2016 ANNUAL REPORT

Investing in the Future

Growing Success

AAON®

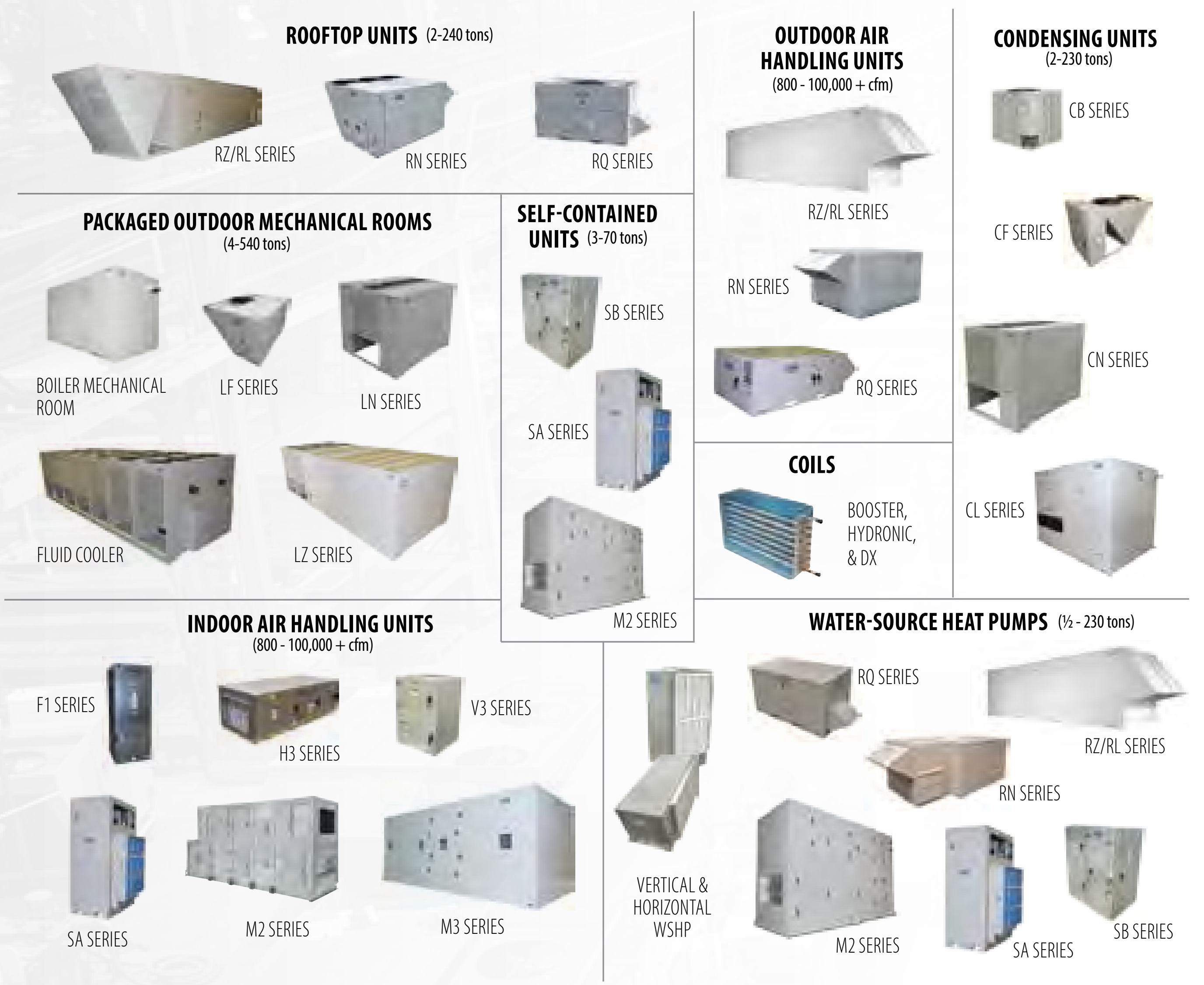
Norm Asbjornson | CEO **Gary Fields** | President

AAON

"In 2016, we continued to build the foundation for future growth while achieving record sales and consistent profitability. Net sales and net income were both record highs at $384 million and $53.4 million, respectively. This year we expanded our product offering to include mass-produced small packaged water-source heat pumps manufactured on a state-of-the-art assembly line. We also expanded our engineering department with a renewed focus on product research and development. Most importantly, we expanded the senior management team with our new president, Gary Fields."

Investing in the **Future**

Company Profile



AAON is engaged in the engineering, manufacturing, marketing and sale of air conditioning and heating equipment consisting of standard, semi-custom and custom rooftop units, chillers, packaged outdoor mechanical rooms, air handling units, condensing units, makeup air units, energy recovery units, geothermal/water-source heat pumps 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.

2016 Financial Highlights

	2016	2015	2014	2013	2012
Income Data ($000 except per share data)					
Net Sale	383,977	358,632	356,322	321,140	303,114
Gross Profit	118,080	108,681	108,263	89,792	70,499
Operating Income	79,594	71,302	68,006	55,825	44,234
Interest Income (Expense), Net	292	161	276	221	42
Depreciation	13,035	11,741	11,553	12,312	13,407
Pre-Tax Income	79,991	71,339	68,246	56,294	44,317
Net Income	53,376	45,728	44,158	37,547	27,449
Earnings per Share					
Basic[1]	1.01	0.85	0.81	0.68	0.50
Diluted[1]	1.00	0.84	0.80	0.68	0.49
Balance Sheet ($000 except per share data)					
Working Capital[3]	101,939	80,800	82,227	72,515	47,428
Current Assets[3]	140,981	124,213	124,940	108,844	87,053
Net Fixed Assets	114,892	101,061	91,922	87,283	90,695
Accumulated Depreciation	137,146	124,348	113,605	105,142	96,929
Cash & Cash Equivalents	24,153	7,908	21,952	12,085	3,159
Total Assets[3]	256,530	232,854	226,974	210,665	189,000
Current Liabilities	39,042	43,413	42,713	36,329	39,625
Long-Term Debt	-	-	-	-	-
Stockholders' Equity	205,898	178,918	174,059	164,106	138,136
Stockholders' Equity per Diluted Share[1]	3.85	3.28	3.14	2.95	2.49
Funds Flow Data ($000)					
Operations	63,923	55,355	53,518	53,592	51,167
Investments	(16,925)	(23,194)	(6,029)	(31,326)	(30,335)
Financing	(30,753)	(46,205)	(37,622)	(13,340)	(17,686)
Net Increase (Decrease) in Cash	16,245	(14,044)	9,867	8,926	3,146
Ratio Analysis					
Return on Average Equity	27.7%	25.9%	26.1%	24.8%	21.1%
Return on Average Assets	21.8%	19.9%	20.2%	18.8%	15.1%
Pre-Tax Income on Sales	20.8%	19.9%	19.2%	17.5%	14.6%
Net Income of Sales	13.9%	12.8%	12.4%	11.7%	9.1%
Total Liabilities to Equity	0.2	0.3	0.3	0.3	0.4
Quick Ratio[2]	2.4	2.1	2.2	2.5	1.6
Current Ratio	3.6	2.9	2.9	3.0	2.2
Year-End Price Earnings Ratio[1]	33	28	28	31	19

1 = Reflects 3-for-2 stock splits in July 2014 and July 2013

2 = (Cash & cash equivalents + investments + receivables)/current liabilities

3 = Reflects retrospective adoption of ASU 2015-17

Letter from the **CEO**

Norm Asbjornson | CEO

Dear Fellow Stockholder,

I am pleased to report the Company achieved record sales and earnings for the year ended December 31, 2016. This strong performance was earned despite the lethargic atmosphere surrounding both commercial and residential construction. We witnessed firm demand from the new construction market, while our replacement unit business was virtually flat with the prior year.

This past year we made significant capital and personnel expenditures while expanding our product offerings and enlarging our engineering department. We made these investments in our future to solidify our reputation as one of the most technologically innovative leaders in the HVAC industry and to deliver greater long-term value to our stockholders.

SALES AND EARNINGS

Net sales for 2016 gained 7.1% to a record $384.0 million compared with $358.6 million a year ago. We witnessed a 12.5% increase in the number of units sold but continued to experience a shift (which began in 2015) throughout the year to smaller tonnage, lower priced product lines, tempering our revenue growth.

We continued to closely control both our manufacturing and raw material costs. Our gross profit increased to $118.1 million (30.8% of sales) as compared to $108.7 million (30.3% of sales). An improvement in manufacturing productivity helped our margin and reduced the impact of the shift to smaller tonnage, lower priced products.

Declining warranty expenses had a positive impact on total SG&A expenses, which increased by only 2.9% to $38.5 million (10.0% of sales) from $37.4 million (10.4% of sales) a year ago. Income from operations benefitted from these moderating expenses, and gained 11.6% to $79.6 million (20.7% of sales) from $71.3 million (19.9% of sales). Net income was impacted by a lower effective tax rate (33.3% vs. 35.9%) and increased 16.7% to $53.4 million (13.9% of sales) or $1.00 per diluted share, from $45.7 million (12.8% of sales) or $0.84 per diluted share.

The fully diluted earnings per share calculations were based upon 53.4 million shares in 2016 and 54.5 million shares in 2015.

STRONG FINANCIAL CONDITION

At December 31, 2016 our financial condition remained quite strong. The current ratio was 3.6:1 including cash, cash equivalents and investments of $43.7 million. Our capital expenditures in the past year were $26.6 million and we paid cash dividends of $12.7 million during 2016. In November 2016, the Board of Directors increased the regular semi-annual cash dividend to $0.13 per share (or $0.26 annually), which represented an 18.2% increase from the previous $0.11 per share (or $0.22 annually).

During the past five years (as reflected in the chart below) we have made total capital expenditures of $86.8 million and total dividend payouts of $50.5 million. Our cash flow generation combined with a strong capital position enabled the Company to accommodate these expenses while providing sufficient free cash flow to repurchase $101.40 million of stock during the same period.

During 2016 under our stock repurchase plan, we bought approximately 166,000 shares of our common stock on the open market at an average price of $26.82 per share. In addition, we purchased AAON stock from our employees'

AAON Cash Flow ($ mil.)	2016	2015	2014	2013	2012
Net Income	53.4	45.7	44.2	37.5	27.4
Depreciation	13.0	11.7	11.6	12.3	13.4
Total Cash Flow	66.4	57.4	55.8	49.8	40.8
Capital Expenditures	(26.6)	(21.0)	(16.1)	(9.0)	(14.1)
Dividend Payouts	(12.7)	(11.9)	(9.7)	(7.4)	(8.8)
Free Cash Flow	27.1	24.5	30.0	33.4	17.9
Stock Repurchases	(20.1)	(37.1)	(29.3)	(8.2)	(6.7)

401(k) plan amounting to approximately $14.9 million during the same period. Over the past five years (2012-2016) we have spent more than $101 million on stock repurchases. We continue to operate free of debt. Total shareholders' equity was $205.9 million or $3.85 per diluted share. Our return on average stockholders' equity was 27.7% in 2016 compared with 25.9% a year earlier.

CAPITAL EXPENDITURES AND CASH FLOWS

We have been and will remain firmly committed to expending the financial capital and deploying the human capital necessary to maintain our strong competitive position as well as enhancing our reputation as a leading manufacturer of the highest quality, most innovative products in the industry.

For 2017, we are budgeting approximately $42 million of capital expenditures, the highest level in the Company's history.

In February 2016, AAON broke ground on a new engineering research and development laboratory located at the Tulsa manufacturing facility. The three-story, 162,000 total square foot facility will be both an acoustical and performance measuring laboratory and will enable AAON to meet and maintain AHRI (Air Conditioning, Heating and Refrigeration Institute) and DOE (Department of Energy) certification. In 2016 we spent $12.0 million devoted to the building of the laboratory and for the current year we estimate additional construction expenses will be approximately $14.0 million. We expect the laboratory will be completed by mid-year 2018 with a total final cost of approximately $30 million.

Furthermore, our capital expenditures in 2016 related to constructing the Company's first water-source heat pump production line were $6.7 million and for the current year, we expect to spend an additional $6.0 million to complete the initial phase of this project. The remainder of our capital expenditures will be directed to a new sheet metal production line, electrical improvements, IT equipment and metal fabrication machinery.

WATER-SOURCE HEAT PUMP

In August 2015, AAON initiated its new innovative Water-Source Heat Pump (WSHP) project. The Company utilizes a unique production methodology for its WSHP products which allows for the integration of mass production with mass customization. This manufacturing process is quite complex due to the need to integrate software automation with the fabrication of sheet metal and copper as well as the insulation of the cabinet and the storage of product inventory. In order to meet customer expectations regarding the quality and delivery of the WSHP products, we are closely monitoring the incoming order rate as well as production levels as we implement our new production methodology.

WV Series

We believe that we will be able to accelerate both production and sales of our WSHP products in the final half of this year and into

2018 as we gain a firm grasp on the cutting-edge production methodology.

We estimate the total size of the WSHP market to be in the vicinity of $550-600 million annually. The majority of WSHP sales are directed toward commercial and industrial multiple-room buildings such as motels, schools and office buildings with approximately 50% of total sales derived from the replacement market. We believe our new, highly innovative WSHP product line will be very well received in the marketplace and will enable AAON to garner a sizeable portion of the total WSHP market over the next several years.

WH Series

RESEARCH AND DEVELOPMENT

AAON Engineering Department Expansion

We understand the importance of maintaining our industry position as a technological leader, and recognize we must remain devoted and fully committed to our research and development efforts in order to do so. In 2016, we incurred research and development costs of $12.0 million and for the past five years (2012-2016), we had total research and development costs of $34.6 million.

The commitment of capital to our research and development efforts is not the only step necessary to attain success. In the past year we significantly accelerated our recruitment of degreed engineering personnel, increasing the total number by approximately 40%. For the current year we anticipate our research and development costs will increase.

RECOGNITION AND AWARDS

AAON was recognized for excellence in product design in the 13th annual Dealer Design Awards Program sponsored by The Air Conditioning Heating & Refrigeration News magazine. An independent panel of contractors acted as judges in the contest that had 88 entries. The Company's LZ Series Chiller and Outdoor Mechanical Room was the Gold Award Winner in the HVAC Commercial Equipment category in the July 18, 2016 issue of The ACHR News, which is the leading trade magazine in the heating, ventilating, air conditioning, and refrigeration industries, with national distribution to over 33,000 HVACR contractors, wholesalers and other industry professionals.

RN Series Horizontal Configuration

AAON was also pleased to have each of its LZ Series Chiller and Packaged Outdoor Mechanical Room and RN Series Horizontal Configuration Rooftop Unit be named 2016 Product of the Year-Gold by the readers of Consulting-Specifying Engineer. Consulting-Specifying Engineer is a monthly publication with a circulation of over 47,000 mechanical, electrical and plumbing engineers.

BOARD OF DIRECTORS AND EXECUTIVE LEADERSHIP CHANGES

The Company has recently experienced healthy Board and executive officer refreshment.

Angela E. Kouplen was elected to AAON's Board of Directors on May 24, 2016. Ms. Kouplen has over 20 years of experience at multiple energy companies with emphases on information technology, contract management, sourcing vendor relations, human resource management strategy and governance. In 2012 Ms. Kouplen joined WPX Energy, a Tulsa-based publicly-traded energy company, previously part of the Williams Companies. From 2012 through 2014 Ms. Kouplen served WPX as the Director of Talent Acquisition and Leadership and since 2015 she has served as Vice President of Information Technology. Ms. Kouplen's extensive experience in IT related positions provides the Board with valuable insight and enhanced knowledge on IT matters which are increasingly vital to the Company's operations and success as well as its future growth and profitability.

In November 2016, AAON's Board of Directors appointed Gary D. Fields as President of the company. Mr. Fields has been a member of AAON's Board of Directors since 2015 and continues to serve on the Board in addition to his new role as President. Mr. Fields has more than 36 years of HVAC industry experience and was a principal with Texas AirSystems. Mr. Fields sold his interest in Texas AirSystems in 2012, having seen it grow to a company with over $200 million in annual sales. For the past several years Texas AirSystems has been among AAON's top performing independent sales representative organizations. In his new role as President of AAON, Mr. Fields is initially focusing his attention on the sales and marketing efforts of AAON's entire product line.

