AAON INC
Form 10-Q
August 10, 2009

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

FORM 10-Q

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

For the quarterly period ended June 30, 2009

or

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

For the transition period from __________________ to __________________.

Commission file number: 0-18953

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

Nevada	87-0448736
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

2425 South Yukon, Tulsa, Oklahoma 74107
(Address of principal executive offices)
(Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes |X| No |_|

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes |_| No |_| Not Applicable |X|

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

Large accelerated filer |_|	Accelerated filer |X|
Non-accelerated filer |_|	Smaller reporting company |_|

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes |_| No |X|

As of July 29, 2009 registrant had outstanding a total of 17,161,633 shares of its $.004 par value Common Stock.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

AAON, Inc., and Subsidiaries
Consolidated Balance Sheets
(unaudited)

	June 30, 2009
	(in thousands, except s
Assets	
Current assets:	
Cash and cash equivalents	$ 13,920
Accounts receivable, net	41,262
Inventories, net	31,357
Prepaid expenses and other	718
Deferred tax assets	4,996
Total current assets	92,253
Property, plant and equipment	
Land	2,197
Buildings	39,284
Machinery and equipment	90,084
Furniture and fixtures	7,195
Total property, plant and equipment	138,760
Less: Accumulated depreciation	76,885
Property, plant and equipment, net	61,875
Notes receivable, long-term	75
Total assets	$ 154,203
Liabilities and Stockholders' Equity	
Current liabilities:	
Revolving credit facility	$ -
Current maturities of long-term debt	91
Accounts payable	15,617
Dividends payable	3,101
Accrued liabilities	24,638
Total current liabilities	43,447
Other long-term liabilities	76
Deferred tax liabilities	4,093
Commitments and contingencies	
Stockholders' equity:	
Preferred stock, $.001 par value, 7,500,000 shares authorized, no	

shares issued	-
Common stock, $.004 par value, 75,000,000 shares authorized, 17,156,400 and 17,208,733 issued and outstanding at June 30, 2009 and December 31, 2008, respectively	71
Additional paid-in capital	-
Accumulated other comprehensive income, net of tax	1,059
Retained earnings	105,457
Total stockholders' equity	106,587
Total liabilities and stockholders' equity	$ 154,203

The accompanying notes are an integral part of these statements.

AAON, Inc., and Subsidiaries
Consolidated Statements of Income
(unaudited)

	Three Months Ended		
	June 30, 2009	June 30, 2008	June 30
	(in thousands, except per share		
Net sales	$ 68,597	$ 74,781	$ 13
Cost of sales	50,493	56,791	9
Gross profit	18,104	17,990	3
Selling, general and administrative expenses	6,793	6,129	1
Income from operations	11,311	11,861	2
Interest expense	-	(16)	
Interest income	7	6	
Other income (expense), net	(71)	117	
Income before income taxes	11,247	11,968	2
Income tax provision	4,150	4,208	
Net income	$ 7,097	$ 7,760	$ 1
Earnings per share:			
Basic	$ 0.41	$ 0.43	$
Diluted	$ 0.41	$ 0.43	$
Cash dividends declared per common share:	$ 0.18	$ 0.16	$
Weighted average shares outstanding:			

Basic	17,170	17,740	1
Diluted	17,315	18,145	1

The accompanying notes are an integral part of these statements.

AAON, Inc., and Subsidiaries
Consolidated Statements of Stockholders' Equity and Comprehensive Income
(unaudited)

	Common Stock Shares	Common Stock Amount	Paid-in Capital	Accumulated Other Comprehensive Income
			(in thousands)	
Balance at December 31, 2008	17,209	$ 71	$ 538	$ 778
Comprehensive income:				
Net income	-	-	-	-
Foreign currency translation adjustment	-	-	-	281
Total comprehensive income				
Stock options exercised and restricted stock awards vested, including tax benefits	47	-	503	-
Share-based compensation	-	-	419	-
Stock repurchased and retired	(100)	-	(1,460)	-
Dividends declared	-	-	-	-
Balance at June 30, 2009	17,156	$ 71	$ -	$ 1,059

The accompanying notes are an integral part of these statements.

AAON, Inc., and Subsidiaries
Consolidated Statements of Cash Flows
(unaudited)

	Six Months June 30, 2009
	(in thous
Operating Activities	
Net income	$ 13,825
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	4,564
Provision for losses on accounts receivable	634
Share-based compensation	419
Excess tax benefits from stock options exercised	

and restricted stock awards vested	(180)
Gain on disposition of assets	-
Deferred income taxes	(1,103)
Changes in assets and liabilities:	
Accounts receivable	(3,047)
Inventories, net	5,058
Prepaid expenses and other	(290)
Accounts payable	808
Accrued liabilities	5,763
Net cash provided by operating activities	26,451
Investing Activities	
Proceeds from sale of property, plant and equipment	-
Capital expenditures	(5,803)
Net cash used in investing activities	(5,803)
Financing Activities	
Borrowings under revolving credit facility	9,972
Payments under revolving credit facility	(12,873)
Payments of long-term debt	(45)
Stock options exercised	323
Excess tax benefits from stock options exercised and restricted stock awards vested	180
Repurchase of stock	(1,862)
Cash dividends paid to stockholders	(2,773)
Net cash used in financing activities	(7,078)
Effect of exchange rate on cash	81
Net increase (decrease) in cash and cash equivalents	13,651
Cash and cash equivalents, beginning of year	269
Cash and cash equivalents, end of period	$ 13,920

The accompanying notes are an integral part of these statements.

