



AAON, INC.

**Notice of
Annual Meeting
May 14, 2019
and
Proxy Statement**

AAON, INC.

**NOTICE OF 2019 ANNUAL MEETING OF STOCKHOLDERS
May 14, 2019**

Notice is hereby given that the 2019 Annual Meeting of Stockholders (the "Annual Meeting") of AAON, Inc., a Nevada corporation (the "Company"), will be held on Tuesday, May 14, 2019 at 10:00 A.M. (Local Time), at 2440 South Yukon, Tulsa, Oklahoma, for the following purposes, as more fully described in the accompanying proxy statement ("Proxy Statement"):

1. To elect two Class I Directors for terms ending in 2022;
2. To ratify the selection of Grant Thornton LLP as our independent registered public accounting firm for 2019;
3. To transact such other business as may properly come before the meeting or any adjournment thereof.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE
STOCKHOLDER MEETING TO BE HELD ON MAY 14, 2019.**

We have elected to take advantage of the Securities and Exchange Commission's rules that allow us to furnish our proxy materials to our stockholders over the Internet. We believe electronic delivery will expedite the receipt of materials and, by printing and mailing a smaller volume, will reduce the environmental impact of our annual meeting materials and help lower our costs. A Notice of Internet Availability of Proxy Materials (the "Notice of Internet Availability") is being mailed concurrently to our stockholders. The Notice contains instructions on how to access the Notice of Annual Meeting, Proxy Statement and Annual Report to Stockholders online. You will not receive a printed copy of these materials, unless you specifically request one. The Notice of Internet Availability contains instructions on how to receive a paper copy of the proxy materials.

It is important that your shares be represented and voted at the meeting. You may vote your shares in person at the meeting, by internet, by telephone or by completing, signing, dating and returning a proxy card which will be mailed to you if you request delivery of a full set of proxy materials.

**Our Proxy Statement and Annual Report on Form 10-K, are available at
www.proxyvote.com**

By Order of the Board of Directors



Luke A. Bomer
Secretary

Tulsa, Oklahoma
April 2, 2019

AAON, INC.
2425 South Yukon
Tulsa, Oklahoma 74107

PROXY STATEMENT

This statement is furnished in connection with the solicitation by the Board of Directors of AAON, Inc., for proxies to be used at our Annual Meeting of Stockholders (the "Annual Meeting") to be held on May 14, 2019, at the time and place set forth in the Notice of Annual Meeting accompanying this Proxy Statement. Unless the context otherwise requires, references herein to "AAON", "we", "us", "our" or "ours" refers to AAON, Inc., a Nevada corporation.

Pursuant to provisions of our Bylaws and action of our Board of Directors, the close of business on March 18, 2019, has been established as the time and record date for determining the stockholders entitled to notice of and to vote at this Annual Meeting. The stock transfer books will not be closed.

Stockholders of record on the record date are entitled to cast their votes at the Annual Meeting in person or by internet, telephone or properly executed proxy. The presence, by any of these means, of thirty-three and one-third percent (33-1/3%) of the Common Stock outstanding on the record date is necessary to constitute a quorum at the Annual Meeting. Abstentions and broker non-votes are counted as shares present in determining whether the quorum requirement is satisfied. If a quorum is not present at the time the Annual Meeting is convened, we may adjourn or postpone the meeting.

Determination of whether a proposal specified in the Notice of 2019 Annual Meeting of Stockholders has been approved will be determined, assuming a quorum is present either in person or by proxy, as follows:

- **Proposal No. 1.** A nominee for director will be elected if a majority of the stockholders voting on the nominee's election vote in favor such nominee's election. Accordingly, abstentions and broker non-votes will have no effect on the outcome of the vote on the director nominees.
- **Proposal No. 2.** The proposal to ratify Grant Thornton LLP as our independent registered public accounting firm for the year ending December 31, 2019 will require the affirmative vote of a majority of the shares of Common Stock present at the Annual Meeting in person or by proxy and entitled to vote on the proposal. An abstention will have the effect of a vote against this proposal. Brokers have discretionary authority and may vote on the proposal without having instructions from the beneficial owners or persons entitled to vote thereon.

You may vote in several different ways:

In person at the Annual Meeting

You may vote in person at the Annual Meeting. You may also be represented by another person at the meeting by executing a proxy properly designating that person. If you are the beneficial owner of shares held in "street name," you must obtain a legal proxy from your broker, bank or other holder of record and present it to the inspectors of election with your ballot to be able to vote at the meeting.

By telephone

You may vote by calling the toll-free telephone number indicated on the voting instructions you will receive. Easy-to-follow voice prompts allow you to vote your shares and confirm that your voting instructions have been properly recorded.

By Internet

You may vote by going to the Internet web site indicated on the voting instructions you will receive. Confirmation that your voting instructions have been properly recorded will be provided.

By mail

You may vote by completing, signing, dating and returning a proxy card which will be mailed to you if you request delivery of a full set of proxy materials. A postage-paid envelope will be provided along with the proxy card.

Telephone and Internet voting for stockholders of record will be available until 11:59 p.m. Central time on May 13, 2019. A mailed proxy card must be received by May 13, 2019, in order to be voted at the Annual Meeting. The availability of telephone and Internet voting for beneficial owners of other shares held in "street name" will depend on your broker, bank or other holder of record and we recommend that you follow the voting instructions on the Notice of Internet Availability that you receive from them.

If you are mailed a set of proxy materials and a proxy card or voting instruction card and you choose to vote by telephone or by Internet, you do not have to return your proxy card or voting instruction card. However, even if you plan to attend the Annual Meeting, we recommend that you vote your shares in advance so that your vote will be counted if you later decide not to attend the meeting.

Proxies received in advance of the meeting may be revoked at any time prior to the voting thereof, either by giving notice to the Secretary of AAON or by personal attendance at the meeting.

We have adopted a procedure approved by the SEC called "householding" pursuant to which stockholders of record who have the same address and last name and who request a written copy of our Annual Report and Proxy Statement will receive only one copy of such materials unless one or more of these stockholders notify us that they wish to receive individual copies. Stockholders who participate in householding will continue to receive separate proxy cards.

We will pay the costs of the solicitation of proxies. We may reimburse brokerage firms and other persons for expenses incurred in forwarding the proxy materials to their customers who are beneficial owners and obtaining their voting instructions. Stockholders electing to vote over the Internet should understand that there may be costs associated with electronic access (such as charges from their Internet access provider) and that these costs must be borne by the stockholder.

Stockholders currently receiving multiple copies of our Annual Report and Proxy Statement at their household can request householding by contacting our transfer agent at 1-801-277-1400 or writing to Issuer Direct Corporation, 1981 East Murray-Holladay Road, Suite 100, Salt Lake City, Utah 84117. Stockholders now participating in householding who wish to receive a separate document in the future may do so in the same manner. Those owning shares through a bank, broker or other nominee may request householding by contacting the nominee.

This Proxy Statement, the Notice of Annual Meeting and accompanying proxy card, as well as our 2018 Annual Report (which includes our Annual Report on Form 10-K for the year ended December 31, 2018), can also be found at our website (www.aaon.com). Copies of exhibits omitted from the enclosed Annual Report on Form 10-K are available without charge upon written request to Scott Asbjornson, 2425 S. Yukon, Tulsa, Oklahoma 74107, or may also be obtained at the Securities and Exchange Commission's website at www.sec.gov.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

As of March 18, 2019 (the record date), we had issued a total of 52,071,193 shares of \$.004 par value Common Stock, our only class of stock outstanding. Each share is entitled to one vote on all matters submitted to a vote by stockholders.

The following table sets forth as of March 18, 2019, the aggregate number of our shares of Common Stock owned by each person known by us to be the beneficial owner of more than 5% of our Common Stock:

<u>Name and address of beneficial owner</u>	<u>Number of shares owned</u>	<u>Percent of Class</u>
Norman H. Asbjornson 2425 South Yukon Tulsa, OK 74107	9,815,161 ⁽¹⁾	18.85%
Blackrock, Inc. 55 East 52nd Street New York, NY 10055	5,871,621 ⁽²⁾	11.28%
The Vanguard Group 100 Vanguard Blvd. Malvern, PA 19355	4,013,131 ⁽³⁾	7.71%
Neuberger Berman Group LLC & Neuberger Berman Investment Advisers LLC 1290 Avenue of the Americas New York, NY 10104	3,657,284 ⁽⁴⁾	7.02%
Kayne Anderson Rudnick Investment Management LLC, Virtus Investment Advisers, Inc and Virtus Equity Trust, on behalf of Virtus KAR Small Cap Growth Fund 1800 Avenue of the Starts, 2nd Floor Los Angeles, CA 90067	4,608,644 ⁽⁵⁾	8.85%

(1) Includes 6,868 shares under AAON's 401(k) plan, 89,138 shares issuable upon exercise of stock options exercisable currently or within 60 days of the annual meeting, 14,905 shares of restricted stock that will vest within 60 days of the annual meeting, 154,000 shares owned by his foundation and 554,108 shares held as trustee of trusts for the benefit of his grandchildren. Mr. Asbjornson has sole voting and investment powers with respect to all shares beneficially owned by him.

(2) This share ownership information was provided in a Schedule 13G/A filed January 24, 2019, which discloses that BlackRock, Inc. possesses the sole voting power of 5,782,261 shares and sole dispositive power of all of the reported shares.

(3) This share ownership information was provided in a Schedule 13G/A filed on February 11, 2019, which discloses that The Vanguard Group possesses sole voting power of 85,909 shares, shared voting power of 7,252 shares, sole dispositive power of 3,924,569 shares and shared dispositive power of 88,562 shares.

(4) This share ownership information was provided in a Schedule 13G/A filed on March 5, 2019, which discloses that Neuberger Berman Group LLC and Neuberger Berman Investment Advisers LLC possess shared voting power of 3,627,369 and shared dispositive power of 3,657,284 shares.

(5) This share ownership information was provided in a Schedule 13G filed on February 12, 2019, which discloses that Kayne Anderson Rudnick Investment Management LLC possesses sole voting power and sole dispositive power of 958,044.02 shares, and, with Virtus Investment Advisers, Inc. possesses shared voting power of 3,650,600 shares and shared dispositive power of 3,650,600 shares.

The following table sets forth as of March 18, 2019, the aggregate number of shares of our Common Stock owned of record or beneficially by each current director, nominee for director, each person named in the Summary Compensation Table (herein, "Named Executive Officers") and all directors, nominees for director and Named Executive Officers as a group:

<u>Name and address of beneficial owner</u>	<u>Number of shares owned</u> ⁽¹⁾	<u>Percent of Class</u>
Norman H. Asbjornson	9,815,161 ⁽²⁾	18.85%
Scott M. Asbjornson	1,416,168 ⁽³⁾	2.72%
Mikel D. Crews	76,644 ⁽⁴⁾	*
Gary D. Fields	41,401 ⁽⁵⁾	*
Angela E. Kouplen	10,123 ⁽⁶⁾	*
Paul K. Lackey, Jr.	74,922 ⁽⁶⁾	*
Caron A. Lawhorn	— ⁽⁷⁾	*
Stephen O. LeClair	5,061 ⁽⁸⁾	*
A. H. McElroy II	74,922 ⁽⁶⁾	*
Jack E. Short	41,712 ⁽⁶⁾	*
Rebecca A. Thompson	25,811 ⁽⁹⁾	*
Directors, nominees and Named Executive Officers as a group (11 persons)	11,581,925 ⁽¹⁰⁾	22.24%

(1) All shares are held beneficially and of record and the owner has sole voting and investment power with respect thereto, except as otherwise noted.