LZ Series

The Board of Directors of AAON recently nominated Steve LeClair for election to the Board at our 2017 Annual Meeting of Stockholders. Mr. LeClair has 25 years of experience in various executive, manufacturing, finance, sales and operational positions. Mr. LeClair currently serves as President of HD Supply Waterworks (a position he has held since 2012), and in such role is responsible for leading the nation's largest distributor of water, sewer, storm and fire protection products. Prior to his current role, he served as Chief Operating Officer of HD Supply Waterworks from 2008 to 2011, and President of HD Supply Lumber and Building Materials from April 2007 until its divestiture to ProBuild Holdings in 2008. Mr. LeClair joined HD Supply in 2005 as Senior Director of Operations. Prior to joining HD Supply, Mr. LeClair was a Senior

Vice President at General Electric (GE) Capital Equipment Services from 2002 to 2006, and from 1992 to 2002 held various roles at GE Appliances and Power Generation in distribution, manufacturing and sales. Mr. LeClair is a graduate of GE Power Generation's Manufacturing Management Program.

Mr. LeClair will replace Jerry R. Levine, whose tenure on AAON's Board of Directors will end immediately following the 2017 Annual Meeting. Mr. Levine has faithfully served AAON since 1999, and has provided extremely valuable service as a member of the Board of Directors since 2008. I am very pleased to report that Jerry will be retained in a consulting capacity to provide investor relations services to the company after its Annual Meeting of Stockholders on May 16, 2017.

AAON Water-Source Heat Pump Manufacturing Line

Additionally, the Board of Directors recenty promoted Mikel D. Crews to the position of Vice President of Operations. Mr. Crews has been with AAON since its founding and has served the company in numerous operational, production and inventory management roles during his nearly 30 years with the company. Mr. Crews' vast knowledge of AAON's operations will be better leveraged through this new position and having him oversee the day-to-day operations of our Tulsa facilities allows our President, Gary Fields, and myself to focus on the Company's long-term strategic goals.

SALES REPRESENTATIVES' PERFORMANCE

Our manufacturer's representative network is comprised of approximately 76 independent representative organizations which operate 115 offices in all 50 states, Canada and one international office.

In 2014 we revised our regional sales managerial structure which allowed for closer interaction between internal regional managers and the outside representatives and their customers. This restructuring has proven to be quite successful and we continue our policy of replacing underperforming sales offices. During the past year our independent sales representative network contributed over 90% of total sales.

The new WSHP product line should significantly augment the representatives' sales efforts by opening new markets to AAON products. Furthermore, once completed in 2018, our new laboratory will have a witness test area which will allow customers the opportunity to view product testing. This should greatly aid the representatives' sales and marketing efforts. Our independent sales representatives have been a significant contributor to the growth we've experienced to date, and we continue working to ensure they are well-positioned to contribute to our future growth.

OUR EMPLOYEES

AAON strives to be the employer of choice by building a culture of mutual trust, promotion of the entrepreneurial spirit and the recognition of talent and hard work. AAON attracts and retains a talented workforce using a mixture of compensation components, including base salary, incentive pay, whether in the form of cash or non-cash awards, and employee benefits. We provide a non-discriminatory and competitive total compensation package that rewards employees who drive for results, commit to continual improvement, save for the future, take care of their health, and are interested in the long-term well-being of AAON.

During the past year, AAON continued expanding the use of equity as a component of compensation for all employees. AAON believes that, by doing so, it will align the goals of the employees with the goals of the stockholders. This will incentivize employees to help AAON grow and succeed in the market because they will see a direct connection to their own personal wealth. AAON employees have long understood the concept of succeeding through the company's growth as a result of the AAON discretionary quarterly profit-sharing program, which distributes 10% of AAON's pre-tax profits equally to nearly all personnel.

AAON is proud of the broad cultural diversity of its employee base. Over 64% of the AAON employee population is comprised of minorities and over 26% are female. At both of our facilities, AAON employs people from over 30 countries worldwide. All employees are provided with equal opportunities to grow and succeed without regard to gender, race, ethnicity, national origin, citizenship, disability, age, veteran status or any other classification protected by law.

We value the success of our employees which is evidenced by our generous tuition reimbursement program, whereby we encourage employees to explore learning opportunities. We also provide in-house training and have taken large strides to educate our employees by implementing an on-line training program for employees that allows them to identify training needs and meet those needs as quickly and easily as possible. Based upon the favorable responses and feedback we received from the 2016 Employee Engagement Survey, which demonstrates that the majority of our employees are "engaged" or "highly engaged" in their jobs at AAON, we believe our efforts have been fruitful.

We use a performance matrix that is designed to award employees based upon their performance and impact to AAON. Employees are also evaluated based upon their adherence to the AAON core values of: integrity; mutual trust and respect; quality; empowerment; and innovation. Through our talent development efforts, we are grooming the next generation of AAON leadership.

OUTLOOK

We will continue to pursue our future growth by remaining fully committed to increasing our capital expenditures and research and development efforts as well as expanding our recruitment of skilled personnel.

Our history of sales and earnings growth has been excellent and the continued support and cooperation of our customers, sales representatives and stockholders, coupled with the total commitment of our employees, all of whose names appear at the end of this report, will allow us to sustain and accelerate our growth well into the future.

We are truly honored to have you with us as we continue investing in our future!

Sincerely,

Norman H. Asbjornson
Chief Executive Officer and Founder
March 20, 2017

"We made these investments in our future to solidify our reputation as one of the most technologically innovative leaders in the HVAC industry and to deliver greater long-term value to our stockholders."

Company Timeline

1988

August
AAON, an Oklahoma corporation, was founded.

September
Purchase of John Zink Air Conditioning Division.

1989

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.

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

1990

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

1991

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

1996

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

1997

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

1998

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

November
AAON yearly shipments exceed $100 million.

Received U.S. patent for Dimple Heat Exchanger Tube.

1999

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

1992

Spring

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

September

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

1993

November

Listed on the NASDAQ National Market System.

1994

January

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

March

Purchased property with 26,000 square foot building adjact to AAON Coil Products plant in Longview, Texas.

Issued a 10% stock dividend.

1995

September

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

2000

2001

July

AAON added as a member of the Russell 2000® Index

Fall

Expanded rooftop product line to 230 tons.

Introduced evaporative-cooled condensing energy savings feature

September

3-for-2 stock split

October

AAON listed in Forbes' 200 Best Small Companies

2002

June

3-for-2 stock split

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.

2003

May

Purchased the assets of Air Wise, of Mississauga, Ontario, Canada.

July

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

October

AAON listed in Forbes' 200 Best Small Companies.

2004

April
AAON received U.S. Patent for the De-Superheater for Evaporative-Cooled Conditioning

September
AAON received U.S. Patent for DPAC.

November
Introduction of light commercial/residential product lines.

2005

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

2006

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

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

2007

March
Modular Air Handler products extended to 50,000 cfm.

August
3-for-2 stock split.

October
AAON Listed in Forbes' 200 Best Small Companies.

December
AAON rings closing bell at NASDAQ.

2012

Spring
Industry introduction of light commercial geothermal heat pump self-contained unit product line.

July
AAON SB Series Self-Contained Unit Wins ACHR News Dealer Design Award - Gold

September
Consulting-Specifying Engineer magazine awarded RN Series E-Cabinet Product of the Year - Bronze.

December
AAON yearly shipments exceed $300 million.

2013

May
Opening of AAON Parts & Supply Store.

3-for-2 stock split

AAON increases dividend payment by 25%

September
25th Anniversary

Consulting-Specifying Engineer magazine awarded SB Series Product of the Year - Bronze.

AAON rings opening bell at NASDAQ.

December
AAON named top Tulsa area stock value.

2014

June
3-for-2 stock split

July
AAON LN Series Chiller wins ACHR New Dealer Design Award - Bronze

September
AAON donates $3 Million to A Gathering Place for Tulsa.

2015

May
AAON increases dividend payment by 20%

June
AAON receives Gold Dealer Design Award in the Ventilation category.

September
AAON Low Leakage Dampers voted "Product of the Year" by Consulting-Specifying Engineer magazine.

Company Timeline

2008

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.

2009

Summer

AAON increased dividend payment by 13%.

AAON named to the Fortune 40 : Best Stocks to Retire On.

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

Fall

AAON products received Dealer Design Awards from ACHR News.

AAON added to Standard & Poor's Small Cap 600 Index.

AAON listed in Forbes' 200 Best Small Companies.

2010

July

AAON RQ Series win ACHR News Dealer Design award.

October

AAON RN Series rooftop unit named 2010 Product of the Year - Silver by Consulting-Specifying Engineer Magazine.

AAON LC Series Chiller product named 2010 Product of the Year - Bronze by Consulting-Specifying Engineer Magazine.

AAON Listed in Forbes' 200 Best Small Companies

2011

Summer

National Society of Professional Engineers awarded RQ Series High Efficiency Rootop Unit " - Product of the Year."

3-for-2 stock split.

AAON Geothermal RQ Series wins Silver in ACHR News Dealer Design Competition. Single Zone VAV rooftop units win Honorable Mention in ACHR News Dealer Deisgn Competition.

October

AAON Geothermal RQ Series product named 2011 Product of the Year - Silver by Consulting-Specifying Engineer magazine.

2016

January

AAON received U.S. Patent for the Low Leakage Dampers

February

AAON Breaks Ground on New Engineering R&D Lab

July

AAON LZ Series Packaged Outdoor Mechanical Room wins ACHR News Dealer Design Award- Gold

September

Consulting-Specifying Engineer magazine awarded LZ Series Outdoor Mechanical Room Product of the Year - Gold, Chiller category.

Consulting-Specifying Engineer magazine awarded RN Series Horizontal Configuration Rooftop Unit Product of the Year - Gold, HVAC/R category.

November

AAON increases dividend payment by 18%


AAON

"We believe our new, highly innovative water-source heat pump product line will be very well received in the marketplace and will enable AAON to garner a sizeable portion of the total water-source heat pump market over the next several years." *- Norm Asbjornson, CEO*

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, 2016

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(b) of the Act: None

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.

[ ]

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 [X]	Accelerated filer [__]
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, 2016 was $1,093.9 million.

As of February 16, 2017, registrant had outstanding a total of 52,641,334 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 16, 2017, are incorporated into Part III.

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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", "should", "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 forward-looking 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.

PART I

Item 1. Business.

General Development and Description of Business

AAON, Inc., a Nevada corporation, ("AAON Nevada") was incorporated on August 18, 1987. Our operating subsidiaries include 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 Nevada and our subsidiaries.

We are engaged in the engineering, manufacturing, marketing and sale of air conditioning and heating equipment consisting of standard, semi-custom and custom rooftop units, chillers, packaged outdoor mechanical rooms, air handling units, makeup air units, energy recovery units, condensing units, geothermal/water-source heat pumps 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 $14.7 million, $14.6 million and $19.9 million of our sales in 2016, 2015 and 2014, respectively.

Our rooftop and condensing unit markets primarily consist of units installed on commercial or industrial structures of generally less than ten stories in height. Our air handling units, self-contained units, geothermal/water-source heat pumps, chillers, packaged outdoor mechanical rooms 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. Currently, slightly over half of the industry's market consists 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 six to 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 2016 sales of $384.0 million, we estimate that we have approximately a 12-13% share of the greater than five ton rooftop market and a 2-3% share of the less than five ton market. Approximately 55% of our sales were generated from the renovation and replacement markets and 45% from new construction. 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 and cooling in a self-contained cabinet, referred to in the industry as "unitary products”. Our other finished products are chillers, packaged outdoor mechanical rooms, coils, air handling units, condensing units, makeup air units, energy recovery units, rooftop units and geothermal/water-source heat pumps.

We offer three groups of rooftop units: the RQ Series, consisting of eight cooling sizes ranging from two to ten tons; the RN Series, offered in 28 cooling sizes ranging from six to 140 tons; and the RL Series, which is offered in 21 cooling sizes ranging from 45 to 240 tons.

We also offer the SA, SB and M2 Series as indoor packaged, water-cooled or geothermal/water-source heat pump self-contained units with cooling capacities of three to 70 tons.

Our small packaged geothermal/water-source heat pump units consist of the WH Series horizontal configuration and WV Series vertical configuration, both from one-half to five tons.

We manufacture a LF Series chiller, air-cooled, a LN Series chiller, air-cooled, and a LZ Series chiller and packaged outdoor mechanical room, which are available in both air-cooled condensing and evaporative-cooled configurations, covering a range of four to 540 tons. BL Series boiler outdoor mechanical rooms are also available with 400-6,000 MBH heating capacity. FZ Series fluid cooler outdoor mechanical rooms are also available with a range of 50 to 450 tons.

We offer four groups of condensing units: the CB Series, two to five tons; the CF Series, two to 70 tons; the CN Series, 55 to 140 tons; and the CL Series, 45 to 230 tons.

Our air handling units consist of the indoor F1, H3 and V3 Series and the modular M2 and M3 Series, as well as air handling unit configurations of the RQ, RN, RL and SA Series units.

Our energy recovery option applicable to our RQ, RN, RL and SB units, as well as our V3, M2 and M3 Series air handling units, 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 one-half to 540 tons and in heating capacity from 69,000 to 9,000,000 BTUs. All of our products meet the Department of Energy's (“DOE”) minimum efficiency standards, which define the maximum amount of energy to be used in producing a given amount of cooling. Many of our units far exceed these minimum standards and are among the highest efficiency units currently available.

A typical commercial building installation requires one 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.

Major Customers

One customer, Texas AirSystems, accounted for 10% or more of our sales during 2016 and 2015. No customer accounted for 10% or more of our sales during 2014.

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.

Sourcing of raw materials may be impacted in the future by the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") that contains provisions to improve transparency and accountability concerning the supply of certain minerals, known as "conflict minerals", originating from the Democratic Republic of Congo and adjoining countries. As companies begin implementing the requirements adopted by the Securities and Exchange Commission ("SEC") in response to the provisions in the Dodd-Frank Act, availability of materials that contain conflict minerals may be affected.

We attempt to limit the impact of price fluctuations on these materials by entering into cancellable and non-cancellable fixed price contracts with our major suppliers for periods of six to 18 months. We expect to receive delivery of raw materials from our fixed price contracts for use in our manufacturing operations.

Representatives

We employ a sales staff of 31 individuals and utilize approximately 65 independent manufacturer representatives' organizations (“Representatives”) having 104 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 focuses 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. We also have factory service organizations at each of our plants. Additionally, a number of the Representatives we utilize have their own service organizations, which, in connection with us, provide the necessary warranty work and/or normal service to customers.

Warranties

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 ten years on gas-fired heat exchangers in RL products (if applicable). Our warranty policy for the RQ series covers parts for two years from date of unit shipment and labor for one year from date of unit shipment. Our warranty policy for the WH and WV Series geothermal/water-source heat pumps covers parts for five years from the date of manufacture.

The Company also sells extended warranties on parts for various lengths of time ranging from six months to ten years. Revenue for these separately priced warranties is deferred and recognized on a straight-line basis over the separately priced warranty period.

Research and Development

Our products are engineered for performance, flexibility and serviceability. This has become a critical factor in competing in the heating, ventilation and air conditioning (“HVAC”) equipment industry. We must continually develop new and improved products in order to compete effectively and to meet evolving regulatory standards in all of our major product lines.

All of our Research and Development ("R&D") activities are self-sponsored, rather than customer-sponsored. R&D activities have involved the RQ, RN and RL (rooftop units), F1, H3, V3, M2 and M3 (air handling units), LF, LN and LZ (chillers), CB, CF and CN (condensing units), SA and SB (self-contained units), WH and WV (water-source heat pumps), FZ (fluid coolers) 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 $12.0 million, $7.5 million and $6.3 million in 2016, 2015 and 2014, respectively.

Backlog

Our backlog as of February 1, 2017 was approximately $53.5 million compared to approximately $52.3 million as of February 1, 2016. The current backlog consists of orders considered by management to be firm and generally are filled on average within approximately 60 to 90 days after an order is deemed to become firm; 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 of 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 $30 million and had a zero balance at December 31, 2016. We believe that we will have sufficient funds available to meet our working capital needs for the foreseeable future.

Seasonality

Sales of our products are moderately seasonal with the peak period being July - November of each year due to timing of construction projects being directly related to warmer weather.

Competition

In the standardized market, we compete primarily with Lennox International, Inc., Trane (Ingersoll Rand Limited), York (Johnson Controls Inc.) and Carrier (United Technologies Corporation). All of these competitors are substantially larger and have greater resources than we do. 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 February 12, 2017, we employed 1,619 permanent employees. Our employees are not represented by unions. Management considers its 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 energy recovery wheel option, blower, gas-fired heat exchanger, evaporative-cooled condenser de-superheater and low leakage damper which have terms of 20 years with expiration dates ranging from 2016 to 2033.

Environmental Matters

Laws concerning the environment that affect or could affect our 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 are in compliance with these laws and that future compliance will not materially 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 Securities Exchange Act of 1934, as amended, will be available free of charge through our Internet website as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. The information on our website is not a part of, or incorporated by reference into, this annual report on Form 10-K.

Copies of any materials we file with the SEC can also be obtained free of charge through the SEC's website at http://www.sec.gov, at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549, or by calling the SEC at 1-800-732-0330.

Item 1A. Risk Factors.

