

Edgar Filing: AAON INC - Form DEF 14A

AAON INC
Form DEF 14A
April 23, 2007

SCHEDULE 14A
Information Required in Proxy Statement

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant [X]
Filed by a Party other than the Registrant []

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e) (2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to ss.240.14a-12

AAON, INC.

(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i) (4) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a) (2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

Edgar Filing: AAON INC - Form DEF 14A

3) Filing party:

4) Date Filed:

AAON, INC.

Notice of
Annual Meeting
May 22, 2007,
and
Proxy Statement

AAON, INC.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON MAY 22, 2007

Notice is hereby given that the Annual Meeting of Stockholders of AAON, Inc., will be held at 2440 South Yukon, Tulsa, Oklahoma, on Tuesday, May 22, 2007, at 10:00 A.M. (Local Time), for the following purposes:

1. To elect one Class I Director, and leave the position of the other Class I director vacant, for terms ending in 2010;
2. To adopt the AAON, Inc. Long-Term Incentive Plan; and
3. To transact such other business as may properly come before the meeting or any adjournment thereof.

We hope that you will be able to attend this meeting, but if you do not plan to do so, please date, sign and return the enclosed Proxy as promptly as possible.

By Order of the Board of Directors

/s/ John B. Johnson, Jr.

John B. Johnson, Jr.
Secretary

April 11, 2007

Edgar Filing: AAON INC - Form DEF 14A

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 to be held on May 22, 2007, 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.

Pursuant to provisions of our Bylaws and action of our Board of Directors, the close of business on March 26, 2007, 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.

The Director nominated for election and the creation of a vacancy in the Board of Directors will be approved if, assuming a quorum is present either in person or by proxy, a majority of the shareholders voting on each such proposal vote in favor of such matter.

Our Long-Term Incentive Plan will be approved if, assuming a quorum is present either in person or by proxy, a majority of the shareholders voting on such proposal vote in favor of adoption of the Long-Term Incentive Plan.

Stockholders of record on the record date are entitled to cast their votes at the Annual Meeting in person or by properly executed proxy. The presence, in person or by proxies, 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. If a quorum is not present at the time the Annual Meeting is convened, we may adjourn or postpone the meeting.

Abstentions and broker non-votes are counted as shares present in determining whether the quorum requirement is satisfied. Abstentions are also counted in the total number of votes cast with respect to a proposal and thus have the same effect as a vote against the matter. Broker non-votes are not counted as votes cast in the tabulation of votes on any matter brought before the Annual 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 shareholders of record who have the same address and last name will receive only one copy of our annual report and proxy statement unless one or more of these shareholders notify us that they wish to receive individual copies. Shareholders who participate in householding will continue to receive separate proxy cards.

Shareholders 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 Progressive Transfer Company, 1981 East Murray-Holladay Road, Suite 200, Salt Lake City, Utah 84117. Shareholders 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 2006 Annual Report (which includes our Annual Report on Form 10-K for the year ended December 31, 2006), will be first mailed to stockholders approximately April 17, 2006.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

As of March 26, 2007, (the record date), we had issued a total of 12,456,455 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 26, 2007, 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:

Name and address of beneficial owner -----	Number of shares owned -----	Percent of class -----
Norman H. Asbjornson 2425 South Yukon Tulsa, Oklahoma 74107	2,437,338 (1)	19.6
Wellington Management Company, LLP 75 State Street Boston, Massachusetts 02109	1,067,055 (2)	8.6
Royce & Associates, LLC 1414 Avenue of the Americas New York, New York 10019	932,800 (3)	7.5
Thompson, Horstmann & Bryant, Inc. Park 80 West Plaza One, 5th Floor Sandle Brook, New Jersey 07663 -----	764,904 (4)	6.1

- (1) Includes 172,083 shares held under stock options that are exercisable currently or within 60 days. Mr. Asbjornson has sole voting and investment powers with respect to all shares beneficially owned by him.
- (2) This share ownership information was provided by a Schedule 13G dated February 14, 2007, which discloses that Wellington Management Company, LLP, possesses shared power to vote or direct the vote of 583,000 shares, and shared power to dispose or direct the disposition of 1,067,055 shares.
- (3) This share ownership information was provided by a Schedule 13G dated January 17, 2007, which discloses that Royce & Associates, LLC, possesses the sole voting power and sole dispositive power of the reported shares.
- (4) This share information was provided by a Schedule 13G dated January 29, 2007, which discloses that Thompson, Horstmann & Bryant, Inc., possesses sole voting power of 503,516 shares and sole dispositive power of 764,904 shares.

The following table sets forth as of March 26, 2007, the aggregate number of shares of our Common Stock owned of record or beneficially by each director, each person named in the Summary Compensation Table (herein, "named executive officers") and all directors and named executive officers as a group:

Name of Beneficial Owner	Number of Shares Owned (1)	Percent of Class
Norman H. Asbjornson	2,437,338 (2)	19.6
John B. Johnson, Jr.	33,333 (3)	*
Thomas E. Naugle	102,510 (3)	*
Anthony Pantaleoni	73,420 (3)	*
Jerry E. Ryan	44,583 (4)	*
Jack E. Short	2,666 (4)	*
Charles C. Stephenson, Jr.	510,581 (3)	4.1
Robert G. Fergus	5,210 (5)	*
David E. Knebel	62,258 (6)	*
Kathy I. Sheffield	50,628 (7)	*
Scott M. Asbjornson	269,945 (8)	2.2
Directors and named executive officers as a group (11 persons)	3,592,472 (9)	28.8

-
- (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 172,083 shares issuable upon exercise of stock options that are exercisable currently or within 60 days, 11,062 shares held by Mr. Asbjornson's IRA account, 154 shares under AAON's 401(k) plan and 34,500 shares owned by his foundation.
 - (3) Includes 3,333 shares issuable upon exercise of stock options that are exercisable currently or within 60 days.
 - (4) These shares are issuable upon exercise of stock options that are exercisable currently or within 60 days.
 - (5) Includes 2,348 shares under AAON's 401(k) plan.
 - (6) Includes 61,000 shares issuable upon exercise of stock options exercisable currently or within 60 days and 1,258 shares under AAON's 401(k) plan.
 - (7) Includes 40,750 shares issuable upon exercise of stock options exercisable currently or within 60 days and 4,580 shares under AAON's 401(k) plan.
 - (8) Includes 33,250 shares issuable upon exercise of stock options exercisable currently or within 60 days and 236 shares under AAON's 401(k) plan.
 - (9) Includes 367,664 shares issuable upon the exercise of stock options that are exercisable currently or within 60 days by all directors and named executive officers.
- * Less than 1%.

ELECTION OF DIRECTORS

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 I, II and III having terms expiring at the Annual Meeting of Stockholders in 2007, 2008 and 2009, 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 April 10, 2007, Jerry E. Ryan, one of our directors who would have stood for re-election this year, informed us that he was tendering his resignation as a director, effective immediately, due to family and personal health reasons. Because of the close proximity in time between the date of his resignation and our annual meeting, the Board of Directors deemed it in the best interest of AAON and its stockholders to not attempt to identify a replacement candidate to fill the vacancy in the Board left by Mr. Ryan's resignation. Instead, the Board of Directors is asking that the stockholders vote to maintain the position formerly held by Mr. Ryan as a "vacancy" on the Board, that subsequently can be filled, in accordance with our Bylaws, by the Board when a suitable replacement has been selected.

It is intended that Thomas E. Naugle, the remaining Class I director, will be placed in nomination and that the persons named in the proxy will vote for his election. Mr. Naugle has consented to being named in this Proxy Statement; however, Mr. Naugle had, prior to the resignation of Mr. Ryan, indicated his desire to resign from the Board of Directors upon the identification and election of a qualified replacement. Mr. Naugle has agreed to continue to serve, assuming his re-election, until his successor has been selected.

Nominees:

Class I -- For Term to Expire in 2010

Name	Age	Current Position
Thomas E. Naugle	68	Director

Directors Continuing in Office:

Class II - Terms Expire in 2008

Name	Age	Current Position
Anthony Pantaleoni	67	Director
Jack E. Short	66	Director

Class III - Terms Expire in 2009

Edgar Filing: AAON INC - Form DEF 14A

Name	Age	Current Position
----	---	-----
Norman H. Asbjornson	71	President and Director
John B. Johnson, Jr.	73	Secretary and Director
Charles C. Stephenson, Jr.	70	Director

-4-

Biographical Information

Set forth below is a description of the background of each of our directors and executive officers. The term of office of each officer ends on the date of the Annual Meeting, subject to extension upon reelection.

Norman H. Asbjornson has served as President and a director of AAON since 1989 and currently serves in the class of directors whose terms will expire at the 2009 annual meeting of stockholders. Mr. Asbjornson also serves as the President of AAON, Inc., an Oklahoma corporation ("AAON-Oklahoma"), AAON Coil Products, Inc., ("ACP"), AAON Canada Inc. ("AAON Canada") and AAON Properties Inc. ("AAON Properties"), all our wholly-owned subsidiaries.

John B. Johnson, Jr., has served as Secretary and a director of AAON since 1989 and currently serves in the class of directors whose terms will expire at the 2009 annual meeting of stockholders. Mr. Johnson also serves as the Secretary of AAON-Oklahoma, ACP, AAON Canada and AAON Properties. Mr. Johnson has been engaged in the private practice of law in Tulsa, Oklahoma, since 1961, and is a member of the firm of Johnson, Jones, Dornblaser, Coffman & Shorb, which serves as our General Counsel.

Thomas E. Naugle has served as a director of AAON since 1998 and currently serves in the class of directors whose terms will expire at the 2007 annual meeting of stockholders. From 1985 to present, Mr. Naugle has served as Chairman of the Board and/or President of Naugle & Co., a company engaged in the business of investments. Mr. Naugle serves on the Board of Directors of CIRCOR International, Inc., a publicly held international manufacturer of valves.

Anthony Pantaleoni has served as a director of AAON since 1989 and currently serves in the class of directors whose terms will expire at the 2008 annual meeting of stockholders. Mr. Pantaleoni has been a partner of Fulbright & Jaworski L.L.P. or a predecessor firm in New York, New York since 1970 and is currently of counsel to that firm. He serves on the Board of Directors of Universal Health Services, Inc., a publicly held hospital chain, and on the Board of Directors of American Gilsonite Company, a public company which mines and processes gilsonite ore.

Jerry E. Ryan served as a director of AAON since 2001 until his resignation effective April 10, 2007. Until his resignation, he served as Chairman of our Compensation Committee. From 1985 until January 2000, Mr. Ryan served as Chairman of the Board and CEO of Fintube Limited Partnership, a company based in Tulsa, Oklahoma, the business of which was manufacturing fintubes and pressure parts for electric power generation boilers. The company was sold to Lone Star Technologies of Dallas, Texas, in January 2000. Lone Star is a leading producer of oil country tubular goods and cold drawn specialty tubing. Mr. Ryan serves on the Board of Directors of Lone Star, a public company, and on the Board of Global Energy Equipment Group, Tulsa, Oklahoma, a publicly held global designer, engineer and fabricator of equipment for gas turbine power plants.

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 2008

Edgar Filing: AAON INC - Form DEF 14A

annual meeting of stockholders. He is Chairman of our Audit Committee. 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. He serves on the Board of Directors of Waste Services, Inc., a public company which is engaged in the non-toxic waste collection business.

-5-

Charles C. Stephenson, Jr., has served as a director of AAON since 1996 and currently serves in the class of directors whose terms will expire at the 2009 annual meeting of stockholders. From 1987 until January 2006, Mr. Stephenson served as Chairman of the Board of Vintage Petroleum, Inc., a publicly held company engaged in oil and gas production and exploration.

Robert G. Fergus, age 66, has served as Vice President of AAON since 1989. Mr. Fergus also serves as Vice President of AAON-Oklahoma, AAON Canada and AAON Properties.

David E. Knebel, age 61, joined AAON in May 2001 as Manager of Technology and Training, before becoming Director of Sales and Technology in December 2002 and Vice President, Sales and Technology, in August 2005. He is responsible for management of AAON's sales force, parts and service departments, and software development in support of product application and selection. From January 2000 to May 2001, Mr. Knebel was Sales Manager for Climatec - New Mexico, where he managed product application and sales for CES Group products, AAON and additional product lines.

Kathy I. Sheffield, age 54, became Treasurer of AAON in 1999 and Vice President in 2002. She also serves as Vice President and Treasurer of AAON-Oklahoma, AAON Canada and AAON Properties and as Treasurer of ACP. Ms. Sheffield was our Accounting Supervisor from 1989 to 1992, when she became Accounting Manager.

BOARD AND COMMITTEE MATTERS

The business of AAON is managed under the direction of our Board of Directors. The Board of Directors met four times during 2006, and each director participated in at least 75% of all Board and applicable committee meetings held last year. Actions taken by the Board of Directors 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 and Compensation Committee can be found under "Executive Compensation - Director Compensation", herein.

Shareholders may communicate with the Board of Directors, 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.

We encourage our directors to attend AAON's annual meetings of stockholders and all Board members attended the 2006 annual meeting.

The Board has an Audit Committee comprised of Messrs. Short, Naugle and Pantaleoni and a Compensation Committee which has been comprised of Messrs. Ryan and Stephenson, each of whom is "independent" as defined in Rule 4200(a)(15) of the National Association of Securities Dealers listing standards. Mr. Short is Chairman of the Audit Committee and has been designated as its "financial expert" as defined by SEC rules. Mr. Ryan served as Chairman of the Compensation Committee in 2006. The Audit Committee met six times during 2006. The Compensation Committee met twice during 2006.

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 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 Audit Committee is governed by a written charter. A copy of this charter was included as an appendix to our 2005 proxy statement mailed to shareholders. The "Audit Committee Report" for year 2006 is set forth below.

We also have a Compensation Committee, composed of Messrs. Ryan and Stephenson (until Mr. Ryan's resignation on April 10, 2007), each of whom is "independent" as defined in Rule 4200(a)(15) of the National Association of Securities Dealers listing standards. The responsibilities of the Compensation Committee are set out more fully under "Executive Compensation", below. The Compensation Committee is governed by a written charter, a copy of which attached to this proxy statement as Appendix A.

We do not have a nominating committee or charter for such a committee. Since our inception (in 1988), we have had only 10 directors, six of whom continue to serve. On the only occasions when vacancies have occurred, the new directors were unanimously approved by the other directors. The Board has not felt it necessary to have a standing nominating committee to deal with its infrequent changes in membership.

With respect to the current vacancy, and if and when new vacancies occur in the future, the Board will consider director nominees recommended by shareholders. 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 shareholders. All director nominees must be recommended for the Board's selection by a majority of its independent directors and approved by a majority of the whole Board.

Audit Committee Report

March 13, 2007

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

Edgar Filing: AAON INC - Form DEF 14A

the year ended December 31, 2006.

We have discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61, Communication with Audit Committees, as amended, by the Auditing Standards Board of the American Institute of Certified Public Accountants.

We have received and reviewed the written disclosures and the letter from the independent auditors required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees, as amended, by the Independence Standards Board, and have discussed with the auditors the auditors' 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, 2006.

Jack E. Short, Chairman
Thomas E. Naugle
Anthony Pantaleoni

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. We undertake to 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 Kathy I. Sheffield, or by calling (918) 382-6204.

Transactions with Related Persons

In 2006, we did not enter into any new related party transactions and we do not have any preexisting related party transactions.

Our Code of Conduct guides the Board of Directors in its actions and deliberations with respect to related party transactions. Under the Code, conflicts of interest, including any involving the directors or any Named Officers, are prohibited except under any guidelines approved by the Board of Directors. Only the Board of Directors may waive a provision of the Code of Conduct for a director or a Named Officer, and only then in compliance with all applicable laws and rules and regulations. In 2006, we did not enter into any new related party transactions and have no preexisting related party transactions.

-8-

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. In 2006, the Board affirmatively determined that Messrs. Naugle, Pantaleoni, Ryan, Short and Stephenson are independent. As an employee, Mr. Asbjornson is not independent, and because he is a member of the law firm that serves as our General Counsel, the Board has determined that Mr. Johnson should not be deemed independent. In addition, each member of the Audit Committee and the Compensation Committee is independent.

Edgar Filing: AAON INC - Form DEF 14A

Our director independence standards are as follows:

It is the policy of the Board of Directors 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:

- o 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 Officer, can not be deemed independent. Employment as an interim Chairman or Chief Executive Officer will not disqualify a director from being considered independent following that employment.
- o 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 \$60,000 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), can not 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.
- o 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 can not be deemed independent.
- o A director who is, or whose immediate family member is, or has been within the last three years, employed as an executive officer of another company where any of our present Named Officers at the time serves or served on that company's compensation committee can not be deemed independent.

-9-

- o 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, can not be deemed independent.

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

- o "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;
- o "executive officer" means an "officer" within the meaning of Rule 16a-1(f) under the Securities Exchange Act of 1934, as amended; and

Edgar Filing: AAON INC - Form DEF 14A

- o "immediate family" means spouse, parents, children, siblings, mothers- and fathers-in-law, sons- and daughters-in-law, brothers- and sisters-in-law and anyone (other than employees) sharing a person's home, but excluding any person who is no longer an immediate family member as a result of legal separation or divorce, death or incapacitation.

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

Directors have an affirmative obligation to inform the Board of any material changes in their circumstances or relationships that may impact their designation by the Board as "independent." This obligation includes all business relationships between, on the one hand, Directors or members of their immediate family, and, on the other hand, 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 & Analysis

The following discusses the material elements of compensation awarded to, earned by or paid to our principal executive and principal financial officers, and our other three most highly compensated executive officers. These individuals are referred to as the ("Named Officers") in this proxy statement.

