulations as outlined by the NASDAQ listing standards Rule 4200, the following standards, which it may amend or supplement from time to time:

- A director who is, or has been within the last three years, an employee of the Company, or whose immediate family member is, or has been within the last three years a Named Officer, cannot be deemed independent. Employment as an interim Chairman or Chief Executive Officer will not disqualify a director from being considered independent following that employment.
- A director who has received, or who has an immediate family member who has received, during any twelve-month period within the last three years, more than $120,000 in direct compensation from us, other than director and committee fees and benefits under a tax-qualified retirement plan, or non-discretionary compensation for prior service (provided such compensation is not contingent in any way on continued service), cannot be deemed independent. Compensation received by a director for former service as an interim Chairman or Chief Executive Officer and compensation received by an immediate family member for service as one of our non-executive employees will not be considered in determining independence under this test.
- A director who (A) is, or whose immediate family member is, a current partner of a firm that is our external auditor; (B) is a current employee of such a firm; or (C) was, or whose immediate family member was, within the last three years (but is no longer) a partner or employee of such a firm and personally worked on our audit within that time cannot be deemed independent.
- A director who is, or whose immediate family member is, or has been within the last three years, employed as an executive officer of another company where any of our present Named Officers at the time serves or served on that company's compensation committee cannot be deemed independent.
- A director who is a current employee or general partner, or whose immediate family member is a current executive officer or general partner, of an entity that has made payments to, or received payments from us for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of $200,000 or 5% of such other entity's consolidated gross revenues, other than payments arising solely from investments in our securities or payments under non-discretionary charitable contribution matching programs, cannot be deemed independent.

For purposes of the independence standards set forth above, the terms:

- "affiliate" means any of our consolidated subsidiaries and any other company or entity that controls, is controlled by or is under common control with us;
- "executive officer" means an "officer" within the meaning of Rule 16a-1(f) under the Securities Exchange Act of 1934, as amended; and
- "immediate family" means spouse, parents, children, siblings, mothers- and fathers-in-law, sons- and daughters-in-law, brothers- and sisters-in-law and anyone (other than employees) sharing a person's home, but excluding any person who is no longer an immediate family member as a result of legal separation or divorce, death or incapacitation.

The Board undertakes an annual review of the independence of all non-employee directors. In advance of the meeting at which this review occurs, each non-employee director is asked to provide the Board with full information regarding the director's business and other relationships with us and our affiliates and with senior management and their affiliates to enable the Board to evaluate the director's independence.

Directors have an affirmative obligation to inform the Board of any material changes in their circumstances or relationships that may impact their designation by the Board as "independent." This obligation includes all business relationships between, on the one hand Directors or members of their immediate family, and, on the other hand, us and our affiliates or members of senior management and their affiliates, whether or not such business relationships are subject to any other approval requirements.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Incorporated by reference to our definitive Proxy Statement to be filed with the Securities and Exchange Commission in connection with our 2011 Annual Meeting of Stockholders.

PART 4

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) Financial statements.

See Index to Consolidated Financial Statements on page 29.

(b) Exhibits:

(3)	(A)	Articles of Incorporation (i)
	(A-1)	Article Amendments (ii)
	(B)	Bylaws (i)
	(B-1)	Amendments of Bylaws (iii)
(4)	(A)	Third Restated Revolving Credit and Term Loan Agreement and related documents (iv)
	(A-1)	Sixth Amendment to Third Restated Revolving Credit and Term Loan Agreement (v)
	(B)	Rights Agreement dated February 19, 1999, as amended (vi)
(10.1)		AAON, Inc. 1992 Stock Option Plan, as amended (vii)
(10.2)		AAON, Inc. 2007 Long-Term Incentive Plan, as amended (viii)
(21)		List of Subsidiaries (ix)
(23)		Consent of Grant Thornton LLP
(31.1)		Certification of CEO
(31.2)		Certification of CFO
(32.1)		Section 1350 Certification – CEO
(32.2)		Section 1350 Certification – CFO

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

(ii) Incorporated herein by reference to the exhibits to our Annual Report on Form 10-K for the fiscal year ended December 31, 1990, and to our Forms 8-K dated March 21, 1994, March 10, 1997, and March 17, 2000.

(iii) Incorporated herein by reference to our Forms 8-K dated March 10, 1997, May 27, 1998 and February 25, 1999, or exhibits thereto.

(iv) Incorporated by reference to exhibit to our Form 8-K dated July 30, 2004.

(v) Incorporated herein by reference to exhibit to our Form 8-K dated August 3, 2010

(vi) Incorporated by reference to exhibits to our Forms 8-K dated February 25, 1999, and August 20, 2002, and Form 8-A Registration Statement No. 000-18953, as amended.

(vii) Incorporated herein by reference to exhibits to our Annual Report on Form 10-K for the fiscal year ended December 31, 1991, and to our Form S-8 Registration Statement No. 33-78520, as amended.

(viii) Incorporated herein by reference to Appendix B to our definitive Proxy Statement for the 2007 Annual Meeting of Stockholders filed April 23, 2007.

(ix) Incorporated herein by reference to exhibits to our Annual Report on Form 10-K for the fiscal year ended December 31, 2004.

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 10, 2011 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 10, 2011
/s/ Norman H. Asbjornson
Norman H. Asbjornson
President and Director
(principal executive officer)

Dated: March 10, 2011
/s/ Kathy I. Sheffield
Kathy I. Sheffield
Vice President and Treasurer
(principal financial officer
and principal accounting officer)

Dated: March 10, 2011
/s/ John B. Johnson, Jr.
John B. Johnson, Jr.
Director

Dated: March 10, 2011
/s/ Jack E. Short
Jack E. Short
Director

Dated: March 10, 2011
/s/ Paul K. Lackey, Jr.
Paul K. Lackey, Jr.
Director

Dated: March 10, 2011
/s/ A.H. McElroy II
A.H. McElroy II
Director

Dated: March 10, 2011
/s/ Jerry R. Levine
Jerry R. Levine
Director

Dated: March 10, 2011
/s/ Joseph E. Cappy
Joseph E. Cappy
Director

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
AAON, Inc.

We have audited the accompanying consolidated balance sheets of AAON, Inc. (a Nevada Corporation) and subsidiaries' (collectively referred to as the "Company") as of December 31, 2010 and 2009, and the related consolidated statements of income, stockholders' equity and comprehensive income, and cash flows for each of the three years in the period ended December 31, 2010. 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 the standards of the Public Company Accounting Oversight Board (United States). 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of AAON, Inc. and subsidiaries as of December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), AAON, Inc. and subsidiaries internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated March 10, 2011, expressed an unqualified opinion on the effectiveness of internal control over financial reporting.

/s/ GRANT THORNTON LLP
Tulsa, Oklahoma
March 10, 2011

AAON, INC., AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31, 2010	December 31, 2009
	(in thousands, except share and per share data)	
Assets		
Current Assets:		
Cash and cash equivalents	$ 2,393	$ 25,639
Certificates of deposit	1,503	-
Investments held to maturity at amortized cost	9,520	-
Accounts receivable, net	39,901	33,381
Note receivable, current	26	-
Inventories, net	33,602	28,788
Prepaid expenses and other	656	1,087
Financial derivative asset	-	2,200
Assets held for sale, net	-	1,522
Deferred tax assets	4,147	3,623
Total Current Assets	91,748	96,240
Property, plant and equipment:		
Land	1,328	1,328
Buildings	45,482	41,697
Machinery and equipment	100,559	90,213
Furniture and fixtures	6,356	7,225
Total property, plant and equipment	153,725	140,463
Less: Accumulated depreciation	86,307	80,567
Property, plant and equipment, net	67,418	59,896
Note receivable, long-term	1,111	75
Total assets	$ 160,277	$ 156,211
Liabilities and Stockholders' Equity		
Current liabilities:		
Current maturities of long-term debt	$ -	$ 76
Accounts payable	15,046	8,524
Dividends payable	-	3,100
Accrued liabilities	21,200	19,186
Total current liabilities	36,246	30,886
Deferred tax liabilities	7,292	7,326
Commitments and Contingencies		
Stockholders' equity:		
Preferred stock, $.001 par value, 7,500,000 shares authorized, no shares issued	-	-
Common stock, $.004 par value, 75,000,000 shares authorized, 16,505,653 and 17,214,979 issued and outstanding at December 31, 2010 and 2009, respectively	68	71
Additional paid in capital	-	644
Accumulated other comprehensive income, net of tax	-	1,077
Retained earnings	116,671	116,207
Total stockholders' equity	116,739	117,999
Total liabilities and stockholders' equity	$ 160,277	$ 156,211

The accompanying notes are an integral part of these statements.