The following risks and uncertainties may affect our performance and results of operations. The discussion below contains "forward-looking statements" as outlined in the Forward-Looking Statements section above. Our ability to mitigate risks may cause our future results to materially differ from what we currently anticipate. Additionally, the ability of our competitors to react to material risks will affect our future results.

Our business can be hurt by 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. Sales in the commercial and industrial new construction markets correlate 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 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 could impact 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.

Problems in the availability, or increases in the prices, of raw materials or components could depress our sales or increase the costs of our products. We are dependent upon components purchased from third parties, as well as raw materials such as steel, copper and aluminum. Occasionally, we enter into cancellable and non-cancellable contracts on terms from six to 18 months for raw materials and components at fixed prices. However, if a key supplier is unable or unwilling to meet our supply requirements, we could experience supply interruptions or cost increases, either of which could have an adverse effect on our gross profit.

We risk having losses resulting from the use of non-cancellable fixed price contracts.

Historically, we have attempted to limit the impact of price fluctuations on commodities by entering into non-cancellable fixed price contracts with our major suppliers for periods of six to 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 using hedge accounting 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 achieve new technological advances in the HVAC industry. Our inability to continue to successfully develop and market new products or our inability to implement 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, 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 Chief Executive Officer from inception to date and President from inception to November 2016. He has provided the leadership and vision for our strategy and growth. Although important responsibilities and functions have been delegated to other highly experienced and capable management personnel, and our products are technologically advanced and well positioned for sales well into the future, the death, disability or retirement of Mr. Asbjornson could impair the growth of our business. We do not have an employment agreement with Mr. Asbjornson.

The Board of Directors attempts to manage this risk by continually engaging in succession planning concerning Mr. Asbjornson (as well as other key management personnel), as demonstrated by the Board's appointment of Gary D. Fields as President of AAON in November 2016.

Our business is subject to the risks of interruptions by cybersecurity attacks.

We depend upon information technology infrastructure, including network, hardware and software systems to conduct our business. Despite our implementation of network and other cybersecurity measures, our information technology system and networks could be disrupted or experience a security breach from computer viruses, break-ins and similar disruptions from unauthorized tampering with our computer systems. Our security measures may not be adequate to protect against highly targeted sophisticated cyber-attacks, or other improper disclosures of confidential and/or sensitive information. Additionally, we may have access to confidential or other sensitive information of our customers, which, despite our efforts to protect, may be vulnerable to security breaches, theft, or other improper disclosure. Any cyber-related attack or other improper disclosure of confidential information could have a material adverse effect on our business, as well as other negative consequences, including significant damage to our reputation, litigation, regulatory actions and increased cost.

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 potentially extreme governmental regulations.

We always face the possibility of new governmental regulations which could have a substantial or even extreme negative effect on our operations and profitability. Negotiations during the summer of 2013 mitigated some of the negative effects of the Department of Energy Final Rule, Regulatory Identification No. 1904-AC23, published on March 7, 2011. However, certain additional testing and listing requirements are still in place and scheduled to be phased in.

Several other intrusive component part governmental regulations are in process. If these proposals become final rules, the effect would be the regulation of compressors and fans in products for which the Department of Energy does not have current authority. This could affect equipment we currently manufacture and could have an impact on our product design, operations and profitability.

The Dodd-Frank Wall Street Reform and Consumer Protection Act contains provisions to improve transparency and accountability concerning the supply of certain minerals, known as "conflict minerals", originating from the Democratic Republic of Congo and adjoining countries. As a result, in August 2012, the SEC adopted annual disclosure and reporting requirements for those companies who use conflict minerals in their products. Accordingly, we began our reasonable country of origin inquiries in fiscal year 2013, with initial disclosure requirements beginning in May 2014. There are costs associated with complying with these disclosure requirements, including for due diligence to determine the sources of conflict minerals used in our products and other potential changes to products, processes or sources of supply as a consequence of such verification activities. The implementation of these rules could adversely affect the sourcing, supply and pricing of materials used in our products. As there may be only a limited number of suppliers offering “conflict free” conflict minerals, we cannot be sure that we will be able to obtain necessary conflict minerals from such suppliers in sufficient quantities or at competitive prices. Also, we may face reputational challenges if we determine that certain of our products contain minerals not determined to be conflict free or if we are unable to sufficiently verify the origins for all conflict minerals used in our products through the procedures we may implement.

We are subject to adverse changes in tax laws.

Our tax expense or 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 currently subject to state and local tax examinations for which we do not expect any major assessments.

We are subject to international regulations that could adversely affect our business and results of operations.

Due to our use of representatives in foreign markets, we are subject to many laws governing international relations, including those that prohibit improper payments to government officials and commercial customers, and restrict where we can do business, what information or products we can supply to certain countries and what information we can provide to a non-U.S. government, including but not limited to the Foreign Corrupt Practices Act, U.K. Bribery Act and the U.S. Export Administration Act. Violations of these laws, which are complex, may result in criminal penalties or sanctions that could have a material adverse effect on our business, financial condition and results of operations.

Operations may be affected by natural disasters, especially since most of our operations are performed at a single location.

Natural disasters such as tornadoes and ice storms, as well as accidents, acts of terror, infection and other factors beyond our control could adversely affect our operations. Especially, as our facilities are in areas where tornadoes are likely to occur, and the majority of our operations are at our Tulsa facilities, the effects of natural disasters and other events could damage our facilities and equipment and force a temporary halt to manufacturing and other operations, and such events could consequently cause severe damage to our business. We maintain insurance against these sorts of events; however, this is not guaranteed to cover all the losses and damages incurred.

If we are unable to hire, develop or retain employees, it could have an adverse effect on our business.

We compete to hire new employees and then seek to train them to develop their skills. We may not be able to successfully recruit, develop and retain the personnel we need. Unplanned turnover or failure to hire and retain a diverse, skilled workforce, could increase our operating costs and adversely affect our results of operations.

Variability in self-insurance liability estimates could impact our results of operations.

We self-insure for employee health insurance and workers’ compensation insurance coverage up to a predetermined level, beyond which we maintain stop-loss insurance from a third-party insurer for claims over $200,000 and $750,000 for employee health insurance claims and workers' compensation insurance claims, respectively. Our aggregate exposure varies from year to year based upon the number of participants in our insurance plans. We estimate our self-insurance liabilities using an analysis provided by our claims administrator and our historical claims experience. Our accruals for insurance reserves reflect these estimates and other management judgments, which are subject to a high degree of variability. If the number or severity of claims for which we self-insure increases, it could cause a material and adverse change to our reserves for self-insurance liabilities, as well as to our earnings.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

As of December 31, 2016, we own all of our facilities, consisting of approximately 1.55 million square feet of space for office, manufacturing, warehouse, assembly operations and parts sales in Tulsa, Oklahoma, and Longview, Texas. We believe that our facilities are well maintained and are in good condition and suitable for the conduct of our business.

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, and a 940,000 sq. ft. manufacturing/warehouse building and a 70,000 sq. ft. office building located on an approximately 78-acre tract of land across the street from the original facility (2440 South Yukon Avenue) (the "Tulsa facilities").

Our manufacturing area is in heavy industrial type buildings, with some coverage by overhead cranes, containing manufacturing equipment designed for sheet metal fabrication and metal stamping. The manufacturing equipment contained in the facilities consists primarily of automated sheet metal fabrication equipment, supplemented by presses. Assembly lines consist of six cart-type conveyor lines and one roller-type conveyor line with variable line speed adjustment, which are motor driven. Subassembly areas and production line manning are based upon line speed.

In February 2016, we broke ground on a new engineering research and development laboratory at the Tulsa manufacturing facility. The three-story 75,000 square foot facility will be both an acoustical and a performance measuring laboratory. The new facility will consist of seven psychrometric chambers allowing AAON to meet and maintain industry certifications.

Our operations in Longview, Texas, are conducted in a plant/office building at 203-207 Gum Springs Road, containing 263,000 sq. ft. on 33.0 acres. The manufacturing area (approximately 256,000 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.

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 has been threatened against us, or, to the best of our knowledge, is contemplated.

Item 4. Mine Safety Disclosure.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our common stock is quoted on the NASDAQ Global Select Market under the symbol "AAON". The table below summarizes the intraday high and low reported sale prices for our common stock for the past two fiscal years. As of the close of business on February 16, 2017, there were 1,115 holders of record of our common stock.

Quarter Ended	High	Low
March 31, 2015	$24.71	$20.85
June 30, 2015	$24.95	$22.39
September 30, 2015	$23.23	$19.12
December 31, 2015	$25.15	$19.19
March 31, 2016	$28.02	$19.49
June 30, 2016	$28.27	$25.65
September 30, 2016	$29.04	$25.75
December 31, 2016	$33.90	$27.55

Dividends - At the discretion of the Board of Directors, we pay semi-annual cash dividends. Board approval is required to determine the date of declaration and amount for each semi-annual dividend payment.

Our recent dividends are as follows:

Declaration Date	Record Date	Payment Date	Dividend per Share
May 2, 2014	June 12, 2014	July 1, 2014	$0.09
November 4, 2014	December 2, 2014	December 23, 2014	$0.09
May 19, 2015	June 12, 2015	July 1, 2015	$0.11
October 29, 2015	December 2, 2015	December 23, 2015	$0.11
May 24, 2016	June 10, 2016	July 1, 2016	$0.11
November 9, 2016	December 2, 2016	December 23, 2016	$0.13

Additionally, on June 5, 2014, we declared a three-for-two stock split of the Company's common stock to be paid in the form of a stock dividend on July 16, 2014. Stockholders of record at the close of business on June 27, 2014 received one additional share for every two shares they held as of that date.

The following is a summary of our share-based compensation plans as of December 31, 2016:

EQUITY COMPENSATION PLAN INFORMATION

Plan category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
The 2007 Long-Term Incentive Plan	410,236	$ 10.57	—
The 2016 Long-Term Incentive Plan	—	$ —	3,393,534

Repurchases during the fourth quarter of 2016 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 2016	34,455	$ 29.61	34,455	—
November 2016	81,225	30.80	81,225	—
December 2016	45,234	32.87	45,234	—
Total	160,914	$ 31.13	160,914	—

Comparative Stock Performance Graph

The following performance graph compares our cumulative total shareholder return, the NASDAQ Composite and a peer group of U.S. industrial manufacturing companies in the air conditioning, ventilation, and heating exchange equipment markets from December 31, 2011 through December 31, 2016. The graph assumes that $100 was invested at the close of trading December 31, 2011, with reinvestment of dividends. Our peer group includes Lennox International, Inc., Ingersoll Rand Limited, Johnson Controls Inc., and United Technologies Corporation. This table is not intended to forecast future performance of our Common Stock.

This stock performance Graph is not deemed to be "soliciting material" or otherwise be considered to be "filed" with the SEC or subject to Regulation 14A or 14C under the Securities Exchange Act of 1934 (Exchange Act) or to the liabilities of Section 18 of the Exchange Act, and should not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act, except to the extent the Company specifically incorporates it by reference into such a filing.

Item 6. Selected Financial Data.

The following selected financial data should be read in conjunction with our Consolidated Financial Statements and Notes thereto included under Item 8 of this report and "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in Item 7.

	Years Ended December 31,									
Results of Operations:		2016		2015		2014		2013		2012
	(in thousands, except per share data)									
Net sales	$	383,977	$	358,632	$	356,322	$	321,140	$	303,114
Net income	$	53,376	$	45,728	$	44,158	$	37,547	$	27,449
Earnings per share:										
Basic	$	1.01	$	0.85	$	0.81	$	0.68	$	0.50
Diluted	$	1.00	$	0.84	$	0.80	$	0.68	$	0.49
Cash dividends declared per common share:	$	0.24	$	0.22	$	0.18	$	0.13	$	0.16 (1)

(1) Includes special dividend of $0.05 per common share paid on December 24, 2012.

	December 31,									
Financial Position at End of Fiscal Year:		2016		2015		2014		2013		2012
	(in thousands)									
Working capital	$	101,939	$	80,800	$	82,227	$	72,515	$	47,428
Total assets		256,530		232,854		226,974		210,665		189,000
Long-term and current debt		—		—		—		—		—
Total stockholders’ equity		205,898		178,918		174,059		164,106		138,136

Use of Non-GAAP Financial Measure

To supplement the Company’s consolidated financial statements presented in accordance with generally accepted accounting principles (“GAAP”), an additional non-GAAP financial measure is provided and reconciled in the following table. The Company believes that this non-GAAP financial measure, when considered together with the GAAP financial measures, provides information that is useful to investors in understanding period-over-period operating results. The Company believes that this non-GAAP financial measure enhances the ability of investors to analyze the Company’s business trends and operating performance.

EBITDAX

EBITDAX (as defined below) is presented herein and reconciled from the GAAP measure of net income because of its wide acceptance by the investment community as a financial indicator of a company's ability to internally fund operations.

The Company defines EBITDAX as net income, plus (1) depreciation, (2) amortization of bond premiums, (3) share-based compensation, (4) interest (income) expense and (5) income tax expense. EBITDAX is not a measure of net income or cash flows as determined by GAAP.

The Company’s EBITDAX measure provides additional information which may be used to better understand the Company’s operations. EBITDAX is one of several metrics that the Company uses as a supplemental financial measurement in the evaluation of its business and should not be considered as an alternative to, or more meaningful than, net income, as an indicator of operating performance. Certain items excluded from EBITDAX are significant components in understanding and assessing a company's financial performance. EBITDAX, as used by the Company, may not be comparable to similarly titled measures reported by other companies. The Company believes that EBITDAX is a widely followed measure of operating performance and is one of many metrics used by the Company’s management team, and by other users of the Company’s consolidated financial statements.

The following table provides a reconciliation of net income (GAAP) to EBITDAX (non-GAAP) for the periods indicated:

	December 31,				
	2016	2015	2014	2013	2012
			(in thousands)		
Net Income, a GAAP measure	$ 53,376	$ 45,728	$ 44,158	$ 37,547	$ 27,449
Depreciation	13,035	11,741	11,553	12,312	13,407
Amortization of bond premiums	249	266	688	790	155
Share-based compensation	4,357	2,891	2,178	1,763	1,294
Interest income	(541)	(427)	(964)	(1,011)	(197)
Income tax expense	26,615	25,611	24,088	18,747	16,868
EBITDAX, a non-GAAP measure	$ 97,091	$ 85,810	$ 81,701	$ 70,148	$ 58,976

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

Overview

We engineer, manufacture, market and sell air conditioning and heating equipment consisting of standard, semi-custom and custom rooftop units, chillers, packaged outdoor mechanical rooms, air handling units, makeup air units, energy recovery units, condensing units, geothermal/water-source heat pumps and coils. These products are marketed and sold to retail, manufacturing, educational, lodging, supermarket, medical and other commercial industries. We market our products to all 50 states in the United States and certain provinces in Canada.

Our business can be affected by a number of economic factors, including the level of economic activity in the markets in which we operate. The recent uncertainty of the economy has negatively impacted the commercial and industrial new construction markets. A further decline in economic activity could result 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.

We sell our products to property owners and contractors through a network of manufacturers' representatives and our internal sales force. The 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 six to 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 new construction market in 2016 continued to be unpredictable and uneven. Thus, throughout the year, we emphasized promotion of the benefits of AAON equipment to property owners in 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 and are obtained from domestic suppliers. We also purchase from domestic manufacturers certain components, including compressors, motors and electrical controls.

The price levels of our raw materials fluctuate given that the market continues to be volatile and unpredictable as a result of the uncertainty related to the U.S. economy and global economy. For the year ended December 31, 2016, the prices for copper, galvanized steel and stainless steel decreased approximately 4.8%, 9.5% and 12.3%, respectively, from a year ago, while the price for aluminum remained relatively unchanged from a year ago. For the year ended December 31, 2015, the prices for copper, galvanized steel and stainless steel decreased approximately 13.0%, 10.6%, and 13.9%, respectively, from 2014, while the price for aluminum increased 1.8% from 2014.

In 2011, we began using an all aluminum microchannel condenser coil on our small rooftop unit product line, and in 2013, we began using this condenser coil in our new large rooftop product line as well. The condenser coil is the outdoor coil of a conventional air conditioning system. We expect to be using this type of condenser coil throughout the complete rooftop unit product line. This will reduce our copper tube usage in this component of the product, however, copper will remain a high volume raw material because of its use throughout the equipment.

We attempt to limit the impact of price fluctuations on these materials by entering into cancellable and non-cancellable fixed price contracts with our major suppliers for periods of six to 18 months. We expect to receive delivery of raw materials from our fixed price contracts for use in our manufacturing operations.

The following are highlights of our results of operations, cash flows, and financial condition:

- We spent $26.6 million in capital expenditures in 2016, an increase of $5.6 million from the $21.0 million spent in 2015, primarily due to construction projects related to our new research and development lab, water-source heat pump production line, as well as other internal development projects.