Our current executive compensation programs are determined and approved by our Compensation Committee, after consideration of recommendations by the principal executive officer, as to the other Named Officers. None of the Named 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 Officers, and to determine and approve (either as a committee or with the other members of the our Board of Directors who qualify as "independent" directors under applicable guidelines adopted by NASDAQ) the compensation levels of the Named Officers.

-10-

Our current executive compensation programs are intended to achieve two objectives. The primary objective is to enhance our profitability, and thus shareholder value. The second objective is to attract, motivate, reward and retain employees, including executive personnel, who contribute to our long-term success. As described in more detail below, the material elements of our current executive compensation program for Named Officers include a base salary, discretionary annual bonuses, perquisites, our contributions to AAON's 401(k) plan, "profit sharing" payments (made to all employees) and discretionary stock options grants.

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.

Compensation Objectives

Edgar Filing: AAON INC - Form DEF 14A

Compensation Element -----	Attempted to be Achieved -----
Base Salary	Attract and retain qualified executives Motivate and reward executives performance
Bonus Compensation	Motivate and reward executives performance Enhance profitability of AAON and shareholder value
Profit Sharing	Motivate and reward executives performance Enhance profitability of AAON and shareholder value
Perquisites and Personal Benefits	Attract and retain qualified executives
Equity-Based Compensation - Stock Options	Enhance profitability of AAON and shareholder value by aligning long-term incentives with shareholders' long-term interests
Retirement Benefits - 401(k)	Attract and retain qualified executives Enhance profitability of AAON and shareholder value by aligning long-term incentives with shareholders' long-term interests

As illustrated by the table above, base salary, perquisites and retirement benefits are all primarily intended to attract and retain qualified executives. These are the elements of our current executive compensation program where the value of the benefit in any given year is not wholly dependent on performance. Base salaries are intended to attract and retain qualified executives as well as being linked to performance by rewarding and/or motivating executives. Base salaries are reviewed annually and take into account: experience and retention considerations; past performance; improvement in historical performance; anticipated future potential performance; and other issues specific to the individual executive. In an effort to attract and retain qualified executives, we emphasize the need to provide executives with predictable benefit amounts that reward the executive's continued service. Some of the elements are generally paid out on a short-term or current basis, base salary and perquisites, while retirement benefits are generally paid out on a long-term basis.

-11-

There are specific elements of the current executive compensation program that are designed to reward performance and enhance profitability and shareholder value, and therefore the value of these benefits is based on performance. Our discretionary annual bonus plan is primarily intended to motivate and reward Named Officers' performance. Other elements that satisfy the primary objective of executive compensation to enhance profitability and shareholder value are through a mix of short-term or current basis and long-term basis. Profit sharing, which is divided equally among all employees, provides a short-term cash reward for quarterly profits, while the stock option plan and 401(k) savings and investment plan align performance to profitability and shareholder value over a longer term. This proper mix of short-term and longer-term elements allows us to achieve dual goals of attracting and retaining executives, while motivating and rewarding executives to enhance profitability and shareholder value.

Edgar Filing: AAON INC - Form DEF 14A

The Compensation Committee sets fixed-amount base salaries and believes that bonuses and equity compensation should fluctuate with AAON's success in achieving financial, operating and strategic goals. The Committee's philosophy is that we should continue to use long-term compensation to align shareholder and executives' interests and should allocate a portion of long-term compensation to the entire executive compensation package.

We have, from time to time, at the request and for the benefit of the Compensation Committee, retained an independent third-party executive compensation consulting company (which provides no other services to us) to provide general compensation expertise. We have previously utilized this consulting firm for a comprehensive analysis of compensation for all executive, engineering, sales and marketing and general and administrative positions. The consultant generally gathers peer group information and provides the information to the Compensation Committee, which is then used for proper benchmarking of our compensation programs for executives and other employees.

Current Executive Compensation Program Elements

Base Salaries

Similar to most companies within the industry, our policy is to pay Named Officers' base salaries in cash. A significant portion of the executive compensation package is through base salaries. Effective June 1, 2006, the Compensation Committee increased salaries for Named Officers by an aggregate of \$10,000 resulting in the following individual base salaries for the Named Officers: Norm Asbjornson -- \$270,000, Robert Fergus -- \$150,008, Kathy Sheffield -- \$150,008, David Knebel -- \$148,004 and Scott Asbjornson -- \$140,000. In approving these executives' salary increases, the Committee took into account recommendations of the principal executive officer (except for himself), as well as each executives' individual experience and responsibilities and performance.

Annual Bonuses

Our policy is to pay any discretionary annual bonuses to Named Officers in cash. Annual discretionary bonuses provided to the Named Officers are largely based on the recommendation of the principal executive officer. The Compensation Committee may reduce or increase the size of the payout for each individual Named Officer at its discretion. Cash bonuses were declared and paid out in December 2006 for all Named Officers except for Norman H. Asbjornson, the principal executive officer. Cash bonuses are not a significant portion of the executive compensation package. The annual discretionary bonus is reported in the "Bonus" column of the "Summary Compensation Table" for each Named Officer.

-12-

In accordance with our discretionary profit sharing plan under which 10% of pre-tax profit at each subsidiary is paid to all eligible employees on a quarterly basis, Named Officers receive their proportionate amount of the profit-sharing bonus in cash. The profit-sharing bonus is solely based on our profit and divided among all employees equally. The profit sharing is reported in the "All Other Compensation" column of the "Summary Compensation Table" for each Named Officer if threshold reporting requirements were met (i.e. generally, if the total value of all perquisites and personal benefits received by the Named Officer not reported under any other column in the table exceed \$10,000 in the aggregate).

Perquisites

We provide some Named Officers with certain perquisites and personal

Edgar Filing: AAON INC - Form DEF 14A

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 Officers. Perquisites are reported in the "All Other Compensation" column of the "Summary Compensation Table" for each Named Officer if applicable and if reporting threshold requirements were met.

Equity-Based Compensation

Our policy is that the Named Officers' long-term compensation should be directly linked to enhancing profitability and value provided to our shareholders. Accordingly, the Compensation Committee grants equity awards under the our stock option plan designed to link an increase in shareholder value to compensation; such grants are largely based upon the recommendation of the principal executive officer (except as to himself) based on the Named Officers' performance in the prior year and his or her expected future contribution to our performance. Stock option grants are valued using the Black-Scholes Model in accordance with SFAS 123(R) and are calculated as a part of the executive compensation package for the year based on the amount of requisite service period served. Non-qualified stock options for Named Officers and other key employees generally vest ratably over 5 years. The Compensation Committee believes that these awards encourage Named Officers to continue to use their best professional skills and to retain Named 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 Officer or key employee as defined in the definition of grant date by SFAS 123(R). 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.

The aggregate amount as determined under SFAS 123(R) recognized for purposes of our financial statements for 2006 with respect to outstanding options granted to the Named Officers is shown in the "Summary Compensation Table" below. The grant date fair value of the option awarded to the Named Officers in 2006 as determined under SFAS 123(R) for purposes of our financial statements is shown in the "Grants of Plan-Based Awards Table" below. The "Grants of Plan-Based Awards Table" below provide additional detail regarding the options granted to Named Officers in 2006, including the vesting and other terms that apply to the options.

-13-

Retirement Benefits - 401(k) Plan

We provide a 401(k) Plan for all eligible employees. We provide an employer match of 50% of the employee's salary deferral up to the first 7% of the employee's compensation. AAON's contribution is in the form of cash and directs the investment to acquire shares of our common stock. The match by us vests over six years for each eligible employee. We believe that our added contribution in AAON stock encourages retention as well as increases value to the employee and shareholder as our performance. We maintain a stock repurchase arrangement by which employee-participants in our 401(k) savings and investment plan are entitled to have shares of AAON stock in their accounts sold to us to provide diversification of their investments. The amounts contributed by us to each Named Officer under the 401(k) savings and investment plan are based on actual contributions and the base salary of the employee, and are reported in the "All Other Compensation" column of the "Summary Compensation Table" for each Named Officer, if applicable, and if the threshold reporting requirements were met.

Edgar Filing: AAON INC - Form DEF 14A

Compensation Committee's Report on Executive Compensation (1)

Among the duties imposed on our Compensation Committee under its charter, is 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 has been composed of the two non-employee Directors named at the end of this report each of whom is "independent" as defined by the NASDAQ Exchange listing standards. Mr. Ryan's replacement on the Compensation Committee will be an independent Board member.

March 14, 2007

The Compensation Committee has reviewed and discussed with management the disclosures contained in the Compensation Discussion and Analysis section of this Item 11. Based upon this review and discussions, the AAON Compensation Committee recommended to its Board of Directors that the Compensation Discussion and Analysis section be included in this proxy statement.

Compensation Committee of the Board of Directors
Jerry E. Ryan (Chair)
Charles C. Stephenson, Jr.

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

-14-

Compensation Committee's Interlocks and Insider Participation

The Compensation Committee members whose names appear above were committee members during all of 2006. No member of the Compensation Committee is or has been a former or current Named 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 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.

Summary Compensation Table

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Option Awards (1) (\$)	All Other Compensation (\$)	Total (\$)
Norman H. Asbjornson President and Board Chairman	2006	265,849	-	3,730	45,200 (2)	314,779

Edgar Filing: AAON INC - Form DEF 14A

Robert G. Fergus Vice President	2006	145,841	4,000	-	-	149,841
David E. Knebel Vice President, Sales and Technology	2006	143,837	8,000	13,803	-	165,640
Kathy I. Sheffield Vice President/Treasurer	2006	145,841	6,000	13,803	-	165,644
Scott M. Asbjornson Vice President AAON Coil Products, Inc.	2006	135,577	-	13,803	-	149,380

(1) See discussion of assumptions made in valuing these awards in the notes to our financial statements. Compensation costs are recognized for option awards over their requisite service period.

(2) Consists of (i) a per capita share, the same as all other eligible employees, of 10% of the pre-tax profit of AAON-Oklahoma; (ii) contributions to our 401(k) plan by AAON in the amount of \$5,989; (iii) director fees in the amount of \$18,900; (iv) payment of personal car lease in the amount of \$17,641.

-15-

Compensation of Named Officers

The "Summary Compensation Table" 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 granted in 2006 that follows it, provide information regarding the long-term equity incentives awarded to Named Officers in 2006 that are also reported in the "Summary Compensation Table". The "Outstanding Equity Awards at Fiscal Year End Table" and "Option Exercises and Stock Vested Table" provides further information on the Named 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, constructive termination or change in control arrangements for any of its Named Officers for the year ended December 31, 2006.

We award stock incentives to key employees and the Named Officers either on the initial date of employment or due to performance incentives throughout the year. The 2006 grants to Named Officers are reported in the table below.

Grants of Plan-Based Awards

Name	Grant Date	All Other Option Awards:		Exercise or Base Price of Option Awards (\$/sh)	Fair Value Grant Date
		Number of Securities Underlying Options(#)			
Norman H. Asbjornson	5/31/06	2,000		23.32	19,180 (
Robert G. Fergus	-	-		-	-

Edgar Filing: AAON INC - Form DEF 14A

David E. Knebel	5/8/06	10,000	27.65	118,300 (
Kathy I. Sheffield	5/8/06	10,000	27.65	118,300 (
Scott M. Asbjornson	5/8/06	10,000	27.65	118,300 (

(1) The fair value price of these options is \$9.59 per share based on the Black-Scholes option-pricing model. See discussion of assumptions made in valuing these awards in the notes to our financial statements.

(2) The fair value of these options is \$11.83 per share based on the Black-Scholes option-pricing model. See discussion of assumptions made in valuing these awards in the notes to our financial statements.

Named Officers are not separately entitled to receive dividend equivalent rights with respect to each stock option. 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.

-16-

The following table presents information regarding outstanding equity awards as of December 31, 2006.

Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Outstanding Equity Awards		Option Exercise Price (\$)
		Option Awards	Number of Securities Underlying Unexercised \ Options (#) Unexercisable	
Norman H. Asbjornson	61,875			3.19 (
	45,000			3.39 (
	112,500			4.00 (
	11,250			5.78 (
	1,333	667		20.40
	667	1,333		18.00
	-	2,000		23.32
Robert G. Ferguson				
David E. Knebel	45,000			9.98 (
	9,000	6,000		14.52
	1,000	4,000		16.23
	-	10,000		27.65
Kathy I. Sheffield	17,500			5.78 (
	11,250			8.59 (
	6,000	4,000		14.52
	1,000	4,000		16.23
	-	10,000		27.65
Scott M. Asbjornson	4,500			3.39 (
	13,500			5.78 (

Edgar Filing: AAON INC - Form DEF 14A

11,250		8.59
1,000	4,000	16.23
-	10,000	27.65

(1) Number of Shares and Price after stock splits.

The following table presents information regarding the exercise of stock options by Named Officers during 2006.

Option Exercises and Stock Vesting

Name	Option Awards	
	Number of Shares Acquired on Exercise (#)	Valued Realized on Exercise (\$)
Norman H. Asbjornson	67,500	1,586,009
Robert G. Fergus	-	-
David E. Knebel	-	-
Kathy I. Sheffield	5,000	109,902
Scott M. Asbjornson	-	-

-17-

The following table sets forth information concerning the our equity compensation plans as of December 31, 2006.

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 available under equ (excluding i
	(a)	(b)	
Equity compensation plans approved by security holders (1)	974,330	\$11.00	
Equity compensation plans not approved by security holders (2)	--	--	
Total	974,330	\$11.00	

(1) Consists of shares covered by the AAON 1992 Stock Option Plan, as amended

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

Director Compensation

Our directors are paid quarterly fees of \$3,750 and attendance fees of

Edgar Filing: AON INC - Form DEF 14A

\$1,000 if present in person or \$750 if participating by conference telephone call. Directors are paid attendance fees of \$1,200 per meeting for service on our Audit Committee and \$750 per meeting for service on the Compensation Committee (up to a maximum of five meetings per committee per year) and the Chairman of the Audit Committee is paid an additional fee of \$1,750 per quarter and the Chairman of the Compensation Committee is paid an additional fee of \$750 per quarter. Each director is also granted a 2,000 share non-qualified stock option each year. We made our annual grants of options in May 2006, at which time Messrs. Asbjornson, Johnson, Naugle, Pantaleoni, Short, Ryan and Stephenson received 2,000 non-qualified stock options that vest ratably over three years.

-18-

Director Compensation Table

Name	Fees Earned or Paid in Cash (\$)	Option Awards (1) (\$)	All Other Comp. (\$)	Total (\$)
John B. Johnson, Jr.	18,900	3,730 (2) (3)	-	22,630
Thomas E. Naugle	22,400	3,730 (2) (4)	-	26,130
Anthony Pantaleoni	22,400	3,730 (2) (5)	-	26,130
Jerry E. Ryan	20,750	3,730 (2) (6)	-	24,480
Jack E. Short	27,400	3,730 (2) (7)	-	31,130
Charles C. Stephenson, Jr.	19,650	3,730 (2) (8)	-	23,380

- (1) See discussion of assumptions made in valuing these awards in the notes to our financial statements.
- (2) Fair value as of grant date is 9.59 per share. 2,000 shares granted. Compensation costs are recognized over the requisite service period.
- (3) As of December 31, 2006, 45,875 of non-qualified options were outstanding.
- (4) As of December 31, 2006, 6,000 of non-qualified options were outstanding.
- (5) As of December 31, 2006, 67,875 of non-qualified options were outstanding.
- (6) As of December 31, 2006, 47,250 of non-qualified options were outstanding.
- (7) As of December 31, 2006, 6,000 of non-qualified options were outstanding.
- (8) As of December 31, 2006, 6,000 of non-qualified options were outstanding.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Based solely upon a review of Forms 4 furnished to us during our most recent fiscal year, we know of no director, officer or beneficial owner of more than ten percent of our Common Stock who failed to file on a timely basis reports of beneficial ownership of our Common Stock as required by Section 16(a) of the Securities Exchange Act of 1934, as amended.

INDEPENDENT PUBLIC ACCOUNTANTS

The Audit Committee has selected Grant Thornton LLP ("GT") as our independent auditors for the fiscal year ending December 31, 2007. 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

Edgar Filing: AAON INC - Form DEF 14A

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.

-19-

Audit Fees. GT billed us an aggregate of \$332,038 and \$338,964 for professional services rendered for the audits of our financial statements for the years ended December 31, 2006 and 2005, respectively, and reviews of the related quarterly financial statements. Additional fees in the amount of \$22,500 were incurred in 2006 for other audit services provided by GT.

All Other Fees. No other fees were billed by GT to us during 2006 or 2005.

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 principal accountant.

ADOPTION THE LONG-TERM INCENTIVE PLAN

The Board of Directors is proposing that stockholders adopt the AAON, Inc. Long-Term Incentive Plan (the "Plan"). If the stockholders vote to adopt the Plan we will have the ability to broaden the category of "awards" granted to the eligible participants of such Plan beyond the grant of stock options currently allowed under our existing Stock Option Plan

A summary description of the Plan is set forth below. You are being asked to vote in favor of adopting the Plan as it has been approved by the Board of Directors. The full text of the Plan is set forth in Appendix B to this Proxy Statement.

Our 1992 Stock Option Plan which is currently in effect provides for 2,925,000 shares that may be issued pursuant to its terms. Of those shares, options have previously been issued and exercised covering 2,058,686 shares, and options entitling the holders thereof to an additional 831,253 shares upon exercise are currently outstanding. These options shall remain outstanding.

If the stockholders do not vote to adopt the Long-Term Incentive Plan, the currently existing Stock Option Plan will remain in effect.

THE BOARD OF DIRECTORS RECOMMENDS THAT THE STOCKHOLDERS VOTE "FOR" THE ADOPTION OF THE LONG-TERM INCENTIVE PLAN.