AAON, INC., AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ending December 31, 2010	2009	2008
	(in thousands, except per share data)		
Net sales	$ 244,552	$ 245,282	$ 279,725
Cost of sales	189,364	177,737	212,549
Gross profit	55,188	67,545	67,176
Selling, general and administrative expenses	22,473	23,791	23,788
Income from operations	32,715	43,754	43,388
Interest expense	(45)	(9)	(71)
Interest income	258	71	27
Other income (expense), net	(235)	76	724
Income before income taxes	32,693	43,892	44,068
Income tax provision	10,799	16,171	15,479
Net income	$ 21,894	$ 27,721	$ 28,589
Earnings per share:			
Basic	$ 1.30	$ 1.61	$ 1.63
Diluted	$ 1.30	$ 1.60	$ 1.60
Cash dividends declared per common share	$ 0.36	$ 0.36	$ 0.32
Weighted average shares outstanding:			
Basic	16,799	17,187	17,560
Diluted	16,893	17,309	17,855

The accompanying notes are an integral part of these statements.

AAON, INC., AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME

	COMMON STOCK SHARES	COMMON STOCK AMOUNT	PAID-IN CAPITAL	ACCUMULATED OTHER COMPREHENSIVE INCOME	RETAINED EARNINGS	TOTAL
			(in thousands)			
Balance at December 31, 2007	18,054*	$ 73*	$ –	$ 1,942	$ 93,405	$ 95,420
Comprehensive income:						
Net income	–	–	–	–	28,589	28,589
Foreign currency translation adjustment	–	–	–	(1,164)	–	(1,164)
Total comprehensive income						27,425
Stock options exercised and restricted stock awards vested, including tax benefits	366	2	3,307	–	–	3,309
Share-based compensation	–	–	750	–	–	750
Stock repurchased and retired	(1,211)	(4)	(3,519)	–	(21,238)	(24,761)
Dividends	–	–	–	–	(5,621)	(5,621)
Balance at December 31, 2008	17,209	71	538	778	95,135	96,522
Comprehensive income:						
Net income	–	–	–	–	27,721	27,721
Foreign currency translation adjustment	–	–	–	299	–	299
Total comprehensive income						28,020
Stock options exercised and restricted stock awards vested, including tax benefits	170	1	1,938	–	–	1,939
Share-based compensation	–	–	848	–	–	848
Stock repurchased and retired	(164)	(1)	(2,680)	–	(448)	(3,129)
Dividends	–	–	–	–	(6,201)	(6,201)
Balance at December 31, 2009	17,215	71	644	1,077	116,207	117,999
Comprehensive income:						
Net income	–	–	–	–	21,894	21,894
Foreign currency translation adjustment	–	–	–	(1,077)	1,155	78
Total comprehensive income						21,972
Stock options exercised and restricted stock awards vested, including tax benefits	113	–	1,524	–	–	1,524
Share-based compensation	–	–	791	–	–	791
Stock repurchased and retired	(822)	(3)	(2,959)	–	(16,518)	(19,480)
Dividends	–	–	–	–	(6,067)	(6,067)
Balance at December 31, 2010	16,506	$ 68	$ 0	$ 0	$ 116,671	$ 116,739

* Reflects 3-for-2 stock split effective August 21, 2007

The accompanying notes are an integral part of these statements.

AAON, INC., AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEARS ENDED DECEMBER 31, 2010	2009	2008
		(in thousands)	
OPERATING ACTIVITIES			
Net income	$ 21,894	$ 27,721	$ 28,589
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	9,886	9,061	9,412
Amortization of bond premiums	379	-	-
Provision for losses on accounts receivable, net of adjustments	(117)	10	547
Provision for excess and obsolete inventories	-	410	-
Share-based compensation	791	848	750
Excess tax benefits from stock options exercised and restricted stock awards vested	(356)	(703)	(1,613)
(Gain) loss on disposition of assets	(73)	(59)	(27)
Unrealized gain on financial derivative asset	(14)	(2,200)	-
Deferred income taxes	(558)	3,531	160
Changes in assets and liabilities:			
Accounts receivable	(6,403)	5,495	(905)
Inventories	(4,814)	7,243	(4,779)
Prepaid expenses and other	431	(660)	13
Financial derivative asset	2,214	-	-
Accounts payable	6,522	(6,334)	449
Accrued liabilities	2,370	842	851
Net cash provided by operating activities	32,152	45,205	33,447
INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment	136	135	17
Investment in certificates of deposit	(2,745)	-	-
Maturities of certificates of deposit	1,242	-	-
Investments held to maturity	(12,018)	-	-
Maturities of investments	2,119	-	-
Proceeds from assets held for sale	460	-	-
Capital expenditures	(17,470)	(9,774)	(9,610)
Net cash used in investing activities	(28,276)	(9,639)	(9,593)
FINANCING ACTIVITIES			
Borrowings under revolving credit facility	20,839	9,972	46,865
Payments under revolving credit facility	(20,839)	(12,873)	(43,964)
Borrowings (payments) of long-term debt	(76)	(136)	(118)
Stock options exercised	1,168	1,236	1,696
Excess tax benefits from stock options exercised and restricted stock awards vested	356	703	1,613
Repurchase of stock	(19,480)	(3,129)	(24,761)
Cash dividends paid to stockholders	(9,168)	(5,874)	(5,791)
Net cash used in financing activities	(27,200)	(10,101)	(24,460)
Effects of exchange rate on cash	78	(95)	(4)
Net increase (decrease) in cash and cash equivalents	(23,246)	25,370	(610)
Cash and cash equivalents, beginning of year	25,639	269	879
Cash and cash equivalents, end of year	$ 2,393	$ 25,639	$ 269

The accompanying notes are an integral part of these statements.

AAON, INC., AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2010

1. BUSINESS, SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER FINANCIAL DATA

AAON, Inc. is a Nevada corporation which was incorporated on August 18, 1987. Our operating subsidiaries include AAON, Inc., an Oklahoma corporation and AAON Coil Products, Inc., a Texas corporation. The Consolidated Financial Statements include our accounts and the accounts of our subsidiaries. Unless the context otherwise requires, references in this Annual Report to "AAON," the "Company", "we," "us," "our" or "ours" refer to AAON, Inc., and our subsidiaries.

We are engaged in the manufacture and sale of air conditioning and heating equipment consisting of rooftop units, chillers, airhandling units, make-up air units, heat recovery units, condensing units and coils. All significant intercompany accounts and transactions have been eliminated.

REVENUE RECOGNITION

We recognize revenues from sales of products when the products are shipped and the title and risk of ownership pass to the customer. Final sales prices are fixed based on purchase orders. Sales allowances and customer incentives are treated as reductions to sales and are provided for based on historical experiences and current estimates. Our policy is to record the collection and payment of sales taxes through a liability account.

We present revenues net of certain payments to our independent manufacturer representatives ("Representatives"). Representatives are national companies that are in the business of providing HVAC units and other related products and services to customers. The end user customer orders a bundled group of products and services from the Representative and expects the Representative to fulfill the order. Only after the specifications are agreed to by the Representative and the customer, and the decision is made to use an AAON HVAC unit, will we receive notice of the order. We establish the amount we must receive for our HVAC unit ("minimum sales price"), but do not control the total order price which is negotiated by the Representative with the end user customer.

We are responsible for billings and collections resulting from all sales transactions, including those initiated by our Representatives. The Representatives submit the total order price to us for invoicing and collection. The total order price includes our minimum sales price and an additional amount which may include both the Representatives' fee and amounts due for additional products and services required by the customer. These additional products and services may include controls purchased from another manufacturer to operate the unit, start-up services, and curbs for supporting the unit ("Third Party Products"). All are associated with the purchase of a HVAC unit but may be provided by the Representative or another third party. The Company is under no obligation related to Third Party Products.

The Representatives do not provide us with a break-out of the amount of the total order price over the minimum sales price which includes the Representatives' fee and Third Party Product amounts ("Due to Representatives"). The Due to Representatives amount is paid only after all amounts associated with the order are collected from the customer. The amount of payments to our Representatives was $51.4 million, $58.0 million and $55.4 million for the years ended December 31, 2010, 2009, and 2008, respectively.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Because these estimates and assumptions require significant judgment, future actual results could differ from those estimates and could have a significant impact on our results of operations, financial position and cash flows. We reevaluate our estimates and assumptions on a monthly basis. The most significant estimates include the allowance for doubtful accounts, inventory reserves, warranty accrual, medical insurance accrual, share-based compensation and the fair value of the derivative. Actual results could differ materially from those estimates.

CONCENTRATIONS

Our customers are concentrated primarily in the domestic commercial and industrial new construction and replacement markets. To date, our sales have been primarily to the domestic market, with foreign sales accounting for approximately 5% of revenues in 2010. No customer accounted for 10% of our sales during 2010, 2009 or 2008 or more than 5% of our accounts receivable balance at December 31, 2010, 2009 or 2008.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of bank deposits and highly liquid, interest-bearing money market funds with initial maturities of three months or less.