(2) Includes 6,868 shares under AAON's 401(k) plan, 89,138 shares issuable upon exercise of stock options exercisable currently or within 60 days of the annual meeting, 14,905 shares of restricted stock that will vest within 60 days of the annual meeting, 154,000 shares owned by his foundation and 554,108 shares held as trustee of trusts for the benefit of his grandchildren.

(3) Includes 1,541 shares under AAON's 401(k) plan, 25,594 shares issuable upon exercise of stock options exercisable currently or within 60 days of the annual meeting, 1,857 shares of restricted stock that will vest within 60 days of the annual meeting and 540,000 shares held as custodian for the benefit of his children.

(4) Includes 41,618 shares under AAON's 401(k) plan, 24,032 shares issuable upon exercise of stock options exercisable currently or within 60 days of the annual meeting and 89 shares of restricted stock that will vest within 60 days of the annual meeting.

(5) Includes 1,882 shares under AAON's 401(k) plan, and 30,378 shares issuable upon exercise of stock options exercisable currently or within 60 days of the annual meeting and 5,062 shares of restricted stock that will vest within 60 days of the annual meeting.

(6) Includes 5,062 shares of restricted stock that will vest within 60 days of the annual meeting.

(7) First equity award will be at the 2019 annual meeting.

(8) Includes 3,374 shares of restricted stock that will vest within 60 days of the annual meeting.

(9) Includes 364 shares under AAON's 401(k) plan, and 18,950 shares issuable upon exercise of stock options exercisable currently or within 60 days of the annual meeting and 1,311 shares of restricted stock that will vest within 60 days of the annual meeting.

(10) Includes 188,092 shares issuable upon the exercise of stock options that are exercisable currently or within 60 days of the annual meeting and 46,846 shares of restricted stock that will vest within 60 days of the annual meeting by all directors and Named Executive Officers.

* Less than 1%.

DIRECTORS AND EXECUTIVE OFFICERS

General

Our Board of Directors is comprised of seven members. Our Bylaws (the "Bylaws") divide the Board of Directors into three classes having staggered terms of three years each, with Classes III, I and II having terms expiring at the Annual Meeting of Stockholders in 2019, 2020 and 2021, respectively. The Bylaws provide that a stockholder may nominate a director for election at an annual meeting if written notice is given to us not less than 60 and not more than 90 days in advance of the anniversary date of the immediately preceding annual meeting.

On the recommendation of our Governance Committee, the Board of Directors has nominated Paul K. Lackey, Jr. and A. H. McElroy II the current members of the Class I Directors, whose terms expire at the 2019 Annual Meeting, for re-election to the Board. The persons named in the proxy will vote for the election of each of Mr. Lackey and Mr. McElroy. Each of the above named nominees have consented to being named in this Proxy Statement and to serve if elected.

If any nominee becomes unavailable for any reason, the shares represented by the proxies will be voted for such other person, if any, as may be designated by the Board of Directors. However, the Board has no reason to believe that any nominee will be unavailable.

Nominees:

Class I - Terms Expire in 2019

<u>Name</u>	<u>Age</u>	<u>Current Position</u>	<u>Director Since</u>
Paul K. Lackey, Jr.	75	Director	2007
A.H. McElroy II	56	Director	2007

Directors Continuing in Office:

Class II - Terms Expire in 2020

<u>Name</u>	<u>Age</u>	<u>Current Position</u>	<u>Director Since</u>
Caron A. Lawhorn	58	Director	2019
Stephen O. LeClair	50	Director	2017
Jack E. Short	78	Lead Independent Director	2004

Class III - Terms Expire in 2021

<u>Name</u>	<u>Age</u>	<u>Current Position</u>	<u>Director Since</u>
Norman H. Asbjornson	83	Director and Chief Executive Officer	1989
Gary D. Fields	59	Director and President	2015
Angela E. Kouplen	45	Director	2016

After the Annual Meeting, assuming the stockholders elect the two nominees of the Board of Directors as set forth above, the Board of Directors of the Company will be:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Norman H. Asbjornson	83	Director and Chief Executive Officer
Gary D. Fields	59	Director and President
Angela E. Kouplen	45	Director
Paul K. Lackey, Jr.	75	Director
Caron A. Lawhorn	58	Director
Steve LeClair	50	Director
A.H. McElroy II	56	Director
Jack E. Short	78	Lead Independent Director

Biographical Information

Set forth below is a description of the background of each of our continuing directors, nominees for director (* **indicates nominees for director**) and executive officers. The term of office of each officer ends on the date of the Annual Meeting, subject to extension upon re-election.

Directors

Norman H. Asbjornson has served as Chief Executive Officer and a director of AAON since its inception, and currently serves in the class of directors whose terms will expire at the 2021 Annual Meeting of stockholders. Mr. Asbjornson also served as President of AAON from its inception until November 2016, when the Board of Directors appointed Mr. Gary D. Fields as President. Mr. Asbjornson also serves as the President of AAON, Inc., an Oklahoma corporation ("AAON-Oklahoma") and as the Chairman of the Board of AAON Coil Products, Inc., both our wholly-owned subsidiaries.

Mr. Asbjornson is the founder of the Company, and his intimate knowledge of the HVAC industry, both from a technical and a business perspective, brings to the Board a unique insight into the Company's operations in particular, as well as the environment in which the Company operates.

Gary D. Fields has served as President of AAON since November 2016, was elected as a director of AAON in 2015, and currently serves in the class of directors whose terms will expire at the 2021 annual meeting. Mr. Fields has been involved in the HVAC industry for more than 35 years. From 1983 to 2012, Mr. Fields 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, with locations in Dallas, Fort Worth, Houston, Austin and San Antonio. Mr. Fields has been significantly involved with the Fort Worth, Texas Chapter of ASHRAE (the American Society of Heating, Refrigerating and Air-Conditioning Engineers), having served as Chairman of various ASHRAE committees and ultimately serving as President. Mr. Fields is currently an owner and President of GKR Partners LTD, an HVAC business development consulting firm, which has provided business development advice and consultation to the Company and its sales representatives from 2013 to 2016.

Mr. Fields' extensive experience in the HVAC industry provides the Board with valuable insight and knowledge on HVAC markets, including market trends. Mr. Fields' lengthy experience at a large independent HVAC equipment provider also allows him to provide the Board guidance on the Company's sales and marketing activities. In addition, Mr. Fields' detailed knowledge of the Company's product lines (as well as the product lines of the Company's competitors) enables him to provide the Board with unique insight into the Company's strengths and strategic opportunities to improve its position in the marketplace.

Angela E. Kouplen was elected for an initial two-year term as a director of AAON in 2016, and currently serves in the class of directors whose terms will expire at the 2021 annual meeting. She serves

as a member of our Audit Committee and our Compensation Committee. Ms. Kouplen has over 20 years of experience at multiple energy companies, with an emphasis on information technology (“IT”), contract management, sourcing/vendor relations, human resource management, strategy and governance. From 1997 through 2007, Ms. Kouplen worked at CITGO Petroleum, a petroleum refining, marketing and transportation company, in various IT related positions, including Manager - E-Business Strategy and Alliance, as well as Manager - Third Party Applications and Applications Development. From 2007 through 2010, Ms. Kouplen served Williams Companies, a Tulsa based publicly traded energy company, in the position of Manager - Sourcing Management Office. From 2010 through 2011, Ms. Kouplen served Williams Companies as Manager - IT Strategy and Governance.

In 2012, Ms. Kouplen transitioned from Williams Companies to WPX Energy, a Tulsa based stand-alone publicly traded energy company previously part of the Williams Companies. Following the move to WPX Energy, from 2012 through 2014, Ms. Kouplen served as Director - Talent Acquisition and Leadership, from 2015 to 2016 she served as Vice President - Information Technology, from 2016 to November 2018, she served as Vice President of Administration and Chief Information Officer and from November 2018 to present currently serves as Senior Vice President of Administration and Chief Information Officer. Ms. Kouplen holds a bachelor’s degree in Management from Oklahoma State University and an M.B.A from the University of Tulsa.

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. Additionally, Ms. Kouplen brings to the board experience in sourcing/vendor relations and human resources; two areas which the Board views as vital to the future growth and profitability of the Company. Ms. Kouplen’s diverse and lengthy experience in senior management and executive level positions at large publicly traded companies allows her to provide the Board guidance on the Company’s IT practices, human resources programs and sourcing/vendor relations activities, while also giving her the ability to compare such practices against those of other publicly traded companies, all of which will strengthen the effectiveness and broaden the skill set of our Board.

***Paul K. (“Ken”) Lackey, Jr.**, was elected as a director of AAON in 2007, and currently serves in the class of directors whose terms will expire at the 2019 annual meeting of stockholders. He is Chairman of our Governance Committee and a member of our Audit Committee. Between April 2002 and October 2005 Mr. Lackey served as CEO and President of The NORDAM Group, a privately held company in Tulsa, Oklahoma involved in the aerospace industry. 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. From 2001 to 2016, Mr. Lackey served on the board of directors of Matrix Service Company, a public company involved in the construction and energy services industry, and from 2009 to 2018, served on the board of directors as Chairman of St. John Health System, a healthcare system in northeastern Oklahoma and southern Kansas.

Mr. Lackey’s experience in serving as the CEO of a manufacturing company provides not only additional knowledge and insight in production and manufacturing processes in general, but also brings to the Board an individual who can provide guidance on management and operational systems in a manufacturing environment such as ours. Mr. Lackey’s prior extensive service on the board of another public company also provides him with the ability to compare and assess the differences in board operations and functions, which allows him to provide guidance on strengthening the practices of our Board.

Caron A. Lawhorn was elected as a director of AAON in January 2019, and currently serves in the class of directors whose terms will expire at the 2020 Annual Meeting. She is a certified public accountant and serves as a member of our Audit Committee. Ms. Lawhorn has over 35 years of experience in various accounting, finance, operational and executive positions. Ms. Lawhorn currently serves as Senior Vice President and Chief Financial Officer of ONE Gas, Inc. (a position she has held since March 1, 2019), and in such role is responsible for finance, accounting, treasury functions and investor relations. Prior to her

current role, she served as Senior Vice President, Commercial, a position she held from ONE Gas's separation from ONEOK, Inc. in January, 2014. Prior to ONE Gas's separation from ONEOK, Ms. Lawhorn served in the same role at ONEOK. Prior to assuming the role of Senior Vice President, Commercial for ONEOK, Ms. Lawhorn was the President of ONEOK's natural gas distribution segment. From July 2009 to March 2011, she served as Senior Vice President, Corporate Planning and Development of ONEOK and ONEOK Partners, responsible for business development, strategic and long-range planning and capital investment. Ms. Lawhorn became Senior Vice President and Chief Accounting Officer of ONEOK in 2007, adding responsibility for ONEOK Partners in 2008. Prior to that, she was Senior Vice President of Financial Services and Treasurer of ONEOK. Ms. Lawhorn joined ONEOK in 1998, after serving as a Senior Manager at KPMG and Chief Financial Officer of Emergency Medical Services Authority in Tulsa.