- We paid cash dividends of $12.7 million in 2016 compared to $11.9 million in 2015.

- Our volumes continue to increase, with an approximate 12.5% increase in units sold for 2016 versus 2015.

Results of Operations

Units sold for years ended December 31:

	2016	2015	2014
Rooftop Units	16,764	14,891	14,336
Split Systems	3,753	3,385	2,622
Outdoor Mechanical Rooms	65	57	114
Water Source Heat Pumps	316	243	251
Total Units	20,898	18,576	17,323

Year Ended December 31, 2016 vs. Year Ended December 31, 2015

Net Sales

	Years Ending December 31,			
	2016	2015	$ Change	% Change
	(in thousands, except unit data)			
Net sales	$ 383,977	$ 358,632	$ 25,345	7.1%
Total units	20,898	18,576	2,322	12.5%

Net sales increased due to an increase in our total units sold, offset by a decline in the average price per unit for both of our locations.

Cost of Sales

	Years Ending December 31,		Percent of Sales	
	2016	2015	2016	2015
	(in thousands)			
Cost of sales	$ 265,897	$ 249,951	69.2%	69.7%
Gross Profit	118,080	108,681	30.8%	30.3%

The principal components of cost of sales 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.

Twelve month average raw material cost per pound as of December 31:

	Years Ending December 31,		
	2016	2015	% Change
Copper	$ 3.37	$ 3.54	(4.8)%
Galvanized Steel	$ 0.38	$ 0.42	(9.5)%
Stainless Steel	$ 1.14	$ 1.30	(12.3)%
Aluminum	$ 1.67	$ 1.67	— %

Selling, General and Administrative Expenses

	Years Ending December 31,		Percent of Sales	
	2016	2015	2016	2015
	(in thousands)			
Warranty	$ 3,601	$ 4,317	0.9 %	1.2 %
Profit Sharing	8,991	8,037	2.3 %	2.2 %
Salaries & Benefits	11,363	11,078	3.0 %	3.1 %
Stock Compensation	2,914	2,082	0.8 %	0.6 %
Advertising	1,395	1,191	0.4 %	0.3 %
Depreciation	796	930	0.2 %	0.3 %
Insurance	1,072	1,153	0.3 %	0.3 %
Professional Fees	2,032	1,794	0.5 %	0.5 %
Donations	370	452	0.1 %	0.1 %
Bad Debt Expense	(45)	(48)	— %	— %
Other	6,017	6,452	1.6 %	1.8 %
Total SG&A	$ 38,506	$ 37,438	10.0 %	10.4 %

The increase in SG&A is primarily due to increased compensation costs due to better operating results, offset by a decrease in warranty expense as a result of continued improvements in quality control and a decrease in other expense.

Income Taxes

	Years Ending December 31,		Effective Tax Rate	
	2016	2015	2016	2015
	(in thousands)			
Income tax provision	$ 26,615	$ 25,611	33.3%	35.9%

The Company early adopted ASU 2016-09, Improvements to Employee Share-Based Payment Accounting, applying the changes for excess tax benefits and tax deficiencies prospectively. As a result, excess tax benefits and deficiencies are reported as an income tax benefit or expense on the statement of income rather than as a component of additional paid-in capital on the statement of equity. Excess tax benefits and deficiencies are treated as discrete items to the income tax provision in the reporting period in which they occur. For the twelve months ended December 31, 2016, the Company recorded $2.1 million in excess tax benefits as an income tax benefit.

Year Ended December 31, 2015 vs. Year Ended December 31, 2014

Net Sales

	Years Ending December 31,			
	2015	2014	$ Change	% Change
	(in thousands, except unit data)			
Net sales	$ 358,632	$ 356,322	$ 2,310	0.6%
Total units	18,576	17,323	1,253	7.2%

Net sales remained relatively stable while we saw an increase in our total units sold. Most of the increase in our units sold came from our Longview facility which have a lower average price per unit.

Cost of Sales

	Years Ending December 31,		Percent of Sales	
	2015	2014	2015	2014
	(in thousands)			
Cost of sales	$ 249,951	$ 248,059	69.7%	69.6%
Gross Profit	108,681	108,263	30.3%	30.4%

The principal components of cost of sales 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.

Twelve month average raw material cost per pound as of December 31:

	Years Ending December 31,		
	2015	2014	% Change
Copper	$ 3.54	$ 4.07	(13.0)%
Galvanized Steel	$ 0.42	$ 0.47	(10.6)%
Stainless Steel	$ 1.30	$ 1.51	(13.9)%
Aluminum	$ 1.67	$ 1.64	1.8 %

Selling, General and Administrative Expenses

	Years Ending December 31,		Percent of Sales	
	2015	2014	2015	2014
	(in thousands)			
Warranty	$ 4,317	$ 4,874	1.2 %	1.4 %
Profit Sharing	8,037	7,781	2.2 %	2.2 %
Salaries & Benefits	11,078	11,638	3.1 %	3.3 %
Stock Compensation	2,082	1,520	0.6 %	0.4 %
Advertising	1,191	1,015	0.3 %	0.3 %
Depreciation	930	878	0.3 %	0.2 %
Insurance	1,153	1,160	0.3 %	0.3 %
Professional Fees	1,794	1,986	0.5 %	0.6 %
Donations	452	4,202	0.1 %	1.2 %
Bad Debt Expense	(48)	(1)	— %	— %
Other	6,452	5,509	1.8 %	1.5 %
Total SG&A	$ 37,438	$ 40,562	10.4 %	11.4 %

The decrease in SG&A is primarily due to the non-recurring donations in 2014, along with a decrease in warranty expense as a result of continued improvements in quality control, offset by an increase in other expense. In 2015, other expense increased due to sales taxes to certain states.

Income Taxes

	Years Ending December 31,		Effective Tax Rate	
	2015	2014	2015	2014
	(in thousands)			
Income tax provision	$ 25,611	$ 24,088	35.9%	35.3%

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.

Our cash and cash equivalents increased $16.2 million from December 31, 2015 to December 31, 2016. As of December 31, 2016, we had $24.2 million in cash and cash equivalents.

As of December 31, 2016, we had certificates of deposit of $5.5 million and investments held to maturity at amortized cost of $14.1 million. These certificates of deposit had maturity dates of less than two months to approximately 7 months. The investments held to maturity at amortized cost had maturity dates of less than one month to approximately 6 months.

On July 25, 2016 we renewed our line of credit with BOKF, NA dba Bank of Oklahoma, formerly known as Bank of Oklahoma, N.A. ("Bank of Oklahoma"). The revolving line of credit matures on July 27, 2018. We expect to renew our line of credit in July 2018 with favorable terms. Under the line of credit, there was one standby letter of credit of $0.8 million as of December 31, 2016. At December 31, 2016 we have $29.2 million of borrowings available under the revolving credit facility. No fees are associated with the unused portion of the committed amount.

As of December 31, 2016 and 2015, there were no outstanding balances under the revolving credit facility. Interest on borrowings is payable monthly at LIBOR plus 2.5%. The weighted average interest rate was 3.0% and 2.6% for the years ended December 31, 2016 and 2015, respectively.

At December 31, 2016, we were in compliance with all of the covenants under the revolving credit facility. We are obligated to comply with certain financial covenants under the revolving credit facility. These covenants require that we meet certain parameters related to our tangible net worth and total liabilities to tangible net worth ratio. At December 31, 2016, our tangible net worth was $205.9 million, which meets the requirement of being at or above $125.0 million. Our total liabilities to tangible net worth ratio was 0.2 to 1.0 which meets the requirement of not being above 2 to 1.

The Board has authorized three stock repurchase programs for the Company. The Company may purchase shares on the open market from time to time, up to a total of 5.7 million shares. The Board must authorize the timing and amount of these purchases. Effective May 24, 2016, the Board authorized up to $25.0 million in open market repurchases and on June 2, 2016, the Company executed a repurchase agreement in accordance with the rules and regulations of the SEC allowing the Company to repurchase an aggregate amount of $25.0 million or a total of approximately 2.0 million shares from the open market. The repurchase agreement will terminate upon the aforementioned thresholds having been met, on April 15, 2017, or upon other provisions contained in the repurchase agreement by either the Company or its agent. The Company also has a stock repurchase arrangement by which employee-participants in our 401(k) savings and investment plan are entitled to have shares in AAON, Inc. stock in their accounts sold to the Company. The maximum number of shares to be repurchased is contingent upon the number of shares sold by employee-participants. Lastly, the Company repurchases shares of AAON, Inc. stock from certain of its directors and employees for payment of statutory tax withholdings on stock transactions. Any other repurchases from directors or employees is contingent upon Board approval. All repurchases are done at current market prices.

Our repurchase activity is as follows:

	2016			2015			2014		
Program	Shares	Total $	$ per share	Shares	Total $	$ per share	Shares	Total $	$ per share
Open market	165,598	$ 4,440,658	$26.82	1,037,590	$ 24,999,963	$24.09	1,016,717	$ 19,998,406	$19.67
401(k)	540,501	14,875,850	27.52	512,754	11,557,598	22.54	417,172	8,246,172	19.77
Directors and employees	30,072	823,446	27.38	25,746	585,413	22.74	54,341	1,038,459	19.11
Total	736,171	$ 20,139,954	$27.36	1,576,090	$ 37,142,974	$23.57	1,488,230	$ 29,283,037	$19.68

	Inception to Date		
Program	Shares	Total $	$ per share
Open market	3,834,819	$ 60,948,460	$15.89
401(k)	6,082,443	65,732,720	10.81
Directors and employees	1,873,632	15,663,608	8.36
Total	11,790,894	$142,344,788	$12.07

Dividends - At the discretion of the Board of Directors, we pay semi-annual cash dividends. Board approval is required to determine the date of declaration and amount for each semi-annual dividend payment.

Our recent dividends are as follows:

Declaration Date	Record Date	Payment Date	Dividend per Share
May 2, 2014	June 12, 2014	July 1, 2014	$ 0.09
November 4, 2014	December 2, 2014	December 23, 2014	$ 0.09
May 19, 2015	June 12, 2015	July 1, 2015	$ 0.11
October 29, 2015	December 2, 2015	December 23, 2015	$ 0.11
May 24, 2016	June 10, 2016	July 1, 2016	$ 0.11
November 9, 2016	December 2, 2016	December 23, 2016	$ 0.13

Additionally, on June 5, 2014, we declared a three-for-two stock split of the Company's common stock to be paid in the form of a stock dividend on July 16, 2014. Stockholders of record at the close of business on June 27, 2014 received one additional share for every two shares they held as of that date.

Based on historical performance and current expectations, we believe our cash and cash equivalents balance, the projected cash flows generated from our operations, our existing committed revolving credit facility (or comparable financing) and our expected ability to access capital markets will satisfy our working capital needs, capital expenditures and other liquidity requirements associated with our operations in 2017 and the foreseeable future.

Statement of Cash Flows

The table below reflects a summary of our net cash flows provided by operating activities, net cash flows used in investing activities, and net cash flows used in financing activities for the years indicated.

	2016	2015	2014
		(in thousands)	
Operating Activities			
Net Income	$ 53,376	$ 45,728	$ 44,158
Income statement adjustments, net	18,996	16,250	12,154
Changes in assets and liabilities:			
Accounts receivable	7,048	(5,884)	(5,007)
Income tax receivable	(1,537)	312	(257)
Inventories	(9,478)	(1,059)	(5,613)
Prepaid expenses and other	(83)	76	(305)
Accounts payable	654	(5,109)	3,512
Deferred revenue	417	189	782
Accrued liabilities	(5,470)	4,852	4,094
Net cash provided by operating activities	63,923	55,355	53,518
Investing Activities			
Capital expenditures	(26,604)	(20,967)	(16,127)
Purchases of investments	(14,496)	(20,863)	(16,820)
Maturities of investments and proceeds from called investments	24,095	18,519	26,536
Other	80	117	382
Net cash used in investing activities	(16,925)	(23,194)	(6,029)
Financing Activities			
(Payments) borrowings under revolving credit facility, net	—	—	—
Stock options exercised	2,063	2,795	1,318
Repurchase of stock	(19,317)	(36,558)	(29,066)
Employee taxes paid by withholding shares	(823)	(585)	(218)
Cash dividends paid to stockholders	(12,676)	(11,857)	(9,656)
Net cash used in financing activities	$ (30,753)	$ (46,205)	$ (37,622)

Cash Flows from Operating Activities

Cash flows from operating activities increased primarily due to increased levels of operations generating excess cash flows.

Cash Flows from Investing Activities

The capital expenditure program for 2017 is estimated to be approximately $41.8 million. The increase in capital expenditures is primarily due to construction projects related to our new research and development lab, water-source heat pump production line, as well as other internal development projects. Many of these projects are subject to review and cancellation at the discretion of our CEO and Board of Directors without incurring substantial charges. The increase in capital expenditures was offset by decreased investment purchases, primarily driven by the use of maturing investment funds in our capital expenditure program.

Cash Flows from Financing Activities

Our buyback activity in 2016 decreased compared to prior years, due to less open market repurchases of our stock pursuant to the terms of our repurchase agreement.

Off-Balance Sheet Arrangements

We are not party to any off-balance sheet arrangements that have or are reasonably likely to have a material current or future effect on our financial condition, changes in financial condition, revenues, expenses, results of operations, liquidity, capital expenditures or capital resources.

Commitments and Contractual Agreements

We had no material contractual purchase agreements as of December 31, 2016.

Contingencies

We are subject to various claims and legal actions that arise in the ordinary course of business. We closely monitor these claims and legal actions and frequently consult with our legal counsel to determine whether they may, when resolved, have a material adverse effect on our financial position, results of operations or cash flows and we accrue and/or disclose loss contingencies as appropriate. We have concluded that the likelihood is remote that the ultimate resolution of any pending litigation or claims will be material or have a material adverse effect on the Company's business, financial position, results of operations or cash flows.

Critical Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("US GAAP") requires management to make estimates and assumptions about future events, and apply judgments that affect the reported amounts of assets, liabilities, revenue and expenses in our consolidated financial statements and related notes. We base our estimates, assumptions and judgments on historical experience, current trends and other factors believed to be relevant at the time our consolidated financial statements are prepared. However, because future events and their effects cannot be determined with certainty, actual results could differ from our estimates and assumptions, and such differences could be material. We believe the following critical accounting policies affect our more significant estimates, assumptions and judgments used in the preparation of 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. Our warranty policy for the WH and WV Series geothermal/water-source heat pumps covers parts for five years from the date of manufacture. Warranty expense is estimated based on the warranty period, historical warranty trends and associated costs, and any known identifiable warranty issue.

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.

Stock Compensation – We measure and recognize compensation expense for all share-based payment awards made to our employees and directors, including stock options and restricted stock awards, based on their fair values at the time of grant. Compensation expense is recognized on a straight-line basis during the service period of the related share-based compensation award. Forfeitures are accounted for as they occur. The fair value of each option award and restricted stock award is estimated on the date of grant using the Black-Scholes-Merton option pricing model. The use of the Black-Scholes-Merton option valuation model requires the input of subjective assumptions such as: the expected volatility, the expected term of the options granted, expected dividend yield, and the risk-free rate.

New Accounting Pronouncements

Changes to U.S. GAAP are established by the Financial Accounting Standards Board ("FASB") in the form of accounting standards updates ("ASUs") to the FASB's Accounting Standards Codification.

We consider the applicability and impact of all ASUs. ASUs not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on our consolidated financial statements and notes thereto.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. In August 2015, with the issuance of ASU 2015-14, the FASB amended the effective date for us to January 1, 2018.

The following ASUs have been issued in 2016 along with ASU 2014-09 with the same effective dates and transition requirements:

- ASU 2016-08, *Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*, which provides implementation guidance for Topic 606 on principal versus agent considerations.
- ASU 2016-10, *Identifying Performance Obligations and Licensing*, which provides clarification for two aspects of Topic 606: identifying performance obligations and the licensing implementation guidance.
- ASU 2016-12, *Revenue from Contracts with Customers*, which further amends Topic 606.
- ASU 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers*, which further amends Topic 606.

The Company plans to adopt using the retrospective transition method. The Company has begun assessing the impact of ASU 2015-09 and believes the impact will not be material to the consolidated financial statements. We do not expect to complete our evaluation until after our first quarter of 2017. Once we adopt ASU 2014-09, we do not anticipate that our internal control framework will materially change, but rather that existing internal controls will be modified and augmented, as necessary, to consider our new revenue recognition policy effective January 1, 2018.