CERTIFICATES OF DEPOSIT

We have $1.5 million of current assets in certificates of deposit as of December 31, 2010 with various maturities of less than one year. The certificates of deposit bear interest ranging from 0.5% to 4.3% per annum. We did not invest in any certificates of deposit in 2009 or 2008.

INVESTMENTS HELD TO MATURITY

Our investments held to maturity include $9.5 million of current assets in corporate notes and bonds with maturities of less than one year. The investments have moderate risk with S&P ratings ranging from AA+ to BBB-. We did not invest in any investments held to maturity in 2009 or 2008.

The following summarizes the amortized cost and estimated fair value of our investments held to maturity:

	AMORTIZED COST[(1)]	GROSS UNREALIZED GAIN	GROSS UNREALIZED LOSS	FAIR VALUE
	(in thousands)			
Current Assets:				
Investments held to maturity	$ 9,520	$ -	$ -	$ 9,520
Total	$ 9,520	$ -	$ -	$ 9,520

(1) We evaluate for other-than-temporary impairments on a quarterly basis.

ACCOUNTS RECEIVABLE

We grant credit to our customers and perform ongoing credit evaluations. We generally do not require collateral or charge interest. We establish an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends, economic and market conditions and the age of the receivable. Accounts are considered past due when the balance has been outstanding for greater than ninety days. Past due accounts are generally written off against the allowance for doubtful accounts only after all collection attempts have been exhausted. There are no concentrations of credit risk.

Accounts receivable and the related allowance for doubtful accounts are as follows:

	December 31, 2010	December 31, 2009
	(in thousands)	
Accounts receivable	$ 40,501	$ 34,157
Less: Allowance for doubtful accounts	(600)	(776)
Total, net	$ 39,901	$ 33,381

	Years Ended December 31, 2010	2009	2008
		(in thousands)	
Allowance for doubtful accounts:			
Balance, beginning of period	$ 776	$ 795	$ 407
Provision for losses on accounts receivable	617	629	674
Adjustments to provision	(734)	(630)	(127)
Accounts receivable written off, net of recoveries	(59)	(18)	(159)
Balance, end of period	$ 600	$ 776	$ 795

NOTE RECEIVABLE

In September 2010, we sold our Canadian facility (see Note 11, *Canadian Facility*) and assumed a note receivable from one borrower secured by the property. The $1.1 million, fifteen-year note receivable is based on a 4.0% interest rate with a $0.6 million balloon payment due in October 2025. The note calls for monthly combined interest and principal payments beginning in October 2010. Interest payments are recognized in interest income.

We evaluate for impairment on a quarterly basis. We determine the note receivable to be impaired if we are uncertain of the collectability of the note based on the contractual terms. The loan is secured through right of return on the property. The loan was current as of December 31, 2010. The note receivable is not considered impaired and no impairment was recorded at December 31, 2010. There are no concentrations of credit risk

INVENTORIES

Inventories are valued at the lower of cost or market. Cost is determined by the first-in, first-out ("FIFO") method. We establish an allowance for excess and obsolete inventories based on product line changes, the feasibility of substituting parts and the need for supply and replacement parts.

Inventory balances at December 31, 2010 and 2009, and the related changes in the allowance for excess and obsolete inventories for the three years ended December 31, 2010, 2009 and 2008, are as follows:

	December 31, 2010	December 31, 2009
	(in thousands)	
Raw materials	$ 28,560	$ 26,581
Work in process	3,334	1,835
Finished goods	2,058	1,132
	33,952	29,548
Less: Allowance for excess and obsolete inventories	(350)	(760)
Total, net	$ 33,602	$ 28,788

	Years Ended December 31, 2010	2009	2008
		(in thousands)	
Allowance for excess and obsolete inventories:			
Balance, beginning of period	$ 760	$ 350	$ 350
Provision for excess and obsolete inventories	800	1,849	800
Adjustments to reserve	(800)	(1,439)	(800)
Inventories written off	(410)	-	-
Balance, end of period	$ 350	$ 760	$ 350

FINANCIAL DERIVATIVE

We entered into a financial derivative instrument in the third quarter of 2009 with a large financial institution to mitigate our exposure to volatility in copper prices. We monitored our financial derivative and the credit worthiness of the financial institution. We did not incur losses due to counterparty non-performance. We do not use derivatives for speculative purposes.

The financial derivative contract began settling monthly in January 2010 and concluded in December 2010. The contract was for a total of 2,250,000 pounds of copper at $2.383 per pound. In March 2010, we locked in the settlement price of $3.3975 per pound for the remainder of 2010. Prior to locking in the settlement price, we would have been subject to gains which we would have recorded as a financial derivative asset if the forward copper commodity prices increased and losses which we would have recorded as a financial derivative liability if they decreased. We were in an unrealized gain position on the financial derivative asset during 2009 and 2010.

We settled the derivative at December 31, 2010 and recognized the following derivative assets at fair value in the Consolidated Balance Sheets for the year ended December 31, 2009:

Type of Contract	Income Statement Location	Amount
		(in thousands)
Derivatives not designated as hedging instruments:		
Commodity futures contract	Derivative assets	$ 2,200
Total Derivatives not designated as hedging instruments		$ 2,200

We used COMEX index pricing to support our fair value calculation, which is a Level 2 input per the valuation hierarchy as the pricing is for instruments similar but not identical to the contract we settled. We did not designate the financial derivative as a cash flow hedge. We recorded changes in the financial derivative's fair value in earnings based on mark-to-market accounting. We recorded adjustments of $14,000 and $2.2 million ($1.4 million after tax) to cost of sales from the unrealized gain on derivative assets at fair value in the Consolidated Statements of Income for the years ended 2010 and 2009 respectively.

We recorded the following unrealized gain on our financial derivative asset in the Consolidated Statements of Income for the twelve months ended December 31, 2010 and 2009 respectively:

TYPE OF CONTRACT	INCOME STATEMENT LOCATION	AMOUNT
		(in thousands)
Financial derivative not designated as hedging instruments:		
Commodity futures contract	Cost of sales	$ 14
Total financial derivative not designated as hedging instruments		$ 14

TYPE OF CONTRACT	INCOME STATEMENT LOCATION	AMOUNT
		(in thousands)
Derivatives not designated as hedging instruments:		
Commodity futures contract	Cost of Sales	$ 2,200
Total Derivatives not designated as hedging instruments		$ 2,200

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost. Maintenance and repairs, including replacement of minor items, are charged to expense as incurred; major additions to physical properties are capitalized. Depreciation expense on property, plant and equipment is recorded primarily to cost of sales with an immaterial amount recorded to selling, general, and administrative expenses using the straight-line method over the following estimated useful lives:

DESCRIPTION	YEARS
Buildings	10-40
Machinery and Equipment	3-15
Furniture and Fixtures	2-5

IMPAIRMENT OF LONG-LIVED ASSETS

We evaluate long-lived assets for impairment when events or changes in circumstances indicate, in management's judgment, that the carrying value of such assets may not be recoverable. When an indicator of impairment has occurred, management's estimate of undiscounted cash flows attributable to the assets is compared to the carrying value of the assets to determine whether impairment has occurred. If an impairment of the carrying value has occurred, the amount of the impairment recognized in the financial statements is determined by estimating the fair value of the assets and recording a loss for the amount that the carrying value exceeds the estimated fair value. Management determined no impairment was required during 2010, 2009 or 2008.

COMMITMENTS AND CONTRACTUAL AGREEMENTS

We are a party to several short-term, cancelable and noncancelable, fixed price contracts with major suppliers for the purchase of raw material and component parts. We expect to receive delivery of raw materials for use in our manufacturing operations. These contracts are not accounted for as derivative instruments because they meet the normal purchases and sales exemption.

In the normal course of business we expect to purchase 1.4 million pounds of aluminum in the form of legally binding commitments at $1.138 per pound or $1.6 million.

ACCRUED LIABILITIES

At December 31, accrued liabilities were comprised of the following:

	2010	2009
	(in thousands)	
Warranty	$ 7,300	$ 7,200
Due to Representatives[1]	9,668	7,975
Payroll	2,398	1,633
Workers' compensation	855	591
Medical self-insurance	734	1,410
Employee benefits and other	245	377
Total	$ 21,200	$ 19,186

[1]Due to Representatives was previously described as Commissions. We will use the term Due to Representatives going forward to better represent the true nature of these items, which is the excess of the total order price over the minimum sales price, which includes both the Representatives' fee and Third Party Products.

WARRANTIES

A provision is made for estimated warranty costs at the time the related products are sold based upon the warranty period, historical trends, new products and any known identifiable warranty issues. Warranty expense was $4.5 million, $4.8 million and $4.0 million for the years ended December 31, 2010, 2009 and 2008, respectively.