Ms. Lawhorn's extensive background in various accounting, finance, operational and executive positions provides the Board with significant accounting and financial expertise and assists the Board's ongoing efforts to advance the Company's accounting and corporate governance practices. Ms. Lawhorn's public company experience also allows her to compare our practices against those of other public companies and provide input and guidance on strengthening our practices and procedures.

Stephen O. ("Steve") LeClair was elected as a director of AAON in 2017. He is a member of our Compensation Committee and Audit Committee. Mr. LeClair has over 25 years of experience in various executive, manufacturing, finance, sales and operational positions. Mr. LeClair currently serves as Chief Executive Officer of Core & Main (formerly HD Supply Waterworks) (a position he has held since August 2017), 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 President of HD Supply Waterworks from December 2011 to August 2017, 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. He was previously a member of the Saint Louis University's International Business School Advisory Board. Mr. LeClair holds a bachelor's degree in Mechanical Engineering from Union College and an M.B.A. degree from the University of Louisville.

Mr. LeClair's extensive experience in operations, distribution, manufacturing and sales at two large public companies will bring to the Board strategic and operational expertise that will provide valuable insight to the Board across several phases of AAON's business. Mr. LeClair's public company experience will also allows him to compare and assess the differences in our operations and functions against other publicly traded companies, which enables him to provide input and guidance on strengthening the practices of AAON.

***A.H. ("Chip") McElroy II** was elected as a director of AAON in 2007, and currently serves in the class of directors whose terms will expire at the 2019 annual meeting of stockholders. He is Chairman of our Compensation Committee and serves as a member of our Governance Committee. Since 1997 Mr. McElroy has served as President and CEO of McElroy Manufacturing, Inc., a privately held manufacturing concern based in Tulsa, Oklahoma. Since 2002, Mr. McElroy has also served as Chairman of Southern Specialties Co., a privately held specialty sheet metal manufacturer. Since 2016, Mr. McElroy has served on the board of directors of Pryer Aerospace, a privately held Tulsa, Oklahoma based aerospace structural component and sheet metal manufacturer, and also since 2016 has served on the Advisory Board of HydroHoist Marine Group, a privately held Claremore, Oklahoma based boat lift manufacturer. Since 2017, Mr. McElroy has served as a member on the local advisory board of directors of St. John Health System, a healthcare system in northeastern Oklahoma and Southern Kansas.

Mr. McElroy's extensive experience in managing a privately held manufacturing company brings to the Board substantial knowledge of operational and budgetary efficiencies, as well as technology-related applications which benefit the Company's general manufacturing processes.

Jack E. Short has served as a director of AAON since 2004, and currently serves in the class of directors whose terms will expire at the 2020 Annual Meeting of stockholders. He is Chairman of our Audit Committee, a member of our Governance Committee and since January 2019 has served as our lead independent director. Mr. Short was employed by PricewaterhouseCoopers (formerly Coopers & Lybrand) for 29 years and retired as the managing partner of the Oklahoma practice (Tulsa and Oklahoma City) of the firm in June 2001. Mr. Short currently serves on the board of directors of T.D. Williamson, Inc., a worldwide manufacturing and oilfield services company and previously served on the board of directors of a public company which is engaged in the non-toxic waste collection business.

Mr. Short's extensive background in public accounting provides the Board with an individual well-versed in accounting and financial matters, and his experience serving on the boards of other (publicly and privately held) companies offers additional insight to the Board in both financial and risk assessment matters.

Executive Officers

In addition to Norman H. Asbjornson and Gary D. Fields (who are both directors and executive officers of the Company, and whose biographical information may be found in the section above entitled "Directors"), the executive officers of the Company are:

<u>Name</u>	<u>Age</u>	<u>Current Position</u>
Scott M. Asbjornson	50	Vice President, Finance and Chief Financial Officer
Mikel D. Crews	61	Vice President, Operations
Rebecca A. Thompson	40	Chief Accounting Officer and Treasurer

Scott M. Asbjornson, age 50, Vice President, Finance and CFO, joined the Company in 1990 and is the son of the Company's CEO, Norman H. Asbjornson. Mr. Scott Asbjornson has held various 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-Oklahoma. Scott also has a Master's in Business Administration from the University of Tulsa.

Mikel D. Crews, age 61, Vice President, Operations, joined the Company at its inception and was promoted to his current position in February 2017. From 2015 to February 2017, Mr. Crews served as the Company's Director of Material and Operations. Prior to that served as Manager of Operations since 1991.

Rebecca A. Thompson, age 40, Chief Accounting Officer and Treasurer, joined the Company as Chief Accounting Officer in 2012 and Treasurer in 2017. Ms. Thompson previously served as a Senior Manager at Grant Thornton, LLP where she had 11 years of experience in the assurance division. Rebecca has a Bachelor's of Science in Accounting and Master's of Information Systems and Accounting from the University of Tulsa. Ms. Thompson is also a licensed certified public accountant.

BOARD, COMMITTEE MATTERS AND CORPORATE GOVERNANCE

Leadership Structure of the Board

The business of AAON is managed under the direction of our Board of Directors ("Board"). In accordance with our Bylaws, we do not have a "Chairman of the Board"; rather, the Chief Executive Officer presides as "Chairman" at all meetings of the Board and stockholders. Our Board has also chosen to elect a lead independent director to perform the duties and responsibilities as the Board may determine.

The Board has determined that our current Board structure, having the Chief Executive Officer also serve as the presiding officer at all Board and stockholder meetings, and having a lead independent director, is currently the most appropriate leadership structure for the Company and its stockholders. This fosters clear accountability, effective decision-making, alignment with corporate strategy, direct oversight of management, full engagement of the remaining directors and continuity of leadership. Having a lead independent director demonstrates the Board's recognition of the importance of independent leadership and identifies the individual, appointed by and from the independent directors, selected to act as the leader of the independent directors. As the officer ultimately responsible for the day-to-day operation of the Company and for execution of its strategy, the Board believes that the Chief Executive Officer is the director best qualified to act in the capacity as "Chairman" of the Board and to lead Board discussions regarding the performance of the Company, and also believes having a lead independent director complements this structure and helps ensure appropriate discussions take place--in an open and forthright manner--at the Board level. We do not require the person filling the function of "Chairman of the Board" to be an independent director, but we do require our lead independent director to qualify as an independent director under applicable securities laws, rules or regulations, and applicable stock exchange requirements or guidelines. The Board considers and reviews its leadership structure annually by the independent directors in connection with its self-evaluation process. The Board believes its current leadership structure is reasonable, appropriate and in the best interests of the Company and its stockholders.

The Board's Role in Risk Oversight

The Board has ultimate responsibility for oversight of our risk management processes. The Board discharges this oversight responsibility through regular reports received from and discussions with senior management on areas of material risk exposure to the Company. These reports and Board discussions include, among other things, operational, financial, legal, regulatory and strategic risks. Additionally, our risk management processes are intended to identify, manage and control risks so that they are appropriate considering our size, operations and business objectives. The full Board (or the appropriate committee in the case of risks in areas for which responsibility has been delegated to a particular committee) engages with the appropriate members of senior management to enable its members to understand and provide input to and oversight of our risk identification, risk management and risk mitigation strategies. In addition, each of our Board committees considers the risks within its areas of responsibility. For example, the Audit Committee reviews risks related to financial reporting; discusses material violations, if any, of Company ethics and compliance policies brought to its attention; considers the Company's annual audit risk assessment which identifies internal control risks and drives the internal and external audit plan for the ensuing year; and considers the impact of risk on our financial position and the adequacy of our risk-related internal controls. The Compensation Committee reviews compensation and human resource risks. This enables the Board to coordinate risk oversight, particularly with respect to interrelated or cumulative risks that may involve multiple areas for which more than one committee has responsibility. The Board or applicable committee also has authority to engage external advisors as necessary.

Actions taken by the Board outside of Board meetings were consented to in writing by a memorandum of action in lieu of a meeting, to which all incumbent directors subscribed. Directors meet their responsibilities not only by attending Board and committee meetings but also through communication with members of management on matters affecting us.

A description of the fees paid to the directors and members of the Audit Committee, Compensation Committee and Governance Committee can be found under "Executive Compensation - Director Compensation", herein.

Communicating with the Board

Stockholders may communicate with the Board, including the non-management directors, by sending a letter to the Board of Directors of AAON, Inc., c/o Corporate Secretary, 2425 South Yukon, Tulsa, Oklahoma 74107. The Corporate Secretary has the authority to disregard any inappropriate communications. If deemed an appropriate communication, the Corporate Secretary will submit the correspondence to the Board or to any specific director to whom the correspondence is directed.

Board Meetings and Annual Meeting Attendance

Our directors are expected to attend Board meetings, meetings of Board committees on which they serve and the Annual Meeting of Stockholders. The Board met five times during 2018, and each director participated in 75% or more of the total number of meetings of the Board. We encourage all of our directors to attend AAON's annual meeting of stockholders and all Board members who were in office at such time attended the 2018 annual meeting.

Executive Sessions

Our Board and Board committees regularly conduct executive sessions of independent directors. Our lead independent director presides over each executive session of the independent directors and the committee chairs preside over executive sessions of each of their respective committees.

Board Committee Structure

Currently, the Board has a standing Audit Committee, Compensation Committee and Governance Committee to assist the Board in carrying out its functions. The Board has determined that each of the Chairmen, as well as all committee members are independent under applicable NASDAQ and SEC rules for committee memberships. The members of the committees are shown in the table below, followed by a brief description of each committee.

<u>Director</u>	<u>Audit Committee</u>	<u>Compensation Committee</u>	<u>Governance Committee</u>
Angela E. Kouplen	Member	Member	--
Paul K. Lackey, Jr.	Member	--	Chairman
Caron A. Lawhorn	Member	--	--
Stephen O. LeClair	Member	Member	--
A.H. McElroy II	--	Chairman	Member
Jack E. Short	Chairman	--	Member

Audit Committee

The Audit Committee assists the Board in fulfilling its responsibility for oversight of the quality and integrity of our accounting, auditing and financial reporting practices. Among other things, the Audit Committee is responsible for: selecting and retaining our independent public accountants; preapproving the engagement of the independent accountants for all audit-related services and permissible, non-audit related services; reviewing in advance the scope and focus of the annual audit; and reviewing and discussing with management and the auditors our financial reports, the audited financial statements, the auditor's report, the management letter and the quality and adequacy of our internal controls. The Board has determined that the Chairman and the other Audit Committee members are independent under applicable NASDAQ and SEC rules for Audit Committee memberships. The Audit Committee is governed by a written charter, a copy of which is available on our website, at www.aaon.com. The "Audit Committee Report" for year 2016 is set forth below.