In January 2016, the FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*, which will address certain aspects of recognition, measurement, presentation and disclosure of financial instruments. The ASU becomes effective in the annual reporting period beginning after December 31, 2017, including interim reporting periods. We do not expect ASU 2016-01 will have a material effect on our consolidated financial statements and notes thereto.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Commodity Price Risk

We are exposed to volatility in the prices of commodities used in some of our products and, occasionally, we use fixed price cancellable and non-cancellable contracts with our major suppliers for periods of six to 18 months to manage this exposure.

Item 8. Financial Statements and Supplementary Data.

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 (the "Company") as of December 31, 2016 and 2015, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2016. 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, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 11 to the consolidated financial statements, the Company adopted new accounting guidance in 2016, 2015 and 2014, related to the accounting for employee share-based payments.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2016, based on criteria established in the 2013 *Internal Control–Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 23, 2017, expressed an unqualified opinion.

/s/ GRANT THORNTON LLP
Tulsa, Oklahoma
February 23, 2017

AAON, Inc. and Subsidiaries
Consolidated Balance Sheets

	December 31, 2016	December 31, 2015
	(in thousands, except share and per share data)	
Assets		
Current assets:		
Cash and cash equivalents	$ 24,153	$ 7,908
Certificates of deposit	5,512	10,080
Investments held to maturity at amortized cost	14,083	12,444
Accounts receivable, net	43,001	50,024
Income tax receivable	6,239	4,702
Note receivable	25	23
Inventories, net	47,352	38,499
Prepaid expenses and other	616	533
Total current assets	140,981	124,213
Property, plant and equipment:		
Land	2,233	2,233
Buildings	78,806	68,806
Machinery and equipment	158,216	143,100
Furniture and fixtures	12,783	11,270
Total property, plant and equipment	252,038	225,409
Less: Accumulated depreciation	137,146	124,348
Property, plant and equipment, net	114,892	101,061
Certificates of deposit	—	1,880
Investments held to maturity at amortized cost	—	5,039
Note receivable, long-term	657	661
Total assets	$ 256,530	$ 232,854
Liabilities and Stockholders' Equity		
Current liabilities:		
Revolving credit facility	$ —	$ —
Accounts payable	7,102	6,178
Accrued liabilities	31,940	37,235
Total current liabilities	39,042	43,413
Deferred revenue	1,498	698
Deferred tax liabilities	9,531	8,706
Donations	561	1,119
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $.001 par value, 5,000,000 shares authorized, no shares issued		
Common stock, $.004 par value, 100,000,000 shares authorized, 52,651,448 and 53,012,363 issued and outstanding at December 31, 2016 and 2015, respectively	211	212
Additional paid-in capital	—	—
Retained earnings	205,687	178,706
Total stockholders' equity	205,898	178,918
Total liabilities and stockholders' equity	$ 256,530	$ 232,854

The accompanying notes are an integral part of these consolidated financial statements.

AAON, Inc. and Subsidiaries

Consolidated Statements of Income

	Years Ending December 31,		
	2016	2015	2014
	(in thousands, except per share data)		
Net sales	$ 383,977	$ 358,632	$ 356,322
Cost of sales	265,897	249,951	248,059
Gross profit	118,080	108,681	108,263
Selling, general and administrative expenses	38,506	37,438	40,562
Gain on disposal of assets	(20)	(59)	(305)
Income from operations	79,594	71,302	68,006
Interest income, net	292	161	276
Other income (expense), net	105	(124)	(36)
Income before taxes	79,991	71,339	68,246
Income tax provision	26,615	25,611	24,088
Net income	$ 53,376	$ 45,728	$ 44,158
Earnings per share:			
Basic	$ 1.01	$ 0.85	$ 0.81
Diluted	$ 1.00	$ 0.84	$ 0.80
Cash dividends declared per common share:	$ 0.24	$ 0.22	$ 0.18
Weighted average shares outstanding:			
Basic	52,924,398	54,045,841	54,809,319
Diluted	53,449,754	54,481,484	55,369,016

The accompanying notes are an integral part of these consolidated financial statements.

AAON, Inc. and Subsidiaries

Consolidated Statements of Stockholders' Equity

	Common Stock		Paid-in	Retained	
	Shares	Amount	Capital	Earnings	Total
			(in thousands)		
Balance at December 31, 2013	55,067	$ 221	$ —	$ 163,885	$ 164,106
Net income	—	—	—	44,158	44,158
Stock options exercised and restricted stock awards granted, including tax benefits	463	1	2,556	—	2,557
Share-based compensation	—	—	2,178	—	2,178
Stock repurchased and retired	(1,488)	(6)	(4,734)	(24,544)	(29,284)
Dividends	—	—	—	(9,656)	(9,656)
Balance at December 31, 2014	54,042	216	—	173,843	174,059
Net income	—	—	—	45,728	45,728
Stock options exercised and restricted stock awards granted, including tax benefits	546	2	5,238	—	5,240
Share-based compensation	—	—	2,891	—	2,891
Stock repurchased and retired	(1,576)	(6)	(8,129)	(29,008)	(37,143)
Dividends	—	—	—	(11,857)	(11,857)
Balance at December 31, 2015	53,012	212	—	178,706	178,918
Net income	—	—	—	53,376	53,376
Stock options exercised and restricted stock awards granted	375	2	2,061	—	2,063
Share-based compensation	—	—	4,357	—	4,357
Stock repurchased and retired	(736)	(3)	(6,418)	(13,719)	(20,140)
Dividends	—	—	—	(12,676)	(12,676)
Balance at December 31, 2016	52,651	$ 211	$ —	$ 205,687	$ 205,898

The accompanying notes are an integral part of these consolidated financial statements.

AAON, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

	Years Ending December 31,		
	2016	2015	2014
Operating Activities		*(in thousands)*	
Net income	$ 53,376	$ 45,728	$ 44,158
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	13,035	11,741	11,553
Amortization of bond premiums	249	266	688
Provision for losses on accounts receivable, net of adjustments	(25)	(48)	(22)
Provision for excess and obsolete inventories	625	178	135
Share-based compensation	4,357	2,891	2,178
Gain on disposition of assets	(20)	(59)	(305)
Foreign currency transaction (gain) loss	(22)	139	74
Interest income on note receivable	(28)	(30)	(36)
Deferred income taxes	825	1,172	(2,111)
Write-off of note receivable	—	—	—
Changes in assets and liabilities:			
Accounts receivable	7,048	(5,884)	(5,007)
Income tax receivable	(1,537)	312	(257)
Inventories	(9,478)	(1,059)	(5,613)
Prepaid expenses and other	(83)	76	(305)
Accounts payable	654	(5,109)	3,512
Deferred revenue	417	189	782
Accrued liabilities and donations	(5,470)	4,852	4,094
Net cash provided by operating activities	63,923	55,355	53,518
Investing Activities			
Capital expenditures	(26,604)	(20,967)	(16,127)
Proceeds from sale of property, plant and equipment	28	63	319
Investment in certificates of deposits	(4,112)	(6,680)	(9,940)
Maturities of certificates of deposits	10,560	6,098	9,310
Purchases of investments held to maturity	(10,384)	(14,183)	(6,880)
Maturities of investments	10,021	11,408	14,197
Proceeds from called investments	3,514	1,013	3,029
Principal payments from note receivable	52	54	63
Net cash used in investing activities	(16,925)	(23,194)	(6,029)
Financing Activities			
Borrowings under revolving credit facility	761	—	—
Payments under revolving credit facility	(761)	—	—
Stock options exercised	2,063	2,795	1,318
Repurchase of stock	(19,317)	(36,558)	(29,066)
Employee taxes paid by withholding shares	(823)	(585)	(218)
Cash dividends paid to stockholders	(12,676)	(11,857)	(9,656)
Net cash used in financing activities	(30,753)	(46,205)	(37,622)
Net increase (decrease) in cash and cash equivalents	16,245	(14,044)	9,867
Cash and cash equivalents, beginning of year	7,908	21,952	12,085
Cash and cash equivalents, end of year	$ 24,153	$ 7,908	$ 21,952

The accompanying notes are an integral part of these consolidated financial statements.

1. Business Description

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 (collectively, the "Company"). The Consolidated Financial Statements include our accounts and the accounts of our subsidiaries.

We are engaged in the engineering, manufacturing, marketing and sale of air conditioning and heating equipment consisting of standard, semi-custom and custom rooftop units, chillers, packaged outdoor mechanical rooms, air handling units, makeup air units, energy recovery units, condensing units, geothermal/water-source heat pumps and coils.

2. Summary of Significant Accounting Policies

Principles of Consolidation

These financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated.

Cash and Cash Equivalents

We consider all highly liquid temporary investments with original maturity dates of three months or less to be cash equivalents. Cash and cash equivalents consist of bank deposits and highly liquid, interest-bearing money market funds. The Company's cash and cash equivalents are held in a few financial institutions in amounts that exceed the insurance limits of the Federal Deposit Insurance Corporation. However, management believes that the Company's counterparty risks are minimal based on the reputation and history of the institutions selected.

Investments

Certificates of Deposit

We held \$5.5 million and \$12.0 million in certificates of deposit at December 31, 2016 and December 31, 2015, respectively. At December 31, 2016, the certificates of deposit bear interest ranging from 0.55% to 0.90% per annum and have various maturities ranging from less than two months to approximately 7 months.

Investments Held to Maturity

At December 31, 2016, our investments held to maturity were comprised of \$14.1 million of corporate notes and bonds with various maturities ranging from less than one month to approximately 6 months. The investments have moderate risk with S&P ratings ranging from AA to BBB-.

We record the amortized cost basis and accrued interest of the corporate notes and bonds in the Consolidated Balance Sheets. We record the interest and amortization of bond premium to interest income in the Consolidated Statements of Income.

The following summarizes the amortized cost and estimated fair value of our investments held to maturity at December 31, 2016 and December 31, 2015:

	Amortized Cost	Gross Unrealized Gain	Gross Unrealized (Loss)	Fair Value
December 31, 2016:		*(in thousands)*		
Current assets:				
Investments held to maturity	$ 14,083	$ —	$ (12)	$ 14,071
Non current assets:				
Investments held to maturity	—	—	—	—
Total	$ 14,083	$ —	$ (12)	$ 14,071
December 31, 2015:				
Current assets:				
Investments held to maturity	$ 12,444	$ —	$ (16)	$ 12,428
Non current assets:				
Investments held to maturity	5,039	—	(17)	5,022
Total	$ 17,483	$ —	$ (33)	$ 17,450

We evaluate these investments for other-than-temporary impairments on a quarterly basis. We do not believe there was an other-than-temporary impairment for our investments at December 31, 2016 or 2015.

Accounts and Note Receivable

Accounts and note receivable are stated at amounts due from customers, net of an allowance for doubtful accounts. We generally do not require that our customers provide collateral. The Company determines its allowance for doubtful accounts by considering a number of factors, including the credit risk of specific customers, the customer's ability to pay current obligations, historical trends, economic and market conditions and the age of the receivable. Accounts are considered past due when the balance has been outstanding for ninety days past negotiated credit terms. Past due accounts are generally written-off against the allowance for doubtful accounts only after all collection attempts have been exhausted.

Concentration of Credit Risk

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 4%, 4% and 6% of revenues for the years ended December 31, 2016, 2015 and 2014, respectively. One customer, Texas AirSystems, accounted for 10% or more of our sales during 2016 and 2015. No customer accounted for 10% or more of our sales during 2014. No customer accounted for 5% or more of our accounts receivable balance at December 31, 2016 or 2015.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, receivables, accounts payable and accrued liabilities approximate fair value because of the short-term maturity of the items. The carrying amount of the Company's revolving line of credit, and other payables, approximate their fair values either due to their short term nature, the variable rates associated with the debt or based on current rates offered to the Company for debt with similar characteristics.

Inventories

Inventories are valued at the lower of cost or market using the first-in, first-out ("FIFO") method. Cost in inventory includes purchased parts and materials, direct labor and applied manufacturing overhead. 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.

Property, Plant and Equipment

Property, plant and equipment, including significant improvements, are recorded at cost, net of accumulated depreciation. Repairs and maintenance and any gains or losses on disposition are included in operations.

Depreciation is computed using the straight-line method over the following estimated useful lives:

Buildings	3-40 years
Machinery and equipment	3-15 years
Furniture and fixtures	3-7 years

Impairment of Long-Lived Assets

We review long-lived assets for possible impairment when events or changes in circumstances indicate, in management's judgment, that the carrying amount of an asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount of an asset or asset group to its estimated undiscounted future cash flows expected to be generated by the asset or asset group. If the undiscounted cash flows are less than the carrying amount of the asset or asset group, an impairment loss is recognized for the amount by which the carrying amount of the asset or asset group exceeds its fair value.

Research and Development

The costs associated with research and development for the purpose of developing and improving new products are expensed as incurred. For the years ended December 31, 2016, 2015, and 2014 research and development costs amounted to approximately $12.0 million, $7.5 million, and $6.3 million, respectively.

Advertising

Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2016, 2015, and 2014 was approximately $1.4 million, $1.2 million, and $1.0 million, 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 and as an expense in cost of sales. For the years ended December 31, 2016, 2015 and 2014 shipping and handling fees amounted to approximately $10.3 million, $9.6 million, and $8.5 million, respectively.

Income Taxes

Income taxes are accounted for under the asset and liability method. The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the book carrying amounts and the tax basis of assets and liabilities. We establish accruals for unrecognized tax positions when it is more likely than not that our tax return positions may not be fully sustained. The Company records a valuation allowance for deferred tax assets when, in the opinion of management, it is more likely than not that deferred tax assets will not be realized.

Share-Based Compensation

The Company recognizes expense for its share-based compensation based on the fair value of the awards that are granted. The Company's share-based compensation plans provide for the granting of stock options and restricted stock. The fair values of stock options are estimated at the date of grant using the Black-Scholes-Merton option valuation model. The use of the Black-Scholes-Merton option valuation model requires the input of subjective assumptions. Measured compensation cost is recognized ratably over the vesting period of the related share-based compensation award. Forfeitures are accounted for as they occur. The fair value of restricted stock awards is determined based on the market value of the Company's shares on the grant date and the compensation expense is recognized on a straight-line basis during the service period of the respective grant.

Derivative Instruments

In the course of normal operations, the Company occasionally enters into contracts such as forward priced physical contracts for the purchase of raw materials that qualify for and are designated as normal purchase or normal sale contracts. Such contracts are exempted from the fair value accounting requirements and are accounted for at the time product is purchased or sold under the related contract. The Company does not engage in speculative transactions, nor does the Company hold or issue financial instruments for trading purposes.

Revenue Recognition

We recognize revenues from sales of products when title and risk of ownership pass to the customer. Final sales prices are fixed and 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. Sales of our products are moderately seasonal with the peak period being July - November of each year.

In addition, the Company presents revenues net of sales tax and 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 could contain 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' fee and Third Party Products amounts ("Due to Representatives") are paid only after all amounts associated with the order are collected from the customer. 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 \$55.0 million, \$55.4 million, and \$59.7 million for each of the years ended December 31, 2016, 2015, and 2014, respectively.

The Company also sells extended warranties on parts for various lengths of time ranging from six months to 10 years. Revenue for these separately priced warranties is deferred and recognized on a straight-line basis over the separately priced warranty period.

Insurance Reserves

Under the Company's insurance programs, coverage is obtained for significant liability limits as well as those risks required to be insured by law or contract. It is the policy of the Company to self-insure a portion of certain expected losses related primarily to workers' compensation and medical liability. Provisions for losses expected under these programs are recorded based on the Company's estimates of the aggregate liabilities for the claims incurred.

Product Warranties

A provision is made for the estimated cost of maintaining product warranties to customers at the time the product is sold based upon historical claims experience by product line. The Company records a liability and an expense for estimated future warranty claims based upon historical experience and management's estimate of the level of future claims. Changes in the estimated amounts recognized in prior years are recorded as an adjustment to the liability and expense in the current year.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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, 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 as needed, but at a minimum on a quarterly basis. The most significant estimates include, but are not limited to, the allowance for doubtful accounts, inventory reserves, warranty accrual, workers compensation accrual, medical insurance accrual, share-based compensation and income taxes. Actual results could differ materially from those estimates.