Changes in the warranty accrual during the years ended December 31, 2010, 2008 and 2007 are as follows:

	2010	2009	2008
		(in thousands)	
Balance, beginning of the year	$ 7,200	$ 6,589	$ 6,308
Payments made	(4,405)	(4,211)	(3,608)
Warranties issued	3,987	4,822	3,889
Adjustments related to changes in estimates	518	-	-
Balance, end of period	$ 7,300	$ 7,200	$ 6,589

In 2010, the provision for warranties was increased due to the introduction of the RQ product line and the implementation of extended warranty provisions for the RQ series.

EARNINGS PER SHARE

Basic net income per share is calculated by dividing net income by the weighted average number of shares of common stock outstanding during the period. Diluted net income per share assumes the conversion of all potentially dilutive securities and is calculated by dividing net income by the sum of the weighted average number of shares of common stock outstanding plus all potentially dilutive securities. Dilutive common shares consist primarily of stock options and restricted stock awards.

The following table sets forth the computation of basic and diluted earnings per share:

	YEARS ENDED, 2010	2009	2008
	(in thousands except share and per share data)		
Numerator:			
Net income	$ 21,894	$ 27,721	$ 28,589
Denominator:			
Denominator for basic earnings per share – Weighted average shares	16,798,777	17,186,930	17,560,295
Effect of dilutive stock options	94,151	122,038	294,568
Denominator for diluted earnings per share – Weighted average shares	16,892,928	17,308,968	17,854,863
Earnings per share			
Basic	$ 1.30	$ 1.61	$ 1.63
Diluted	$ 1.30	$ 1.60	$ 1.60
Anti-dilutive shares	81,000	226,950	308,250
Weighted average exercise price	$ 22.84	$ 15.64	$ 16.63

ADVERTISING

Advertising costs are expensed as incurred. Advertising expense was approximately $877,000, $761,000 and $635,000 for the years ended December 31, 2010, 2009 and 2008, respectively.

RESEARCH AND DEVELOPMENT

Research and development costs are expensed as incurred. Research and development expense was $3.6 million, $3.1 million and $2.6 million for the years ended December 31, 2010, 2009 and 2008, respectively.

SHIPPING AND HANDLING

We incur shipping and handling costs in the distribution of products sold that are recorded in cost of sales. Shipping charges that are billed to the customer are recorded in revenues.

PROFIT SHARING BONUS PLAN

We maintain a discretionary profit sharing bonus plan under which 10% of pre-tax profit at each subsidiary is paid to eligible employees on a quarterly basis in order to reward employee productivity. Eligible employees are regular full-time employees who are actively employed and working on the first day of the calendar quarter and remain continuously, actively employed and working on the last day of the quarter and who work at least 80% of the quarter. Profit sharing expense was $3.8 million, $4.8 million and $5.1 million for the years ended December 31, 2010, 2009 and 2008, respectively.

DEFINED CONTRIBUTION PLAN - 401(K)

We sponsor a defined contribution benefit plan ("the Plan"). Eligible employees may make contributions in accordance with the Plan and IRS guidelines. In addition to the traditional 401(k), effective July 2010, eligible employees were given the option of making an after-tax contribution to a Roth 401(k) or a combination of both. Effective May 30, 2005, the Plan was amended to provide for automatic enrollment and provided for an automatic increase to the deferral percentage at January 1st of each year and each year thereafter, unless the employee elects to decline the automatic increase and enrollment. Beginning with pay periods after May 30, 2005, the one year enrollment waiting period was waived. Administrative expenses we paid for the plan were approximately $97,000, $81,000 and $93,000 for the years ended 2010, 2009 and 2008, respectively.

After January 1, 2007, our matching increased to 50% of the employee's salary deferral up to the first 9% of compensation. From January 1, 2006 to December 31, 2006, we matched 50% of the employee's salary deferral up to the first 7% of compensation. We contribute in the form of cash and direct the investment to shares of AAON stock. Employees are 100% vested in salary deferral contributions and vest 20% per year at the end of years two through six of employment in employer matching contributions. We made matching contributions of $1.7 million, $1.2 million and $1.4 million in 2010, 2009 and 2008, respectively.

FAIR VALUE MEASUREMENTS

We follow the provisions of FASC Topic 820, *Fair Value Measurements and Disclosures* related to financial assets and liabilities that are being measured and reported on a fair value basis. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market at the measurement date (exit price). We are required to classify fair value measurements in one of the following categories:

Level 1 inputs which are defined as quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 inputs which are defined as inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.

Level 3 inputs are defined as unobservable inputs for the assets or liabilities.

Financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of the fair value of assets and liabilities and their placement within the fair value hierarchy levels.

FINANCIAL DERIVATIVE FAIR VALUE MEASUREMENTS

Our financial derivative asset consisted of a forward purchase contract that was measured at fair value using the quoted prices in the COMEX commodity markets which is the lowest level of input significant to measurement. The measurement is based on pricing for instruments similar but not identical to the contract we settled. These prices were based upon regularly traded commodities on COMEX. The financial derivative contract began settling monthly in January 2010 and ending in December 2010. The contract was for a total of 2,250,000 pounds of copper at $2.383 per pound. We locked in the settlement price of $3.3975 per pound. We settled the derivative in December 2010.

We used COMEX index pricing to support our fair value calculation, which is a Level 2 input per the valuation hierarchy as the pricing is for instruments similar but not identical to the contract we settled. We did not designate the financial derivative as a cash flow hedge. We recorded changes in the financial derivative's fair value in earnings based on mark-to-market accounting. For the year ended December 31, 2010, we recorded approximately $14,000 to cost of sales from the unrealized gain on our financial derivative asset at fair value in the Consolidated Statements of Income.

The following table presents the fair value of our assets and liabilities measured at fair value on a recurring basis as of December 31, 2009 in the Consolidated Balance Sheets:

	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS LEVEL 1	SIGNIFICANT OTHER OBSERVABLE INPUTS LEVEL 2	SIGNIFICANT UNOBSERVABLE INPUTS LEVEL 3	TOTAL
		(in thousands)		
Assets:				
Derivative Assets	$ -	$ 2,200	$ -	$ 2,200

SUBSEQUENT EVENTS

In February 2011, a severe snowstorm in the Tulsa area caused property damage to a roof over a portion of our manufacturing facility at 2425 South Yukon Ave. The company does not expect the repair of the property damage or the temporary interruption in our manufacturing processes to have a material impact on our Consolidated Financial Statements.

NEW ACCOUNTING PRONOUNCEMENTS

In January 2010, the FASB issued ASU 2010-06, *Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements* ("ASU 2010-06"), which requires reporting entities to provide information about movements of assets among Levels 1 and 2 of the three-tier fair value hierarchy. Separate disclosures need to be made of the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements along with a description of the reason for the transfers. Also, disclosure of activity in Level 3 fair value measurements needs to be made on a gross basis rather than as one net number. ASU 2010-06 also requires: (1) fair value measurement disclosures for each class of assets and liabilities, and (2) disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements, which are required for fair value measurements that fall in either Level 2 or Level 3. The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the Level 3 activity disclosures, which are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. Adoption of ASU 2010-06 did not have a material impact on our Consolidated Financial Statements.

In February 2010, the FASB issued ASU 2010-09, *Subsequent Events* ("ASU 2010-09"), which discontinues the requirement that entities disclose the date through which they have evaluated subsequent events. ASU 2010-09 is effective upon issuance. We adopted ASU 2010-09 for reporting in the fourth quarter of 2009. Adoption of ASU 2010-09 did not have a material impact on our Consolidated Financial Statements.

2. SUPPLEMENTAL CASH FLOW INFORMATION

Interest payments of approximately $45,000, $9,000 and $71,000 were made during the years ended December 31, 2010, 2009 and 2008, respectively. Payments for income taxes of $7.8 million, $10.0 million and $12.7 million were made during the years ended December 31, 2010, 2009 and 2008, respectively. We sold the $1.5 million asset held for sale and recorded a $1.1 million note receivable in September 2010. As of December 31, 2010, we have received $0.4 million in cash payments related to the sale. Cash dividends of $9.2 million were paid in 2010. Cash dividends $5.9 million were paid in 2009, and we accrued a liability for payment of $3.1 million of dividends in January 2010. Cash dividends of $5.8 million were paid in 2008, and $2.8 million in dividends were declared and accrued as a liability in December 2008 for payment in January 2009.

3. REVOLVING CREDIT FACILITY

Our revolving credit facility provides for maximum borrowings of $15.2 million which is provided by the Bank of Oklahoma, National Association. Under the line of credit, there is one standby letter of credit totaling $0.9 million. Borrowings available under the revolving credit facility at December 31, 2010, were $14.3 million. Interest on borrowings is payable monthly at the greater of 4.0% or LIBOR plus 2.5% (4.0% at December 31, 2010). No fees are associated with the unused portion of the committed amount. We had no borrowings outstanding under the revolving credit facility at December 31, 2010. We had no borrowings outstanding under the revolving credit facility at December 31, 2009. We had $2.9 million outstanding under the revolving credit facility at December 31, 2008.