New Plan Benefits

The future awards that will be made to eligible participants under the Plan are subject to the discretion of the Compensation Committee of the Board of Directors and, therefore, cannot be determined with certainty at this time.

Summary Description of AAON, Inc. Long-Term Incentive Plan

General

The Plan is named the "AAON, Inc. Long-Term Incentive Plan." The

Edgar Filing: AAON INC - Form DEF 14A

purpose of the Plan is to provide an incentive for employees, directors and certain consultants and advisors of AAON or our subsidiaries to remain in our service, to extend to them the opportunity to acquire a proprietary interest in us so that they will apply their best efforts for our benefit and to aid us in attracting able persons to enter our service or the service of our subsidiaries. To accomplish this purpose, the Plan offers an ownership interest in us through the distribution of awards ("Awards") including (i) incentive stock options qualified as such under U.S. federal income tax laws ("Incentive Options"), (ii) stock options that do not qualify as incentive stock options ("Nonstatutory Options"), (iii) stock appreciation rights ("SARs"), (iv) restricted stock awards ("Restricted Stock Awards"), and (v) performance units ("Performance Units"). See "--Types of Awards."

-20-

No awards may be made under the Plan after the date that is ten years from the date of stockholder approval of the last amendment to the Plan which involved an increase in authorized shares of Common Stock subject to the Plan.

The Plan, in part, is intended to qualify under the provisions of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"). The Plan is not subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

Administration of the Plan

The Board of Directors has appointed the Compensation Committee (the "Committee") to administer the Plan. The Committee has broad discretion to administer the Plan, interpret its provisions, and adopt policies for implementing the Plan. This discretion includes the ability to select the recipient of an Award, determine the type and amount of each Award, establish the terms of each Award, accelerate vesting or exercisability of an Award, extend the exercise period for an Award, determine whether performance conditions have been satisfied, waive conditions and provisions of an Award, permit the transfer of an Award to family trusts and other persons and otherwise modify or amend any Award under the Plan.

Persons Who May Participate in the Plan

Any person (a "Participant") may participate in the Plan if he or she is (i) an employee of AAON or any of our subsidiaries, including officers and directors who are also employees of AAON or of any of our subsidiaries, (ii) a non-employee director, or (iii) any other person that the Committee designates as eligible for an Award (other than Incentive Options) because the person performs bona fide consulting or advisory services for us or any of our subsidiaries (other than services in connection with the offer and sale of securities in a capital-raising transaction).

A Participant under the Plan will be eligible to receive Nonstatutory Options, SARs, Restricted Stock Awards and Performance Units. A Participant may also be eligible to receive an Incentive Option if the Participant (i) is our employee or an employee of one of our subsidiaries and (ii) immediately before the time the Incentive Option is granted, the Participant does not own stock possessing more than ten percent of the total combined voting power or value of all classes of our stock or a subsidiary unless, at the time the Incentive Option is granted, the exercise price of the Incentive Option is at least 110% of the fair market value of the Common Stock underlying the Incentive Option and the Incentive Option is not, by its terms, exercisable after the fifth anniversary of the date of grant.

-21-

Edgar Filing: AON INC - Form DEF 14A

Types of Awards

Shares Subject to the Plan. The maximum aggregate number of shares of Common Stock in respect of which awards may be granted for all purposes under the Plan is 500,000. As of March 26, 2007, there were outstanding options to acquire an aggregate of 831,253 shares of Common Stock under the our existing 1992 Stock Option Plan. The exercise prices for such stock options range from \$3.39 to \$26.63. These options shall remain outstanding.

If Common Stock subject to any Award is not issued or transferred, or ceases to be issuable or transferable for any reason, including (but not exclusively) because an Award is forfeited, terminated, expires unexercised, is settled in cash in lieu of Common Stock or is exchanged for other Awards, the shares of Common Stock that were subject to that Award will again be available for issue, transfer or exercise pursuant to Awards under the Plan to the extent of such forfeiture, termination, expiration, settlement or exchange. The Common Stock issued under the Plan may be shares originally issued by us, shares held by us in treasury, shares which have been reacquired by us or shares which have been bought on the market for the purposes of the Plan. There are no fees, commissions or other charges applicable to the receipt of Common Stock under the Plan.

Stock Options. We may grant to Participants (i) Incentive Options (only to eligible Participants) and (ii) Nonstatutory Options. The Committee determines the exercise price of each option granted under the Plan. The exercise price for an Incentive Option must not be less than the fair market value of the Common Stock on the date of grant, and the exercise price of Nonstatutory Options must not be less than 85% of the fair market value of the Common Stock on the date of grant. Stock options may be exercised as the Committee determines, but not later than ten years from the date of grant in the case of Incentive Options except as provided above with respect to a Participant that owns stock possessing more than ten percent of the total combined voting power or value of all classes of our stock or the stock of a subsidiary. At the discretion of the Committee, holders may use shares of Common Stock to pay the exercise price, including shares issuable upon exercise of the option. All options issued under the Plan on or prior to the Record Date have an exercise price equal to the fair market value of Common Stock as of the date of grant for such options.

SARs. An SAR may be awarded in connection with or separate from a stock option. An SAR is the right to receive an amount in cash or stock equal to the excess of the fair market value of a share of the Common Stock on the date of exercise over the exercise price specified in the agreement governing the SAR (for SARs not granted in connection with a stock option) or the exercise price of the related stock option (for SARs granted in connection with a stock option). An SAR granted in connection with a stock option will entitle the holder, upon exercise, to surrender the related stock option or portion thereof relating to the number of shares for which the SAR is exercised. The surrendered stock option or portion will then cease to be exercisable. Such an SAR is exercisable only to the extent that the related stock option is exercisable. An SAR granted independently of a stock option will be exercisable as the Committee determines. The Committee may limit the amount payable upon exercise of any SAR. SARs may be paid in cash, stock or a combination of cash and stock, as the Committee provides in the agreement governing the SAR.

Restricted Stock. A Restricted Stock Award is a grant of shares of Common Stock that are nontransferable and subject to risk of forfeiture until specific conditions are met. The restrictions will lapse in accordance with a schedule or other conditions as the Committee determines. During the restriction period, the holder of a Restricted Stock Award may, in the Committee's

Edgar Filing: AON INC - Form DEF 14A

discretion, have certain rights as a stockholder, including the right to vote the stock subject to the award or receive dividends on that stock. Restricted stock may also be issued upon exercise or settlement of options, SARs or Performance Units.

-22-

Performance Units. Performance Units are performance-based awards payable in cash, stock or a combination of both. The basis for payment of Performance Units for a given performance period is the achievement of performance objectives determined by the Committee at the beginning of the performance period. At or before the beginning of each performance period, the Committee will establish the contingent value of each Performance Unit, for that performance period, which may vary depending on the degree to which performance objectives are met. Performance objectives may be based on any performance measure or combination of measures as selected by the Committee. A performance period is any period, as selected by the Committee, of up to ten fiscal years.

Performance Awards. We may grant awards subject to performance goals that consist of one or more business criteria and a targeted level or levels of performance with respect to such criteria. Performance awards to Covered Employees are intended to constitute performance-based compensation within the meaning of Section 162(m) of the Code and to comply with the exemption from the deduction prohibitions of Section 162(m) of the Code. During any calendar year in which the Plan is in effect, we may not grant performance awards in the form of stock options, stock appreciation rights or restricted stock relating to more than 20,000 shares of Common Stock to any one participant in the Plan, subject to certain customary adjustments.

The business criteria that we will use in establishing performance goals for awards intended to comply with the exemption from the deduction prohibitions of Section 162(m) of the Code will include one or more of the following: (1) earnings per share; (2) revenue targets; (3) cash flow targets; (4) cash flow return targets; (5) return on net assets, return on assets, return on investment, return on capital, or return on equity; (6) an economic value added formula; (7) operating margin or contribution margin; (8) net income, pretax earnings, pretax earnings before interest, depreciation and amortization; pretax operating earnings after interest expense and before incentives, service fees, and extraordinary or special items; operating income; pretax earnings before interest depreciation and/or amortization; (9) total shareholder return; (10) debt reduction; and (11) any of the above goals determined on an absolute or relative basis or as compared to the performance of a published or special index deemed applicable by the Compensation Committee including, but not limited to, the Standard & Poor's 500 Stock Index or a group of competitor companies, including the group selected by us for purposes of the stock performance graph contained in our Annual Report on Form 10-K or the proxy statement for our annual meeting of stockholders.

Other Provisions

Tax Withholding. At the Committee's discretion and subject to conditions that the Committee may impose, a participant's tax withholding with respect to an award may be satisfied by the withholding of shares of Common Stock issuable pursuant to the award or the delivery of previously owned shares of Common Stock in either case based on the fair market value of the shares.

-23-

Merger, Recapitalization or Change of Control. If any change is made to our capitalization, such as a stock split, stock combination, stock dividend,

Edgar Filing: AAON INC - Form DEF 14A

exchange of shares or other recapitalization, merger or otherwise, which results in an increase or decrease in the number of outstanding shares of Common Stock, appropriate adjustments will be made by the Committee in the shares subject to an Award under the Plan. In general, upon a change in control of AAON, if approved by the Compensation Committee of the Board of Directors, (a) all outstanding stock options and stock appreciation rights will immediately vest and become exercisable by the holder, (b) the restriction period on all awards of restricted stock will immediately be accelerated and the restrictions will expire, (c) the target payout opportunity attainable under all performance units will be deemed to be fully earned for all performance periods and the holder will be paid (in cash within 30 days after the change in control for cash-based performance units and in stock upon the change in control for stock-based performance units) a pro rata portion of all associated targeted payout opportunities based on the number of complete and partial calendar months elapsed as of the date of the change in control. In the event that a change in control involves a merger or consolidation in which AAON is not the surviving entity or in which all of our outstanding shares of capital stock are exchanged for shares of capital stock in another entity, or in the event a change in control involves a sale of substantially all of our assets, and in connection with the change in control securities, cash or property are issuable or deliverable in exchange for our capital stock, then the holders of awards granted under the Plan will be entitled to receive (in a form appropriate for each particular form of award) the amount of securities, cash or property to which they would be entitled as if their particular award were in the form of our capital stock. The Committee has discretion to determine whether an Award under the Plan will have change-of-control features. The Committee also has discretion to vary the change-of-control features as it deems appropriate.

Amendment. The Board of Directors may (insofar as permitted by law and applicable regulations of any exchange or inter-dealer quotation system on which our stock may be listed) with respect to any shares which, at the time, are not subject to Awards, suspend, discontinue, revise, or amend the Plan in any respect whatsoever, and may amend any provision of the Plan or any Award Agreement to make the Plan or the Award Agreement, or both, comply with Section 16(b) of the Exchange Act of 1934 (the "Exchange Act") and the exemptions therefrom, the Code, ERISA, or any other law, rule or regulation that may affect the Plan. The Board of Directors may also amend, modify, suspend or terminate the Plan for the purpose of meeting or addressing any changes in other legal requirements applicable to AAON or the Plan or for any other purpose permitted by law. However, the Plan may not be amended without stockholder approval to increase materially the aggregate number of shares of Common Stock that may be issued under the Plan.

STOCKHOLDER PROPOSALS FOR 2007 ANNUAL MEETING

Stockholder proposals intended to be presented at the 2008 Annual Meeting and to be included in our Proxy Statement must be received at the our executive offices, 2425 South Yukon, Tulsa, Oklahoma 74107, no later than December 20, 2007.

-24-

However, a stockholder who otherwise intends to present business at the 2008 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

Edgar Filing: AAON INC - Form DEF 14A

proposal or nomination for the 2008 Annual Meeting of stockholders, submitted other than pursuant to Rule 14a-8 of the Securities Exchange Act of 1934, as amended ("Exchange Act"), will be untimely if given before February 22, 2008, or after March 21, 2008. 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 22, 2008 and March 21, 2008. 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

Management knows of no business which will be presented at the 2007 Annual Meeting other than to elect the director for the ensuing year, approve the vacancy on the Board of Directors and to vote on the Long-Term Incentive Plan.

The cost of preparing, assembling and mailing all proxy solicitation materials will be paid by us. It is contemplated that the solicitation will be conducted only by use of the mails. We will, upon request, reimburse brokers for the costs incurred by them in forwarding solicitation materials to such of their customers as are the beneficial holders of our Common Stock registered in the names of such brokers.

By Order of the Board of Directors

/s/ Norman H. Asbjornson

Norman H. Asbjornson
President

April 11, 2007

-25-

Appendix A

Compensation Committee Charter

AAON, INC.

COMPENSATION COMMITTEE

CHARTER*

The Board of Directors (the "Board") of AAON, Inc. (the "Company") has established a Compensation Committee (the "Committee") for the purpose of carrying out the duties and responsibilities listed herein.

Compensation and Meetings

The Committee shall consist of at least two members of the Board, each of whom shall satisfy the independence requirements under the listing standards of NASDAQ.

Edgar Filing: AAON INC - Form DEF 14A

Committee members shall be designated by resolution adopted by a majority of the whole Board and may be removed by the Board in its discretion. The Board may appoint additional or replacement members of the Committee from time to time. The Board may appoint one member of the Committee to act as Chairman of the Committee.

The Chairman will preside at each meeting of the Committee, and, in consultation with the other members of the Committee, shall set the frequency of meetings and the agenda of items to be addressed at each meeting. Minutes shall be prepared for each meeting of the Committee, which minutes shall be submitted to the Committee for approval at a later meeting.

The Committee may request any officer or employee of the Company or any subsidiary thereof, or any representative of outside legal, accounting or other advisors, to attend any meeting of the Committee.

Duties and Responsibilities

The Committee shall have the direct responsibility and authority of the Board to perform the following duties:

1. Review and approve the Company's goals and objectives relevant to the compensation of the Chief Executive Officer ("CEO") and the Company's other executive officers;
2. Evaluate the performance of the CEO and of the Company's other executive officers in accordance with policies and principles established by the Committee from time to time, including the Company's goals and objectives relevant to the compensation of the CEO and the other executive officers;

* No provision of this Charter is intended to create any right in favor of any third party, including any stockholder, officer, director or employee of the Company, in the event of a failure to comply with any provision hereof.

-26-

3. Determine and approve, either as a Committee or (as directed by the Board) together with other Board members who satisfy the applicable independence requirements under the listing standards of NASDAQ, the compensation level of the CEO and the other executive officers based on the Committee's evaluation of the performance of the CEO and the other executive officers, using those criteria deemed appropriate by the Committee from time to time, including, with respect to the long-term incentive component of the CEO's compensation, the Company's performance and relative shareholder return, the value of incentive awards granted to principal executive officers of comparable companies and awards granted to the CEO of the Company in past years;

4. Review and determine the form and amount of compensation of the non-management members of the Board, including cash, equity based awards and other compensation, in accordance with guidelines and general principles established by the Committee from time to time;

5. Administer, and make recommendations to the Board with respect to, incentive-compensation plans and equity-based plans, establish and verify annual performance targets and criteria for the

Edgar Filing: AAON INC - Form DEF 14A

granting of options to the Company's officers and other employees, review and approve the granting of options in accordance with such criteria and determine potential bonus amounts;

6. Recommend from time to time such voluntary contributions to the AAON, Inc. Savings and Investment Plan [401(k) plan] as the Committee determines to be appropriate based on the Company's operating results;

7. Produce an annual report on executive compensation, as required by the Securities and Exchange Commission (the "SEC") for inclusion in the Company's annual proxy statement filed with the SEC;

8. Report periodically to the Board on the actions and deliberations of the Committee;

9. Review and reassess the adequacy of this Charter as appropriate, and recommend changes to the Board as and where appropriate;

10. Conduct an annual performance evaluation of the Committee's performance and report the results of such evaluation to the Board; and

11. Perform such other responsibilities as the Board may from time to time direct.

Committee Resources

The Committee shall also have the sole authority to retain and terminate compensation consultants to assist it in evaluating the Company's compensation plans, particularly those pertaining to its Board members, CEO and other executive officers of the Company, and to approve the fees and other terms relating to the provision of those services. In addition, the Committee shall have the authority, without seeking prior Board approval, to retain outside legal, accounting and other advisors, as the Committee determines necessary or appropriate to assist it in carrying out its duties. The Company shall provide appropriate funding, as determined by the Committee, for payment of compensation to any advisors retained by the Committee.

-27-

Amendment

This Charter may be amended from time to time by the Board, and any amendment must be reported and disclosed as required by and in accordance with applicable laws, rules and regulations.

-28-

Appendix B

AAON, INC. LONG-TERM INCENTIVE PLAN

Scope and Purpose of the Plan

AAON, Inc., a Nevada, corporation (the "Corporation"), has adopted this

Edgar Filing: AON INC - Form DEF 14A

Long-Term Incentive Plan (the "Plan") to provide for the granting of:

- (a) Incentive Options to certain Employees (Section 6);
- (b) Nonstatutory Options to certain Employees, Non-employee Directors and other persons (Section 6);
- (c) Stock Appreciation Rights to certain Employees and other persons (Section 7);
- (d) Restricted Stock Awards to certain Employees and other persons (Section 8); and
- (e) Performance Units to certain Employees and other persons (Section 9).

The purpose of the Plan is to provide an incentive for Employees, directors and certain consultants and advisors of the Corporation or its Subsidiaries to remain in the service of the Corporation or its Subsidiaries, to extend to them the opportunity to acquire a proprietary interest in the Corporation so that they will apply their best efforts for the benefit of the Corporation, and to aid the Corporation in attracting able persons to enter the service of the Corporation and its Subsidiaries.