3. Accounts Receivable

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

	December 31, 2016	December 31, 2015
	(in thousands)	
Accounts receivable	$ 43,091	$ 50,139
Less: Allowance for doubtful accounts	(90)	(115)
Total, net	$ 43,001	$ 50,024

	Years Ending December 31, 2016	2015	2014
Allowance for doubtful accounts:		*(in thousands)*	
Balance, beginning of period	$ 115	$ 171	$ 193
Provisions for losses on accounts receivables, net of adjustments	(25)	(48)	—
Accounts receivable written off, net of recoveries	—	(8)	(22)
Balance, end of period	$ 90	$ 115	$ 171

4. Inventories

The components of inventories and the related changes in the allowance for excess and obsolete inventories are as follows:

	December 31, 2016	December 31, 2015
	(in thousands)	
Raw materials	$ 43,438	$ 33,853
Work in process	2,279	2,522
Finished goods	3,017	2,881
	48,734	39,256
Less: Allowance for excess and obsolete inventories	(1,382)	(757)
Total, net	$ 47,352	$ 38,499

	Years Ending December 31,		
	2016	2015	2014
Allowance for excess and obsolete inventories:		(in thousands)	
Balance, beginning of period	$ 757	$ 714	$ 579
Provisions for excess and obsolete inventories	625	178	135
Inventories written off	—	(135)	—
Balance, end of period	$ 1,382	$ 757	$ 714

5. Note Receivable

In connection with the closure of our Canadian facility on May 18, 2009, we sold land and a building in September 2010 and assumed a note receivable from the borrower secured by the property. The $1.1 million, 15 year note has an interest rate of 4.0% and is payable to us monthly, and has a $0.6 million balloon payment due in October 2025. Interest payments are recognized in interest income.

We evaluate the note for impairment on a quarterly basis. We determine the note receivable to be impaired if we are uncertain of its collectability based on the contractual terms. At December 31, 2016 and 2015, there was no impairment.

6. Supplemental Cash Flow Information

	Years Ending December 31,		
	2016	2015	2014
Supplemental disclosures:		(in thousands)	
Interest paid	$ —	$ —	$ —
Income taxes paid, net	27,353	24,125	26,456
Non-cash investing and financing activities:			
Non-cash capital expenditures	270	83	(79)

7. Warranties

The Company has warranties with various terms from 18 months for parts to 25 years for certain heat exchangers. The Company has an obligation to replace parts or service its products if conditions under the warranty are met. 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.

Changes in the warranty accrual are as follows:

	Years Ending December 31,		
	2016	2015	2014
Warranty accrual:		(in thousands)	
Balance, beginning of period	$ 8,469	$ 8,130	$ 7,352
Payments made	(4,134)	(3,978)	(4,096)
Provisions	3,601	4,317	4,874
Adjustments related to changes in estimates	—	—	—
Balance, end of period	$ 7,936	$ 8,469	$ 8,130
Warranty expense:	$ 3,601	$ 4,317	$ 4,874

8. Accrued Liabilities

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

	December 31, 2016	December 31, 2015
	(in thousands)	
Warranty	$ 7,936	$ 8,469
Due to representatives	9,907	10,597
Payroll	4,129	3,954
401(k) Contributions	—	3,054
Profit sharing	1,967	2,220
Workers' compensation	580	366
Medical self-insurance	872	676
Customer prepayments	2,256	2,895
Donations	600	600
Employee benefits and other	3,693	4,404
Total	$ 31,940	$ 37,235

9. Revolving Credit Facility

Our revolving credit facility provides for maximum borrowings of $30.0 million which is provided by BOKF, NA dba Bank of Oklahoma, formerly known as Bank of Oklahoma, N.A. ("Bank of Oklahoma"). Under the line of credit, there was one standby letter of credit totaling $0.8 million as of December 31, 2016. Borrowings available under the revolving credit facility at December 31, 2016, were $29.2 million. Interest on borrowings is payable monthly at LIBOR plus 2.5%. No fees are associated with the unused portion of the committed amount. As of December 31, 2016 and 2015, we had no balance outstanding under our revolving credit facility. At December 31, 2016 and 2015, the weighted average interest rate was 3.0% and 2.6%, respectively.

At December 31, 2016, we were in compliance with our financial covenants. These covenants require that we meet certain parameters related to our tangible net worth and total liabilities to tangible net worth ratio. At December 31, 2016 our tangible net worth was $205.9 million, which meets the requirement of being at or above $125.0 million. Our total liabilities to tangible net worth ratio was 0.2 to 1.0, which meets the requirement of not being above 2 to 1.

Effective July 25, 2016, the Company amended its revolving credit facility with the Bank of Oklahoma. The amendment extends the termination date of the revolving credit facility to July 27, 2018.

10. Income Taxes

The provision (benefit) for income taxes consists of the following:

	Years Ending December 31, 2016	2015	2014
		(in thousands)	
Current	$ 25,790	$ 24,439	$ 26,199
Deferred	825	1,172	(2,111)
Total	$ 26,615	$ 25,611	$ 24,088

The provision for income taxes differs from the amount computed by applying the statutory federal income tax rate before the provision for income taxes.

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

	Years Ending December 31,		
	2016	2015	2014
Federal statutory rate	35 %	35 %	35 %
State income taxes, net of federal benefit	5 %	5 %	5 %
Domestic manufacturing deduction	(3)%	(3)%	(4)%
Excess tax benefits	(3)%	— %	— %
Other	(1)%	(1)%	(1)%
	33 %	36 %	35 %

As discussed in Note 11, the Company early adopted ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting,* applying the changes for excess tax benefits and tax deficiencies prospectively. As a result, excess tax benefits and deficiencies are reported as an income tax benefit or expense on the statement of income rather than as a component of additional paid-in capital on the statement of equity. Excess tax benefits and deficiencies are treated as discrete items to the income tax provision in the reporting period in which they occur and are noted in the above table.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for income tax purposes.

The significant components of the Company's deferred tax assets and liabilities are as follows:

	December 31,	
	2016	2015
	(in thousands)	
Deferred income tax assets (liabilities):		
Accounts receivable and inventory reserves	$ 587	$ 351
Warranty accrual	3,165	3,405
Other accruals	1,715	1,248
Share-based compensation	1,784	1,099
Donations	463	691
Other, net	738	986
Total deferred income tax assets	8,452	7,780
Property & equipment	(17,983)	(16,486)
Total deferred income tax liabilities	$ (17,983)	$ (16,486)
Net deferred income tax liabilities	$ (9,531)	$ (8,706)

We file income tax returns in the U.S., state and foreign income tax returns jurisdictions. We are subject to U.S. examinations for tax years 2012 to present, and to non-U.S. income tax examinations for the tax years of 2012 to present. In addition, we are subject to state and local income tax examinations for the tax years 2012 to present. The Company continues to evaluate its need to file returns in various state jurisdictions. Any interest or penalties would be recognized as a component of income tax expense.

11. Share-Based Compensation

On May 22, 2007, our stockholders adopted a Long-Term Incentive Plan (“LTIP”) which provided an additional 3.3 million shares that could be granted in the form of stock options, stock appreciation rights, restricted stock awards, performance units and performance awards, in addition to the shares from the previous plan, the 1992 Plan. Since inception of the LTIP, non-qualified stock options and restricted stock awards have been granted with the same vesting schedule as the 1992 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.

On May 24, 2016, our stockholders adopted the 2016 Long-Term Incentive Plan ("2016 Plan") which provides for approximately 3.8 million shares, comprised of 3.4 million new shares provided for under the 2016 Plan and approximately 0.4 million shares that were available for issuance under the previous LTIP, that are now authorized for issuance under the 2016 Plan, that can be granted in the form of stock options, stock appreciation rights, restricted stock awards, performance awards, dividend equivalent rights, and other awards. Under the 2016 Plan, the exercise price of shares granted may not be less than 100% of the fair market value at the date of the grant. The 2016 Plan is administered by the Compensation Committee of the Board of Directors or such other committee of the Board of Directors as is designated by the Board of Directors (the “Committee”). Membership on the Committee is limited to independent directors. The Committee may delegate certain duties to one or more officers of the Company as provided in the 2016 Plan. The Committee determines the persons to whom awards are to be made, determines the type, size and terms of awards, interprets the 2016 Plan, establishes and revises rules and regulations relating to the 2016 Plan and makes any other determinations that it believes necessary for the administration of the 2016 Plan.

The total pre-tax compensation cost related to unvested stock options not yet recognized as of December 31, 2016 is $8.5 million and is expected to be recognized over a weighted-average period of 2.61 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, 2016, 2015 and 2014 using a Black Scholes-Merton Model:

	2016	2015	2014
Director and Officers:			
Expected dividend yield	$ 0.22	$ 0.18	N/A
Expected volatility	41.19%	44.14%	N/A
Risk-free interest rate	2.00%	1.97%	N/A
Expected life (in years)	7.68	8.00	N/A
Employees:			
Expected dividend yield	$ 0.25	$ 0.22	$ 0.14
Expected volatility	34.50%	42.71%	44.85%
Risk-free interest rate	1.73%	1.41%	2.26%
Expected life (in years)	5.69	8.00	8.00

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 vested and exercisable as of December 31, 2016:

Range of Exercise Prices	Number of Shares	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Intrinsic Value
				(in thousands)
$4.54 - 20.92	338,308	4.75	$ 8.03	$ 8,465
$20.96 - 26.50	71,928	8.56	22.50	759
Total	410,236	5.42	$ 10.57	$ 9,224

The following is a summary of stock options vested and exercisable as of December 31, 2015:

Range of Exercise Prices	Number of Shares	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Intrinsic Value
				(in thousands)
$4.31 - 8.65	421,237	4.89	$ 7.04	$ 6,814
$8.70 - 22.76	27,134	7.82	15.31	215
Total	448,371	5.07	$ 7.54	$ 7,029

The following is a summary of stock options vested and exercisable as of December 31, 2014:

Range of Exercise Prices	Number of Shares	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Intrinsic Value
				(in thousands)
$3.21 - 6.89	411,553	3.46	$ 5.16	$ 7,113
$7.13 - 8.17	81,050	6.54	7.27	1,226
$8.65 - 21.14	175,527	6.53	8.76	2,392
Total	668,130	4.64	$ 6.36	$ 10,731

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

Options	Shares		Weighted Average Exercise Price
Outstanding at December 31, 2015	1,130,910	$	13.38
Granted	651,546		29.94
Exercised	(257,738)		8.00
Forfeited or Expired	(74,014)		21.92
Outstanding at December 31, 2016	1,450,704	$	21.33
Exercisable at December 31, 2016	410,236	$	10.57

The total intrinsic value of options exercised during December 31, 2016, 2015 and 2014 was $4.9 million, $7.4 million and $2.8 million, respectively. The cash received from options exercised during December 31, 2016, 2015 and 2014 was $2.1 million, $2.8 million and $1.3 million, respectively. The impact of these cash receipts is included in financing activities in the accompanying Consolidated Statements of Cash Flows.

Since 2007, as part of the LTIP and since May 2016 as part of the 2016 Plan, the Compensation Committee of the Board of Directors has authorized and issued restricted stock awards to directors and key employees. Restricted stock awards granted to directors vest one-third each year. All other restricted stock awards vest at a rate of 20% per year. 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. At December 31, 2016, unrecognized compensation cost related to unvested restricted stock awards was approximately $6.5 million which is expected to be recognized over a weighted average period of 1.90 years.

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

Restricted stock	Shares		Weighted Average Grant date Fair Value
Unvested at December 31, 2015	410,023	$	18.78
Granted	136,063		23.13
Vested	(119,379)		17.81
Forfeited	(18,545)		19.60
Unvested at December 31, 2016	408,162	$	20.47

A summary of share-based compensation is as follows for the years ending December 31, 2016, 2015 and 2014:

	2016	2015	2014
Grant date fair value of awards during the period:		*(in thousands)*	
Options	$ 6,102	$ 3,685	$ 817
Restricted stock	3,147	2,985	5,024
Total	$ 9,249	$ 6,670	$ 5,841

	2016	2015	2014
Share-based compensation expense:		*(in thousands)*	
Options	$ 1,681	$ 833	$ 898
Restricted stock	2,676	2,058	1,280
Total	$ 4,357	$ 2,891	$ 2,178

	2016	2015	2014
Income tax benefit related to share-based compensation:		*(in thousands)*	
Options	$ 1,610	$ 2,165	$ 979
Restricted stock	458	280	260
Total	$ 2,068	$ 2,445	$ 1,239

In March 2016, the FASB issued ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting,* which makes several modifications to Topic 718 including: accounting for excess tax benefits and deficiencies; classifying excess tax benefits on the statement of cash flows; accounting for forfeitures; classifying awards that permit share repurchases to satisfy statutory tax-withholding requirement; and classifying tax payments on behalf of employees on the statement of cash flows. The ASU becomes effective for interim and annual reporting periods beginning after December 31, 2016. We early adopted the ASU effective July 1, 2016.

The Company previously applied a forfeiture rate to its share-based compensation expense and adjusted expense to actual as awards vested and/or were forfeited. Upon adoption of ASU 2016-09, the Company accounts for forfeitures as they occur, rather than estimating forfeitures as of an award's grant date. This change in accounting policy election was adopted using a modified retrospective transition method and the Company recognized a cumulative-effect adjustment to retained earnings of approximately $150,000.

Tax payments made on behalf of an employee by repurchasing shares of stock are now shown separately as cash outflows from financing activities on the statement of cash flows. This provision was retrospectively adopted and prior period cash flows have been reclassified to conform with this presentation.

Additionally, the Company retrospectively adopted the provision to classify excess tax benefits and deficiencies as cash flows from operating activities as part of cash payments for taxes on the statement of cash flows. Prior period cash flows have been reclassified to conform with this presentation.

12. Employee Benefits

Defined Contribution Plan - 401(k) - We sponsor a defined contribution plan (the "Plan"). Eligible employees may make contributions in accordance with the Plan and IRS guidelines. In addition to the traditional 401(k), eligible employees are given the option of making an after-tax contribution to a Roth 401(k) or a combination of both. The Plan provides for automatic enrollment and for an automatic increase to the deferral percentage at January 1st of each year and each year thereafter. Eligible employees are automatically enrolled in the Plan at a 6% deferral rate and currently contributing employees deferral rates will be increased to 6% unless their current rate is above 6% or the employee elects to decline the automatic enrollment or increase.

Effective October 1, 2013, the Plan was amended such that the Company contributed 3% of eligible payroll to the Plan for each employee and matched 100% up to 6% of employee contributions of eligible compensation. We contributed and continue to 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. The additional 3% Company contribution, a Safe-Harbor contribution, vested over two years.

Effective January 1, 2016, the Plan was amended such that the Company matches 175% up to 6% of employee contributions of eligible compensation. The Company no longer contributes 3% of eligible payroll to the Plan for each employee. The Company ceased paying administrative expenses for the Plan at which time administrative expenses are paid for by Plan participants. Additionally, Plan participant forfeitures are used to reduce the cost of the Company contributions.

For the years ended December 31, 2016, 2015 and 2014 we made contributions of $5.9 million, $9.0 million and $6.8 million, respectively. Administrative expenses were approximately $40 thousand, $0.1 million, and $0.2 million for the years ended 2016, 2015 and 2014, respectively.

Profit Sharing Bonus Plan - We maintain a discretionary profit sharing bonus plan under which approximately 10% of pre-tax profit 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 and last days of the calendar quarter and who were employed full-time for at least three full months prior to the beginning of the calendar quarter. Profit sharing expense was $9.0 million, $8.0 million and $7.8 million for the years ended December 31, 2016, 2015 and 2014, respectively.

13. Stockholders' Equity

Stock Repurchase - The Board has authorized three stock repurchase programs for the Company. The Company may purchase shares on the open market from time to time, up to a total of 5.7 million shares. The Board must authorize the timing and amount of these purchases. Effective May 24, 2016, the Board authorized up to $25.0 million in open market repurchases and on June 2, 2016, the Company executed a repurchase agreement in accordance with the rules and regulations of the SEC allowing the Company to repurchase an aggregate amount of $25.0 million or a total of approximately 2.0 million shares from the open market. The repurchase agreement will terminate upon the aforementioned thresholds having been met, on April 15, 2017, or upon other provisions contained in the repurchase agreement by either the Company or its agent. The Company also has a stock repurchase arrangement by which employee-participants in our 401(k) savings and investment plan are entitled to have shares in AAON, Inc. stock in their accounts sold to the Company. The maximum number of shares to be repurchased is contingent upon the number of shares sold by employee-participants. Lastly, the Company repurchases shares of AAON, Inc. stock from certain of its directors and employees for payment of statutory tax withholdings on stock transactions. A11 other repurchases from directors or employees are contingent upon Board approval. All repurchases are done at current market prices.

Our repurchase activity is as follows:

	2016			2015			2014		
Program	Shares	Total $	$ per share	Shares	Total $	$ per share	Shares	Total $	$ per share
Open market	165,598	$ 4,440,658	$26.82	1,037,590	$ 24,999,963	$24.09	1,016,717	$ 19,998,406	$19.67
401(k)	540,501	14,875,850	27.52	512,754	11,557,598	22.54	417,172	8,246,172	19.77
Directors and employees	30,072	823,446	27.38	25,746	585,413	22.74	54,341	1,038,459	19.11
Total	736,171	$ 20,139,954	$27.36	1,576,090	$ 37,142,974	$23.57	1,488,230	$ 29,283,037	$19.68

Inception to Date			
Program	Shares	Total $	$ per share
Open market	3,834,819	$ 60,948,460	$15.89
401(k)	6,082,443	65,732,720	10.81
Directors and employees	1,873,632	15,663,608	8.36
Total	11,790,894	$142,344,788	$12.07

Dividends - At the discretion of the Board of Directors, we pay semi-annual cash dividends. Board approval is required to determine the date of declaration and amount for each semi-annual dividend payment.