The Audit Committee met a total number of four times during 2018 and the Chairman and each committee member participated in 75% or more of the total number of Audit Committee meetings.

The Board has determined that Mr. Short and Ms. Lawhorn each qualify as an “audit committee financial expert” as defined by applicable SEC rules and that each member of the Audit Committee meets the additional criteria for independence of audit committee members set forth in Rule 10A-3(b)(1) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and Section 5605(c) of the NASDAQ Stock Market Listing Standards.

Compensation Committee

The responsibilities of the Compensation Committee, as set forth in its charter, include the direct responsibility and authority to review and approve our goals and objectives relevant to the compensation of our Chief Executive Officer and other executive officers, to evaluate the performance of such officers in accordance with the policies and principles established by the Compensation Committee and to determine and approve, either as a Committee, or (as directed by the Board) with the other “independent” Board members (as defined by the NASDAQ listing standards), the compensation level of the Chief Executive Officer and the other executive officers. The Compensation Committee is composed of the three non-employee directors, named in the table above, each of whom is “independent” as defined by applicable NASDAQ and SEC rules for committee memberships. The Compensation Committee is governed by a written charter, a copy of which is available on our website, at www.aaon.com. In accordance with its charter, our Compensation Committee has the sole authority to retain and terminate its compensation consultant and to review its compensation consultant's independence on an annual basis.

The Compensation Committee met a total of six times during 2018 and the Chairman and each committee member participated in 75% or more of the total number of Compensation Committee meetings.

Governance Committee

The responsibilities of the Governance Committee include proposing to the Board a slate of nominees for election by the stockholders at the Annual Meeting, and maintaining a list of prospective director candidates in the event of the resignation, death, removal or retirement of directors or a change in the Board composition requirements. The Committee is also charged with reviewing with the Board the desired experience, mix of skills and other qualities to assure appropriate Board composition. The Board has determined that the Chairman and all Governance Committee members are independent under applicable NASDAQ and SEC rules for committee memberships. The Governance Committee met a total of five times during 2018 and the Chairman and each committee member participated in 75% or more of the total number of Governance Committee meetings.

Our Bylaws also provide that a stockholder may nominate a director for election at an annual meeting if written notice is given to us not less than 60 and not more than 90 days in advance of the anniversary date of the immediately preceding annual meeting.

If and when new vacancies occur in the future, the Board will consider director nominees recommended by stockholders, in accordance with our Bylaws. The Board does not have a formal policy regarding the consideration of, procedures to be followed by, minimum qualifications of or process for identifying or evaluating nominees recommended by stockholders.

Among the criteria developed by the Governance Committee for qualification for director nominees as well as director retention, a candidate must have demonstrated accomplishment in his or her chosen field, character and personal integrity, and the ability to devote sufficient time to carry out the duties of a director. The Governance Committee considers whether the candidate is independent under the standards described below under “Director Independence.” In addition, the Governance Committee considers all information relevant in their business judgment to the decision of whether to nominate a particular candidate,

taking into account the then-current composition of the Board and assessment of the Board's collective requirements. These factors may include: a candidate's age, professional and educational background, reputation, industry knowledge and business experience and relevance to the Company and the Board (including the candidate's understanding of markets, technologies, financial matters and international operations); whether the candidate will complement or contribute to the mix of talents, skills and other characteristics that are needed to maintain the Board's effectiveness; and the candidate's ability to fulfill responsibilities as a director and as a member of one or more of our standing Board committees. Although the Board does not have a formal diversity policy for Board membership, the Governance Committee considers whether a director nominee contributes or will contribute to the Board in a way that can enhance the perspective and experience of the Board as a whole through diversity in gender, ethnicity, geography and professional experience.

Nomination of a candidate is not based solely on the factors noted above. When current Board members are considered for nomination for re-election, the Governance Committee also takes into consideration their prior Board contributions, performance and meeting attendance records. The Governance Committee does not assign specific weights to particular criteria, and no particular criterion is a prerequisite for Board membership. We believe that the backgrounds and qualifications of our directors, considered as a group, should provide an appropriate mix of experience, knowledge and abilities to allow the Board to fulfill its responsibilities. The effectiveness of the Board's skills, expertise and background is also considered as part of each Board and committee annual self-assessment evaluation process conducted at the direction of the Governance Committee.

Code of Ethics

We have 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 our 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, 2425 South Yukon Avenue, Tulsa, Oklahoma 74107, attention Scott Asbjornson, or by calling (918) 382-6242.

Transactions with Related Persons

The Company sells units to Fields Mechanical Systems, which is owned by the brother of our President, Gary Fields. This entity is also one of the Company's independent sales representatives and as such, the Company makes payments to the entity for third party products, which are reflected in our financial statement as amounts Due to Representatives. In 2018, the Company had sales to Fields Mechanical Systems for \$1.4 million and made payments to Fields Mechanical Systems of \$0.3 million. All transactions are made on standard Company terms and conditions.

Our Code of Conduct guides the Board 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 Executive Officers, are prohibited except under any guidelines approved by the Board. Only the Board may waive a provision of the Code of Conduct for a director or a Named Executive Officer, and only then in compliance with all applicable laws, rules and regulations.

Director Independence

The Board has adopted director independence standards that meet and/or exceed listing standards set by NASDAQ. NASDAQ has set forth six applicable tests and requires that a director who fails any of the tests be deemed not independent. The Board has affirmatively determined that Ms. Kouplen, Ms. Lawhorn and Messrs. Lackey, LeClair, McElroy and Short are independent under the Company's guidelines and independence standards of NASDAQ and the SEC. Messrs. Asbjornson and Fields do not qualify as independent under the standards set forth below.

Our director independence standards are as follows:

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

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

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

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

In addition to the director independence standards set forth above, the Board also requires the Chairs and all other committee members to satisfy the heightened independence standards set forth under applicable NASDAQ and SEC rules for committee memberships. In connection with its assessment of the independence of the directors as set forth above, the Board also determined that our Audit Committee Chair and all other Audit Committee members meet the additional independence standards of NASDAQ and the SEC applicable to members of the Audit Committee.

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

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

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Executive Summary

During 2018, our executive officers led our efforts to increase sales, execute our internal capital expenditure programs and position the Company to capitalize on anticipated growth. Some of the key accomplishments during 2018 include:

- Record sales of \$433.9 million, an increase of 7.1% from 2017;
- Record backlog of \$151.8 million at December 31, 2018, an increase of 86.8% from the same period a year ago;
- Successful acquisition of WattMaster Controls, Inc., our long-time supplier of controls and related components, which facilitated the acceleration of our internal development of controls used in our products;
- Achieved significant completion and initial utilization of our state-of-the-art Norman Asbjornson Innovation Center research and development laboratory;
- Continued advancement of our new line of water-source heat pump products, including a 115% increase in unit sales compared to 2017; and
- Disciplined management of capital expenditures during 2018 totaling \$37.3 million.

While we continued to deliver solid sales results in 2018, several challenges presented by our growth negatively impacted our net income. The primary challenges faced by the Company during 2018 were:

- Labor availability issues: Increased manufacturing activity combined with a very low unemployment rate in our primary market, Tulsa, Oklahoma, presented significant challenges in recruiting and retaining the workforce talent required to meet our manufacturing output levels; and
- Rising supply chain costs: Raw material prices increased during 2018 (with increases of 4.7%, 18.2%, 11.8% and 6.4% for copper, galvanized steel, stainless steel and aluminum, respectively) and our price increases were unable to sufficiently offset these rising costs.

The following discusses the material elements of compensation awarded to, earned by or paid to our Named Executive Officers, comprised of our principal executive and principal financial officers, and our other three most highly compensated executive officers.

For the 2018 fiscal year, our Named Executive Officers were:

Norman H. Asbjornson	Chief Executive Officer
Scott M. Asbjornson	Vice President, Finance and Chief Financial Officer
Mikel D. Crews	Vice President, Operations
Gary D. Fields	President
Rebecca A. Thompson	Chief Accounting Officer and Treasurer

Mr. Norman Asbjornson and Mr. Scott Asbjornson are Named Executive Officers by reason of their positions as the principal executive officer ("PEO") and principal financial officer ("PFO"), respectively, of the Company during 2018. Mr. Fields, Mr. Crews and Ms. Thompson are Named Executive Officers as they were our three most highly compensated executive officers (other than our PEO and PFO) who were serving at the end of 2018.

Our executive compensation programs are determined and approved by our Compensation Committee, after consideration of recommendations by the principal executive officer and information provided by the Compensation Committee's independent compensation consultant. The Compensation Committee, however, uses its own judgment to ultimately make the final decisions concerning compensation paid to our Named Executive Officers.

What We Do

Pay for Performance: Our executive compensation plan is aligned with stockholder interests by rewarding for strong financial performance and stock price appreciation.

Stock Ownership Guidelines: Our directors, executive officers and certain other key employees are subject to robust stock ownership guidelines.

At-Will Employment: Our executive officers are employed at-will and we do not use employment agreements.

Independent Compensation Consultant: We utilize an independent compensation consultant reporting directly to the Compensation Committee.

What We Do Not Do

No Stock Option Re-Pricing: We do not permit re-pricing of equity awards without stockholder approval.

No Tax Gross-Ups: We do not provide tax gross-ups.

No Hedging in Company Securities: Our directors, executive officers and other key employees are prohibited from engaging in hedging transactions, short sales or derivative transactions with respect to AAON securities.

None of the Named Executive Officers are members of the Compensation Committee. The Compensation Committee has the direct responsibility and authority to review and approve our goals and objectives relative to the compensation of the Named Executive Officers, and to determine and approve (either as a committee or with the other members of our Board who qualify as "independent" directors under applicable guidelines adopted by NASDAQ) the compensation levels of the Named Executive Officers.

Our historical executive compensation programs have intended to achieve two objectives:

- To enhance our profitability, and thus stockholder value; and

- To attract, motivate, reward and retain high quality employees, including executive personnel, who contribute to our long-term success.

As described in more detail below, the material elements of our historical executive compensation program for Named Executive Officers include a base salary, annual incentive bonuses, equity-based compensation, perquisites, and Company contributions to AAON's 401(k) plan.

We believe that each element of the executive compensation program helps to achieve one or both of the compensation objectives outlined above. The table below lists each material element of our executive compensation program and the compensation objective or objectives that it is designed to achieve.

<u>Compensation Element</u>	<u>Compensation Objectives Attempted to be Achieved</u>
Base salary	- Attract and retain qualified executives - Motivate and reward executives' performance - Stay competitive in the marketplace
Bonus compensation	- Motivate and compensate executives' performance - Stay competitive in the marketplace
Equity-based compensation – stock options and restricted stock awards	- Enhance profitability of AAON and stockholder value by aligning long-term incentives with stockholders' long-term interests - Attract and retain qualified executives
Retirement benefits – 401(k) and health savings account	- Attract and retain qualified executives
Perquisites and personal benefits	- Attract and retain qualified executives

Compensation Philosophy

Our executive compensation program is designed to reward performance, enhance profitability and increase stockholder value. We believe in a compensation plan that fosters a culture of ownership and allows us to attract and retain top talent who are similarly focused on the creation of long-term value. We reward our executive officers with a pay mix that emphasizes long-term compensation through stock options and restricted stock awards to align stockholder and executives' interests. We strive to provide total compensation that aligns with the market median for NEOs and utilize an annual bonus program to incentivize executive officers to meet Company performance goals. We maintain a compensation program that operates in the best interests of AAON and our stockholders, rewarding Named Executive Officers based on performance.