SECTION 1. DEFINITIONS

As used in this Plan, the following terms have the meanings set forth below:

1.1 "Award" means the grant of any form of Option, Performance Unit, Reload Option, Restricted Stock Award or Stock Appreciation Right under the Plan, whether granted singly, in combination, or in tandem, to a Holder pursuant to the terms, conditions, and limitations that the Committee may establish in order to fulfill the objectives of the Plan.

1.2 "Award Agreement" means the written document or agreement delivered to Holder evidencing the terms, conditions and limitations of an Award that the Corporation granted to that Holder.

1.3 "Board of Directors" means the board of directors of the Corporation.

1.4 "Business Day" means any day other than a Saturday, a Sunday or a day on which banking institutions in the State of Oklahoma are authorized or obligated by law or executive order to close.

1.5 "Cause," with respect to any Holder that is an Employee, means termination of the Holder's employment by the Corporation because of: (a) the Holder's conviction of, or plea of nolo contendere to, a felony or crime involving moral turpitude; (b) the Holder's personal dishonesty, incompetence, willful misconduct, willful violation of any law, rule or regulation (other than minor traffic violations or similar offenses) or breach of fiduciary duty which involves personal profit; (c) the Holder's commission of material mismanagement in the conduct of the Holder's duties as assigned to him or her by the Board of Directors or the Holder's supervising officer or officers of the Corporation or any Subsidiary; (d) the Holder's willful failure to execute or comply with the policy of the Corporation or any of its Subsidiaries or the Holder's stated duties as established by the Board of Directors or the Holder's supervising officer or officers of the Corporation or any Subsidiary or the Holder's intentional failure to perform the Holder's stated duties; or (e) substance abuse or addiction on the part of the Holder. Notwithstanding the foregoing, in the case of any Holder who, subsequent to the effective date of this Plan,

Edgar Filing: AON INC - Form DEF 14A

enters into an employment agreement with the Corporation or any Subsidiary that contains the definition of "cause" (or any similar definition), then during the term of such employment agreement the definition contained in such Employment Agreement shall be the applicable definition of "cause" under the Plan as to such Holder if such Employment Agreement expressly so provides.

1.6 "Change in Control" means the occurrence of any of the following events:

-29-

(i) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 50% or more of either (x) the then outstanding shares of Common Stock of the Corporation (the "Outstanding Corporation Common Stock") or (y) the combined voting power of the then outstanding voting securities of the Corporation entitled to vote generally in the election of directors (the "Outstanding Corporation Voting Securities"); provided, however, that for purposes of this subsection (i), the following acquisitions shall not constitute a Change of Control: (A) any acquisition directly from the Corporation, (B) any acquisition by the Corporation, (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Corporation or any corporation controlled by the Corporation or (D) any acquisition by any corporation pursuant to a transaction which complies with clauses (A), (B) and (C) of paragraph (iii) below; or

(ii) Individuals who constitute the Incumbent Board cease for any reason to constitute at least a majority of the Board of Directors; or

(iii) Consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Corporation or an acquisition of assets of another corporation (a "Business Combination"), in each case, unless, following such Business Combination, (A) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Corporation Common Stock and Outstanding Corporation Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Corporation, or all or substantially all of the Corporation's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination, of the Outstanding Corporation Common Stock and Outstanding Corporation Voting Securities, as the case may be, (B) no Person (excluding any employee benefit plan (or related trust) of the Corporation or the corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership of the Corporation existed

Edgar Filing: AAON INC - Form DEF 14A

prior to the Business Combination and (C) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(iv) Approval by the stockholders of the Corporation of a complete liquidation or dissolution of the Corporation.

1.7 "Code" means the Internal Revenue Code of 1986, as amended.

1.8 "Committee" means the Compensation Committee of the Corporation or a subcommittee appointed pursuant to Section 3 by either the Compensation Committee or by the Board of Directors to administer this Plan.

1.9 "Common Stock" means the authorized common stock, par value \$.004 per share, as described in the Corporation's Articles of Incorporation.

1.10 "Common Stock Equivalent" means (without duplication with any other Common Stock or Common Stock Equivalents) rights, warrants, options, convertible securities, exchangeable securities or indebtedness, or other rights, exercisable for or convertible or exchangeable into, directly or indirectly, Common Stock or securities convertible or exchangeable into Common Stock, whether at the time (or within sixty days of that date) the number of shares of Common Stock Equivalents are determined, and that are traded or are of the same class as securities that are traded on a national securities exchange or quoted on the NASDAQ National Market System, NASDAQ, or National Quotation Bureau Incorporated. The number of shares of Common Stock Equivalents outstanding shall equal the number of shares of Common Stock plus the number of shares of Common Stock issuable upon exercise, conversion or exchange of all other Common Stock Equivalents.

1.11 "Corporation" means AAON, Inc., a Nevada corporation.

1.12 "Date of Grant" has the meaning given it in Paragraph 4.3.

1.13 "Disability" has the meaning given it in Paragraph 11.5.

-30-

1.14 "Effective Date" means the date upon which this Plan shall be approved by the Board of Directors and shareholders of the Corporation. The Plan will be deemed to be approved by the stockholders if it receives the affirmative vote of the holders of a majority of the shares of stock of the Corporation present or represented and entitled to vote at a meeting at which a quorum representing a majority of all outstanding voting stock is, either in person or by proxy, present and voting and duly held in accordance with the applicable provisions of the Corporation's Bylaws

1.15 "Eligible Individuals" means (a) Employees, (b) Non employee Directors and (c) any other Person that the Committee designates as eligible for an Award (other than for Incentive Options) because the Person performs bona fide consulting or advisory services for the Corporation or any of its Subsidiaries (other than services in connection with the offer or sale of securities in a capital raising transaction).

1.16 "Employee" means any employee of the Corporation or of any of its Subsidiaries, including officers and directors of the Corporation who are also employees of the Corporation or of any of its Subsidiaries.

1.17 "Exchange Act" means the Securities Exchange Act of 1934, as

Edgar Filing: AON INC - Form DEF 14A

amended.

1.18 "Exercise Notice" has the meaning given it in Paragraph 6.5.

1.19 "Exercise Price" has the meaning given it in Paragraph 6.4.

1.20 "Fair Market Value" means, for a particular day:

(a) If shares of Stock of the same class are listed or admitted to unlisted trading privileges on any national or regional securities exchange at the date of determining the Fair Market Value, then the last reported sale price, regular way, on the composite tape of that exchange on the last Business Day before the date in question or, if no such sale takes place on that Business Day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to unlisted trading privileges on that securities exchange; or

(b) If shares of Stock of the same class are not listed or admitted to unlisted trading privileges as provided in Subparagraph 1.20(a) and if sales prices for shares of Stock of the same class in the over-the-counter market are reported by the NASDAQ National Market System (or a similar system then in use) at the date of determining the Fair Market Value, then the last reported sales price so reported on the last Business Day before the date in question or, if no such sale takes place on that Business Day, the average of the high bid and low asked prices so reported; or

(c) If shares of Stock of the same class are not listed or admitted to unlisted trading privileges as provided in Subparagraph 1.20(a) and sales prices for shares of Stock of the same class are not reported by the NASDAQ National Market System (or a similar system then in use) as provided in Subparagraph 1.20(b), and if bid and asked prices for shares of Stock of the same class in the over-the-counter market are reported by NASDAQ (or, if not so reported, by the National Quotation Bureau Incorporated) at the date of determining the Fair Market Value, then the average of the high bid and low asked prices on the last Business Day before the date in question; or

(d) If shares of Stock of the same class are not listed or admitted to unlisted trading privileges as provided in Subparagraph 1.20(a) and sales prices or bid and asked prices therefor are not reported by NASDAQ (or the National Quotation Bureau Incorporated) as provided in Subparagraph 1.20(b) or Subparagraph 1.20(c) at the date of determining the Fair Market Value, then the value determined in good faith by the Committee, which determination shall be conclusive for all purposes; or

(e) If shares of Stock of the same class are listed or admitted to unlisted trading privileges as provided in Subparagraph 1.20(a) or sales prices or bid and asked prices therefor are reported by NASDAQ (or the National Quotation Bureau Incorporated) as provided in Subparagraph 1.20(b), Subparagraph 1.20(c) or Subparagraph 1.20(d) at the date of determining the Fair Market Value, but the volume of trading is so low that the Board of Directors determines in good faith that such prices are not indicative of the fair value of the Stock, then the value determined in good faith by the Committee, which determination shall be conclusive for all purposes notwithstanding the provisions of Subparagraphs 1.20(a), (b), (c) or (d).

For purposes of valuing Incentive Options, the Fair Market Value of Stock shall

Edgar Filing: AON INC - Form DEF 14A

be determined without regard to any restriction other than one that, by its terms, will never lapse and will be determined on the date in question instead of the last Business Day before the date in question.

-31-

1.21 "Holder" means an Eligible Individual to whom an Award has been granted.

1.22 "Incentive Option" means an incentive stock option as defined under Section 422 of the Code and regulations thereunder.

1.23 "Incumbent Board" means the individuals who, as of the Effective Date, constitute the Board of Directors and any other individual who becomes a director of the Corporation after that date and whose election was approved by stockholders holding a majority of the Voting Securities or (in the case of a vacancy in the board) by appointment by the Board of Directors, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Incumbent Board.

1.24 "NASDAQ" means the National Association of Securities Dealers, Inc. Automated Quotations, Inc.

1.25 "Non-employee Director" means a director of the Corporation who while a director is not an Employee.

1.26 "Nonstatutory Option" means a stock option that does not satisfy the requirements of Section 422 of the Code or that is designated at the Date of Grant or in the applicable Option Agreement to be an option other than an Incentive Option.

1.27 "Non-Surviving Event" means an event of Restructure as described in either subparagraph (b) or (c) of Paragraph 1.36.

1.28 "Option Agreement" means an Award Agreement for an Incentive Option or a Nonstatutory Option.

1.29 "Option" means either an Incentive Option or a Nonstatutory Option, or both.

1.30 "Performance Period" means a period of up to ten fiscal years of the Corporation, as determined by the Committee with respect to any Performance Unit, and over which performance is measured for the purpose of determining the payment value of Performance Units.

1.31 "Performance Unit" means a unit representing a contingent right to receive a specified amount of cash or shares of Stock at the end of a Performance Period.

1.32 "Person" means any person or entity of any nature whatsoever, specifically including (but not limited to) an individual, a firm, a company, a corporation, a limited liability company, a partnership, a trust or other entity. A Person, together with that Person's affiliates and associates (as those terms are defined in Rule 12b-2 under the Exchange Act for purposes of this definition only), and any Persons acting as a partnership, limited partnership, joint venture, association, syndicate or other group (whether or not formally organized), or otherwise acting jointly or in concert or in a coordinated or consciously parallel manner (whether or not pursuant to any express agreement), for the purpose of acquiring, holding, voting or disposing

Edgar Filing: AAON INC - Form DEF 14A

of securities of the Corporation with that Person, shall be deemed a single "Person."

1.33 "Plan" means the AAON, Inc. Long-Term Incentive Plan, as it may be amended from time to time.

1.34 "Reload Option" has the meaning given it in Paragraph 6.9.

1.35 "Restricted Stock Award" means the grant or purchase, on the terms and conditions that the Committee determines or on the terms and conditions of Section 8, of Stock that is nontransferable or subject to substantial risk of forfeiture until specific conditions are met.

1.36 "Restructure" means the occurrence of any one or more of the following:

(a) The merger or consolidation of the Corporation with any Person, whether effected as a single transaction or a series of related transactions, with the Corporation remaining the continuing or surviving entity of that merger or consolidation and the Stock remaining outstanding and not changed into or exchanged for stock or other securities of any other Person or of the Corporation, cash or other property;

(b) The merger or consolidation of the Corporation with any Person, whether effected as a single transaction or a series of related transactions, with (i) the Corporation not being the continuing or surviving entity of that merger or consolidation or (ii) the Corporation remaining the continuing or surviving entity of that merger or consolidation but all or a part of the outstanding shares of Stock are changed into or exchanged for stock or other securities of any other Person or the Corporation, cash, or other property; or

-32-

(c) The transfer, directly or indirectly, of all or substantially all of the assets of the Corporation (whether by sale, merger, consolidation, liquidation or otherwise) to any Person whether effected as a single transaction or a series of related transactions.

1.37 "Retirement" means the separation of the Holder from employment with the Corporation and its Subsidiaries on account of retirement.

1.38 "Rule 16b-3" means Rule 16b-3 under Section 16(b) of the Exchange Act, or any successor rule, as it may be amended from time to time.

1.39 "SAR Exercise Price" has the meaning given it in Paragraph 1.44.

1.40 "Section 162(m)" means Section 162(m) of the Code and the rules and regulations adopted from time to time thereunder, or any successor law or rule as it may be amended from time to time.

1.41 "Section 409A" means Section 409A of the Code and the rules and regulations adopted from time to time thereunder, or any successor law or rule as it may be amended from time to time.

1.42 "Securities Act" means the Securities Act of 1933, as amended.

1.43 "Stock" means Common Stock, or any other securities that are substituted for Stock as provided in Section 10.

Edgar Filing: AAON INC - Form DEF 14A

1.44 "Stock Appreciation Right" means the right to receive an amount equal to the excess of the Fair Market Value of a share of Stock (as determined on the date of exercise) over, as appropriate, the Exercise Price of a related Option or over a price specified in the related Award Agreement (the "SAR Exercise Price") that is not less than eighty-five percent of the Fair Market Value of the Stock on the Date of Grant of the Stock Appreciation Right.

1.45 "Subsidiary" means, with respect to any Person, any corporation, limited partnership, limited liability company or other entity of which a majority of the voting power of the voting equity securities or equity interest is owned, directly or indirectly, by that Person.

1.46 "Total Shares" has the meaning given it in Paragraph 10.2.

1.47 "Voting Securities" means any securities that are entitled to vote generally in the election of directors, in the admission of general partners, or in the selection of any other similar governing body.

SECTION 2. SHARES OF STOCK SUBJECT TO THE PLAN

2.1 Maximum Number of Shares. Subject to the provisions of Section 10 of the Plan, the maximum aggregate number of shares of Stock in respect of which Awards may be granted for all purposes under the Plan each year shall be ten percent (10%) of the total outstanding shares of Stock as of the first day of such year for which the Plan is in effect; [provided that such number shall be increased in any year by the number of shares of Stock available for grant hereunder in previous years but not covered by Awards granted hereunder in such years]; and provided, further, that if any shares of Stock subject to an Award are forfeited or if any Award based on shares of Stock is otherwise terminated without issuance of such shares of Stock or other consideration in lieu of such shares of Stock, the shares of Stock subject to such Award shall to the extent of such forfeiture or termination, again be available for Awards under the Plan if no participant shall have received any benefits of ownership in respect thereof.

2.2 Description of Shares. The shares to be delivered under the Plan shall be made available from (a) authorized but unissued shares of Stock, (b) Stock held in the treasury of the Corporation, or (c) previously issued shares of Stock reacquired by the Corporation, including shares purchased on the open market, in each situation as the Board of Directors or the Committee may determine from time to time at its sole option.

2.3 Registration and Listing of Shares. From time to time, the Board of Directors and appropriate officers of the Corporation shall be, and are, authorized to take whatever actions are necessary to file required documents with governmental authorities, stock exchanges and other appropriate Persons to make shares of Stock available for issuance pursuant to Awards.

-33-

SECTION 3. ADMINISTRATION OF THE PLAN

3.1 Committee. The Committee shall administer the Plan with respect to all Eligible Individuals or may delegate all or part of its duties under this Plan to a subcommittee or any executive officer of the Corporation, subject in each case to such conditions and limitations as the Board of Directors may establish, the Committee's Charter and subject to the following additional requirements: (a) the Committee shall be constituted in a manner that satisfies the requirements of Rule 16b-3.1, (i.e., composed solely of "non-employee directors" as defined in such Rule) and shall administer the Plan with respect to all Eligible Individuals who are subject to the "short-swing profits"

Edgar Filing: AON INC - Form DEF 14A

provisions of Section 16 of the Exchange Act in a manner that satisfies the exemption from Section 16 pursuant to the requirements of Rule 16b-3; and (b) the Committee shall be constituted in a manner that satisfies the requirements of Section 162(m) (i.e., composed of two or more "outside directors"), which Committee shall administer the Plan with respect to "performance-based compensation" for all Eligible Individuals who are reasonably expected to be "covered employees" as those terms are defined in Section 162(m), in order to insure the deductibility of compensation paid as provided in such Section.

3.2 Committee's Powers. Subject to the Charter of the Compensation Committee, the rules and regulations of NASDAQ or any exchange on which the Corporation's stock may be listed from time to time (including, without limitation, rules requiring the approval of the stockholders with respect to any material amendment to the Plan), and subject also to the express provisions of the Plan and any applicable law with which the Corporation intends the Plan to comply, the Committee shall have the authority, in its sole and absolute discretion, (a) to adopt, amend and rescind administrative and interpretive rules and regulations relating to the Plan, including without limitation to adopt and observe such procedures concerning the counting of Awards against the Plan and individual maximums as it may deem appropriate from time to time; (b) to determine the Eligible Individuals to whom, and the time or times at which, Awards shall be granted; (c) to determine the amount of cash and the number of shares of Stock, Stock Appreciation Rights, Restricted Stock Awards or Performance Units, or any combination thereof, that shall be the subject of each Award; (d) to determine the terms and provisions of each Award Agreement (which need not be identical), including provisions defining or otherwise relating to (i) the term and the period or periods and extent of exercisability of the Options, (ii) the extent to which the transferability of shares of Stock issued or transferred pursuant to any Award is restricted, (iii) the effect of termination of employment on the Award, and (iv) the effect of approved leaves of absence (consistent with any applicable regulations of the Internal Revenue Service); (e) to accelerate, pursuant to Section 10, the time of exercisability of any Option that has been granted or the time of vesting or settlement of any Restricted Stock Award or Performance Unit; (f) to construe the respective Award Agreements and the Plan; (g) to make determinations of the Fair Market Value of the Stock pursuant to the Plan; (h) to delegate its duties under the Plan to such agents as it may appoint from time to time, subject to Paragraph 3.1; and (i) to make all other determinations, perform all other acts, and exercise all other powers and authority necessary or advisable for administering the Plan, including the delegation of those ministerial acts and responsibilities as the Committee deems appropriate subject in all respects to the last two sentences of Paragraph 6.12. The Committee may correct any defect, supply any omission or reconcile any inconsistency in the Plan, in any Award, or in any Award Agreement in the manner and to the extent it deems necessary or desirable to carry the Plan into effect, and the Committee shall be the sole and final judge of that necessity or desirability. The determinations of the Committee on the matters referred to in this Paragraph 3.2 shall be final and conclusive. The Committee shall not have the power to terminate or materially modify or materially amend the Plan. Those powers are vested in the Board of Directors, subject to requisite approval of the stockholders of the Corporation.