At December 31, 2010, 2009 and 2008, we were in compliance with our financial ratio covenants. The covenants are related to our tangible net worth, total liabilities to tangible net worth ratio and working capital. At December 31, 2010 our tangible net worth was $117.0 million which meets the requirement of being at or above $75.0 million. Our total liabilities to tangible net worth ratio was 1 to 3 which meets the requirement of not being above 2 to 1. Our working capital was $55.5 million which meets the requirement of being at or above $30.0 million. On July 30, 2010, we renewed the line of credit with a maturity date of July 30, 2011 with terms substantially the same as the previous agreement. Subsequently, as a requirement of our workers compensation insurance, our standby letter of credit was extended with an increase of $1.5 million to $2.4 million and will expire December 31, 2011. We expect to renew our revolving credit agreement in July 2011. We do not anticipate that the current situation in the credit market will impact our renewal.

4. DEBT

Short-term debt at December 31, 2010 and 2009 consisted of notes payable totaling approximately $0 and $76,000 due in 2011 and 2010, respectively. In 2010 and 2009, respectively, the notes payable were due in monthly installments of $7,588, with an interest rate of 4.148%, related to a computer capital lease.

5. INCOME TAXES

We follow the provisions of FASC Topic 740, *Income Taxes*, including the liability method of accounting for income taxes, which provides that deferred tax liabilities and assets are based on the difference between the financial statement and income tax bases of assets and liabilities using currently enacted tax rates.

We recognize accrued interest and penalties related to unrecognized tax benefits in income tax expense.

The income tax provision consists of the following:

	YEARS ENDING DECEMBER 31, 2010	2009	2008
		(in thousands)	
Current	$ 10,241	$ 19,529	$ 16,163
Deferred	558	(3,358)	(684)
	$ 10,799	$ 16,171	$ 15,479

The reconciliation of the federal statutory income tax rate to the effective income tax rate is as follows:

	YEARS ENDING DECEMBER 31, 2010	2009	2008
	(in thousands)		
Federal statutory rate	35%	35%	35%
State income taxes, net of federal benefit	4%	4%	3%
Other	(6%)	(2%)	(3%)
	33%	37%	35%

The "Other" tax rate primarily relates to the domestic production activity credit, certain domestic credits and a change in rate applied to deferred taxes.

The tax effect of temporary differences giving rise to our deferred income taxes at December 31 is as follows:

	DECEMBER 31, 2010	2009	2008
	(in thousands)		
Net current deferred assets and (liabilities) relating to:			
Valuation reserves	$ 342	$ 572	$ 446
Warranty accrual	2,385	2,544	2,567
Other accruals	1,311	1,297	1,262
Other, net	109	(790)	(40)
	$ 4,147	$ 3,623	$ 4,235
Net long-term deferred (assets) and liabilities relating to:			
Depreciation and amortization	$ 7,796	$ 7,820	$ 7,247
NOL	-	-	(2,265)
Share-based compensation	(504)	(494)	(400)
	$ 7,292	$ 7,326	$ 4,582

The total net operating loss ("NOL") deferred tax asset related to AAON Canada was utilized in 2009. We file income tax returns in the U.S. federal jurisdiction, and various state and foreign jurisdictions.

There are no unrecognized tax benefits that if recognized would impact the effective tax rate at December 31, 2010. Therefore, there are no related accruals for interest and penalties related to unrecognized tax benefits at December 31, 2010.

As of December 31, 2010, we are subject to U.S. Federal income tax examinations for the tax years 2007 through 2010, and to non-U.S. income tax examinations for the tax years of 2007 through 2010. In addition, we are subject to state and local income tax examinations for the tax years 2006 through 2010.

6. SHARE-BASED COMPENSATION

We have historically maintained a stock option plan for key employees, directors and consultants ("the 1992 Plan"). The 1992 Plan provided for 4.4 million shares of common stock to be issued under the plan. Under the terms of the plan, the exercise price of shares granted may not be less than 85% of the fair market value at the date of the grant. Options granted to directors prior to May 25, 2004, vest one year from the date of grant and are exercisable for nine years thereafter. Options granted to directors on or after May 25, 2004, vest one-third each year, commencing one year after the date of grant. All other options granted vest at a rate of 20% per year, commencing one year after date of grant, and are exercisable during years 2-10.

On May 22, 2007, our stockholders adopted a Long-Term Incentive Plan ("LTIP") which provides an additional 750,000 shares that can be granted in the form of stock options, stock appreciation rights, restricted stock awards, performance units and performance awards. Since inception of the Plan, non-qualified stock options and restricted stock awards have been granted with the same vesting schedule as the previous plan. Under the LTIP, the exercise price of shares granted may not be less than 100% of the fair market value at the date of the grant.

We apply the provisions of FASC Topic 718, *Compensation – Stock Compensation*. The compensation cost is based on the grant date fair value of stock options issued calculated using a Black-Scholes-Merton Option Pricing Model, or the grant date fair value of a restricted share less the present value of dividends.

We recognized approximately $446,000, $484,000 and $400,000 at December 31, 2010, 2009 and 2008, respectively, in pre-tax compensation expense related to stock options in the Consolidated Statements of Income. The total pre-tax compensation cost related to unvested stock options not yet recognized as of December 31, 2010 is $1.1 million and is expected to be recognized over a weighted-average period of 2.3 years.

The following weighted average assumptions were used to determine the fair value of the stock options granted on the original grant date for expense recognition purposes for options granted during December 31, 2010, 2009 and 2008:

	2010	2009	2008
Directors and Officers:			
Expected dividend yield	1.53%	1.87%	1.72%
Expected volatility	45.37%	47.47%	45.16%
Risk-free interest rate	2.63%	2.53%	3.08%
Expected life	7 years	7 years	7 years
Forfeiture rate	0%	0%	0%
Employees:			
Expected dividend yield	1.53%	1.87%	1.72%
Expected volatility	45.29%	46.94%	44.47%
Risk-free interest rate	2.44%	2.62%	3.05%
Expected life	8 years	8 years	8 years
Forfeiture rate	31%	31%	31%

The expected term of the options is based on evaluations of historical and expected future employee exercise behavior. The risk-free interest rate is based on the U.S. Treasury rates at the date of grant with maturity dates approximately equal to the expected life at the grant date. Volatility is based on historical volatility of our stock over time periods equal to the expected life at grant date.

The following is a summary of stock options outstanding as of December 31, 2010:

	OPTIONS OUTSTANDING				OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING AT DECEMBER 31, 2010	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	AGGREGATE INTRINSIC VALUE	NUMBER EXERCISABLE AT DECEMBER 31, 2010	WEIGHTED AVERAGE EXERCISE PRICE
9.68 – 10.82	68,900	3.18	$ 10.24	$ 17.97	68,900	$ 10.24
11.29 – 15.99	172,800	6.61	14.59	13.62	92,200	13.93
16.13 – 20.68	118,800	6.92	18.47	9.74	50,800	18.18
21.42 – 27.45	59,000	9.41	23.66	4.55	1,000	21.42
Total	419,500	6.53	$ 16.25	$ 14.42	212,900	$ 13.79

A summary of option activity under the plan is as follows:

OPTIONS	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE REMAINING CONTRACTUAL TERM	AGGREGATE INTRINSIC VALUE ($000)
Outstanding at December 31, 2007	928,933	$ 9.47		
Granted	50,000	16.64		
Exercised	(348,075)	4.87		
Forfeited or Expired	(51,282)	15.76		
Outstanding at December 31, 2008	579,576	12.29		
Granted	93,000	15.92		
Exercised	(164,013)	7.53		
Forfeited or Expired	(48,050)	17.00		
Outstanding at December 31, 2009	460,513	14.22		
Granted	81,000	22.70		
Exercised	(99,613)	11.73		
Forfeited or Expired	(22,400)	18.02		
Outstanding at December 31, 2010	419,500	16.25	6.53	$ 5,017
Exercisable at December 31, 2010	212,900	$ 13.79	4.89	$ 3,071

The weighted average grant date fair value of options granted during 2010 and 2009 was $9.86 and $6.87, respectively. The total intrinsic value of options exercised during December 31, 2010, 2009 and 2008 was $2.4 million, $3.3 million and $6.4 million, respectively. The cash received from options exercised during December 31, 2010, 2009 and 2008 was $1.2 million, $1.2 million and $1.7 million, respectively. The impact of these cash receipts is included in financing activities in the accompanying Consolidated Statements of Cash Flows.

A summary of the status of the unvested stock options is as follows:

	SHARES	WEIGHTED AVERAGE GRANT DATE FAIR VALUE
Unvested at January 1, 2010	216,200	$ 6.77
Granted	81,000	9.86
Vested	(74,500)	6.41
Forfeited	(16,100)	7.39
Unvested at December 31, 2010	206,600	$ 8.06

The total grant date fair value of options vested during December 31, 2010 and 2009 was $0.5 million and $0.5 million, respectively.