Our recent dividends are as follows:

Declaration Date	Record Date	Payment Date	Dividend per Share
May 2, 2014	June 12, 2014	July 1, 2014	$0.09
November 4, 2014	December 2, 2014	December 23, 2014	$0.09
May 19, 2015	June 12, 2015	July 1, 2015	$0.11
October 29, 2015	December 2, 2015	December 23, 2015	$0.11
May 24, 2016	June 10, 2016	July 1, 2016	$0.11
November 9, 2016	December 2, 2016	December 23, 2016	$0.13

Additionally, on June 5, 2014, we declared a three-for-two stock split of the Company's common stock to be paid in the form of a stock dividend on July 16, 2014. Stockholders of record at the close of business on June 27, 2014 received one additional share for every two shares they held as of that date.

We paid cash dividends of $12.7 million, $11.9 million and $9.7 million in 2016, 2015 and 2014, respectively.

14. Commitments and Contingencies

We are subject to various claims and legal actions that arise in the ordinary course of business. We closely monitor these claims and legal actions and frequently consult with our legal counsel to determine whether they may, when resolved, have a material adverse effect on our financial position, results of operations or cash flows and we accrue and/or disclose loss contingencies as appropriate. We have concluded that the likelihood is remote that the ultimate resolution of any pending litigation or claims will be material or have a material adverse effect on the Company's business, financial position, results of operations or cash flows.

We are occasionally party to short-term, cancellable and occasionally non-cancellable, 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 purchase and normal sales exemption.

15. New Accounting Pronouncements

Changes to U.S. GAAP are established by the Financial Accounting Standards Board ("FASB") in the form of accounting standards updates ("ASUs") to the FASB's Accounting Standards Codification.

We consider the applicability and impact of all ASUs. ASUs not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on our consolidated financial statements and notes thereto.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. In August 2015, with the issuance of ASU 2015-14, the FASB amended the effective date for us to January 1, 2018.

The following ASUs have been issued in 2016 along with ASU 2014-09 with the same effective dates and transition requirements:

- ASU 2016-08, *Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*, which provides implementation guidance for Topic 606 on principal versus agent considerations.
- ASU 2016-10, *Identifying Performance Obligations and Licensing*, which provides clarification for two aspects of Topic 606: identifying performance obligations and the licensing implementation guidance.
- ASU 2016-12, *Revenue from Contracts with Customers*, which further amends Topic 606.
- ASU 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers*, which further amends Topic 606.

The Company plans to adopt using the retrospective transition method. The Company has begun assessing the impact of ASU 2015-09 and believes the impact will not be material to the consolidated financial statements. We do not expect to complete our evaluation until after our first quarter of 2017. Once we adopt ASU 2014-09, we do not anticipate that our internal control framework will materially change, but rather that existing internal controls will be modified and augmented, as necessary, to consider our new revenue recognition policy effective January 1, 2018.

In January 2016, the FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*, which will address certain aspects of recognition, measurement, presentation and disclosure of financial instruments. The ASU becomes effective in the annual reporting period beginning after December 31, 2017, including interim reporting periods. We do not expect ASU 2016-01 will have a material effect on our consolidated financial statements and notes thereto.

16. 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.

ASU 2016-09 impacts the calculation of diluted weighted average shares under the treasury stock method as the Company no longer increases or decreases the assumed proceeds from an employee vesting in, or exercising, a share-based payment award by the amount of excess tax benefits or deficiencies taken to additional paid-in capital.

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

	2016	2015	2014
Numerator:	*(in thousands, except share and per share data)*		
Net income	$ 53,376	$ 45,728	$ 44,158
Denominator:			
Basic weighted average shares	52,924,398	54,045,841	54,809,319
Effect of dilutive stock options and restricted stock	525,356	435,643	559,697
Diluted weighted average shares	53,449,754	54,481,484	55,369,016
Earnings per share:			
Basic	$ 1.01	$ 0.85	$ 0.81
Dilutive	$ 1.00	$ 0.84	$ 0.80
Anti-dilutive shares:			
Shares	469,603	146,548	32,436

17. Quarterly Results (Unaudited)

The following is a summary of the quarterly results of operations for the years ending December 31, 2016 and 2015:

	Quarter			
	First	Second	Third	Fourth
	(in thousands, except per share data)			
2016				
Net sales	$ 85,422	$ 102,319	$ 104,568	$ 91,668
Gross profit	25,731	32,747	33,092	26,510
Net income	10,806 (1)	14,341 (1)	15,682	11,420
Earnings per share:				
Basic	$ 0.20 (1)	$ 0.27 (1)	$ 0.30	$ 0.22
Diluted	$ 0.20 (1)	$ 0.27 (1)	$ 0.29	$ 0.21
2015				
Net sales	$ 76,768	$ 90,275	$ 94,360	$ 97,229
Gross profit	21,798	27,117	30,185	29,581
Net income	8,399	11,130	13,251	12,948
Earnings per share:				
Basic	$ 0.16	$ 0.21	$ 0.24	$ 0.24
Diluted	$ 0.15	$ 0.20	$ 0.24	$ 0.24

(1) As discussed in Notes 10 and 11, the Company early adopted ASU 2016-09, Improvements to Employee Share-Based Payment Accounting, effective July 1, 2016. As a result, excess tax benefits and deficiencies are reported as an income tax benefit or expense on the statement of income rather than as a component of additional paid-in capital on the statement of equity. The ASU required the application of the modified retrospective transition method as of the beginning of the annual period in which the guidance was adopted. As a result, 2016 net income as reported above will be recast when we file our first and second quarters in 2017. Net income will increase by $0.8 million and $0.4 million, for the first and second quarters of 2016, respectively. Additionally, earnings per basic and diluted share will increase approximately $.01 and $.01, respectively, for each of the three months ended March 31, 2016 and June 30, 2016, respectively, versus what was reported above.

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

Not Applicable.

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.

Our 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, 2016.

(b) Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over our financial reporting. Our internal control over financial reporting is a process designed by, or under the supervision of, our principal executive and principal financial officer, and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP.

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 has used the criteria issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in the 2013 *Internal Control—Integrated Framework*. Based on our assessment, we believe that, as of December 31, 2016, our internal control over financial reporting is effective at the reasonable assurance level based on those criteria.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2016 has been audited by Grant Thornton LLP, our independent registered public accounting firm, as stated in their report which is included in this Item 9A of this report on Form 10-K.

(c) *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 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
AAON, Inc.

We have audited the internal control over financial reporting of AAON, Inc. (a Nevada corporation) and subsidiaries (the "Company") as of December 31, 2016, based on criteria established in the 2013 *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 on 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, 2016, based on criteria established in the 2013 *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 financial statements of the Company as of and for the year ended December 31, 2016, and our report dated February 23, 2017, expressed an unqualified opinion on those financial statements.

/s/ GRANT THORNTON LLP

Tulsa, Oklahoma
February 23, 2017

Item 9B. Other Information.

None.

PART III

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 annual meeting of shareholders scheduled to be held on May 16, 2017.

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 Scott M. Asbjornson, 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 annual meeting of shareholders scheduled to be held on May 16, 2017.

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 annual meeting of stockholders scheduled to be held May 16, 2017.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required to be reported pursuant to Item 404 of Regulation S-K and paragraph (a) of Item 407 of Regulation S-K is incorporated by reference in our definitive proxy statement relating to our annual meeting of shareholders scheduled to be held May 16, 2017.

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 have not entered into any new material related party transactions and have no preexisting material related party transactions in 2016, 2015 or 2014.

Item 14. Principal Accountant Fees and Services.

This information is incorporated by reference in our definitive Proxy Statement to be filed with the Securities and Exchange Commission in connection with our annual meeting of stockholders scheduled to be held May 16, 2017.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) Financial statements.

(1) The consolidated financial statements and the report of independent registered public accounting firm are included in Item 8 of this Form 10-K.

(2) The consolidated financial statements other than those listed at item (a)(1) above have been omitted because they are not required under the related instructions or are not applicable.

(3) The exhibits listed at item (b) below are filed as part of, or incorporated by reference into, this Form 10-K.

(b) Exhibits:

(3)	(A)	Amended and Restated Articles of Incorporation (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)	Amendment Eleven to Third Restated Revolving Credit Loan Agreement (v)
(10.1)		AAON, Inc. 1992 Stock Option Plan, as amended (vii)
(10.2)		AAON, Inc. 2007 Long-Term Incentive Plan, as amended (viii)
(10.3)		AAON, Inc. 2016 Long-Term Incentive Plan (vi)
(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
(101)	(INS)	XBRL Instance Document
(101)	(SCH)	XBRL Taxonomy Extension Schema Document
(101)	(CAL)	XBRL Taxonomy Extension Calculation Linkbase Document
(101)	(DEF)	XBRL Taxonomy Extension Definition Linkbase Document
(101)	(LAB)	XBRL Taxonomy Extension Label Linkbase Document
(101)	(PRE)	XBRL Taxonomy Extension Presentation Linkbase Document

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(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 exhibits to our Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

(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 herein 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 July 27, 2016.

(vi) Incorporated herein by reference to our Form S-8 Registration Statement No. 333-212863 dated August 2, 2016.

(vii)	Incorporated 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. 333-52824.
(viii)	Incorporated herein by reference to our Form S-8 Registration Statement No. 333-151915, Form S-8 Registration Statement No. 333-207737, and to our Form 8-K dated May 21, 2014.
(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: February 23, 2017 By: /s/ Norman H. Asbjornson

Norman H. Asbjornson, Chief Executive Officer

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: February 23, 2017	/s/ Norman H. Asbjornson Norman H. Asbjornson Chief Executive Officer and Director (principal executive officer)
Dated: February 23, 2017	/s/ Scott M. Asbjornson Scott M. Asbjornson Chief Financial Officer (principal financial officer)
Dated: February 23, 2017	/s/ Rebecca A. Thompson Rebecca A. Thompson Chief Accounting Officer (principal accounting officer)
Dated: February 23, 2017	/s/ Gary D. Fields Gary D. Fields President and Director
Dated: February 23, 2017	/s/ Jack E. Short Jack E. Short Director
Dated: February 23, 2017	/s/ Paul K. Lackey, Jr. Paul K. Lackey, Jr. Director
Dated: February 23, 2017	/s/ A.H. McElroy II A.H. McElroy II Director
Dated: February 23, 2017	/s/ Jerry R. Levine Jerry R. Levine Director
Dated: February 23, 2017	/s/ Angela E. Kouplen Angela E. Kouplen Director
Dated: February 23, 2017	/s/ Luke A. Bomer Luke A. Bomer Secretary

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our reports dated February 23, 2017, with respect to the consolidated financial statements and internal control over financial reporting in the Annual Report of AAON, Inc. on Form 10-K for the year ended December 31, 2016. We consent to the incorporation by reference of said reports in the Registration Statements of AAON, Inc. on Forms S-8 (File No. 333-52824, File No. 333-151915, File No. 333-207737, and File No. 333-212863).

/s/ GRANT THORNTON LLP

Tulsa, Oklahoma
February 23, 2017

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.

Dated: February 23, 2017

/s/ Norman H. Asbjornson

Norman H. Asbjornson
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Scott M. 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.

Dated: February 23, 2017

/s/ Scott M. Asbjornson

Scott M. Asbjornson
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, 2016, 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.

Dated: February 23, 2017

/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, 2016, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Scott M. Asbjornson, 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

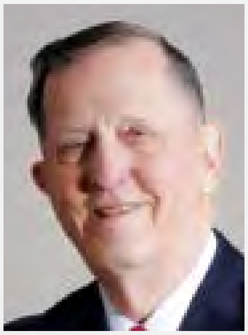
(2) The information contained in the Report fairly presents, in all material respects, the financial condition and our results of operations.

Dated: February 23, 2017

/s/ Scott M. Asbjornson

Scott M. Asbjornson
Chief Financial Officer

Company Officers



NORMAN H. ASBJORNSON has served as CEO and Chairman of the Board of the Company since 1988. Mr. Asbjornson also serves as the Chairman of the Board of AAON Coil Products, Inc. Mr. Asbjornson served as the President of AAON, Inc., from 1988 to 2016. Mr. Asbjornson has been in senior management positions in the HVAC industry for over 40 years.

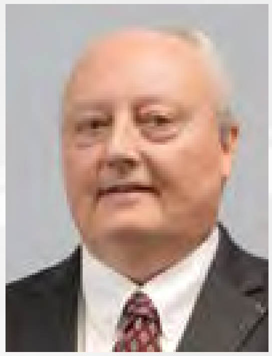
GARY D. FIELDS has served as President of the Company since 2016 and a director of the Company since 2015. Mr. Fields been involved in the HVAC industry for over 35 years. From 1983 to 2012, he was an HVAC equipment sales representative at and, from 2002 to 2012, a member of the ownership group of Texas AirSystems, the largest independent HVAC equipment and solutions provider in the state of Texas. Mr. Fields is an owner and President of GKR Partners LTD, which has provided HVAC business development advice and consultation to the Company and its sales representatives since 2013.

KATHY I. SHEFFIELD has served as Senior Vice President, Administration, of the Company since 2012, Treasurer of the Company since 1999, and Vice President of the Company from 2002 to 2012. Ms. Sheffield has been in leadership positions with the Company for over 25 years. Ms. Sheffield also serves as Senior Vice President, Administration, and Treasurer of AAON, Inc. and as Treasurer of AAON Coil Products, Inc.

ROBERT G. FERGUS has served as Vice President, Manufacturing, of the Company since 1989. Mr. Fergus also serves as Vice President, Manufacturing, of AAON, Inc. Mr. Fergus has been in senior management positions in the HVAC industry for over 40 years.

SCOTT M. ASBJORNSON has served as Vice President, Finance, and CFO of the Company since 2012. Mr. Asbjornson joined the Company in 1990 and is the son of the Company's CEO, Norman H. Asbjornson. Mr. Asbjornson has a Masters of Business Administration and has held various leadership positions with the Company and AAON Coil Products, Inc., including Vice President (2007-2010) and President (2010-2012) of AAON Coil Products, Inc. He also serves as Vice President, Finance, and CFO of AAON, Inc.

REBECCA A. THOMPSON has served as Chief Accounting Officer of the Company since 2012. Ms. Thompson previously served as a Senior Manager at Grant Thornton, LLP where she had 11 years of experience in the assurance division. Ms. Thompson is a licensed certified public accountant.



MIKEL D. CREWS has served as Vice President, Operations since 2017. Mr. Crews has served as Director of Material and Operations since 2015, Manager of Operations from 1991 to 2015, and in various operational, production and inventory management roles since the Company's inception. Mr. Crews has been in leadership positions in the HVAC industry for over 40 years.

SAMUEL J. NEALE has served as Vice President of the Company since 2015. Mr. Neale has served as President of AAON Coil Products Inc. since 2012. Mr. Neale has been in leadership positions in the HVAC industry for over 15 years. Mr. Neale is a professionally licensed mechanical engineer.

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, P.C.
Two Warren Place
6120 South Yale Avenue, Suite 500
Tulsa, Oklahoma 74136

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

Board of Directors

Back row (from left to right): Angela E. Kouplen, A.H. McElroy, II, Paul K. Lackey, Jerry R. Levine
Front row (from left to right): Jack. E. Short, Norman H. Asbjornson, Gary D. Fields

NORMAN H. ASBJORNSON
CEO/Chairman of the Board

GARY D. FIELDS
President/Director

JACK E. SHORT has served as a director the Company since 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 has served as a director of the Company since 2007 and is Chairman of the Compensation Committee. 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. has served as a director of the Company since 2007 and is Chairman of the Governance Committee. Between April 2002 and October 2005 Mr. Lackey served as CEO and President of The NORDAM Group, a privately held aerospace company. Between October 2005 and December 2008 Mr. Lackey served as the Chairman and CEO of The NORDAM Group. Between January 2009 and December 2011 Mr. Lackey served as the Executive Chairman of the Board of The NORDAM Group. Since January 2012, Mr. Lackey has served as the Chairman of the Board of The NORDAM Group.

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.

ANGELA E. KOUPLEN was elected as a director of the Company in 2016. Ms. Kouplen has over 20 years of experience at multiple energy companies, with an emphasis on information technology, contract management, sourcing/vendor relations, human resource management, strategy and governance. From 2012 through 2014, Ms. Kouplen served as Director - Talent Acquisition and Leadership of WPX Energy. Since 2015, Ms. Kouplen has served as Vice President - Information Technology of WPX Energy.