3.3 Transferability of Awards. Notwithstanding any limitation on a Holder's right to transfer an Award, the Committee may (in its sole discretion) permit a Holder to transfer an Award, or may cause the Corporation to grant an Award that otherwise would be granted to an Eligible Individual, in any of the following circumstances: (a) pursuant to a qualified domestic relations order, (b) to a trust established for the benefit of the Eligible Individual or one or more of the children, grandchildren or spouse of the Eligible Individual; (c) to a limited partnership in which all the interests are held by the Eligible Individual and that Person's children, grandchildren or spouse; or (d) to another Person in circumstances that the Committee believes will result in the Award continuing to provide an incentive for the Eligible Individual to remain

Edgar Filing: AON INC - Form DEF 14A

in the service of the Corporation or its Subsidiaries and apply his or her best efforts for the benefit of the Corporation or its Subsidiaries. If the Committee determines to allow such transfers or issuances of Awards, any Holder or Eligible Individual desiring such transfers or issuances shall make application therefor in the manner and time that the Committee specifies and shall comply with such other requirements as the Committee may require to assure compliance with all applicable laws, including securities laws, and to assure fulfillment of the purposes of this Plan. The Committee shall not authorize any such transfer or issuance if it may not be made in compliance with all applicable federal, state and foreign securities laws. The granting of permission for such an issuance or transfer shall not obligate the Corporation to register the shares of Stock to be issued under the applicable Award.

SECTION 4. ELIGIBILITY AND PARTICIPATION

4.1 Eligible Individuals. Awards may be granted pursuant to the Plan only to persons who are Eligible Individuals at the time of the grant thereof or in connection with the severance or retirement of Eligible Individuals.

-34-

4.2 Grant of Awards. Subject to the express provisions of the Plan, the Committee shall determine which Eligible Individuals shall be granted Awards from time to time. In making grants, the Committee shall take into consideration the contribution the potential Holder has made or may make to the success of the Corporation or its Subsidiaries and such other considerations as the Board of Directors may from time to time specify. The Committee shall also determine the number of shares or cash amounts subject to each of the Awards and shall authorize and cause the Corporation to grant Awards in accordance with those determinations.

4.3 Date of Grant. The date on which an Award is granted (the "Date of Grant") shall be the date specified by the Committee as the effective date or date of grant of an Award or, if the Committee does not so specify, shall be the date as of which the Committee adopts the resolution approving the offer of an Award to an individual, including the specification of the number (or method of determining the number) of shares of Stock and the amount (or method of determining the amount) of cash to be subject to the Award, even though certain terms of the Award Agreement may not be determined at that time and even though the Award Agreement may not be executed or delivered until a later time. In no event shall a Holder gain any rights in addition to those specified by the Committee in its grant, regardless of the time that may pass between the grant of the Award and the actual execution or delivery of the Award Agreement by the Corporation or the Holder. The Committee may invalidate an Award at any time before the Award Agreement is signed by the Holder (if signature is required) or is delivered to the Holder (if signature is not required), and such Award shall be treated as never having been granted.

4.4 Award Agreements. Each Award granted under the Plan shall be evidenced by an Award Agreement that incorporates those terms that the Committee shall deem necessary or desirable. More than one Award may be granted under the Plan to the same Eligible Individual and be outstanding concurrently. If an Eligible Individual is granted both one or more Incentive Options and one or more Nonstatutory Options, those grants shall be evidenced by separate Award Agreements, one for each of the Incentive Option grants and one for each of the Nonstatutory Option grants.

4.5 Limitation for Incentive Options. Notwithstanding any provision contained herein to the contrary, (a) a person shall not be eligible to receive an Incentive Option unless he or she is an Employee of the Corporation or a corporate Subsidiary (but not a partnership or other non-corporate Subsidiary),

Edgar Filing: AON INC - Form DEF 14A

and (b) a person shall not be eligible to receive an Incentive Option if, immediately before the time the Incentive Option is granted, that person owns (within the meaning of Sections 422 and 424 of the Code) stock possessing more than ten percent of the total combined voting power or value of all classes of stock of the Corporation or a Subsidiary. Nevertheless, this Subparagraph 4.5(b) shall not apply if, at the time the Incentive Option is granted, the Exercise Price of the Incentive Option is at least one hundred and ten percent of the Fair Market Value of the Stock underlying the Incentive Option and the Incentive Option is not, by its terms, exercisable after the expiration of five years from the Date of Grant.

4.6 No Right to Award. The adoption of the Plan shall not be deemed to give any person a right to be granted an Award.

SECTION 5. PERFORMANCE AWARDS

5.1 Covered Employee. For purposes of this Section 5 "Covered Employee" shall have the meaning given to such term under Section 162(m), which section generally limits the amount that can be deducted by a public company for compensation paid to a "covered employee". The foregoing notwithstanding, because the Committee cannot determine with certainty whether a given individual will be a Covered Employee with respect to a fiscal year that has not yet been completed, the term Covered Employee as used herein shall mean only a person designated by the Committee, at the time of grant of Performance Awards, who is likely to be a Covered Employee with respect to that fiscal year.

5.2 Performance Award. For purposes of this Section 5 "Performance Award" shall mean any Award the grant, exercise or settlement of which is subject to one or more of the performance standards set forth in this Section 5.

5.3 Qualified Member. For purposes of this Section 5 "Qualified Member" means a member of the Committee who is an "outside" director within the meaning of Section 162(m).

5.4 Manner of Exercise of Committee Authority. At any time that a member of the Committee is not a Qualified Member, any action of the Committee relating to an Award intended by the Committee to qualify as "performance-based compensation" within the meaning of Section 162(m), may be taken either (i) by a subcommittee, designated by the Committee, composed solely of two or more Qualified Members, or (ii) by the Committee but with each such member who is not a Qualified Member abstaining or recusing himself or herself from such action; provided, however, that, upon such abstention or recusal, the Committee remains composed solely of two or more Qualified Members. Such action, authorized by such a subcommittee or by the Committee upon the abstention or recusal of such non-Qualified Member(s), shall be the action of the Committee for purposes of the Plan. Any action of the Committee shall be final, conclusive and binding on all persons, including the Corporation, its subsidiaries, Eligible Individuals, beneficiaries, transferees or other persons claiming rights from or through an Eligible Individual, and shareholders.

-35-

5.5 Individual Award Limitations. In each calendar year during any part of which the Plan is in effect, a Participant may not be granted Performance Awards relating to more than 20,000 shares of Common Stock (subject to adjustment in a manner consistent with any adjustment made pursuant to Section 10) under each of Sections 6, 7 and 8 with a maximum limitation of 50,000 shares of Common Stock in the aggregate. If an Option is canceled, the canceled Option continues to be counted against the maximum number of shares for which Options may be granted to the Participant under the Plan, as set forth in this Section 5.5. If, after grant, the exercise price of an Option is reduced,

Edgar Filing: AON INC - Form DEF 14A

the transaction is treated as a cancellation of the Option and a grant of a new Option for purposes of this Section 5.5. In such a case, both the Option that is deemed to be canceled and the Option that is deemed to be granted reduce the maximum number of shares for which Options may be granted to the Covered Employee under the Plan, as set forth in this Section 5.5. Such cancellation will likewise occur in the case of a Stock Appreciation Right where, after the Award is made, the base amount on which stock appreciation is calculated is reduced.

5.6 General. The Committee shall retain full power and discretion to accelerate, waive or modify, at any time, any term or condition of a Performance Award that is not mandatory under the Plan; provided, however, that notwithstanding any other provision of the Plan the Committee shall not have any discretion to accelerate, waive or modify any term or condition of an Award that is intended to qualify as "performance-based compensation" that is deductible for purposes of Section 162(m) if such discretion would cause the Performance Award not to so qualify. In addition, with respect to Performance Awards that are subject to the potential additional excise tax on certain deferred compensation arrangements covered by Section 409A, the Committee shall not have the authority to accelerate or postpone the timing or settlement of a Performance Award in a manner that would cause such award to become subject to the such additional excise tax (or interest and penalty related thereto) under Section 409A.

5.7 Performance Conditions. The right of an Eligible Individual to exercise or receive a grant or settlement of any Award, and the timing thereof, may be subject to such performance conditions as may be specified by the Committee. The Committee may use such business criteria and other measures of performance as it may deem appropriate in establishing any performance conditions.

5.8 Performance Awards Granted to Designated Covered Employees. If the Committee determines that a Performance Award to be granted to an Eligible Individual who is designated by the Committee as likely to be a Covered Employee should qualify as "performance-based compensation" for purposes of Section 162(m), the grant, exercise and/or settlement of such Performance Award shall be contingent upon achievement of preestablished performance goals and other terms set forth in this Section 5.8.

(a) Performance Goals Generally. The performance goals for such Performance Awards shall consist of one or more business criteria and a targeted level or levels of performance with respect to each of such criteria, as specified by the Committee consistent with this Section 5.8. Performance goals shall be objective and shall otherwise meet the requirements of Section 162(m), including the requirement that the level or levels of performance targeted by the Committee result in the achievement of performance goals being "substantially uncertain." The Committee may determine that such Performance Awards shall be granted, exercised and/or settled upon achievement of any one performance goal or that two or more of the performance goals must be achieved as a condition to grant, exercise and/or settlement of such Performance Awards. Performance goals may differ for Performance Awards granted to any one Eligible Individual or to different Eligible Individuals.

(b) Business Criteria. One or more of the following business criteria for the Corporation, on a consolidated basis, and/or for specified subsidiaries or business or geographical units of the Corporation (except with respect to the total shareholder return and earnings per share criteria), shall be used by the Committee in establishing performance goals for such Performance Awards: (i) earnings per share; (ii) revenue targets; (iii) cash flow targets; (iv) cash flow return targets; (v) return on net assets, return on assets, return on investment, return on capital, return on equity; (vi) an economic value added formula; (vii) operating margin or contribution margin; (viii) net

Edgar Filing: AAON INC - Form DEF 14A

income; pretax earnings; pretax earnings before interest, depreciation and amortization; pretax operating earnings after interest expense and before incentives, service fees, and extraordinary or special items; operating income; pretax earnings before interest depreciation and/or amortization; (ix) total shareholder return; (x) debt reduction; and (xi) any of the above goals determined on an absolute or relative basis or as compared to the performance of a published or special index deemed applicable by the Committee including, but not limited to, the Standard & Poor's 500 Stock Index or a group of peer competitor companies, including the group selected by the Corporation for purposes of the stock performance graph contained in the proxy statement for the Corporation's annual meetings of stockholders.

(c) Performance Period; Timing for Establishing Performance Goals. Achievement of performance goals in respect of such Performance Awards shall be measured over a performance period of up to ten years, as specified by the Committee. Performance goals shall be established not later than 90 days after the beginning of any performance period applicable to such Performance Awards, or at such other date as may be required or permitted for "performance-based compensation" under Section 162(m).

-36-

(d) Settlement of Performance Awards; Other Terms. After the end of each performance period, the Committee shall determine the amount, if any, of the Performance Award payable to each Covered Employee. Settlement of such Performance Awards shall be in cash, Common Stock, other Awards or other property, as determined in the sole discretion of the Committee. The Committee may, in its discretion, reduce the amount of a settlement otherwise to be made in connection with such Performance Awards, but may not exercise discretion to increase any such amount payable to a Covered Employee in respect of a Performance Award.

5.9 Written Determinations. All determinations by the Committee as to the establishment of performance goals, the amount of any potential individual Performance Awards, and the achievement of performance goals relating to Performance Awards, shall be made in writing in the case of any Award intended to qualify under Section 162(m). The Committee may not delegate any responsibility relating to such Performance Awards. The determination as to whether any performance goal, with respect to any Award, has been satisfied shall be made prior to the payment of any compensation relating to an Award.

5.10 Performance Awards under Code Section 162(m) of the Code. It is the intent of the Corporation that Performance Awards granted to persons who are designated by the Committee as likely to be Covered Employees within the meaning of Section 162(m) shall, if so designated by the Committee, constitute "performance-based compensation", and therefore qualify as a deductible expense within the provisions of Section 162(m). Accordingly, the terms of this Section 5, including the definitions of Covered Employee and other terms used herein, shall be interpreted in a manner consistent with Section 162(m). If any provision of the Plan as in effect on the date of adoption or any agreements relating to Performance Awards that are designated as intended to comply with Section 162(m) does not comply or is inconsistent with the requirements of Section 162(m), such provision shall be construed or deemed amended to the extent necessary to conform to such requirements.

SECTION 6. TERMS AND CONDITIONS OF OPTIONS

All Options granted under the Plan shall comply with, and the related Option Agreements shall be deemed to include and be subject to, the terms and conditions set forth in this Section 6 (to the extent each term and condition applies to the form of Option) and also to the terms and conditions set forth in

Edgar Filing: AAON INC - Form DEF 14A

Paragraph 10.1 and Section 11; provided, however, that the Committee may authorize an Option Agreement that expressly contains terms and provisions that differ from the terms and provisions of Section 11. The Committee may also authorize an Option Agreement that contains any or all of the terms and provisions of Paragraphs 10.2 and 10.3 or that contains terms and provisions dealing with similar subject matter differently than do those Paragraphs; nevertheless, no term or provision of Paragraph 10.2 or 10.3 (or any such differing term or provision) shall apply to an Option Agreement unless the Option Agreement expressly states that such term or provision applies.

6.1 Number of Shares. Each Option Agreement shall state the total number of shares of Stock to which it relates.

6.2 Vesting. Each Option Agreement shall state the time, periods or other conditions on which the right to exercise the Option or a portion thereof shall vest and the number (or method of determining the number) of shares of Stock for which the right to exercise the Option shall vest at each such time, period or satisfaction of condition.

6.3 Expiration of Options. Nonstatutory Options and Incentive Options may be exercised during the term determined by the Committee and set forth in the Option Agreement; provided that no Incentive Option shall be exercised after the expiration of a period of ten years commencing on the Date of Grant of the Incentive Option.

6.4 Exercise Price. Each Option Agreement shall state the exercise price per share of Stock (the "Exercise Price"). The exercise price per share of Stock subject to an Incentive Option shall not be less than the greater of (a) the par value per share of the Stock or (b) 100% of the Fair Market Value per share of the Stock on the Date of Grant of the Option. The exercise price per share of Stock subject to a Nonstatutory Option shall not be less than the greater of (a) the par value per share of the Stock or (b) eighty-five percent of the Fair Market Value per share of the Stock on the Date of Grant of the Option.

6.5 Method of Exercise. Each Option shall be exercisable only by written, recorded electronic or other notice of exercise in the manner specified by the Committee from time to time (the "Exercise Notice") delivered to the Corporation or to the Person designated by the Committee during the term of the Option, which notice shall (a) state the number of shares of Stock with respect to which the Option is being exercised, (b) be signed or otherwise given by the Holder of the Option or by the person authorized to exercise the Option in the event of the Holder's death or disability, (c) be accompanied by the Exercise Price for all shares of Stock for which the Option is exercised, unless provision for the payment of the Exercise Price has been made pursuant to Paragraph 6.7 or 6.8 or in another manner permitted by law and approved in advance by the Committee, and (d) include such other information, instruments, and documents as may be required to satisfy any other condition to exercise contained in the Option Agreement. The Option shall not be deemed to have been exercised unless all of the requirements of the preceding provisions of this Paragraph 6.5 have been satisfied.

-37-

6.6 Incentive Option Exercises. During the Holder's lifetime, only the Holder may exercise an Incentive Option. The Holder of an Incentive Option shall immediately notify the Corporation in writing of any disposition of the Stock acquired pursuant to the Incentive Option that would disqualify the Incentive Option from the incentive option tax treatment afforded by Section 422 of the Code. The notice shall state the number of shares disposed of, the dates of acquisition and disposition of the shares, and the consideration received

Edgar Filing: AON INC - Form DEF 14A

upon that disposition.

6.7 Medium and Time of Payment. The Exercise Price of an Option shall be payable in full upon the exercise of the Option (a) in cash or by an equivalent means (such as that specified in Paragraph 6.8) acceptable to the Committee, (b) on the Committee's prior consent, with shares of Stock owned by the Holder (including shares received upon exercise of the Option or restricted shares already held by the Holder) and having a Fair Market Value at least equal to the aggregate Exercise Price payable in connection with such exercise, or (c) by any combination of clauses (a) and (b). If the Committee chooses to accept shares of Stock in payment of all or any portion of the Exercise Price, then (for purposes of payment of the Exercise Price) those shares of Stock shall be deemed to have a cash value equal to their aggregate Fair Market Value determined as of the date of the delivery of the Exercise Notice. If the Committee elects to accept shares of restricted Stock in payment of all or any portion of the Exercise Price, then an equal number of shares issued pursuant to the exercise shall be restricted on the same terms and for the restriction period remaining on the shares used for payment.