During 2007, the Compensation Committee of the Board of Directors authorized and issued restricted stock awards to directors and key employees. The restricted stock award program offers the opportunity to earn shares of AAON Common Stock over time, rather than options that give the right to purchase stock at a set price. Restricted stock awards granted to directors vest one-third each year. All other restricted stock awards vest at a rate of 20% per year. Restricted stock awards are grants that entitle the holder to shares of common stock subject to certain terms. The fair value of restricted stock awards is based on the fair market value of AAON common stock on the respective grant dates, reduced for the present value of dividends.

These awards are recorded at their fair value on the date of grant and compensation cost is recorded using straight-line vesting over the service period. The weighted average grant date fair value of restricted stock awards granted during 2010 and 2009 was $22.24 and $19.72 per share, respectively. We recognized approximately $344,000, $364,000 and $350,000 at December 31, 2010, 2009 and 2008, respectively in pre-tax compensation expense related to restricted stock awards in the Consolidated Statements of Income. In addition, as of December 31, 2010, unrecognized compensation cost related to unvested restricted stock awards was approximately $431,000 which is expected to be recognized over a weighted average period of 1.6 years.

A summary of the unvested restricted stock awards is as follows:

	SHARES
Unvested at January 1, 2010	33,250
Granted	14,850
Vested	(19,000)
Forfeited	(1,050)
Unvested at December 31, 2010	28,050

FASC Topic 718, *Compensation – Stock Compensation* requires that cash flows from the exercise of stock options resulting from tax benefits in excess of recognized cumulative compensation costs be classified as financing cash flows. During December 31, 2010, 2009 and 2008, the excess tax benefits of stock options exercised and restricted stock awards vested was $0.4 million, $0.7 million and $1.6 million respectively.

7. STOCKHOLDER RIGHTS PLAN

During 1999, the Board of Directors adopted a Stockholder Rights Plan (the "Plan"), which was amended in 2002. Under the Plan, stockholders of record on March 1, 1999, received a dividend of one right per share of our Common Stock. Stock issued after March 1, 1999, contains a notation incorporating the rights. Each right entitles the holder to purchase one one-thousandth (1/1,000) of a share of Series A Preferred Stock at an exercise price of $90. The rights are traded with our Common Stock. The rights become exercisable after a person has acquired, or a tender offer is made for, 15% or more of our Common Stock. If either of these events occurs, upon exercise the holder (other than a holder owning more than 15% of the outstanding stock) will receive the number of shares of our Common Stock having a market value equal to two times the exercise price.

The rights may be redeemed by us for $0.001 per right until a person or group has acquired 15% of our Common Stock. The rights expire on August 20, 2012.

8. STOCK REPURCHASE

On November 6, 2007, we began a stock buyback program, targeting repurchases of up to approximately 10% (1.8 million shares) of our outstanding stock from time to time in open market transactions. On May 12, 2010, we completed the stock buyback program. Through May 12, 2010, we repurchased a total of 1,800,000 shares under this program for an aggregate price of $36,061,425, or an average price of $20.03 per share. We purchased the shares at current market prices.

On May 17, 2010, the Board authorized a new stock buyback program, targeting repurchases of up to approximately 5% (approximately 850,000 shares) of our outstanding stock from time to time in open market transactions. Through December 31, 2010, we repurchased a total of 478,493 shares under this program for an aggregate price of $11,509,433, or an average price of $24.05 per share. We purchased the shares at current market prices.

On July 1, 2005, we entered into a stock repurchase arrangement by which employee participants in our 401(k) savings and investment plan are entitled to have shares of AAON stock in their accounts sold to us to provide diversification of their investments. The maximum number of shares to be repurchased is unknown under the program as the amount is contingent on the number of shares sold by employees. Through December 31, 2010, we repurchased 993,155 shares for an aggregate price of $18,042,789, or an average price of $18.17 per share. We purchased the shares at current market prices.

On November 7, 2006, the Board of Directors authorized us to repurchase shares from certain directors and officers following their exercise of stock options. The maximum number of shares to be repurchased under the program is unknown as the amount is contingent on the number of shares sold. Through December 31, 2010, we repurchased 379,750 shares for an aggregate price of $7,894,792, or an average price of $20.79 per share. We purchased the shares at current market prices.

9. DIVIDENDS

On February 14, 2006, the Board of Directors voted to initiate a semi-annual cash dividend. We initially paid semi-annual dividends of $0.20 per share. The Board of Directors approved dividend payments of $0.16 per share related to the 3 for 2 stock split effective August 21, 2007. The Board of Directors approved future dividend payments of $0.18 per share on May 19, 2009. Board approval is required to determine the date of declaration and amount for each semi-annual dividend payment.

Cash dividends of $9.2 million were paid in 2010. Cash dividends of $5.9 million were paid in 2009, and we accrued a liability for payment of $3.1 million of dividends in January 2010. Cash dividends of $5.8 million were paid in 2008, and $2.8 million in dividends were declared and accrued as a liability in December 2008 for payment in January 2009.

10. COMMITMENTS AND CONTINGENCIES

We are subject to claims and legal actions that arise in the ordinary course of business. Management believes that the ultimate liability from these claims and actions, if any, will not have a material effect on our results of operations or financial position.

11. CANADIAN FACILITY

On May 18, 2009 we announced the closure of our Canadian facility and filed a form 8-K to that effect. At the same time, we notified the 47 Canadian employees of the expected closure date. The actual closure date was at the end of September 2009. We accrued and charged to expense $0.3 million through December 31, 2009, in closure costs related to employee termination benefits in accordance with Canadian labor laws and regulations. We incurred employee termination costs as well as costs to dispose of inventory. We accrued and charged to expense $0.4 million as an adjustment to our inventory reserve in second quarter 2009 to account for inventory items we did not transfer to our other locations. The following closure costs were included in income from continuing operations in the income statement and paid as of December 31, 2009:

	BALANCE AT 6/30/09	ADDITIONAL ACCRUAL	CHARGED TO EXPENSE
		(in thousands)	
Employee termination benefits	$ 280	$ 26	$ 306
Inventory reserve adjustments	389	-	389
Total	$ 669	$ 26	$ 695

We reclassified certain fixed assets to assets held for sale upon closure of our Canadian manufacturing operations in September 2009. The assets consist of a building and land valued at the lower of cost or market. No additional depreciation expense was taken on the building as of October 1, 2009.

In September 2010, we sold the building and land. The sale price was $1.5 million which was equivalent to the carrying value of the assets held for sale on our Consolidated Balance Sheets. We assumed a note receivable from one borrower secured by the property. The $1.1 million, fifteen-year note receivable is based on a 4.0% interest rate with a $0.6 million balloon payment due in October 2025. The note calls for monthly combined interest and principal payments beginning in October 2010. Interest payments are recognized in interest income. The products previously manufactured at the Canadian facility will be produced by the Tulsa, Oklahoma and Longview, Texas facilities in the future.

12. QUARTERLY RESULTS (UNAUDITED)

The following is a summary of the quarterly results of operations for the years ending December 31, 2010 and 2009:

	QUARTER ENDED			
	MARCH 31	JUNE 30	SEPTEMBER 30	DECEMBER 31
	(in thousands, except per share data)			
2010				
Net sales	$ 49,309	$ 64,531	$ 64,886	$ 65,826
Gross profit	12,994	15,506	12,497	14,191
Net income	5,118	5,821	5,173	5,782
Earnings per share:				
Basic	0.30	0.34	0.31	0.35
Diluted	0.30	0.34	0.31	0.35

	QUARTER ENDED			
	MARCH 31	JUNE 30	SEPTEMBER 30	DECEMBER 31
	(in thousands, except per share data)			
2009				
Net sales	$ 63,965	$ 68,597	$ 58,492	$ 54,228
Gross profit	16,934	18,104	17,728*	14,779*
Net income	6,728	7,097	7,741*	6,155*
Earnings per share:				
Basic	0.39	0.41	0.45*	0.36*
Diluted	0.39	0.41	0.45*	0.36*

*Includes the impact of the unrealized gain from the derivative.

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our reports dated, March 10, 2011, with respect to the consolidated financial statements and internal control over financial reporting included in the Annual Report of AAON, Inc. on Form 10-K for the year ended December 31, 2010. We hereby consent to the incorporation by reference of said reports in the Registration Statements of AAON, Inc. on Forms S-8 (File No. 333-52824, effective December 28, 2000 and File No. 333-151915, effective June 25, 2008).

/s/ GRANT THORNTON LLP
Tulsa, Oklahoma
March 10, 2011

Exhibit 31.1

CERTIFICATION

I, Norman H. Asbjornson, certify that:

1. I have reviewed this Annual Report on Form 10-K of AAON, Inc.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including our consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

   d) disclosed in this report any change in the registrant's internal controls over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 10, 2011

/s/ Norman H. Asbjornson

Norman H. Asbjornson
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Kathy I. Sheffield, certify that:

1. I have reviewed this Annual Report on Form 10-K of AAON, Inc.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including our consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

   d) disclosed in this report any change in the registrant's internal controls over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 10, 2011

/s/ Kathy I. Sheffield

Kathy I. Sheffield
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of AAON, Inc. (the "Company"), on Form 10-K for the year ended December 31, 2010, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Norman H. Asbjornson, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and our results of operations.