We have, from time to time, at the request and for the benefit of the Compensation Committee, retained independent third-party executive compensation consulting companies (which provide no other services to us) to provide general compensation expertise. The Compensation Committee has previously utilized these consulting firms for a comprehensive analysis of compensation for all executive, engineering, sales, marketing, general and administrative positions. These consultants generally gather peer group information and provide the information to the Compensation Committee, which is then used for proper benchmarking of our compensation programs for executives and other employees. The peer group information is utilized by the Compensation Committee to provide reference points that compare our compensation practices against those of other similarly situated publicly traded companies. While the peer group data helps inform the Compensation Committee in its decision making process, the Compensation Committee ultimately makes its determinations based on subjective criteria and reliance on its independent business judgment and experience.

During 2018, the Compensation Committee conducted a thorough request for proposal ("RFP") process which sought proposals from several independent compensation advisor firms. The Committee completed this process in January 2019 and ultimately engaged Meridian Compensation Partners, LLC ("Meridian") as the Compensation Committee's independent compensation advisor on executive and director compensation matters, peer group identification for executive compensation planning and other compensation matters. The Compensation Committee has the sole authority to retain and terminate its independent consultant and also has the sole authority to approve the independent consultant's fees and terms of engagement. Meridian provides no other services to AAON and does not perform any work for management.

In accordance with applicable SEC and NASDAQ rules, as well as the Compensation Committee's charter, the Compensation Committee annually reviews the independence of its compensation consultant. For 2018, the Committee determined that its prior independent compensation consulting firm satisfied the applicable rules for independence. The Committee also considered the independence of Meridian in the course of conducting its RFP process and determined that Meridian also qualifies as independent.

Say-On-Pay

We provide our stockholders the opportunity to cast an advisory vote (currently once every three years) to approve the compensation of our Named Executive Officers as disclosed pursuant to the SEC's compensation disclosure rules. The results of this advisory vote (commonly known as a "say-on-pay proposal"), while not binding on the Company, are taken into account by the Compensation Committee in its determinations regarding the key components, design and implementation of our executive compensation program.

At our 2017 Annual Meeting of Stockholders, the ballot included our say-on-pay proposal. The vote was not binding on the Company, the Board of Directors or the Compensation Committee. Of the votes cast, including abstentions, 96.3% were "FOR" the compensation of the Named Executive Officers. The Compensation Committee was cognizant of this result in its determinations to continue the key components, design and implementation of our executive compensation program.

The ballot for our 2017 Annual Meeting of Stockholders also included an advisory vote as to the frequency of future advisory say-on-pay votes. Of the votes cast, including abstentions, 47.71% selected "THREE YEARS" as the frequency for future say-on-pay votes. At a meeting of the Board of Directors immediately following our 2017 Annual Meeting of Stockholders, the Board determined, in light of such advisory vote, to continue including an advisory stockholder say-on-pay proposal every three years. As a result, we currently anticipate our next say-on-pay proposal will be included on the ballot for our 2020 Annual Meeting of Stockholders.

2018 Executive Compensation Program Elements

The following discussion, as well as the historical information contained in the tables below, are based upon our historical and current compensation plans, in effect in 2018 and in the previous reported year.

Base Salaries

Below is a summary of 2018 base salaries for our Named Executive Officers:

Named Executive Officer	2017 Base Salary	2018 Base Salary	Percent Increase
Norman H. Asbjornson	\$480,960	\$480,960	—%
Scott M. Asbjornson	\$246,220	\$246,220	—%
Mikel D. Crews	\$185,148	\$270,556	46%
Gary D. Fields	\$350,000	\$350,000	—%
Rebecca A. Thompson	\$176,092	\$230,464	31%

In approving these executives' salary levels, the Committee took into account certain factors, including, recommendations of the principal executive officer (except as it related to himself), benchmark information received from the independent compensation consultant, each executives' individual experience and responsibilities as well as the Company's performance. Based on the Company's performance, market data and other internal considerations, the Compensation Committee made no base salary changes for our executive officers during 2018, but in late 2017 approved a 31% increase for Rebecca Thompson, which was in conjunction with her assuming the role of Treasurer (in addition to her position as Chief Accounting Officer) and to remain competitive with market data, as well as a 46% increase for Mikel Crews, following his promotion to Vice President, Operations, and based on competitive market data.

Annual Cash Incentive Bonuses

We have an "at risk" annual incentive bonus which is intended to facilitate alignment of management with corporate objectives and stockholder interests in order to achieve outstanding performance and to meet specific AAON financial goals by:

- providing the employees designated by the Committee, incentive compensation tied to stockholder interests and goals for the Company;
- providing competitive compensation to attract, motivate, reward and retain employees who achieve outstanding performance;
- fostering accountability and teamwork throughout the Company; and
- contributing to the long-term success of the Company.

At the recommendation of the Compensation Committee, the Board has authorized Mr. Asbjornson, as the CEO, to provide further detailed recommendations on the annual incentive bonus plan and individual objectives within such plan with respect to each other Named Executive Officer. The CEO will, with the Compensation Committee's approval, have the authority to increase or decrease the individual annual incentive awards (up to 15%) for each other Named Executive Officer based upon Mr. Asbjornson's evaluation of such officer's annual objectives.

We believe that the annual incentive bonus should be a substantial component of total compensation and be based upon achievement of AAON's annual "Opportunity Budget" (which is the Company's budgeted net income before "profit sharing" and income taxes, but after bonus accrual). Incentive compensation opportunities are expressed as a percentage of the executive officer's base salary multiplied by a bonus factor. The bonus factor is calculated using a formula determined by the Compensation Committee that results in a multiple of the amount by which the Company exceeded (or approached, if less than 100%, but equal to or more than 80% of) the Opportunity Budget.

The following table details the results for the fiscal year ended December 31, 2018:

<u>Opportunity Budget</u>	<u>Actual Results</u>	<u>% of Opportunity Budget</u>	<u>Bonus Factor</u>
\$90.0 million	\$55.8 million	62%	0

For our Named Executive Officers to be eligible to qualify for the Company's annual incentive cash bonus, the Company's actual performance must equal at least 80% of the annual Opportunity Budget threshold amount, which is set in advance (typically in February of each year) by the Compensation Committee.

In the event the Company's performance exceeds the level necessary for our Named Executive Officers to earn a bonus under the annual cash incentive bonus plan (which, as noted above, requires actual Company performance of at least 80% of the Opportunity Budget amount), the Board has the discretion (with the advice of the Compensation Committee) in the case of Norman H. Asbjornson, and Mr. Asbjornson has the discretion in the case of the other Named Executive Officers, to increase or decrease the bonus amount earned by each Named Executive Officer up to 15% based on how such individual has performed in relation to his or her annual objectives. For 2018, annual cash incentive bonuses were not awarded as a result of the Company's actual results falling short of the required threshold of 80% of the Opportunity Budget amount.

The annual incentive bonus, when awarded, is reported in the following columns of the "Summary Compensation Table" for each Named Executive Officer, the "Bonus" column, for the adjustment portion, and the "Non-Equity Incentive Plan Compensation" column, for the preliminary calculated annual incentive bonus portion.

Equity-Based Compensation

Our policy is that the Named Executive Officers' long-term compensation should be directly linked to enhancing profitability and value provided to our stockholders. Accordingly, the Compensation Committee grants equity awards under our 2007 LTIP and 2016 Incentive Plan, both designed to link an increase in stockholder value to compensation. Such grants are largely based upon the recommendation of the principal executive officer (except as to himself) based on the Named Executive Officer's performance in the prior year and his or her expected future contribution to our performance.

Positive overall Company performance (from both a financial as well as stock price stand point) is a primary element associated with the grant of equity-based compensation to the executive officers as a group. When determining the total value of compensation provided to our executive officers, our Compensation Committee, with the advice of our CEO, evaluates various aspects of Company performance in light of general economic conditions, as well as comparison of the Company's performance against similar competitors in the industry. Performance elements considered may include improvement in sales performance, cost containment initiatives, product and marketing development, risk management, or successful completion of major capital projects, including enhancements to manufacturing operations. These elements have not been specifically weighted in determining the amount of the equity incentive awards because the relative importance of each element may change from time to time and the responsibilities of each executive officer, as they contribute to the achievement of any particular objective, may vary.

Factors considered when determining any specific equity-based award include:

- the responsibilities of the executive officer;
- the scope, level of expertise and experience required for the executive officer's position and the period during which the officer has performed these responsibilities;
- the strategic impact of the officer's position; and
- the potential future contribution of the officer.

Non-qualified stock options and restricted stock awards for Named Executive Officers and other key employees generally vest ratably on an annual basis over five years. The Compensation Committee believes that these awards encourage Named Executive Officers to continue to use their best professional skills and to retain Named Executive Officers for longer terms.

Awards are granted to new key employees on their hire date. Other grant date determinations are made by the Compensation Committee, which are based upon the date the Committee met and proper communication was made to the Named Executive Officer or key employee as defined in the definition of grant date by FASB ASC Topic 718. Stock option exercise prices are equal to the value of AAON stock on the close of business on the determined grant date. We have no program or practice to coordinate timing of grants with release of material, nonpublic information.

We believe it is important for a significant portion of our total compensation to executive officers be in the form of equity. This approach helps ensure the interests of our executive officers are properly aligned with our stockholders and also rewards our executive officers for driving results that enhance profitability and increase stockholder value.

The following shares of equity awards were granted in 2018 to our Named Executive Officers:

Named Executive Officer	Restricted Stock Awards	Option Awards	2018 Total Shares Awarded
Norman H. Asbjornson	4,600	115,700	120,300
Scott M. Asbjornson	3,200	39,900	43,100
Mikel D. Crews	1,800	31,600	33,400
Gary D. Fields	6,000	63,300	69,300
Rebecca A. Thompson	1,300	28,800	30,100

Perquisites

We provide some Named Executive Officers with certain perquisites and personal benefits, including automobile related expenses. We utilize certain tax advantages associated with perquisites and personal benefits as a way to provide additional annual compensation that supplements base salaries and bonus opportunities granted to Named Executive Officers. We believe the perquisites provided, and their corresponding values, are appropriate for executives within our industry. Perquisites are reported in the "All Other Compensation" column of the "Summary Compensation Table" for each Named Executive Officer if applicable and if reporting threshold requirements were met.

Retirement Benefits - Defined Contribution Plan, 401(k) and Health Savings Account

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 default 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 are increased to 6% each year, unless their current rate is above 6% or the employee elects to decline the automatic enrollment or increase.