6.8 Payment with Sale Proceeds. In addition, at the request of the Holder and to the extent permitted by applicable law, the Committee may (but shall not be required to) approve arrangements with a brokerage firm under which that brokerage firm, on behalf of the Holder, shall pay to the Corporation the Exercise Price of the Option being exercised (either as a loan to the Holder or from the proceeds of the sale of Stock issued pursuant to that exercise of the Option), and the Corporation shall promptly cause the exercised shares to be delivered to the brokerage firm. Such transactions shall be effected in accordance with the procedures that the Committee may establish from time to time.

6.9 Reload Provisions. Options may contain a provision pursuant to which a Holder who pays all or a portion of the Exercise Price of an Option or the tax required to be withheld pursuant to the exercise of an Option by surrendering shares of Stock shall automatically be granted an Option for the purchase of the number of shares of Stock equal to the number of shares surrendered (a "Reload Option"). The Date of Grant of the Reload Option shall be the date on which the Holder surrenders the shares of Stock in respect of which the Reload Option is granted. The Reload Option shall have an Exercise Price equal to the Fair Market Value of a share of Stock on the Date of Grant of the Reload Option and shall have a term that is no longer than the original term of the underlying Option.

6.10 Limitation on Aggregate Value of Shares That May Become First Exercisable During any Calendar Year Under an Incentive Option. With respect to any Incentive Option granted under this Plan, the aggregate Fair Market Value of shares of Stock subject to an Incentive Option and the aggregate Fair Market Value of shares of Stock or stock of any Subsidiary (or a predecessor of the Corporation or a Subsidiary) subject to any other incentive stock option (within the meaning of Section 422 of the Code) of the Corporation or its Subsidiaries (or a predecessor corporation of any such corporation) that first become purchasable by a Holder in any calendar year may not (with respect to that Holder) exceed \$100,000, or such other amount as may be prescribed under Section 422 of the Code or applicable regulations or rulings from time to time. As used in the previous sentence, Fair Market Value shall be determined as of the date the Incentive Option is granted. For purposes of this Paragraph 6.10 "predecessor corporation" means (a) a corporation that was a party to a transaction described in Section 424(a) of the Code (or which would be so described if a substitution or assumption under that Section had been effected) with the Corporation, (b) a corporation which, at the time the new incentive stock option (within the meaning of Section 422 of the Code) is granted, is a Subsidiary of the Corporation or a predecessor corporation of any such corporations, or (c) a predecessor corporation of any such corporations. Failure

Edgar Filing: AON INC - Form DEF 14A

to comply with this provision shall not impair the enforceability or exercisability of any Option, but shall cause the excess amount of shares to be reclassified in accordance with the Code.

6.11 No Fractional Shares. The Corporation shall not in any case be required to sell, issue, or deliver a fractional share with respect to any Option. In lieu of the issuance of any fractional share of Stock, the Corporation shall pay to the Holder an amount in cash equal to the same fraction (as the fractional Stock) of the Fair Market Value of a share of Stock determined as of the date of the applicable Exercise Notice.

-38-

6.12 Modification, Extension and Renewal of Options. Subject to the terms and conditions of and within the limitations of the Plan and any applicable law, and any consent required by the last two sentences of this Paragraph 6.12, the Committee may (a) modify, extend or renew outstanding Options granted under the Plan, (b) accept the surrender of Options outstanding hereunder (to the extent not previously exercised) and authorize the granting of new Options in substitution for outstanding Options (to the extent not previously exercised), and (c) amend the terms of an Incentive Option at any time to include provisions that have the effect of changing the Incentive Option to a Nonstatutory Option. Notwithstanding anything herein, the Committee may not "reprice" any Option. "Reprice" means any of the following or any other action that has the same effect: (i) amending an Option to reduce its exercise price, (ii) canceling an Option at a time when its exercise price exceeds the Fair Market Value of a share of Stock in exchange for an Option, Restricted Stock Award or other equity award unless the cancellation and exchange occurs in connection with a merger, acquisition, spin-off or other similar corporate transaction, or (iii) taking any other action that is treated as a repricing under generally accepted accounting principles, provided that nothing in this Paragraph 6.12 shall prevent the Committee from making adjustments pursuant to Section 10. Without the consent of the Holder, the Committee may not modify any outstanding Options so as to specify a higher Exercise Price or accept the surrender of outstanding Incentive Options and authorize the granting of new Options in substitution therefor specifying a higher Exercise Price. In addition, no modification of an Option granted hereunder shall, without the consent of the Holder, materially alter or impair any rights of the Holder or materially increase the obligations of a Holder under any Option theretofore granted to that Holder under the Plan except, with respect to Incentive Options, as may be necessary to satisfy the requirements of Section 422 of the Code or as permitted in clause (c) of this Paragraph 6.12.

6.13 Other Agreement Provisions. The Option Agreements authorized under the Plan shall contain such provisions in addition to those required by the Plan (including, without limitation, restrictions or the removal of restrictions upon the exercise of the Option and the retention or transfer of shares thereby acquired) as the Committee may deem advisable. Each Option Agreement shall identify the Option evidenced thereby as an Incentive Option or Nonstatutory Option, as the case may be, and no Option Agreement shall cover both an Incentive Option and a Nonstatutory Option. Each Agreement relating to an Incentive Option granted hereunder shall contain such limitations and restrictions upon the exercise of the Incentive Option to which it relates as shall be necessary for the Incentive Option to which such Agreement relates to constitute an incentive stock option, as defined in Section 422 of the Code.

SECTION 7. STOCK APPRECIATION RIGHTS

All Stock Appreciation Rights granted under the Plan shall comply with, and the related Award Agreements shall be deemed to include and be subject to, the terms and conditions set forth in this Section 7 (to the extent each term

Edgar Filing: AON INC - Form DEF 14A

and condition applies to the form of Stock Appreciation Right) and also to the terms and conditions set forth in Paragraph 10.1 and Section 11; provided, however, that the Committee may authorize an Award Agreement relating to a Stock Appreciation Right that expressly contains terms and provisions that differ from the terms and provisions of Section 11. The Committee may also authorize an Award Agreement relating to a Stock Appreciation Right that contains any or all of the terms and provisions of Paragraphs 10.2 and 10.3 or that contains terms and provisions dealing with similar subject matter differently than do those Paragraphs; nevertheless, no term or provision of Paragraph 10.2 or 10.3 (or any such differing term or provision) shall apply to an Award Agreement relating to a Stock Appreciation Right unless the Award Agreement expressly states that such term or provision applies.

7.1 Form of Right. A Stock Appreciation Right may be granted to an Eligible Individual (a) in connection with an Option, either at the time of grant or at any time during the term of the Option, or (b) without relation to an Option.

7.2 Rights Related to Options. A Stock Appreciation Right granted pursuant to an Option shall entitle the Holder, upon exercise, to surrender that Option or any portion thereof, to the extent unexercised, and to receive payment of an amount computed pursuant to Subparagraph 7.2(b). That Option shall then cease to be exercisable to the extent surrendered. Stock Appreciation Rights granted in connection with an Option shall be subject to the terms of the Award Agreement governing the Option, which shall comply with the following provisions in addition to those applicable to Options:

(a) Exercise and Transfer. Subject to Paragraph 11.10, a Stock Appreciation Right granted in connection with an Option shall be exercisable only at such time or times and only to the extent that the related Option is exercisable and shall not be transferable except to the extent that the related Option is transferable. To the extent that an Option has been exercised, the Stock Appreciation Rights granted in connection with that Option shall terminate.

(b) Value of Right. Upon the exercise of a Stock Appreciation Right related to an Option, the Holder shall be entitled to receive payment from the Corporation of an amount determined by multiplying:

(i) The difference obtained by subtracting the Exercise Price of a share of Stock specified in the related Option from the Fair Market Value of a share of Stock on the date of exercise of the Stock Appreciation Right, by

(ii) The number of shares as to which that Stock Appreciation Right has been exercised.

7.3 Right Without Option. A Stock Appreciation Right granted without relationship to an Option shall be exercisable as determined by the Committee and set forth in the Award Agreement governing the Stock Appreciation Right, which Award Agreement shall comply with the following provisions:

(a) Number of Shares. Each Award Agreement shall state the total number of shares of Stock to which the Stock Appreciation Right relates.

(b) Vesting. Each Award Agreement shall state the time, periods or other conditions on which the right to exercise the Stock Appreciation Right or a portion thereof shall vest and the number of

Edgar Filing: AON INC - Form DEF 14A

shares of Stock for which the right to exercise the Stock Appreciation Right shall vest at each such time, period or satisfaction of condition.

(c) Expiration of Rights. Each Award Agreement shall state the date at which the Stock Appreciation Rights shall expire if not previously exercised.

(d) Value of Right. A Stock Appreciation Right granted without relationship to an Option shall entitle the Holder, upon exercise of the Stock Appreciation Right, to receive payment of an amount determined by multiplying:

(i) The difference obtained by subtracting the SAR Exercise Price from the Fair Market Value of a share of Stock on the date of exercise of that Stock Appreciation Right, by

(ii) The number of rights as to which the Stock Appreciation Right has been exercised.

7.4 Limitations on Rights. Notwithstanding Subparagraph 7.2(b) and Subparagraph 7.3(d), the Committee may limit the amount payable upon exercise of a Stock Appreciation Right. Any such limitation must be determined as of the Date of Grant and be noted on the instrument evidencing the Stock Appreciation Right.

7.5 Payment of Rights. Payment of the amount determined under Subparagraph 7.2(b) or Subparagraph 7.3(d) and Paragraph 7.4 may, in the sole discretion of the Committee, be made solely in whole shares of Stock valued at Fair Market Value on the date of exercise of the Stock Appreciation Right or, in the sole discretion of the Committee, solely in cash or a combination of cash and Stock. If the Committee decides to make full payment in shares of Stock and the amount payable results in a fractional share, payment for the fractional share shall be made in cash.

7.6 Other Agreement Provisions. The Award Agreements authorized relating to Stock Appreciation Rights shall contain such provisions in addition to those required by the Plan (including, without limitation, restrictions or the removal of restrictions upon the exercise of the Stock Appreciation Right and the retention or transfer of shares thereby acquired) as the Committee may deem advisable.

SECTION 8. RESTRICTED STOCK AWARDS

All Restricted Stock Awards granted under the Plan shall comply with, and the related Award Agreements shall be deemed to include, and be subject to the terms and conditions set forth in this Section 8 and also to the terms and conditions set forth in Paragraph 10.1 and Section 11; provided, however, that the Committee may authorize an Award Agreement relating to a Restricted Stock Award that expressly contains terms and provisions that differ from the terms and provisions of Section 11. The Committee may also authorize an Award Agreement relating to a Restricted Stock Award that contains any or all of the terms and provisions of Paragraphs 10.2 and 10.3 or that contains terms and provisions dealing with similar subject matter differently than do those Paragraphs; nevertheless, no term or provision of Paragraph 10.2 or 10.3 (or any such differing term or provision) shall apply to an Award Agreement relating to a Restricted Stock Award unless the Award Agreement expressly states that such term or provision applies.

8.1 Restrictions. All shares of Restricted Stock Awards granted or sold pursuant to the Plan shall be subject to the following conditions:

Edgar Filing: AON INC - Form DEF 14A

(a) Transferability. The shares may not be sold, transferred or otherwise alienated or hypothecated until the restrictions are removed or expire.

(b) Conditions to Removal of Restrictions. Conditions to removal or expiration of the restrictions may include, but are not required to be limited to, continuing employment or service as a director, officer, consultant or advisor or achievement of performance objectives described in the Award Agreement.

(c) Legend. Each certificate representing Restricted Stock Awards granted pursuant to the Plan shall bear a legend making appropriate reference to the restrictions imposed.

-40-

(d) Possession. At its sole discretion, the Committee may (i) authorize issuance of a certificate for shares in the Holder's name only upon lapse of the applicable restrictions, (ii) require the Corporation, transfer agent or other custodian to retain physical custody of the certificates representing Restricted Stock Awards during the restriction period and may require the Holder of the Award to execute stock powers, endorsed or in blank, for those certificates and deliver those stock powers to the Corporation, transfer agent or custodian, or (iii) may require the Holder to enter into an escrow agreement providing that the certificates representing Restricted Stock Awards granted or sold pursuant to the Plan shall remain in the physical custody of an escrow holder until all restrictions are removed or expire. The Corporation may issue shares subject to stop-transfer restrictions or may issue such shares subject only to the restrictive legend described in subparagraph 8.1(c).

(e) Other Conditions. The Committee may impose other conditions on any shares granted or sold as Restricted Stock Awards pursuant to the Plan as it may deem advisable, including, without limitation, (i) restrictions under the Securities Act or Exchange Act, (ii) the requirements of any securities exchange upon which the shares or shares of the same class are then listed, and (iii) any state securities law applicable to the shares.

8.2 Expiration of Restrictions. The restrictions imposed in Paragraph 8.1 on Restricted Stock Awards shall lapse as determined by the Committee and set forth in the applicable Award Agreement, and the Corporation shall promptly cause to be delivered to the Holder of the Restricted Stock Award a certificate representing the number of shares for which restrictions have lapsed, free of any restrictive legend relating to the lapsed restrictions. Each Restricted Stock Award may have a different restriction period, in the discretion of the Committee. The Committee may, in its discretion, prospectively reduce the restriction period applicable to a particular Restricted Stock Award. The foregoing notwithstanding, no restriction not required by law shall remain in effect for more than ten years after the date of the Award.

8.3 Changes in Accounting Rules. Notwithstanding any other provision of the Plan to the contrary, if, during the term of the Plan, any changes in the financial or tax accounting rules applicable to Restricted Stock Awards shall occur that, in the sole judgment of the Board of Directors, may have a material adverse effect on the reported earnings, assets, or liabilities of the Corporation, the Committee shall have the right and power to modify as necessary any then outstanding Restricted Stock Awards as to which the applicable restrictions have not been satisfied.

Edgar Filing: AON INC - Form DEF 14A

8.4 Rights as Stockholder. Subject to the provisions of Paragraphs 8.1 and 11.11, the Committee may, in its discretion, determine what rights, if any, the Holder shall have with respect to the Restricted Stock Awards granted or sold, including the right to vote the shares and receive all dividends and other distributions paid or made with respect thereto.

8.5 Other Agreement Provisions. The Award Agreements relating to Restricted Stock Awards shall contain such provisions in addition to those required by the Plan as the Committee may deem advisable.

SECTION 9. PERFORMANCE UNITS

All Performance Units granted under the Plan shall comply with, and the related Award Agreements shall be deemed to include and be subject to, the terms and conditions set forth in this Section 9 (to the extent each term and condition applies to the form of Performance Unit) and also to the terms and conditions set forth in Paragraph 10.1 and Section 11; provided, however, that the Committee may authorize an Award Agreement related to a Performance Unit that expressly contains terms and provisions that differ from the terms and provisions of Section 11. The Committee may also authorize an Award Agreement related to a Performance Unit that contains any or all of the terms and provisions of Paragraphs 10.2 and 10.3 or that contains terms and provisions dealing with similar subject matter differently than do those Paragraphs; nevertheless, no term or provision of Paragraph 10.2 or 10.3 (or any such differing term or provision) shall apply to an Award Agreement related to a Performance Unit unless the Award Agreement expressly states that such term or provision applies.

9.1 Multiple Grants. The Committee may make grants of Performance Units in such a manner that more than one Performance Period is in progress simultaneously. At or before the beginning of each Performance Period, the Committee will establish the contingent value of each Performance Unit, if any, for that Performance Period, which may vary depending on the degree to which performance objectives established by the Committee are met.

9.2 Performance Standards. At or before the beginning of each Performance Period, the Committee will (a) establish the beginning and ending dates of the Performance Period, (b) establish for that Performance Period specific performance objectives as the Committee (in its sole discretion) believes are relevant to the Corporation's overall business objectives, (c) determine the minimum and maximum value of a Performance Unit and the value of a Performance Unit based on the degree to which performance objectives are achieved, exceeded or not achieved, (d) determine a minimum performance level below which Performance Units will be assigned a value of zero, and a maximum performance level above which the value of Performance Units will not increase, and (e) notify each Holder of a Performance Unit for that Performance Period in writing of the established performance objectives and minimum, target and maximum Performance Unit value for that Performance Period.

-41-

9.3 Modification of Standards. If the Committee determines in its sole discretion that the established performance measures or objectives are no longer suitable to the Corporation's objectives because of a change in the Corporation's business, operations, corporate structure, capital structure or other conditions the Committee deems to be material, the Committee may modify the performance measures and objectives as it considers appropriate and equitable.

9.4 Payment. The basis for payment of Performance Units for a given Performance Period will be the achievement of those performance objectives

Edgar Filing: AON INC - Form DEF 14A

determined by the Committee at the beginning of the Performance Period. If minimum performance is not achieved or exceeded for a Performance Period, no payment will be made and all contingent rights will cease. If minimum performance is achieved or exceeded, the value of a Performance Unit will be based on the degree to which actual performance exceeded the pre-established minimum performance standards. The amount of payment will be determined by multiplying the number of Performance Units granted at the beginning of the Performance Period by the final Performance Unit value. Payments will be made in cash or Stock as soon as administratively possible following the close of the applicable Performance Period.

9.5 Other Agreement Provisions. The Award Agreements, if any, authorized relating to Performance Units shall contain such provisions in addition to those required by the Plan (including, without limitation, restrictions or the removal of restrictions upon the transfer of shares thereby acquired) as the Committee may deem advisable.