March 10, 2011

/s/ Norman H. Asbjornson

Norman H. Asbjornson
Chief Executive Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of AAON, Inc. (the "Company"), on Form 10-K for the year ended December 31, 2010, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kathy I. Sheffield, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

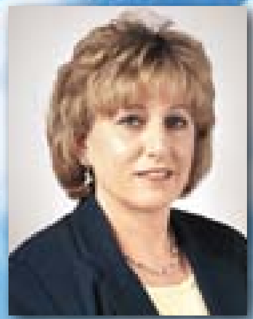
(2) The information contained in the Report fairly presents, in all material respects, the financial condition and our results of operations.

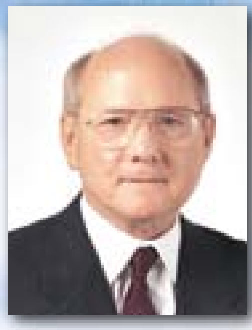
March 10, 2011

/s/ Kathy I. Sheffield

Kathy I. Sheffield
Chief Financial Officer

OFFICERS

NORMAN H. ASBJORNSON has served as President and a director of the Company since 1988. Mr. Asbjornson has been in senior management positions in the heating and air conditioning industry for over 40 years.

KATHY I. SHEFFIELD became treasurer of the Company in 1999 and Vice President in June of 2002. Ms. Sheffield previously served as Accounting Manager of the Company from 1988 to 1999.

ROBERT G. FERGUS has served as Vice President of the Company since 1988. Mr. Fergus has been in senior management positions in the heating and air conditioning industry for over 40 years.

DAVID E. KNEBEL has served as Vice President of Sales for the Company since 2005. Mr. Knebel has been in the heating and air conditioning industry for over 40 years, holding positions in design, research, software development, engineering, teaching, sales and senior management.

JOHN B. JOHNSON, JR. has served as Secretary and a director of the Company since 1988. Mr. Johnson is a member of the firm of Johnson & Jones which serves as General Counsel of the Company.

BOARD OF DIRECTORS

Back row (from left to right): A.H. McElroy, II, Jerry R. Levine, Jack E. Short, Paul K. Lackey, Jr.
Front row (from left to right): John B. Johnson, Jr., Norman H. Asbjornson, Joseph E. Cappy

NORMAN H. ASBJORNSON
President/CEO

JOHN B. JOHNSON, JR. Secretary

JOSEPH E. CAPPY was elected a director of the Company in 2010. From 1997 to 2003, Mr. Cappy served as the Chairman, President and CEO of DollarThrifty Automotive Group. From 1987 to 1997 he was Vice President of Chrysler Corporation. From 1982 to 1987 he was President and CEO of American Motors Corporation.

JACK E. SHORT was elected to the Board in July 2004 and is the Chairman of the Audit Committee. Mr. Short was employed by PriceWaterhouseCoopers for 29 years and retired as the managing partner of the Oklahoma practice in 2001.

A.H. MCELROY, II was elected as a director of the Company in 2007. From 1997 to present, Mr. McElroy has served as President and CEO of McElroy Manufacturing, Inc., a manufacturer of fusion equipment and fintube machines.

PAUL K. LACKEY, JR. was elected as a director of the Company in 2007. From 2001 to present, Mr. Lackey has served as CEO and president of NORDAM, a privately held aerospace company.

JERRY R. LEVINE has served as a director of the Company since 2008. Since 1999, Mr. Levine has provided investor and shareholder relations services and advice to the Company.

CORPORATE DATA

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

Auditors
Grant Thornton LLP,
2431 East 61st Street, Suite 500, Tulsa, Oklahoma 74136

General Counsel
Johnson & Jones,
2200 Bank of America Center, 15 West Sixth Street,
Tulsa, Oklahoma 74119

Investor Relations
Jerry Levine,
105 Creek Side Road,
Mt. Kisco, New York 10549,
Ph: 914-244-0292,
Fax: 914-244-0295,
jrladvisor@yahoo.com