The Company presently matches 175% up to 6% of employee contributions of eligible compensation. Administrative expenses for the Plan are paid for by Plan participants. Additionally, Plan participant forfeitures are used to reduce the cost of the Company contributions. We contribute in the form of cash and direct the investment to shares of AAON stock. Employees are 100% vested in salary deferral contributions and vest 20% per year at the end of years two through six of employment in employer matching contributions.

The amounts contributed by us to each Named Executive Officer under the 401(k) plan are based on actual contributions and the base salary, bonus and equity compensation of the employee, and are reported in the "All Other Compensation" column of the "Summary Compensation Table" for each Named Executive Officer, if applicable, and if the threshold reporting requirements were met. Our employees participate in a high-deductible health savings plan wherein they open a Health Savings Account. We match 175% of employee contributions to their Health Savings Account.

Equity Ownership Guidelines

The Board approved stock ownership guidelines for directors, executive officers and other key employees in order to further align the interest of our directors and executive officers with those of our stockholders. Our equity ownership guidelines are as follows:

- Amount of Ownership: determined as a multiple of the individual's base salary or a specified dollar value, as noted below. These amounts represent the minimum amount of AAON stock an individual should seek to acquire and maintain:

Directors	\$280,000 worth of AAON Stock
CEO	5 times base salary
Other executive officers/certain key employees	3 times base salary

- Timing: Directors and the CEO have five years from the date of hire, promotion or election (as the case may be) to acquire the ownership levels set forth above, which they are expected to retain during their tenure with the Company in such position. The other executive officers and

key employees subject to the equity ownership guidelines are required to build equity positions reaching the appropriate level beginning with any equity-based award issued to them by the Company after June 23, 2015.

- Eligible Forms of Equity to Determine Value:
 - Shares actually owned by the individual will be valued at market value if the individual provides documentation of such ownership (excluding any shares held in the Company's 401(k) plan).
 - Unvested restricted stock awards are valued at the grant date fair value under generally accepted accounting principles.
 - Potentially exercisable stock options are valued at the grant date fair value under generally accepted accounting principles.

As of March 18, 2019, all current non-employee directors satisfy the ownership requirements (or are within five years from their respective dates of election). Since Mr. Norman Asbjornson and Mr. Fields are executive officers of the Company (in addition to being directors), they must each comply with the equity ownership guidelines applicable to their respective officer positions. As of March 18, 2019, Mr. Norman Asbjornson, Mr. Scott Asbjornson and Mr. Gary Fields each satisfied the requirements. Mr. Mikel Crews was appointed Vice-President, Operations in February 2017 and Ms. Rebecca Thompson also assumed the title of Treasurer in November 2017, which resulted in salary increases that caused them to fall below the stock ownership guidelines.

Policy Against Hedging Stock

We prohibit our directors, officers and other key employees from engaging in short sales or from hedging transactions that are designed to hedge or offset a decrease in market value of such person's ownership of the Company's securities. We also prohibit puts, calls or other derivative securities concerning the Company's securities. We prohibit such conduct since doing so would result in the individual no longer being exposed to the full risks of ownership which may weaken the alignment with the objectives of the Company's stockholders. Additionally, our directors, officers and other key employees may not hold their Company securities in a margin account.

Compensation Committee Report

The Compensation Committee has reviewed and discussed with management the disclosures contained in the Compensation Discussion and Analysis section of this Proxy Statement required by Item 402(b) of Regulation S-K. Based upon this review and discussions, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis section be included in this Proxy Statement.

Compensation Committee of the Board of Directors:

A.H. McElroy II, Chairman
Angela E. Kouplen, Member
Stephen O. LeClair, Member

The information contained in this Compensation Committee Report shall not be deemed to be "soliciting material" or to be "filed" with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the Company specifically incorporates such information by reference in any such filing.

Compensation Committee's Interlocks and Insider Participation

No member of the Compensation Committee is or has been a former or current Named Executive Officer of AAON or had any relationships requiring disclosure by us under the SEC's rules requiring disclosure of certain relationships and related-party transactions. None of our Named Executive Officers identified herein served as a director or a member of a compensation committee (or other committee serving an equivalent function) of any other entity.

Compensation of Named Executive Officers

The "Summary Compensation Table" set forth below should be read in connection with the tables and narrative descriptions that follow. The "Grants of Plan-Based Awards Table", and the description of the material terms of the nonqualified options and restricted stock awards granted in 2018, 2017 and 2016 that follows it, provide information regarding the long-term equity incentives awarded to Named Executive Officers in 2018, 2017 and 2016 that are also reported in the "Summary Compensation Table". The "Outstanding Equity Awards at Fiscal Year End Table" and "Option Exercises and Stock Vesting Table" provide further information on the Named Executive Officers' potential realizable value and actual value realized with respect to their equity awards.

We did not have any pension plans, non-qualified deferred compensation plans or severance, retirement, termination, written or unwritten constructive termination or change in control arrangements for any of our Named Executive Officers for the year ended December 31, 2018.

Summary Compensation Table

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Restricted Stock Awards ⁽¹⁾ (\$)	Option Awards ⁽¹⁾ (\$)	Non-Equity Incentive Plan Compensation (\$)	All Other Compensation (\$)	Total (\$)
Norman H. Asbjornson CEO	2018	480,960	—	309,030	1,080,441	—	76,035 ⁽²⁾	1,946,466
	2017	480,960	—	950,556	320,043	179,184	96,552 ⁽²⁾	2,027,295
	2016	480,960	(8,715)	782,817	320,497	359,521	92,977 ⁽²⁾	2,028,057
Scott M. Asbjornson Vice President, Finance and CFO	2018	246,220	—	114,336	372,598	—	33,266 ⁽³⁾	766,420
	2017	246,220	—	139,369	291,039	42,808	32,645 ⁽³⁾	752,081
	2016	246,220	—	130,609	65,167	85,891	32,135 ⁽³⁾	560,022
Mikel D. Crews, Vice President of Operations	2018	270,556	—	64,314	295,090	—	20,117 ⁽⁴⁾	650,077
	2017	185,148	—	179,344	272,709	32,190	30,668 ⁽⁴⁾	700,059
	2016	154,574	—	150,443	31,120	54,419	27,416 ⁽⁴⁾	417,972
Gary D. Fields President	2018	350,000	—	359,052	591,114	—	66,871 ⁽⁵⁾	1,367,037
	2017	350,000	—	277,984	333,958	86,930	70,468 ⁽⁵⁾	1,119,340
	2016	45,769	—	157,243	60,377	26,834	58,822 ⁽⁵⁾	349,045
Rebecca A. Thompson, Chief Accounting Officer and Treasurer	2018	230,464	—	46,449	268,943	—	33,266 ⁽⁶⁾	579,122
	2017	176,092	—	134,110	205,650	30,615	32,645 ⁽⁶⁾	579,112
	2016	169,000	5,306	44,099	21,950	58,953	27,752 ⁽⁶⁾	327,060

⁽¹⁾ See discussion of assumptions made in valuing these awards in the notes to our financial statements. The values reflect grant date fair value of awards. Compensation costs are recognized for option and restricted stock awards over their requisite service period.

⁽²⁾ Consists of (i) contributions to our 401(k) plan by AAON in the amount of \$7,801, \$28,350 and \$27,825 in 2018, 2017 and 2016, respectively; (ii) director fees in the amount of \$40,000, \$40,000 and \$40,000 in 2018, 2017 and 2016, respectively; (iii) payment of personal car lease in the amount of \$25,402, \$25,402 and \$24,501 in 2018, 2017 and 2016, respectively; (iv) matching contributions to a Health Savings Account in the amount of \$2,832, \$2,800 and \$636 in 2018, 2017 and 2016, respectively; (v) gift card in the amount of \$15 in 2016.

⁽³⁾ Consists of (i) contributions to our 401(k) plan by AAON in the amount of \$28,875, \$28,350 and \$27,825 in 2018, 2017 and 2016, respectively; (ii) matching contributions to a Health Savings Account in the amount of \$4,391, \$4,295 and \$4,295 in 2018, 2017 and 2016, respectively; (iii) gift card in the amount of \$15 in 2016.

⁽⁴⁾ Consists of (i) contributions to our 401(k) plan by AAON in the amount of \$17,285, \$27,868 and \$24,633 in 2018, 2017 and 2016, respectively; (ii) matching contributions to a Health Savings Account in the amount of \$2,832, \$2,800 and \$2,768 in 2018, 2017 and 2016, respectively; (iii) gift card in the amount of \$15 in 2016.

⁽⁵⁾ Mr. Fields was elected as President on November 1, 2016. Consists of (i) contributions to our 401(k) plan by AAON in the amount of \$24,676, \$28,350 and \$4,807 in 2018, 2017 and 2016, respectively; (ii) director fees in the amount of \$40,000, \$40,000 and \$54,000 in 2018, 2017 and 2016, respectively; (iii) matching contributions to a Health Savings Account in the amount of \$2,195, \$2,118 and zero in 2018, 2017 and 2016, respectively; (iv) gift card in the amount of \$15 in 2016.

⁽⁶⁾ Consists of (i) contributions to our 401(k) plan by AAON in the amount of \$28,875, \$28,350 and \$23,442 in 2018, 2017 and 2016, respectively; (ii) matching contributions to a Health Savings Account in the amount of \$4,391, \$4,295 and \$4,295 in 2018, 2017 and 2016, respectively; (iii) gift card in the amount of \$15 in 2016.

We award stock incentives to key employees and the Named Executive Officers either on the initial date of employment or due to performance incentives throughout the year. The 2018, 2017 and 2016 grants to Named Executive Officers are reported in the table below. All share numbers and prices have been adjusted to reflect stock splits.