SECTION 10. ADJUSTMENT PROVISIONS

The Committee may authorize an Award that contains any or all of the terms and provisions of this Section 10 or, with respect to Paragraphs 10.2 and 10.3, that contains terms and provisions dealing with similar subject matter differently than do those Paragraphs; nevertheless, no term or provision of Paragraph 10.2 or 10.3 (or any such differing term or provision) shall apply to an Award Agreement unless the Award Agreement expressly states that such term or provision applies.

10.1 Adjustment of Awards and Authorized Stock. The terms of an Award and the number of shares of Stock authorized pursuant to Paragraph 2.1 for issuance under the Plan shall be subject to adjustment, from time to time, in accordance with the following provisions:

(a) If at any time or from time to time, the Corporation shall subdivide as a whole (by reclassification, by a Stock split, by the issuance of a distribution on Stock payable in Stock or otherwise) the number of shares of Stock then outstanding into a greater number of shares of Stock, then (i) the maximum number of shares of Stock available for the Plan as provided in Paragraph 2.1 shall be increased proportionately, and the kind of shares or other securities available for the Plan shall be appropriately adjusted, (ii) the number of shares of Stock (or other kind of shares or securities) that may be acquired under any Award shall be increased proportionately, and (iii) the price (including Exercise Price) for each share of Stock (or other kind of shares or unit of other securities) subject to then outstanding Awards shall be reduced proportionately, without changing the aggregate purchase price or value as to which outstanding Awards remain exercisable or subject to restrictions.

(b) If at any time or from time to time the Corporation shall consolidate as a whole (by reclassification, reverse Stock split, or otherwise) the number of shares of Stock then outstanding into a lesser number of shares of Stock, (i) the maximum number of shares of Stock available for the Plan as provided in Paragraph 2.1 shall be decreased proportionately, and the kind of shares or other securities available for the Plan shall be appropriately adjusted, (ii) the number of shares of Stock (or other kind of shares or securities) that may be acquired under any Award shall be decreased proportionately, and (iii) the price (including Exercise Price) for each share of Stock (or other kind of shares or unit of other securities) subject to then outstanding Awards shall be increased proportionately, without changing the aggregate purchase price or value as to which outstanding Awards remain exercisable or subject to restrictions.

Edgar Filing: AON INC - Form DEF 14A

(c) Whenever the number of shares of Stock subject to outstanding Awards and the price for each share of Stock subject to outstanding Awards are required to be adjusted as provided in this Paragraph 10.1, the Committee shall promptly prepare a notice setting forth, in reasonable detail, the event requiring adjustment, the amount of the adjustment, the method by which such adjustment was calculated, and the change in price and the number of shares of Stock, other securities, cash or property purchasable subject to each Award after giving effect to the adjustments. The Committee shall promptly give each Holder such a notice.

(d) Adjustments under Paragraph 10(a) and (b) shall be made by the Committee, and its determination as to what adjustments shall be made and the extent thereof shall be final, binding and conclusive. No fractional interest shall be issued under the Plan on account of any such adjustments.

-42-

10.2 Changes in Control. Upon the occurrence of a Change in Control, but only if approved by the Committee, for Awards held by Participants who are employees or directors of the Corporation (and their permitted transferees pursuant to Paragraph 3.5), (a) all outstanding Stock Appreciation Rights and Options shall immediately become fully vested and exercisable in full, including that portion of any Stock Appreciation Right or Option that pursuant to the terms and provisions of the applicable Award Agreement had not yet become exercisable (the total number of shares of Stock as to which a Stock Appreciation Right or Option is exercisable upon the occurrence of a Change in Control is referred to herein as the "Total Shares"); (b) the restriction period of any Restricted Stock Award shall immediately be accelerated and the restrictions shall expire; and (c) the target payout opportunity attainable under the Performance Units will be deemed to have been fully earned for all Performance Periods upon the occurrence of the Change in Control and the Holder will be paid a pro rata portion of all associated targeted payout opportunities (based on the number of complete and partial calendar months elapsed as of the occurrence of the Change in Control) in cash within thirty days following the Change in Control or in Stock effective as of the Change in Control, for cash and stock-based Performance Units, respectively. If a Change in Control involves a Restructure or occurs in connection with a series of related transactions involving a Restructure and if such Restructure is in the form of a Non-Surviving Event and as a part of such Restructure shares of stock, other securities, cash or property shall be issuable or deliverable in exchange for Stock, then the Holder of an Award shall be entitled to purchase or receive (in lieu of the Total Shares that the Holder would otherwise be entitled to purchase or receive), as appropriate for the form of Award, the number of shares of stock, other securities, cash or property to which that number of Total Shares would have been entitled in connection with such Restructure (and, for Options, at an aggregate exercise price equal to the Exercise Price that would have been payable if that number of Total Shares had been purchased on the exercise of the Option immediately before the consummation of the Restructure). Nothing in this Paragraph 10.2 shall impose on a Holder the obligation to exercise any Award immediately before or upon the Change of Control, and, unless otherwise provided in the Award Agreement relating to the Award, no Holder shall forfeit the right to exercise the Award during the remainder of the original term of the Award because of a Change in Control or because the Holder's employment is terminated for any reason following a Change in Control.

10.3 Restructure and No Change in Control. In the event a Restructure should occur at any time while there is any outstanding Award hereunder and that Restructure does not occur in connection with a Change in Control or in

Edgar Filing: AON INC - Form DEF 14A

connection with a series of related transactions involving a Change in Control, then:

(a) no Holder of an Option shall automatically be granted corresponding Stock Appreciation Rights;

(b) neither any outstanding Stock Appreciation Rights nor any outstanding Options shall immediately become fully vested and exercisable in full merely because of the occurrence of the Restructure;

(c) the restriction period of any Restricted Stock Award shall not immediately be accelerated nor shall the restrictions expire merely because of the occurrence of the Restructure; and

(d) the target payout opportunity attainable under the Performance Units will not be deemed to have been fully earned for all Performance Periods merely because of the occurrence of the Restructure.

The Corporation shall promptly notify each Holder of any election or action taken by the Corporation under this Paragraph 10.3. In the event of any election or action taken by the Corporation pursuant to this Paragraph 10.3 that requires the amendment or cancellation of any Award Agreement as may be specified in any notice to the Holder thereof, that Holder shall promptly deliver that Award Agreement to the Corporation in order for that amendment or cancellation to be implemented by the Corporation and the Committee. The failure of the Holder to deliver any such Award Agreement to the Corporation as provided in the preceding sentence shall not in any manner affect the validity or enforceability of any action taken by the Corporation and the Committee under this Paragraph 10.3, including, without limitation, any redemption of an Award as of the consummation of a Restructure. Any cash payment to be made by the Corporation pursuant to this Paragraph 10.3 in connection with the redemption of any outstanding Awards shall be paid to the Holder thereof currently with the delivery to the Corporation of the Award Agreement evidencing that Award; provided, however, that any such redemption shall be effective upon the consummation of the Restructure notwithstanding that the payment of the redemption price may occur subsequent to the consummation. If all or any portion of an outstanding Award is to be exercised or accelerated upon or after the consummation of a Restructure that is in the form of a Non-Surviving Event and as a part of that Restructure shares of stock, other securities, cash or property shall be issuable or deliverable in exchange for Stock, then the Holder of the Award shall thereafter be entitled to purchase or receive (in lieu of the number of shares of Stock that the Holder would otherwise be entitled to purchase or receive) the number of shares of stock, other securities, cash or property to which such number of shares of Stock would have been entitled in connection with the Restructure (and, for Options, at an aggregate exercise price equal to the Exercise Price that would have been payable if that number of Total Shares had been purchased on the exercise of the Option immediately before the consummation of the Restructure).

-43-

10.4 Notice of Change in Control or Restructure. The Corporation shall attempt to keep all Holders informed with respect to any Change in Control or Restructure or of any potential Change in Control or Restructure to the same extent that the Corporation's stockholders are informed by the Corporation of any such event or potential event.

SECTION 11. ADDITIONAL PROVISIONS

Edgar Filing: AON INC - Form DEF 14A

11.1 Termination of Employment. Subject to the last sentence of Paragraph 10.2, if a Holder is an Eligible Individual because the Holder is an Employee and if that employment relationship is terminated for any reason other than Retirement or that Holder's death or Disability, then the following provisions shall apply to all Awards held by that Holder that were granted because that Holder was an Employee:

(a) If the termination is by the Holder's employer, then the following provisions shall apply: (i) if the termination is for Cause, then that portion, if any, of any and all Awards held by that Holder that are not yet exercisable (or for which restrictions have not lapsed) as of the date of termination shall become null and void; provided, however, that the portion, if any, of any and all Awards held by that Holder which are exercisable (or for which restrictions have lapsed) as of the date of such termination shall survive such termination and shall be exercisable by such Holder for a period of the lesser of (A) the remainder of the term of the Award or (B) three (3) days following the date of such termination; or (ii) if the termination is not for Cause, then that portion, if any, of any and all Awards held by that Holder that are not yet exercisable (or for which restrictions have not lapsed) as of the date of the termination shall become null and void as of the date of the termination; provided, however, that the portion, if any, of any and all Awards held by that Holder which are exercisable (or for which restrictions have lapsed) as of the date of such termination shall survive such termination and shall be exercisable by such Holder for a period of the lesser of (A) the remainder of the term of the Award or (B) 180 days following the date of such termination.

(b) If such termination is by the Holder, then, unless otherwise agreed to by the Corporation, any and all Awards held by that Holder, whether or not then exercisable and whether or not restrictions thereon have lapsed (except in full), shall become null and void as of the date of the termination.

11.2 Other Loss of Eligibility. If a Holder is an Eligible Individual because the Holder is serving in a capacity other than as an Employee and if that capacity is terminated for any reason other than the Holder's death, then that portion, if any, of any and all Awards held by the Holder that were granted because of that capacity which are not yet exercisable (or for which restrictions have not lapsed) as of the date of the termination shall become null and void as of the date of the termination; provided, however, that the portion, if any, of any and all of the Awards held by the Holder that are exercisable (or for which restrictions have lapsed) as of the date of the termination shall survive the termination and shall be exercisable by such Holder for a period of the lesser of (a) the remainder of the term of the Award or (b) 180 days following the date of such termination.

11.3 Death. Upon the death of a Holder, then any and all Awards held by the Holder, including those portions of the Awards that pursuant to the terms and provisions of the applicable Award Agreement had not yet become exercisable, shall immediately become fully vested and exercisable in full by the Holder, his guardians or his legal representatives, legatees or distributees for a period of the lesser of (a) the remainder of the term of the Award or (b) one year following the date of the Holder's death. Any portion of an Award not exercised upon the expiration of the periods specified in (a) or (b) shall be null and void. Except as expressly provided in this Paragraph 11.3, all Awards held by a Holder shall not be exercisable after the death of that Holder.

11.4 Retirement. If a Holder is an Eligible Individual because the Holder is an Employee and if that employment relationship is terminated by reason of the Holder's Retirement, then the portion, if any, of any and all

Edgar Filing: AON INC - Form DEF 14A

Awards held by the Holder that are not yet exercisable (or for which restrictions have not lapsed) as of the date of that retirement shall become null and void as of the date of retirement; provided, however, that the portion, if any, of any and all Awards held by the Holder that are exercisable as of the date of that Retirement shall survive the Retirement and shall be exercisable by such Holder for a period of the lesser of (a) the remainder of the terms of the Award or (b) 180 days following the date of retirement.

11.5 Disability. If a Holder is an Eligible Individual because the Holder is an Employee and if that employment relationship is terminated by reason of the Holder's Disability, then any and all Awards held by the Holder, including those portions of the Awards that pursuant to the terms and provisions of the applicable Award Agreement had not yet become exercisable (or for which restrictions had not lapsed), shall immediately become fully vested and exercisable in full by the Holder, his guardians or his legal representatives for a period of the lesser of (a) the remainder of the term of the Award or (b) one year following the date on which the Holder's employment is terminated due to such Holder's Disability. "Disability" shall have the meaning given it in the employment agreement of the Holder; provided, however, that if that Holder has no employment agreement, "Disability" shall mean a physical or mental impairment of sufficient severity that, in the opinion of the Corporation, either the Holder is unable to continue performing the duties he performed before such impairment or the Holder's condition entitles him to disability benefits under any insurance or employee benefit plan of the Corporation or its Subsidiaries and that impairment or condition is cited by the Corporation as the reason for termination of the Holder's employment.

-44-

11.6 Leave of Absence. With respect to an Award, the Committee may, in its sole discretion, determine that any Holder who is on leave of absence for any reason will be considered to still be in the employ of the Corporation, provided that rights to that Award during a leave of absence will be limited to the extent to which those rights were earned or vested when the leave of absence began.

11.7 Transferability of Awards. In addition to such other terms and conditions as may be included in a particular Award Agreement, an Award requiring exercise shall be exercisable during a Holder's lifetime only by that Holder or by that Holder's guardian or legal representative. An Award requiring exercise shall not be transferrable other than by will or the laws of descent and distribution, except as permitted in accordance with Paragraph 3.5.

11.8 Forfeiture and Restrictions on Transfer. Each Award Agreement may contain or otherwise provide for conditions giving rise to the forfeiture of the Stock acquired pursuant to an Award or otherwise and may also provide for those restrictions on the transferability of shares of the Stock acquired pursuant to an Award or otherwise that the Committee in its sole and absolute discretion may deem proper or advisable. The conditions giving rise to forfeiture may include, but need not be limited to, the requirement that the Holder render substantial services to the Corporation or its Subsidiaries for a specified period of time. The restrictions on transferability may include, but need not be limited to, options and rights of first refusal in favor of the Corporation and stockholders of the Corporation other than the Holder of such shares of Stock who is a party to the particular Award Agreement or a subsequent holder of the shares of Stock who is bound by that Award Agreement.

11.9 Delivery of Certificates of Stock. Subject to Paragraph 11.10, the Corporation shall promptly issue and deliver a certificate representing the number of shares of Stock as to which (a) an Option has been exercised after the Corporation receives an Exercise Notice and upon receipt by the Corporation of

Edgar Filing: AON INC - Form DEF 14A

the Exercise Price and any tax withholding as may be requested; (b) a Stock Appreciation Right has been exercised and upon receipt by the Corporation of any tax withholding as may be requested; (c) restrictions have lapsed with respect to a Restricted Stock Award and upon receipt by the Corporation of any tax withholding as may be requested; and (d) performance objectives have been achieved during a Performance Period relating to a Performance Unit for Stock. The value of the shares of Stock, cash or notes transferable because of an Award under the Plan shall not bear any interest owing to the passage of time, except as may be otherwise provided in an Award Agreement. If a Holder is entitled to receive certificates representing Stock received for more than one form of Award under the Plan, separate Stock certificates shall be issued with respect to each such Award and for Incentive Options and Nonstatutory Stock Options separately.

11.10 Conditions to Delivery of Stock. Nothing herein or in any Award granted hereunder or any Award Agreement shall require the Corporation to issue any shares with respect to any Award if that issuance would, in the opinion of counsel for the Corporation, constitute a violation of the Securities Act or any similar or superseding statute or statutes, any other applicable statute or regulation, or the rules of any applicable securities exchange or securities association, as then in effect. At the time of any exercise of an Option or Stock Appreciation Right, or at the time of any grant of a Restricted Stock Award or Performance Unit, the Corporation may, as a condition precedent to the exercise of such Option or Stock Appreciation Right or vesting of any Restricted Stock Award or Performance Unit, require from the Holder of the Award (or in the event of his or her death, his or her legal representatives, heirs, legatees, or distributees) such written representations, if any, concerning the Holder's intentions with regard to the retention or disposition of the shares of Stock being acquired pursuant to the Award and such written covenants and agreements, if any, as to the manner of disposal of such shares as, in the opinion of counsel to the Corporation, may be necessary to ensure that any disposition by that Holder (or in the event of the Holder's death, his legal representatives, heirs, legatees, or distributees) will not involve a violation of the Securities Act or any similar or superseding statute or statutes, any other applicable state or federal statute or regulation, or any rule of any applicable securities exchange or securities association, as then in effect.

11.11 Certain Directors and Officers. With respect to Awards granted to Holders who are directors or officers of the Corporation or any Subsidiary and who are subject to potential liability for "short-swing profits" under Section 16(b) of the Exchange Act, Awards shall contain such other terms and conditions as may be required by Rule 16b-3 unless the majority of the Board of Directors or the Holder has determined not to have the Award comply with the potential exemption from the provisions of 16(b) provided by Rule 16b-3.

11.12 Securities Act Legend. Certificates for shares of Stock, when issued, may have the following legend, or statements of other applicable restrictions endorsed thereon and may not be immediately transferable:

-45-

THE SHARES OF STOCK REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR ANY STATE SECURITIES LAWS. THE SHARES MAY NOT BE OFFERED FOR SALE, SOLD, PLEDGED, TRANSFERRED, OR OTHERWISE DISPOSED OF UNTIL THE HOLDER HEREOF PROVIDES EVIDENCE SATISFACTORY TO THE ISSUER (WHICH, IN THE DISCRETION OF THE ISSUER, MAY INCLUDE AN OPINION OF COUNSEL SATISFACTORY TO THE ISSUER) THAT SUCH OFFER, SALE, PLEDGE, TRANSFER, OR OTHER DISPOSITION WILL NOT VIOLATE APPLICABLE FEDERAL OR STATE LAWS.

This legend shall not be required for shares of Stock issued pursuant to an effective registration statement under the Securities Act.