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

Ma Acosta De Aguayo
Andres Acosta-Lujan
Enriqueta Adame
Derrick Adams
Gary Adams
Rebecca Adams
Ryan Adams
Olalekan Adeyeye
Maria Aguayo
Daniel Alagdon
Julio Albino
James Alexander
Marquis Alexander
Shannon Alford
Nader Al-Hashmi
Paul Allegrezza
Donald Allen
Michael Amburgey
Sarah Andersen
Wesley Anselme
William Appeldorn
Clyde Archer
Jesus Arellanes Ramirez
Fidel Argumedo Rangel*
Jose Argumedo Ruiz
Vincent Argyle
Thomas Armer, Jr.
Maria Arredondo
Rogelio Arteaga
Norman Asbjornson
Scott Asbjornson
David L Ashlock
David R Ashlock
Gary Ashmore
Joseph Avila
Richard Backus, III
Nora Backus
Jacob Baier
Brandon Bailey
Christopher Bailey
Christopher Baker
Dwight Baker
John Baldwin
Dennis Balthazar
Claudia Banda
Myles Barber
Gregory Barker, Jr.
Justin Barlett
James Barnes, III
Loyd Barnes, Jr.
David Barnett
Ana Barragan De Alteneh
Teresa Barron
Sherry Bates
James Baugh
Stuart Baugh
Avery Beavers
Daniel Beck
Timothy Beck
Lionel Beckman
Jason Bell
Douglas Benedict
Bonnie Benson
Christopher Benson
Ida Bermudez
David Berry
Sergio Beserra
Tusun Bey
Daniel Bigby
Courtney Bilderback
Mackenzie Binkley
Amie Bishop
Latoya Black
Vickie Black
Ethan Blackman
Brian Blackmon
Maria Blanco
Corey Bledsoe
David Blevins
Justin Blevins
Nicholas Bobbitt
Lam Boi
Lhing Boi
Mang Boi
Jessica Boih
Nuam Boih
Michael Boney
Mario Bonilla Marroquin
Tiaa Boone
Roger Borja Barreiro
Rosendo Botello
Kyle Bowman
Albert Boyd
John Boyd
Justin Boyd
Robert Boyd
Marc Bradbury
Brian Bradford
Shahani Britt
Alan Brock
Dustin Brod
Winston Broseke
Orville Brower
Allen Brown
Johnny Brown, Jr.
Christopher Bryant
Demario Bryant
Jason Bunnell
Scott Burgess
Trevor Burke
Jermaine Burkhalter
Latisha Burkhalter
Douglas Burns
Monica Burns
Danielle Burrow
Thomas Burrow
Clifton Burrus
Penny Bush
Wayne Bush
Verenice Bustos
James Butler
Konnor Buxton
Janibal Cabudoy
Alejandro Cadena
Cleveland Cage, Jr.
Margarito Calderon
Sandra Caldwell
Jorge Calixto
Edward Calloway*
Lazaro Cama
Maria Camacho
David Campbell
Ieshia Canada
Jacob Cantrel
Andres Cardenas
Billy Carder
Drew Cardoza
Lisa Carriero
Vickie Carrington
Larry Carter, Jr.
Terence Carter
Cristobal Carvajal Colorado
Beatriz Casiano
Michael Cato
Hector Cazares
Cornelio Ceja Grimaldo
Francisco J Cervantes
Francisco Javier Cervantes
Justo Chagoya
Guadalupe Chairez-Galan
Larry Chalk
Patrick Chapman
Aleex Chatkehoodle
Christella Chavez
Edgar Chavez
Gregory Chavez
Zully Chavez
Daniel Cherry
Mani Chettipalli
Eddie Choates
Salvador Choto Matus
Ngai Ciin
Kham Cin
Luan Cin
Paul Cin
Suan Cin
Tuang Cin
Vung Cin
Vungh Cin
Theresa Cing Kok
Cing Cing
Dim K Cing
Dim L Cing
Lun Cing
Man H Cing
Man L Cing
Nang Cing
Nem Cing
Niang Cing
Ning Cing
San Cing
Thang S Cing
Thang Z Cing
Justin Claiborne
Christi Clark
George Clark
Samuel Clark, Jr.
Juan Clemente Valladares
Mark Cobb
Adriana Cobos
Kenneth Cochran
Troy Cockrum
Christi Collins
Tim Collinsworth
Aaron Columbus
Bobby Conditt
Nicholas Conger
Dale Conkwright
Anastasia Conner
Jude Connolly
Chelsea Connor
Mark Cook
Michael Coolidge
Scott Coon
Donna Coonfield
Gregory Cooper
James Cooper
Kelli Copeland
Pablo Cordova Cordova
Mariana Cordova
Jeremy Cornelius
Genoveva Corona De Rivera
Roberto Corona
Miguel Cortez
Rosa Cortez
Billy Cox
Diana Cox
Franklin Cox
Adrian Crabtree
Kathleen Crabtree
Richard Craite
Steven Crase
Jacob Crawford
Jacob Crayne
Mikel Crews
Darrell Crow
Jacinto Cruz Rodriguez
Chris Cummings
Joseph Cummings
Robert Cummings
Kevin Cyrus
Zawng Dai
Cing Dal
Gin Dal
Go Dal
Hau Dal*
Neng Dal
Henley Dang
Clyde Daniels Jr.
Robert Daniels, II
John Daniels
Justin Daniels
Jenifur Davidson
Arthur Davis
Byron Davis
Cameron Davis
Carolyn Davis
Darryl Davis
Jerry Davis*
Billy Davis, Jr.
Matthew Davis
Richard Davis
Samuel Davis
Travis Davis
Daniel De Casas
Michael De Jesus Negron
Yoana De La Torre
Danyale Dearion
Seth DeCoux
Ismael Delapaz
Doreen Deleo
Juana Delobo
Raquel Deluna
Barry Dennis
Dylon Dennis
Michael Dennis
Joseph Denton
Bruce Derr
Matthew Deshazer
Stephen Deshazer
Audencia Devilla
Brandon Deville
Roy Deville
Elizabeth Diaz De Moreno
Anthony Diaz
Ciang Dim
Hau Dim
Vung Dim
Johan Dina
Zam Do
Sol Dominguez
Man Don
Nem Don
Cin Dong
Mksing Dopmul
Nang Dopmul
Thangminlian Dopmul
Thomas Dreadfulwater
Seneca Drennan
Daniel Drucker
Cathryn Dubbs
Gomorrha Duncan
Linda Dunec
Fernando Duran Miguel*
Ralph Durbin
Randy Dwiggins
Wendell Easiley
William Easley
Michael Edwards
Corrie Elder
Brent Elsheimer
Austin Embry
Matthew Emery-Giuffre
Jhavorry Emory
Kham En Thang
Tinisha English
Steven Ervin
Dwight Eskew
Norberto Esparza-Torres
Casimiro Espinola
Jason Estes
Jesus Estrada-Gonzalez
Roxana Estrella Saldana
Gilda Etumudor
Tyler Evans
Joshua Everett
Chad Evers
Aracely Faglie
Shawn Fairley
Blake Faluotico
Amy Fehnel
Robert Fergus
Catalina Fernandez
David Ferrell, II
Gary Fields
Tina Fields
Thomas Fierros
Christian Figueroa Mauras
Jesse Figueroa
Sterlyn Finch
Jessica Finkbiner
Anthony Fisher
Bruce Fisher
Joseph Fisher
Rickey Fisher
Anthony Fizer
Isaac Flaherty
Copotenia Fletcher, Jr.
Carolina Flores
Efigenia Flores
Elisa Flores
Laura Flores
Gabriel Flores-Bernal
Brandon Floyd
Jon Floyd
Ruby Floyd
Mark Fly
Ryan Focht
Rebecca Ford
Sheila Forrest
Alex Foster
Christopher Foster
Frederick Foster
Ramon Fourshey
Loretta Fowlkes
Linda Fox
Kenneth Foyil
Phillip Frank
Warren Franklin
Revonda Franks
Brenda Freeman
Jose Fregoso
Angel Frias
Brandon Frick
Barry Friend
Eric Friend*
Wade Fuller
Rony Gadiwalla
Curtiss Gaines
Jorge Galvan
Daniel Gann
Aleyda Gaona De Martinez
Isidro Garcia Arriaga
Teresita Garcia Diaz
Angel Garcia
Jose Garcia
Roger Garcia
Norma Garibay
Viviana Gaspar Serrano
James George
Petr Getmanenko
Gabriel Giachino
Doyle Gibson Jr.
Charles Gibson
Jeffery Gill
Thomas Gin
Kendra Gladson
Luis Gomez Acuna
Jairo Gomez Ambriz
Maria Gomez Medina
Jose Gomez
Maria Gomez
Raquel Gomez
Imelda Gonzalez
Marisela Gonzalez

Raul Gonzalez
Barry Goodson
Marleitta Grammer
Buenaventura Granados-Rubios
Michael Gray
Ronald Grimes
Daniel Groff
Jackie Grubb
Rachel Grundmann
Eneida Guerrero
Luis Guevara
Maria Guevara
Rodolfo Guevara
Carolina Guillen
Ronald Guinn
Georgina Guzman
Chau Ha
Ngam Hak
Marcia Haley
Joshua Halfpap
Andrew Hall
Dennis Hall
Jack Hall
Kelly Hall
Stephen Hall
Summar Hall
Zachary Halsey
Daniel Halterman
G. Scott Hamilton
Sam Hammoud
Mung Hang
Thang Hang
Derek Harbin, Sr.
Scott Harjo
Bruce Harman, II
Donald Harris
Keith Harris
Natasha Harris
Stacey Harris
Heather Haskins
Neng Hau Lian
Cin Hau
Cing Hau
Pau Hau
Thang L Hau
Thang S Hau
Paul Havens
Billy Hawley, Jr.
Tim Hefflin
Andrea Heidt
Chakiris Henderson
Daniel Henderson
Sheila Henderson
Parker Henrie
Kenneth Henry
Jesse Henson
Kevin Henson
Jose Hernandez Esquer
Gabino Hernandez Martinez
Angela Hernandez
Armando Hernandez
Corcina Hernandez
Luis Hernandez
Luis F Hernandez
Mariano Hernandez
Mark Heston
Eddie Hewitt
Michael Hickman
Ronald Hicks
Brenda Higgins
Larry Highfield
Estell Hill
Davy Hill, Jr.
D'anna Hilton
Steven Hinds
Juan Hinojosa
Tyson Hinther
Ronald Hishaw, Jr.
Min Hla
Thang Hmung
Tuang Hnin
Tao Hoang
Taquisa Hodnett-Smith
Katherine Hofmann
Debra Holman
Lawrence Holman, II
Brock Holmes
Lawrence Honel
Stephen Hoover
Terri Horn*
Stanley Horton*
Nu Hou
David Howard
James Howell, II
Saw Htoo
Muan Huai
Nuam Huai
Lydia Hudson
Fiona Humphrey*
Jerad Humphrey
Larry Humphrey
Khan Hung
Ronald Hutchcraft
Gary Hutchins
Vernon Hutchinson
Cindi Hutton
Dedra Ibanez
Alejandro Ibarra Mederos
Alexander Ignatenkov
Samuel Ingram
Khai Ja Khup
Belinda Jackson
Corey Jackson
Jeff Jackson
Marlon Jackson
Michael Jackson
Jose Jamaica
Ethan Jamison
Frances Jaramillo
Graciela Jaramillo
Lucia Jaramillo
Marco Jaramillo
Esther Jasuan
Wade Jenkins
Genelle Jimboy
Josefina Jimenez Ledezma
Frederick Jimmerson
Chaitanya Johar
Alberta Johnson
Brian Johnson
Christopher Johnson
Ed Johnson
Jeffrey Johnson
Joseph Johnson
Kejuan Johnson
Misty Johnson
Sophia Johnson
Thomas Johnson
Danny Jones
David Jones
Garon Jones
Henry Jones
Jeremy Jones
Danny Jones, Jr.
Raymon D Jones
Remia T Jones
Timothy Jones
Sean Jordan
Leandro Jumelles Nunez
Carl Justice
Ha Ka Ha
Zam Kai
Garrett Kaiser
Patrick Kaiser
Hau Kam
Khual Kam
Mang Kam
Ngin Kam
Brian Kammers
Sian Kap Lian
Dal K Kap
Dal S Kap
Htang Kap
Lian Kap
Thang K Kap
Thang S Kap
Thong Kap
Brian Kastl
Eryn Kavanaugh
Lia Kaw
Tuang Kawi
Nenglian Kawngte
Andrew Keitel
Charles Keller-Weaver
Brandon Kelley
Aaron Kelly
Brian Kelsey
Gregg Kennedy
Keith Kennedy
Leland Kennedy
Lynn Kennedy
Eric Kenny
Zam Khai Zomi
Dal Khai
David Khai
Dim Khai
En Khai
Go Khai
Hang Khai
John Khai
Kham K Khai
Kham L Khai
Laang Khai
Ngin C Khai
Ngin T Khai
Pau Khai
Paul Khai
Peter Khai
Thang H Khai
Thang K Khai
Thang S Khai
Thang Sian Khai
Thawn Khai
Tun Khai
Vuum Khai
Zaam Khai
Thura Khaing
Dongh Kham
Gin Kham
Go Kham
Kam Kham
Mung Kham
Ngun Kham
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Pau K Kham
Thang Khat
Cing Khawn
Cing Khek
Kam Khen
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Paw Khual
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Thawng Khual
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Lian Khup
Ngin Khup
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Pau L Khup
Thang G Khup
Thang S Khup
Thawng Khup
Thuam Khup
Tuan Khup
Vungh Khup
Alan Kilgore
Andrew Kilgore
Rodney Kilgore
Ciin Kim
Cing Kim
Dai Kim
Ed Kim
Hau Kim
Nang Kim
Nem Kim
Pa Kim
Thang Kim
Thang Z Kim
Zam Kim
Joe Kincade
Martin Kindle
Clinton King
Cody King
Joseph King
Lori King*
Randy King
Russell King
Steven King
Roger Kinkade, Jr.
Korby Kinkade
Mangneo Kipgen
Alan Kizer
Spencer Kizer
Robert Knebel
James Koss
Robert Krafjack
Larry Kreps
Kenneth Kronk, Jr.
Mikhail Krupenya
Adam Kubicki
Cassy Kuykendall
Nicholas Kuykendall
Phillip Lafond*
Giang Lai
Dau Lakum
Lun Lal
Lami Lam Tung
Gin Lam
Langh Lam
Myoshia Landrum
Deborah Lane
Gin Lang
Kap Lang
Mang Lang
Pum Lang
Hau Langh
Kap Langh
Thawng Langh
Cheto Lara
Martin Larsen
Man Lawh
Man M Lawh
Steve Lawrence, Jr.
Terry Lawrence
Jeffrey Lawson
Stephen Lawson
Walter Lazcano
Anh Le*
Lai Le
Jose Lebron
David Lee
Jacqueline Lee
Katina Lee
Matthew Leeper
Ariel Leff*
Thomas Lennon
Tanesha Lewis
Cynthia Leyva
Vah Lhing
Awi Lian
Bawi Lian
Cing Deih Lian
Dal Lian
David Lian
Do Lian
Dong Lian
Gin K Lian
Gin T Lian
Gin Z Lian
Go Lian
Kham Lian
Lal Lian
Man Lian
Nang Lian
Niang Lian
Pau Dal Lian
Pau Deih Lian
Pau M Lian
Pau N Lian
Pau Sian Lian
Pau Suan Lian
Sing Lian




















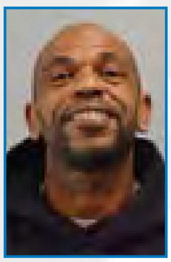



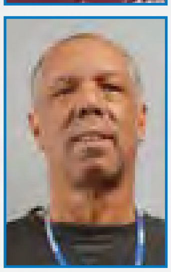


Suang Lian
Thang Kap Lian
Thang Khen Lian
Thang S Lian
Thang T Lian
Vi Lian
Lal Liana
Sawm Liana
Feuquan Lilly
Ping Lin
Thomas Lincoln
William Lindsay
Keith Linker
Jonathan Lockmiller
Matthew Loewen
Kristin Long
Ricky Long
Victor Long
Angel Lopez
Fernando Lopez
Margarito Lopez
Thomas Lopez
Jason Lovett
Paul Lowery
Oscar Lozano
Jarrod Ludlow
Quannah Ludlow
Evelyn Lugo-Ortiz
Lorena Lujan
Cing N Lun
Cing Ngai Lun
Cing S Lun
Dim Lun
Ngo Lun
Niang Lun
Van Lun
Vung Lun
Vuum Lun*
Thang Luong
Jacob Luzier
Ko Lwin
Kelly Lybarger
Keith Mackey
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En Mang
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Hau S Mang
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Kham Mang
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