Name	Grant Date	Grants of Plan-Based Awards		Exercise or Base Price of Option Awards (\$/sh)	Grant Date Fair Value of Stock/Option Awards
		All Other Stock Awards: Number of Shares of Stock or Units	All Other Option Awards: Number of Securities Underlying Options(#)		
Norman H. Asbjornson	5/15/18	5,062			144,672 ⁽¹⁾
	1/2/18	4,600			164,358 ⁽²⁾
	1/2/18		115,700	36.95	1,080,441 ⁽³⁾
	5/16/17	5,062			181,675 ⁽⁴⁾
	2/22/17	23,180			768,881 ⁽⁵⁾
	2/22/17		35,870	34.40	320,043 ⁽⁶⁾
	5/24/16	5,062			139,154 ⁽⁷⁾
	1/26/16	32,410			643,663 ⁽⁸⁾
	1/26/16		34,990	20.92	320,497 ⁽⁹⁾
Scott M. Asbjornson	1/2/18	3,200			114,336 ⁽²⁾
	1/2/18		39,900	36.95	372,598 ⁽³⁾
	1/4/17	4,240			139,369 ⁽¹⁰⁾
	1/4/17		32,550	34.10	291,039 ⁽¹¹⁾
	1/4/16	6,190			130,609 ⁽¹²⁾
	1/4/16		6,680	22.15	65,167 ⁽¹³⁾
Mikel D. Crews	1/2/18	1,800			64,314 ⁽²⁾
	1/2/18		31,600	36.95	295,090 ⁽³⁾
	2/27/17	945			31,100 ⁽¹⁴⁾
	2/27/17		3,345	34.15	29,952 ⁽¹⁵⁾
	1/4/17	4,510			148,244 ⁽¹⁰⁾
	1/4/17		27,150	34.10	242,756 ⁽¹¹⁾
	1/4/16	7,130			150,443 ⁽¹²⁾
	1/4/16		3,190	22.15	31,120 ⁽¹³⁾
Gary D. Fields	5/15/18	5,062			144,672 ⁽¹⁾
	1/2/18	6,000			214,380 ⁽²⁾
	1/2/18		63,300	36.95	591,114 ⁽³⁾
	5/16/17	5,062			181,675 ⁽⁴⁾
	1/4/17	2,930			96,309 ⁽¹⁰⁾
	1/4/17		37,350	34.10	333,958 ⁽¹¹⁾
	5/24/16	5,062			139,154 ⁽⁷⁾
	12/1/16	575			18,089 ⁽¹²⁾
	12/1/16		6,945	32.70	60,377 ⁽¹³⁾
	12/1/16				
Rebecca A. Thompson	1/2/18	1,300			46,449 ⁽²⁾
	1/2/18		28,800	36.95	268,943 ⁽³⁾
	1/4/17	4,080			134,110 ⁽¹⁰⁾
	1/4/17		23,000	34.10	205,650 ⁽¹¹⁾
	1/4/16	2,090			44,099 ⁽¹²⁾
	1/4/16		2,250	22.15	21,950 ⁽¹³⁾

⁽¹⁾ The fair value of these shares is \$28.58 per share based on the market value of the Company's stock reduced by the present value of dividends. See discussion of assumptions made in valuing these awards in the notes to our financial statements.

⁽²⁾ The fair value of these shares is \$35.73 per share based on the market value of the Company's stock reduced by the present value of dividends. See discussion of assumptions made in valuing these awards in the notes to our financial statements.

⁽³⁾ The fair value of these shares is \$9.34 per share based on the Black-Scholes pricing model. See discussion of assumptions made in valuing these awards in the notes to our financial statements.

⁽⁴⁾ The fair value of these shares is \$35.89 per share based on the market value of the Company's stock reduced by the present value of dividends. See discussion of assumptions made in valuing these awards in the notes to our financial statements.

⁽⁵⁾ The fair value of these shares is \$33.17 per share based on the market value of the Company's stock reduced by the present value of dividends. See discussion of assumptions made in valuing these awards in the notes to our financial statements.

⁽⁶⁾ The fair value of these shares is \$8.92 per share based on the Black-Scholes pricing model. See discussion of assumptions made in valuing these awards in the notes to our financial statements.

⁽⁷⁾ The fair value of these shares is \$27.49 per share based on the market value of the Company's stock reduced by the present value of dividends. See discussion of assumptions made in valuing these awards in the notes to our financial statements.

⁽⁸⁾ The fair value of these shares is \$19.86 per share based on the market value of the Company's stock reduced by the present value of dividends. See discussion of assumptions made in valuing these awards in the notes to our financial statements.

⁽⁹⁾ The fair value of these shares is \$9.16 per share based on the Black-Scholes pricing model. See discussion of assumptions made in valuing these awards in the notes to our financial statements.

⁽¹⁰⁾ The fair value of these shares is \$32.87 per share based on the market value of the Company's stock reduced by the present value of dividends. See discussion of assumptions made in valuing these awards in the notes to our financial statements.

⁽¹¹⁾ The fair value of these shares is \$8.94 per share based on the Black-Scholes pricing model. See discussion of assumptions made in valuing these awards in the notes to our financial statements.

⁽¹²⁾ The fair value of these shares is \$31.46 per share based on the market value of the Company's stock reduced by the present value of dividends. See discussion of assumptions made in valuing these awards in the notes to our financial statements.

⁽¹³⁾ The fair value of these shares is \$8.69 per share based on the Black-Scholes pricing model. See discussion of assumptions made in valuing these awards in the notes to our financial statements.

⁽¹⁴⁾ The fair value of these shares is \$32.91 per share based on the market value of the Company's stock reduced by the present value of dividends. See discussion of assumptions made in valuing these awards in the notes to our financial statements.

⁽¹⁵⁾ The fair value of these shares is \$8.95 per share based on the Black-Scholes pricing model. See discussion of assumptions made in valuing these awards in the notes to our financial statements.

The aggregate amount of stock compensation expense as determined under ASC Topic 718, *Compensation - Stock Compensation*, for 2018, 2017 and 2016 with respect to outstanding options and restricted stock awards granted to the Named Executive Officers is shown in the "Summary Compensation Table". The grant date fair value of the options and restricted stock awards granted to the Named Executive Officers in 2018, 2017 and 2016 as determined under FASB ASC Topic 718 for purposes of our financial statements is shown in the "Grants of Plan-Based Awards Table". The "Grants of Plan-Based Awards Table" provides additional detail regarding the options and restricted stock awards granted to Named Executive Officers in 2018, 2017 and 2016, including the vesting and other terms that apply to the options and restricted stock awards.

Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table

A discussion of 2018 salaries, bonuses and long-term incentive awards is included in “Executive Compensation”.

Named Executive Officers are not separately entitled to receive dividend equivalent rights with respect to each stock option, however, dividends are paid for restricted stock awards (retroactively upon vesting). Each nonqualified stock option award described in the “Grants of Plan-Based Awards Table” above expires on the tenth anniversary of its associated grant date and vests in equal installments over the course of three years for Board members and five years for executives. Restricted stock awards vest in equal installments over the course of three years for Board members and five years for executives. Awards granted to Norman H. Asbjornson and Gary D. Fields vest over a three-year or five-year period depending on which of their capacities (officer or director) the award relates to.

The following table presents information regarding outstanding equity awards as of December 31, 2018.

Name	Option Awards				Stock Awards		
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Grant Date	Expiration Date	Equity Incentive Plan Awards: Number of Unearned Shares That Have Not Vested	Equity Incentive Plan Awards: Market Value of Stock That Have Not Vested (\$)
Norman H. Asbjornson				5/20/14	N/A	9,843 ⁽¹⁾	345,096
				2/26/15	N/A	15,328 ⁽¹⁾	537,400
	22,992	15,328	23.57	2/26/15	2/26/25		
				1/26/16	N/A	19,446 ⁽¹⁾	681,777
	13,996	20,994	20.92	1/26/16	1/26/26		
				5/24/16	N/A	1,688 ⁽²⁾	59,181
				2/22/17	N/A	18,544 ⁽¹⁾	650,153
	7,174	28,696	34.40	2/22/17	2/22/27		
				5/16/17	N/A	3,375 ⁽²⁾	118,328
				1/2/18	N/A	4,600 ⁽¹⁾	161,276
	—	115,700	36.95	1/2/18	1/2/28		
				5/15/18	N/A	5,062 ⁽²⁾	177,474
Scott M. Asbjornson				5/20/14	N/A	1,857 ⁽¹⁾	65,106
				1/2/15	N/A	1,922 ⁽¹⁾	67,385
	961	1,922	21.93	1/2/15	1/2/25		
				1/4/16	N/A	3,714 ⁽¹⁾	130,213
	1,336	4,008	22.15	1/4/16	1/4/26		
				1/4/17	N/A	3,392 ⁽¹⁾	118,924
	6,510	26,040	34.10	1/4/17	1/4/27		
			1/2/18	N/A	3,200 ⁽¹⁾	112,192	
	—	39,900	36.95	1/2/18	1/2/28		
Mikel D. Crews	2,250	—	7.18	9/6/11	9/6/21		
	1,350	—	8.65	5/15/12	5/15/22		
				1/2/14	N/A	33 ⁽¹⁾	1,157
				2/6/14	N/A	126 ⁽¹⁾	4,418
				3/31/14	N/A	46 ⁽¹⁾	1,613

				6/30/14	N/A	43 ⁽¹⁾	1,508
				9/30/14	N/A	53 ⁽¹⁾	1,858
				11/4/14	N/A	1,669 ⁽¹⁾	58,515
				1/4/16	N/A	4278 ⁽¹⁾	149,987
1,276	1,914	22.15		1/4/16	1/4/26		
				1/4/17	N/A	3,608 ⁽¹⁾	126,496
5,430	21,720	34.10		1/4/17	1/4/27		
				2/27/17	N/A	756 ⁽¹⁾	26,505
669	2,676	34.15		2/27/17	2/27/27		
				1/2/18	N/A	1,800 ⁽¹⁾	63,108
—	31,600	36.95		1/2/18	1/2/28		
Gary D. Fields				5/24/16	N/A	1,688 ⁽²⁾	59,181
				12/1/16	N/A	345 ⁽¹⁾	12,096
2,778	4,167	32.70		12/1/16	12/1/26		
				1/4/17	N/A	2,344 ⁽¹⁾	82,181
7,470	29,880	34.10		1/4/17	1/4/27		
				5/16/17	N/A	3,375 ⁽²⁾	118,328
				1/2/18	N/A	6,000 ⁽¹⁾	210,360
—	63,300	36.95		1/2/18	1/2/28		
				5/15/18	N/A	5,062 ⁽²⁾	177,474
Rebecca A. Thompson				5/20/14	N/A	1,311 ⁽¹⁾	45,964
				1/2/15	N/A	1,320 ⁽¹⁾	46,279
1,980	1,320	21.93		1/2/15	1/2/25		
				1/4/16	N/A	1,254 ⁽¹⁾	43,965
900	1,350	22.15		1/4/16	1/4/26		
				1/4/17	N/A	3,264 ⁽¹⁾	114,436
4,600	18,400	34.10		1/4/17	1/4/27		
				1/2/18	N/A	1,300 ⁽¹⁾	45,578
—	28,800	36.95		1/2/18	1/2/28		

⁽¹⁾ The restricted stock awards vest ratably over 5 years from the date of grant.

⁽²⁾ The restricted stock awards vest ratably over 3 years from the date of grant.

The following table presents information regarding the exercise of stock options by Named Executive Officers during 2018.

Name	Option Exercises	
	Number of Shares Exercised (#)	Valued Realized on Exercise (\$)
Norman H. Asbjornson	—	—
Scott M. Asbjornson	—	—
Mikel D. Crews	—	—
Gary D. Fields	—	—
Rebecca A. Thompson	—	—

The following table sets forth information concerning our equity compensation plans as of December 31, 2018.

Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plan (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders ⁽¹⁾	515,977	21.89	4,289,718
Equity compensation plans not approved by security holders ⁽²⁾	--	--	--
Total	—	—	—

⁽¹⁾ Consists of shares covered by the 2007 LTIP, as amended, and the 2016 Incentive Plan.

⁽²⁾ We do not maintain any equity compensation plans that have not been approved by the stockholders.

CEO Pay Ratio

As required by Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, and Item 402(u) of Regulation S-K, we are providing the following information concerning the relationship of the annual total compensation of our employees and the annual total compensation of Mr. Norman H. Asbjornson, our Chief Executive Officer (“CEO”). For 2018, our last completed fiscal year:

- the median of the annual total compensation of all employees of our Company (excluding our CEO) was \$46,852; and
- the annual total compensation of our CEO, as reported in the Summary Compensation Table included in this Proxy Statement, was \$1,946,466.