Executive Offices
2425 South Yukon Avenue,
Tulsa, Oklahoma 74107

Common Stock
NASDAQ-AAON

THANKS TO OUR EMPLOYEES

Edgar Acevedo Estronz
Maria D. Acosta
Maria L. Acosta
Martha Acosta
Martin Acosta
Andres Acosta-Lujan
Enriqueta Adame
Derrick Adams
Gary Adams
Larry Adams
Robert Adams
Rodney Adams
Ryan Adams
Timothy Adams
Brian Adkins
Maria Aguayo
Arturo Aguilar
Miguel Aguilera
Ali Al Rubaye
Daniel Alagdon
Martha Alanis
Socorro Alba
Julio Albino
James Alexander
Shannon Alford
Brendan Allen
Donald Allen
Kevin Allen
Earl Alston
Enrique Alvarado
Felipe Alvarado
Wuilson Idomeli Alvarado
Jorge Alvarado Vargas
Michael Amburgey
Anthony Anderson
Colton Anderson
Elbert Anderson
James Anderson
John Anderson
Jose Andrada
Margarito Angeles
Daniel Anselme
Wesley Anselme
Alfredo Antonio
Daniel Aponte
Lorenzo Aragon
Clyde Archer
Jose Areguin
Uriel Arellano Guerra
Maria Arredondo
Gerardo Arroyo
Eleazar Arroyo Alvarez
Norman Asbjornson
Scott Asbjornson
David Ashlock
Gary Ashmore
Derik Audas
Dwight Austin
Ivan Avalos
Jesus Avelar Saldivar
Joseph Avila
Orlando Ayala
Nora Backus
Richard Backus
Dwight Baker
Eric Baker
Jennifer Barbee
Carolyn Barber
Candy Barbosa
Gregory Barker, Jr.
Justin Barlett
Daniel Barnard
David Barnett
Ana Barragan De Alteneh
Cesar Barraza
Jose Barrios
Nereyda Barrios De Perez
Benigno Barrios Orozco
Rosa Barro
Maria Barron
Teresa Barron
Michael Bass
John Bassett
Kevin Battles
Stuart Baugh
Jason Bazan
Robert Beasley, Jr.
Daniel Beck
Lionel Beckman
Kevin Begley
Michael Bell
Guzman Benitez
Ofelia Benitez
Bonnie Benson
Michael Benson
James Berden
Ida Bermudez
Elliot Berryhill
Sergio Beserra
Robert Black
Seth Black
Vickie Black
Brian Blackmon
Debbie Blackmon
Matthew Blakley
Maria Blanco
Elvin Bledsoe
David Blevins
Justin Blevins
Aaron Bodovsky
Gene Boese
Albert Boggus
Lun Boih
Scott Bolden
James Bond
Michael Boney
Debra Booher
William Boone
Ronnie Booth
Rosendo Botello
Demetrius Boyd
John Boyd
Robert Boyd
Brian Bradford
Myoshia Bradley
Christopher Brantley
Arlando Brewer
Terry Brewster
Shahani Britt
Arlunda Brooks
Bernardo Brooks
David Brown
Jermaine Brown
Freddie Brown, Iii
Ronald Brown, Jr.
Johnny Brown, Jr.
Christopher Bryant
William Bryant
Jon Buck
Lloyd Bumbard
Jason Bunnell
Kelli Burkes
Monica Burns
Thomas Burns, Jr.
Shannon Burtch
Lavar Burton
Stephen Burton
Douglas Burtrum
Wayne Bush
Tina Bush Jones
Verenice Bustos
Rhett Butler
Rosa Butler
Jeremy Byram
Michael Cable
Janibal Cabuday
Alejandro Cadena
Dora Cadena
Jose Cadenas
Cleveland Cage, Jr.
Jerry Cain
Margarito Calderon
Jorge Calixto
Elizabeth Calvillo
Cesar Calzada
Lazaro Cama
Maria Camacho
Jose Camas-Padilla
Adrian Campbell
David Campbell
Arthur Candler
Yong Cantrell
Carlos Caraballo Mariani
Refugio Carachure
Jorge Carcamo
Billy Carder
Todd Carner
Vincent Carson
Larry Carter, Jr.
James Cason
Warren Castleberry
Detrick Castor
Patrick Castorena
Soledad Castro
Jose Castro M
Romualdo Castro Villegas
Hector Cazares
Elvis Cerda
Francisco Cervantes
Guadalupe Chairez-Galan
Patrick Chapman
Sergio Charles
Clark Chase
Josh Chattillon
Edgar Chavez
Gregory Chavez
Ramiro Chavez
Rita Chavez
Jose Chavez Perez
Dale Cherry
Daniel Cherry
Adan Chicas
Larenzo Chiles
Kham Cin
Sian Cin
Dim Cing
Man Cing
Nem Cing
Justin Claiborne
George Clark
John Clark
Stephanie Cleveland
William Cleveland
Cary Clingan
Brenda Coats
Kenneth Cochran
Kenneth Cochran, Jr.
Troy Cockrum
Arthur Cole
Joel Coleman
Latoya Coleman
Charles Collins
Laura Collins
Ronald Collins
Stephen Collins
Dale Conkwright
Jude Connolly
Emilio Contreras
Roberto Contreras
Thomas Contreras
Maria Cook
Mark Cook
Dwayne Cooks
Michael Coolidge
Scott Coon
Donna Coonfield
James Cooper
Alvis Copeland
Pablo Cordova Cordova
Arlene Corell
Elaine Corkhill
Steven Corley
Dusty Cornelius
Alberto Corona
Fernando Corona
Roberto Corona
Eduardo Cortez
Rosa Cortez
Kenneth Cotham
Jonathan Coti
Curtis Counce
Billy Cox
Jerry Cox
Maxine Cox
Adrian Crabtree
Richard Craite
Steven Crase
Devin Creech
Juan Crespo-Maisonet
Mikel Crews
Darrell Crow
Carolyn Crutchfield
Jose Cuadroz
Victory Cullom, Ii
Robert Cummings
Gene Curtis
Kevin Cyrus
Hau Dal
Christopher Daniels
Gwendolyn Daniels
John Daniels
Kyle Daniels
Minh Dao
William Daugherty
Jenifur Davidson
Byron Davis
Carolyn Davis
Cathy Davis
Jerry Davis
Marleitta Davis
Matthew Davis
Rhonda Davis
Richard Davis
Samuel Davis
Cookie Davison
Wilfredo De Jesus
Otilia De Jones
Matilde De La Torre
Alvaro De Leon Mendoza
Pedro De Los Santos, Jr.
Freddie Deboe
Bobby Degraffenreid
Ismael Delapaz
Eva Delatorre
Jerry Delmar
Juana Delobo
Andres Delos Santos
Raquel Deluna
Bruce Derr
Audencia Devilla
Roy Deville
Charles Deweese
Cheikh Diallo
Ciin Dim
Man Dim
Cin Ding
Dedric Dishmon
Homer Dodd
Rickey Dodson
Edreys Dominguez
Pablo Dominguez
Cin Don
Thang Dop Mui
Jennifer Dossman
Jodi Doty
Suanne Doty
Michael Drew
Cathryn Dubbs
Charles Duke
Linda Dunec
Cortney Dunn
Ralph Durbin
Yolanda Durham
Randy Dwiggins
Wendell Easiley
Stephen Edmonds
Harvey Ellis
Gregory English
Tinisha English
Eva Enriquez
Steven Ervin
Blanca Escobar
Jose Escobedo
Teresa Escobedo
Norberto Esparza-Torres
Leonardo Espinoza Flores
Engracia Espinoza Navarro
Jesus Estrada-Gonzalez
Stephen Etter
Gilda Etumudor
Calvin Eubanks
Gareth Evans
Otis Evans
Reginald Everidge, Jr.
Shawn Fairley
James Fannin
Richard Faust
Robert Fergus
Elizabeth Ferguson
Catalina Fernandez
Fabiola Fernandez
Samuel Fields
Jesse Figueroa
Christian Figueroa Mauras
Sterlyn Finch
Mack Finkley, Jr.
Anthony Fisher
Bruce Fisher
Anthony Fizer
Copotenia Fletcher, Jr.
Alejandro Flores
Carolina Flores
Efigenia Flores
Juana Flores
Laura Flores
Francisco Flores Esparza
Ruby Floyd
Vicky Floyd
Mark Fly
Sharon Fontenot
Harold Ford
Sheila Forrest
Alex Foster
Bradley Foster
Christopher Foster
Frederick Foster
Jacob Foster
Michael Foster
Joseph Fowler
Loretta Fowlkes
Stephen Fox
Kenneth Foyil
Phillip Frank
Damion Franklin
Warren Franklin
Revonda Franks
Matthew Frederick
Gary Frederiksen, Jr.
Gregory Freeman
Olga French
Angel Frias
Barry Friend
Wade Fuller
Rony Gadiwalla
Jeff Galapon
Ranulfo Galicia
Brenda Galindo
James Galindo
Maria Galindo
John Gall
Belinda Galvan
Ma Galvan
Maria Galvan
Angel Garcia
Nicklaus Garcia
Roberto Garcia
Isidro Garcia Arriaga
Norma Garibay
Patrick Garrett, Sr.
Carlos Garza
Pedro Garza
Ralph Gasaway
Steve Geary
James George
Mohanad Gharrawi
Penny Glossinger
Jim Goekler
Gary Goff
Emmett Goins
Benjamin Goldman
Elpidio Gomez
Hector Gomez
Jose Gomez
Maria Gomez
Moises Gomez
Maria Gomez Medina
Daniel Gomez-Sigala
Adrian Gonzalez
Imelda Gonzalez
John Gonzalez
Marisela Gonzalez
Raul Gonzalez
Victor Gonzalez
Barry Goodson
Dale Graham
Buenas Granados
Jermaine Grant
Jesse Green, Jr.
John Griffin
Ronald Grimes
Daniel Groff
Carolina Guillen
Ronald Guinn
Cassie Gunn
Mark Gutierrez
Georgina Guzman
Nancy Hackney
Christopher Halcomb
Joshua Halfpap
Dennis Hall
Jack Hall
Kelly Hall
Koren Hall
Stephen Hall
Scott Hamilton
Otis Hamilton
Jeffrey Hammer
Jerry Hammonds
Damien Hammons
Sam Hammoud
Samir Hammoud
Donald Harden
Brandon Harper
Brandy Harris
Richard Harris
Stacey Harris
Marcus Harry
Robi Hartmann
Heather Haskins
James Hasselbring
Troy Hatfield
Vung Hau
Kevin Hawkins
Thomas Hawkins
Adam Hawley
Billy Hawley, Jr.
William Hays
Tim Hefflin
Stephen Hegvold
Claude Henderson
Daniel Henderson
Jennifer Henderson
Mike Hensley
Kevin Henson
Alejandro Hernandez
Armando Hernandez
Corcina Hernandez
Eliu Hernandez
Francisco Hernandez
Lily Hernandez
Luis Hernandez
Marcus Hernandez
Maria Hernandez
Mariano Hernandez
Oscar Herrera Rosas
Mark Heston
Takeo Higa
Brenda Higgins
Larry Highfield
Dewayne Hightower
Quinton Hilburn
James Hill
John Hill
Joshua Hill
Travis Hill
Bobby Hillburn
Austin Hines
Willie Hines, Jr.
Juan Hinojosa
Tyson Hinther
Clyde Hitchye
Bon Hoang
Samuel Hobson
Bryan Holland
Donna Holloway
Lawrence Honel
Stephen Hoover
Gary Horn
Terri Horn
Wilburn Horner, Jr.
Stanley Horton
Jerry Houston
David Howard
Larry Howard
Do Ngaih Huai
Nuam Huai
Lydia Hudson
Philip Hudson
Ruben Huerta
Anthony Huffman
Abner Hughes
Jimmy Hughes
Derrick Huisenga
Rosario Huizar
Dylan Hutchcraft
Ronald Hutchcraft
Gary Hutchins
Tan Huynh
Joseph Ibeh
Okechukwu Ibeh
Alexander Ignatenkov
Samuel Ingram
Tim Ingram, Sr.
Michael Isham
Daniel Iya
Belinda Jackson
Jeff Jackson
Danny Jacot
Alma Jacquez
Jose Jamaica
Mckinley James
Alejandro Jaramillo
Rachael Jennings
Jason Jewell
Genelle Jimboy
Maria Jimenez
Vincent Jimenez
Pedro Jimenez-Delfin
Frederick Jimmerson
Christopher Johnson
Ed Johnson
Holly Johnson
Jamy Johnson
Lakendrick Johnson
Sylvia Johnson
Cheryl Jones
Danny Jones
David Jones
Dean Jones
Djuan Jones
Fedeldrick Jones
Henry Jones
Raymon Jones
Remia Jones
Rose Jones
Terry Jones
Timothy Jones
Danny Jones, Jr.
James Jones, Jr.
Rodney Jordan
Sean Jordan
Gregorio Juarez
Jaime Juarez
Samuel Jumelles Lopez
Leandro Jumelles Nunez
Brian Justice
Garrett Kaiser
Patrick Kaiser
Hau Kam
Dal Kap
Lian Kap
Ngin Kap
Thang Kap
Sung Kar
Brian Kastl
Eryn Kavanaugh
Tuang Kawi
Richard Keaton
Aaron Kelly
Jerry Kennard, Jr.
Gregg Kennedy
Antony Khai
Do Khai
En Khai
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2425 South Yukon Avenue • Tulsa, OK 74107
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