Edgar Filing: AAON INC - Form DEF 14A

11.13 Legend for Restrictions on Transfer. Each certificate representing shares issued to a Holder pursuant to an Award granted under the Plan shall, if such shares are subject to any transfer restriction, including a right of first refusal, provided for under this Plan or an Award Agreement, bear a legend that complies with applicable law with respect to the restrictions on transferability contained in this Paragraph 11.13, such as:

THE SHARES OF STOCK REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY IMPOSED BY THAT CERTAIN INSTRUMENT ENTITLED "AAON, INC. LONG-TERM INCENTIVE PLAN" AS ADOPTED BY AAON, INC. (THE "CORPORATION") ON _____, 2007, AND AN AGREEMENT THEREUNDER BETWEEN THE CORPORATION AND [HOLDER] DATED _____, _____, AND MAY NOT BE TRANSFERRED, SOLD, OR OTHERWISE DISPOSED OF EXCEPT AS THEREIN PROVIDED. THE CORPORATION WILL FURNISH A COPY OF SUCH INSTRUMENT AND AGREEMENT TO THE RECORD HOLDER OF THIS CERTIFICATE WITHOUT CHARGE ON REQUEST TO THE CORPORATION AT ITS PRINCIPAL PLACE OF BUSINESS OR REGISTERED OFFICE.

11.14 Rights as a Stockholder. A Holder shall have no right as a stockholder with respect to any shares covered by his or her Award until a certificate representing those shares is issued in his or her name. No adjustment shall be made for dividends (ordinary or extraordinary, whether in cash or other property) or distributions or other rights for which the record date is before the date that certificate is issued, except as contemplated by Section 10. Nevertheless, dividends and dividend equivalent rights may be extended to and made part of any Award denominated in Stock or units of Stock, subject to such terms, conditions, and restrictions as the Committee may establish. The Committee may also establish rules and procedures for the crediting of interest on deferred cash payments and dividend equivalents for deferred payment denominated in Stock or units of Stock.

11.15 Information. Each Holder shall furnish to the Corporation all information requested by the Corporation to enable it to comply with any reporting or other requirement imposed upon the Corporation by or under any applicable statute or regulation.

11.16 Obligation to Exercise. The granting of an Award hereunder shall impose no obligation upon the Holder to exercise the same or any part thereof.

11.17 Adjustments to Awards. Subject to applicable law and the general limitations set forth in Sections 6, 7 and 10, the Committee may make any adjustment to or the terms of a Nonstatutory Option or Stock Appreciation Right by canceling an outstanding Nonstatutory Option or Stock Appreciation Right and regranting a Nonstatutory Option or Stock Appreciation Right. Such adjustment shall be made by amending, substituting or regranting an outstanding Nonstatutory Option or Stock Appreciation Right. Such amendment, substitution or regrant may result in terms and conditions that differ from the terms and conditions of the original Nonstatutory Option or Stock Appreciation Right. Notwithstanding anything herein, the Committee may not "reprice" any Option. "Reprice" means any of the following or any other action that has the same effect: (i) amending an Option to reduce its exercise price, (ii) canceling an Option at a time when its exercise price exceeds the Fair Market Value of a share of Stock in exchange for an Option, Restricted Stock Award or other equity award unless the cancellation and exchange occurs in connection with a merger, acquisition, spin-off or other similar corporate transaction, or (iii) taking any other action that is treated as a repricing under generally accepted accounting principles. In addition, the Committee may not impair the rights of any Holder to previously granted Nonstatutory Options or Stock Appreciation Rights without that Holder's consent. If such action is effected by amendment, the effective date of such amendment shall be the date of the original grant. Notwithstanding the above, with respect to Performance Awards that are subject

Edgar Filing: AON INC - Form DEF 14A

to Section 409A, the Committee shall not have the authority to accelerate or postpone the timing or settlement of a Performance Award in a manner that would cause such award to become subject to the interest and penalty provisions under Section 409A.

11.18 Remedies. The Corporation shall be entitled to recover from a Holder reasonable attorneys' fees incurred in connection with the enforcement of the terms and provisions of the Plan and any Award Agreement whether by an action to enforce specific performance or for damages for its breach or otherwise.

-46-

11.19 Information Confidential. As partial consideration for the granting of each Award hereunder, the Holder shall agree with the Corporation that the Holder will keep confidential all information and knowledge that the Holder has relating to the manner and amount of his or her participation in the Plan; provided, however, that such information may be disclosed as required by law and may be given in confidence to the Holder's spouse, tax and financial advisors, or to a financial institution to the extent that such information is necessary to secure a loan. In the event any breach of this promise comes to the attention of the Committee, it shall take into consideration that breach in determining whether to recommend the grant of any future Award to that Holder, as a factor militating against the advisability of granting any such future Award to that individual.

11.20 Consideration. No Option or Stock Appreciation Right shall be exercisable, no restriction on any Restricted Stock Award shall lapse, and no Performance Unit shall be settled in Stock with respect to a Holder unless and until the Holder shall have paid cash or property to, or performed services for, the Corporation or any of its Subsidiaries that the Committee believes is equal to or greater in value than the par value of the Stock subject to such Award.

11.21 Payment of Taxes. The Committee may, in its discretion, require a Holder to pay to the Corporation (or the Corporation's Subsidiary if the Holder is an employee of a Subsidiary of the Corporation), at the time of the exercise of an Award, the amount that the Committee deems necessary to satisfy the Corporation's or its Subsidiary's current or future obligation to withhold federal, state or local income or other taxes that the Holder incurs by exercising an Award. Upon the exercise of an Award requiring tax withholding, a Holder may (a) direct the Corporation to withhold from the shares of Stock to be issued to the Holder the number of shares necessary to satisfy the Corporation's obligation to withhold taxes, that determination to be based on the shares' Fair Market Value as of the date of exercise; (b) deliver to the Corporation sufficient shares of Stock (based upon the Fair Market Value at date of exercise) to satisfy the Corporation's tax withholding obligations, based on the shares' Fair Market Value as of the date of exercise; or (c) deliver sufficient cash to the Corporation to satisfy its tax withholding obligations. Holders who elect to use such a stock withholding feature must make the election at the time and in the manner that the Committee prescribes. The Committee may, at its sole option, deny any Holder's request to satisfy withholding obligations through Stock instead of cash. In the event the Committee subsequently determines that the aggregate Fair Market Value (as determined above) of any shares of Stock withheld as payment of any tax withholding obligation is insufficient to discharge that tax withholding obligation, then the Holder shall pay to the Corporation, immediately upon the Committee's request, the amount of that deficiency.

SECTION 12. DURATION AND AMENDMENT OF PLAN

12.1 Duration. No Awards may be granted hereunder after the date that

Edgar Filing: AON INC - Form DEF 14A

is ten (10) years from the date the last amendment to this Plan involving an increase in authorized shares is approved by the stockholders of the Corporation.

12.2 Amendment. The Board of Directors may (insofar as permitted by law and applicable regulations of any exchange or inter-dealer quotation system on which the Company's stock may be listed), with respect to any shares which, at the time, are not subject to Awards, suspend or discontinue the Plan or revise or amend it in any respect whatsoever, and may amend any provision of the Plan or any Award Agreement to make the Plan or the Award Agreement, or both, comply with Section 16(b) of the Exchange Act and the exemptions therefrom, the Code, the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), the regulations promulgated under the Code or ERISA, or any other law, rule or regulation that may affect the Plan. The Board of Directors may also amend, modify, suspend or terminate the Plan for the purpose of meeting or addressing any changes in other legal requirements applicable to the Corporation or the Plan or for any other purpose permitted by law. The Plan may not be amended without the consent of the holders of a majority of the shares of Stock then outstanding to increase materially the aggregate number of shares of Stock that may be issued under the Plan (except for adjustments pursuant to Section 10 of the Plan).

SECTION 13. GENERAL

13.1 Application of Funds. The proceeds received by the Corporation from the sale of shares pursuant to Awards shall be used for general corporate purposes.

13.2 Right of the Corporation and Subsidiaries to Terminate Employment. Nothing contained in the Plan or in any Award Agreement shall confer upon any Holder the right to continue in the employ of the Corporation or any Subsidiary, or interfere in any way with the rights of the Corporation or any Subsidiary to terminate his or her employment at any time.

13.3 No Liability for Good Faith Determinations. Neither the members of the Board of Directors nor any member of the Committee shall be liable for any act, omission or determination taken or made in good faith with respect to the Plan or any Award granted under it, and members of the Board of Directors and the Committee shall be entitled to indemnification and reimbursement by the Corporation in respect of any claim, loss, damage or expense (including attorneys' fees, the costs of settling any suit, provided such settlement is approved by independent legal counsel selected by the Corporation, and amounts paid in satisfaction of a judgment, except a judgment based on a finding of bad faith) arising therefrom to the full extent permitted by law and under any directors and officers liability or similar insurance coverage that may from time to time be in effect. This right to indemnification shall be in addition to, and not a limitation on, any other indemnification rights any member of the Board of Directors or the Committee may have.

-47-

13.4 Other Benefits. Participation in the Plan shall not preclude the Holder from eligibility in any other stock or stock option plan of the Corporation or any Subsidiary or any old age benefit, insurance, pension, profit sharing, retirement, bonus or other extra compensation plans that the Corporation or any Subsidiary has adopted or may, at any time, adopt for the benefit of its Employees. Neither the adoption of the Plan by the Board of Directors nor the submission of the Plan to the stockholders of the Corporation for approval shall be construed as creating any limitations on the power of the Board of Directors to adopt such other incentive arrangements as it may deem desirable, including, without limitation, the granting of stock options and the

Edgar Filing: AON INC - Form DEF 14A

awarding of stock and cash otherwise than under the Plan, and such arrangements may be either generally applicable or applicable only in specific cases.

13.5 Exclusion from Pension and Profit-Sharing Compensation. By acceptance of an Award (whether in Stock or cash), as applicable, each Holder shall be deemed to have agreed that the Award is special incentive compensation that will not be taken into account in any manner as salary, compensation or bonus in determining the amount of any payment under any pension, retirement or other employee benefit plan of the Corporation or any Subsidiary. In addition, each beneficiary of a deceased Holder shall be deemed to have agreed that the Award will not affect the amount of any life insurance coverage, if any, provided by the Corporation or a Subsidiary on the life of the Holder that is payable to the beneficiary under any life insurance plan covering employees of the Corporation or any Subsidiary.

13.6 Execution of Receipts and Releases. Any payment of cash or any issuance or transfer of shares of Stock or other property to the Holder, or to his legal representative, heir, legatee or distributee, in accordance with the provisions hereof, shall, to the extent thereof, be in full satisfaction of all claims of such persons hereunder. The Committee may require any Holder, legal representative, heir, legatee or distributee, as a condition precedent to such payment, to execute a release and receipt therefor in such form as it shall determine.

13.7 Unfunded Plan. Insofar as it provides for Awards of cash and Stock, the Plan shall be unfunded. Although bookkeeping accounts may be established with respect to Holders who are entitled to cash, Stock, other property or rights thereto under the Plan, any such accounts shall be used merely as a bookkeeping convenience. The Corporation shall not be required to segregate any assets that may at any time be represented by cash, Stock, other property or rights thereto, nor shall the Plan be construed as providing for such segregation, nor shall the Corporation nor the Board of Directors nor the Committee be deemed to be a trustee of any cash, Stock, other property or rights thereto to be granted under the Plan. Any liability of the Corporation to any Holder with respect to a grant of cash, Stock, other property or rights thereto under the Plan shall be based solely upon any contractual obligations that may be created by the Plan and any Award Agreement; no such obligation of the Corporation shall be deemed to be secured by any pledge or other encumbrance on any property of the Corporation. Neither the Corporation nor the Board of Directors nor the Committee shall be required to give any security or bond for the performance of any obligation that may be created by the Plan.

13.8 No Guarantee of Interests. The Board of Directors, the Committee and the Corporation do not guarantee the Stock of the Corporation from loss or depreciation.

13.9 Payment of Expenses. All expenses incident to the administration, termination or protection of the Plan, including, but not limited to, legal and accounting fees, shall be paid by the Corporation or its Subsidiaries; provided, however, the Corporation or a Subsidiary may recover any and all damages, fees, expenses and costs arising out of any actions taken by the Corporation to enforce its right to purchase Stock under this Plan.

13.10 Corporation Records. Records of the Corporation or its Subsidiaries regarding the Holder's period of employment, termination of employment and the reason therefor, leaves of absence, re-employment, and other matters shall be conclusive for all purposes hereunder, unless determined by the Committee to be incorrect.

13.11 Information. The Corporation and its Subsidiaries shall, upon request or as may be specifically required hereunder, furnish or cause to be furnished, all of the information or documentation which is necessary or

Edgar Filing: AON INC - Form DEF 14A

required by the Committee to perform its duties and functions under the Plan.

13.12 Corporation Action. Any action required of the Corporation shall be by resolution of its Board of Directors or by a person authorized to act by resolution of the Board of Directors.

-48-

13.13 Severability. If any provision of this Plan is held to be illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining provisions hereof, but such provision shall be fully severable and the Plan shall be construed and enforced as if the illegal or invalid provision had never been included herein. If any of the terms or provisions of this Plan conflict with the requirements of Rule 16b-3 (as those terms or provisions are applied to Eligible Individuals who are subject to Section 16(b) of the Exchange Act) or Section 422 of the Code (with respect to Incentive Options), then those conflicting terms or provisions shall be deemed inoperative to the extent they so conflict with the requirements of Rule 16b-3 or Section 422 of the Code unless the Committee has determined that the Plan should not comply with such requirements. With respect to Incentive Options, if this Plan does not contain any provision required to be included herein under Section 422 of the Code, that provision shall be deemed to be incorporated herein with the same force and effect as if that provision had been set out at length herein; provided, further, that, to the extent any Option that is intended to qualify as an Incentive Option cannot so qualify, that Option (to that extent) shall be deemed a Nonstatutory Option for all purposes of the Plan.

13.14 Notices. Whenever any notice is required or permitted hereunder other than any Exercise Notice or notice to exercise an Stock Appreciation Right, such notice must be in writing and personally delivered or sent by mail. Any such notice required or permitted to be delivered hereunder shall be deemed to be delivered on the date on which it is personally delivered, or, whether actually received or not, on the third Business Day after it is deposited in the United States mail, certified or registered, postage prepaid, addressed to the person who is to receive it at the address which such person has theretofore specified by written notice delivered in accordance herewith. The Corporation or a Holder may change, at any time and from time to time, by written notice to the other, the address which it or he had previously specified for receiving notices. Until changed in accordance herewith, the Corporation and each Holder shall specify as its and his address for receiving notices the address set forth in the Award Agreement pertaining to the shares to which such notice relates. Any Exercise Notice or notice to exercise a Stock Appreciation Right shall be valid only when it is in fact received by the Corporation or the Person it designates in accordance with procedures that the Committee may adopt from time to time.

13.15 Waiver of Notice. Any person entitled to notice hereunder may waive such notice.

13.16 Successors. The Plan shall be binding upon the Holder, his legal representatives, heirs, legatees and distributees, upon the Corporation, its successors and assigns, and upon the Committee and its successors.

13.17 Headings. The titles and headings of Sections and Paragraphs are included for convenience of reference only and are not to be considered in construction of the provisions hereof.

13.18 Governing Law. All questions arising with respect to the provisions of the Plan shall be determined by application of the laws of the State of Nevada except to the extent Nevada law is preempted by federal law. Questions arising with respect to the provisions of an Award Agreement that are

Edgar Filing: AAON INC - Form DEF 14A

matters of contract law shall be governed by the laws of the state specified in the Award Agreement, except to the extent Nevada corporate law conflicts with the contract law of such state, in which event Nevada corporate law shall govern. The obligation of the Corporation to sell and deliver Stock hereunder is subject to applicable laws and to the approval of any governmental authority required in connection with the authorization, issuance, sale, or delivery of such Stock.

13.19 Word Usage. Words used in the masculine shall apply to the feminine where applicable, and wherever the context of this Plan dictates, the plural shall be read as the singular and the singular as the plural.

IN WITNESS WHEREOF, AAON, Inc., acting by and through its officer hereunto duly authorized, has executed this AAON, Inc. Long-term Incentive Plan this ____ day of _____, 2007.

AAON, INC.

By: /s/ Norman H. Asbjornson

Norman H. Asbjornson
President and Chief Executive Officer

-49-

AAON, Inc.
2425 South Yukon
Tulsa, Oklahoma 74107

PROXY
THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIR

The undersigned stockholder of AAON, Inc., a Nevada corporation, hereby John B. Johnson, Jr., and Anthony Pantaleoni, and each of them, with f as attorneys and proxies to appear and vote all shares of stock of the name of the undersigned, at the Annual Meeting of Stockholders of the South Yukon Avenue, Tulsa, Oklahoma, on Tuesday, May 22, 2007, at 10:0 any adjournment thereof, with all powers that the undersigned would po hereby revoking all previous proxies.

- 1. Election of Director and Vacancy:
FOR Thomas E. Naugle for a term ending in 2010 [] WITHHOLD AUTHORITY Thomas E. Naugle [
FOR leaving the position of the other Class I director vacant [] WITHHOLD AUTHORITY other Class I direc
2. Adoption of Long-Term Incentive Plan:
FOR adoption of the Plan []
AGAINST adoption of the Plan []
3. In their discretion, upon any other matters as may properly come before the meeting.

(over)

THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED

Edgar Filing: AAON INC - Form DEF 14A

IS MADE, THIS PROXY WILL BE VOTED FOR MANAGEMENT'S NOMINEE FOR DIRECTOR, FOR CREATION OF A VACANCY
OF THE PLAN.

The undersigned hereby acknowledge(s) receipt of the Notice of the aforesaid Annual Meeting
accompanying the same, both dated April 11, 2007.

Dated: _____, 2007

(Please sign exactly as your
shares are held in the name
should sign individually. E
trustees, etc., should so i
shares are held in the name
the corporation should be w
authorized officer should s
corporation, showing the of

PLEASE COMPLETE, SIGN, DATE
PROXY CARD FROM
USING THE ENCLOSED

(over)