Based on this information, the ratio of the annual total compensation of our CEO to the median of the annual total compensation to all other employees for 2018 was 41.54 to 1.

To identify the median of the annual total compensation of all our employees, as well as to determine the annual total compensation of our median employee and our CEO, we took the following steps:

1. We determined that, as of December 31, 2018, our employee population consisted of approximately 2,000 individuals with all of these individuals located within the United States (as reported in Item 1, *Business*, in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 28, 2019 (our “Annual Report”). This population consisted of our full-time, part-time and temporary employees.
 - a. We used December 31, 2018 for our determination date for ease of reconciling data back to tax and payroll records.
2. To identify the “median employee” from our employee population, we compared the amount of salary, wages, 401(k) contributions and HSA contributions as reflected in our payroll records as reported to the Internal Revenue Service on Form W-2 for 2018.
 - a. Based on our particular facts and circumstances, we determined annualizing the total compensation of our permanent partial year employees would not reasonably reflect the annual compensation of our employee population. As a result, we did not annualize the total compensation of our permanent employees who worked less than all of 2018 and therefore excluded such partial year employees from the employee population utilized in our calculations.

Since we widely distribute annual equity awards to all levels of our employees, such awards were included in our compensation measure.

3. We identified our median employee using this compensation measure, which was consistently applied to all of our employees included in the calculation. Since all of our employees (including our CEO) are located in the United States, we did not make any cost-of-living adjustments in identifying the median employee.
4. After identifying our median employee, we combined all of the elements of such employee’s compensation for 2018 in accordance with the requirements of Item 402(c)(2)(x) of Regulation S-K, which resulted in annual total compensation of \$46,852. The difference between such employee’s wages and the employee’s annual total compensation represents the estimated value of such employee’s 401(k) matching contributions, HSA matching contributions, and equity awards.

For the annual total compensation of our CEO, we use the amount reported in the “Total” column of our 2018 Summary Compensation Table included in this Proxy Statement and incorporated by reference under Item 11 of Part III of our Annual Report.

Director Compensation

Through 2018, our directors were paid as follows, with all amounts paid on a quarterly basis:

Name	Annual Retainer (\$)	Chair Fee (\$)	Audit (\$)	Compensation (\$)	Governance (\$)	Total (\$)
Angela E. Kouplén	40,000	—	10,000	7,000	—	57,000
Paul K. Lackey, Jr.	40,000	12,000	10,000	—	Chair	62,000
Stephen O. LeClair	40,000	—	10,000	7,000	—	57,000
A.H. McElroy II	40,000	12,000	—	Chair	7,000	59,000
Jack E. Short	40,000	18,000	Chair	—	7,000	65,000

Under the current director compensation plan, the annual retainer is inclusive of meetings.

We make annual grants of restricted stock awards to directors in May in conjunction with our annual meeting. In May 2018, each of Ms. Kouplén and Messrs. N. Asbjørnson, Fields, Short, Lackey, LeClair and McElroy received restricted stock awards for 5,062 shares of stock, which vest ratably over three years.

The following summarizes our non-employee director compensation for 2018:

Name	Fees Earned or Paid in Cash (\$)	Restricted Stock Awards ⁽¹⁾ (\$)	Stock Options (\$)	All Other Comp. (\$)	Total (\$)
Angela E. Kouplén	57,000	144,672 ⁽²⁾	—	—	201,672
Paul K. Lackey, Jr.	62,000	144,672 ⁽²⁾	—	—	206,672
Stephen O. LeClair	57,000	144,672 ⁽³⁾	—	—	201,672
A.H. McElroy II	59,000	144,672 ⁽²⁾	—	—	203,672
Jack E. Short	65,000	144,672 ⁽²⁾	—	—	209,672

⁽¹⁾ The values reflect grant date fair value of awards at \$28.58 per share granted on May 15, 2018. Compensation costs are recognized over the requisite service period. See also, the discussion of assumptions made in valuing these awards in the notes to the Company's financial statements.

⁽²⁾ As of December 31, 2018, 10,125 shares associated with restricted stock awards were outstanding. Non-qualified options have not been granted during his or her term as a Board member.

⁽³⁾ As of December 31, 2018, 8,437 shares associated with restricted stock awards were outstanding. Non-qualified options have not been granted during his term as a Board member.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act, as amended, requires the Company's officers and directors, and persons who own more than ten percent of a registered class of the Company's equity securities, to file reports of securities ownership and changes in such ownership with the SEC, and SEC rules require such persons to furnish the Company with copies of all Section 16(a) forms they file. Based solely upon a review of copies of all Section 16(a) forms furnished to us during our most recent fiscal year, the Company believes that all Section 16(a) filing requirements were met during 2018.

INDEPENDENT PUBLIC ACCOUNTANTS

The Audit Committee has selected Grant Thornton LLP ("GT") as our independent registered public accounting firm for the fiscal year ending December 31, 2019. Representatives of GT are expected to be present at the Annual Meeting with the opportunity to make a statement if they so desire and to be available to respond to appropriate questions.

Fees and Independence

Our Audit Committee has adopted a policy that requires advance approval of all audit, audit-related, tax and other services performed by the independent auditor. The following services were authorized by the Audit Committee.

Audit Fees. GT billed us an aggregate of \$480,000 and \$456,750 for professional services rendered for the audits of our financial statements for the years ended December 31, 2018 and 2017, respectively, and reviews of the related quarterly financial statements.

All Other Fees. No other fees were billed by GT to us during 2018 or 2017.

Annual Ratification of Auditor. Our stockholders ratify the selection of our independent registered public accounting firm on an annual basis.

The Audit Committee of the Board of Directors has determined that the provision of services by GT described above is compatible with maintaining GT's independence as our registered public accounting firm.

Audit Committee Report

To the Board of Directors of AAON, Inc.

The Audit Committee oversees AAON's financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for the financial statements and the reporting process including the systems of internal controls. We have reviewed and discussed with management and with the independent auditors the Company's audited financial statements as of and for the year ended December 31, 2018.

We have discussed with the independent auditors the matters required to be discussed by Auditing Standard No. 16, *Communications with Audit Committees*, issued by the Public Company Accounting Oversight Board.

We have received, reviewed and discussed with Grant Thornton LLP the written disclosures and communications from them required by the Public Company Accounting Oversight Board regarding their independence.

Based on the reviews and discussions referred to above, we recommend to the Board of Directors that the financial statements referred to above be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

Audit Committee of the Board of Directors:

Jack E. Short, Chairman
Angela E. Kouplen, Member
Paul K. Lackey, Jr., Member
Caron A. Lawhorn, Member
Stephen O. LeClair, Member

The information contained in this Audit Committee Report shall not be deemed to be "soliciting material" or to be "filed" with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the Company specifically incorporates such information by reference in any such filing.

OVERVIEW OF PROPOSALS

This Proxy Statement contains two proposals requiring stockholder action. Proposal No. 1 requests the election of two directors to the Board of Directors. Proposal No. 2 requests that stockholders vote to ratify the selection of Grant Thornton LLP as our independent registered public accounting firm for the year ending December 31, 2019.

PROPOSAL NO. 1 Election of Directors

The names of Paul K. Lackey, Jr. and A. H. McElroy II, the current members of the Class I Directors, whose terms expire at the 2019 Annual Meeting, have been placed in nomination for re-election to the Board for terms ending in 2022, and the persons named in the proxy will vote for their election. Each of Mr. Lackey and Mr. McElroy have consented to being named in this Proxy Statement and to serve if elected.

The biographical information for all director nominees is contained in the "Directors" section above.

If any nominee becomes unavailable for any reason, the shares represented by the proxies will be voted for such other person, if any, as may be designated by the Board of Directors. However, management has no reason to believe that any nominee will be unavailable.

Vote Required

A nominee for director will be elected if a majority of the stockholders voting on the nominee's election vote in favor such nominee's election.

Recommendation of the Board:

The Board unanimously recommends that stockholders vote FOR the election of directors Lackey and McElroy.

PROPOSAL NO. 2

Ratification of Appointment of Our Independent Registered Public Accounting Firm

The Audit Committee has selected the firm of Grant Thornton LLP as the independent registered public accounting firm of the Company for the year ending December 31, 2019. The Board is submitting the selection of Grant Thornton LLP for ratification at the Annual Meeting. The submission of this matter for approval by stockholders is not legally required, but the Board and the Audit Committee believe the submission provides Stockholders an opportunity to communicate with the Board and Audit Committee concerning an important component of corporate governance. If the stockholders do not ratify the selection of Grant Thornton LLP, the Audit Committee may reconsider the selection of that firm as the Company's auditors.

Representatives of Grant Thornton LLP will be present at the Annual Meeting, will have the opportunity to make a statement and will be available to respond to appropriate questions posed by stockholders.

Vote Required

Approval of Proposal No. 2 requires the affirmative vote of the holders of a majority of the common shares present, in person or by proxy, and entitled to vote on the proposal.

Recommendation of the Board:

The Audit Committee and Board unanimously recommend a vote FOR the ratification of Grant Thornton LLP as the Company's independent registered public accounting firm for the year ending December 31, 2019.

STOCKHOLDER PROPOSALS FOR 2020 ANNUAL MEETING

Stockholder proposals intended to be presented at the 2020 Annual Meeting and to be included in our Proxy Statement must be received at our executive offices, 2425 South Yukon, Tulsa, Oklahoma 74107, no later than December 4, 2019.

However, a stockholder who otherwise intends to present business at the 2020 Annual Meeting of stockholders, including nominations of persons to our Board of Directors, must also comply with the requirements set forth in our Bylaws. The Bylaws state, among other things, that to bring business before an annual meeting or to nominate a person for our Board of Directors, a stockholder must give written notice that complies with the Bylaws to the Secretary of AAON not less than 60 days nor more than 90 days in advance of the anniversary date of the immediately preceding annual meeting. Thus, a notice of a stockholder proposal or nomination for the 2020 Annual Meeting of stockholders, submitted other than pursuant to Rule 14a-8 of the Exchange Act, as amended, will be untimely if given before February 14, 2020 or after March 15, 2020. As to any such proposals, the proxies named in management's proxy for that meeting will be entitled to exercise their discretionary authority on that proposal unless we receive notice of the matter to be proposed between February 14, 2020 and March 15, 2020. Even if proper notice is received on a timely basis, the proxies named in management's proxy for that meeting may nevertheless exercise their discretionary authority with respect to such matter by advising stockholders of such proposal and how they intend to exercise their discretion to vote on such matter to the extent permitted under Rule 14a-4(c)(2) of the Exchange Act.

OTHER MATTERS

The Board knows of no business to be brought before the 2019 Annual Meeting other than as set forth above. If others matters properly become before the stockholders at the Annual Meeting, it is the

intention of the persons named on the proxy to vote the shares represented thereby on such matters in accordance with their judgment.

By Order of the Board of Directors

A handwritten signature in black ink, appearing to read "Norm Asbjornson", written in a cursive style.

Norman H. Asbjornson
CEO

Tulsa, Oklahoma
April 2, 2019