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AAON, Inc., and Subsidiaries
Notes to the Consolidated Financial Statements
June 30, 2009
(unaudited)

1. Basis of Presentation

AAON, Inc. is a Nevada corporation which was incorporated on August 18, 1987. Our subsidiaries include AAON, Inc., an Oklahoma corporation, AAON Coil Products, Inc., a Texas corporation, AAON Canada, Inc., d/b/a Air Wise, an Ontario corporation and AAON Properties, Inc., an Ontario corporation. AAON Properties is the lessor of property in Burlington, Ontario, Canada, to AAON Canada. The Consolidated Financial Statements include our accounts and the accounts of our subsidiaries. Unless the context otherwise requires, references in this Quarterly Report to "AAON," the "Company", "we," "us," "our" or "ours" refer to AAON, Inc., and our subsidiaries.

We have prepared the financial statements included herein without audit, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to such rules and regulations. We believe that the disclosures made in these financial statements are adequate to make the information presented not misleading when read in conjunction with the financial statements and the notes thereto included in our latest audited financial statements which were included in the Form 10-K Report for the fiscal year ended December 31, 2008, filed with the SEC. In the opinion of management, the accompanying financial statements include all normal, recurring adjustments required for a fair presentation of the results of the periods presented. Operating results for the six months ended June 30, 2009, are not necessarily indicative of the results that may be expected for the year ending December 31, 2009.

Revenue Recognition

We recognize revenues from sales of products when the products are shipped and the title and risk of ownership pass to the customer. Selling prices are fixed based on purchase orders or contractual agreements. Sales allowances and customer incentives are treated as reductions to sales and are provided for based on historical experiences and current estimates. For sales initiated by independent manufacturer representatives, we recognize revenues net of the representatives' commission. Our policy is to record the collection and payment of sales taxes through a liability account.

Currency

Foreign currency transactions and financial statements are translated in accordance with Financial Accounting Standards Board ("FASB") Statement 52, Foreign Currency Translations. We use the U.S. dollar as our functional currency, except for the Canadian subsidiaries, which use the Canadian dollar. Adjustments arising from translation of the Canadian subsidiaries' financial statements are reflected in accumulated other comprehensive income. Transaction gains or losses that arise from exchange rate fluctuations applicable to transactions denominated in Canadian currency are included in the results of operations as incurred.

Subsequent Events

We have determined that no subsequent events which require recognition or disclosure in our Consolidated Financial Statements exist as of August 10, 2009, the date of issuance for the financial statements.

New Accounting Pronouncements

In December 2007, the FASB issued SFAS 141(R), Business Combinations ("SFAS 141R"), which replaced FASB Statement 141, Business Combinations. This statement significantly changed the accounting for business combinations and noncontrolling interests. Among other things, when compared to the predecessor guidance SFAS 141R requires (i) more assets acquired and liabilities assumed to be measured at fair value as of the acquisition date, (ii) liabilities related to contingent consideration to be remeasured to fair value each subsequent reporting period, and (iii) acquirer in preacquisition periods to expense all acquisition-related costs. SFAS 141R must be applied prospectively for fiscal years beginning after December 15, 2008. Adoption of SFAS 141R did not have a material impact on our Consolidated Financial Statements.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements - an Amendment of ARB No. 51 ("SFAS 160"), which changes the accounting and reporting for minority interests, which will be recharacterized as noncontrolling interests and classified as a component of equity. SFAS 160 was required to be adopted no later than January 1, 2009. Adoption of SFAS 160 did not have a material impact on our Consolidated Financial Statements.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities--an Amendment of FASB Statement No. 133 ("SFAS 161"), which requires enhanced disclosures about (i) how and why an entity uses derivative instruments, (ii) how derivative instruments and related hedged items are accounted for under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended ("SFAS 133") and its related interpretations and (iii) how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. Adoption of SFAS 161 did not have a material impact on our Consolidated Financial Statements.

In May 2009, the FASB issued SFAS No. 165, Subsequent Events ("SFAS 165"), which requires entities to disclose the date through which they have evaluated subsequent events and whether the date corresponds with the release of their financial statements. SFAS 165 is effective for interim and annual periods ending after June 15, 2009. Adoption of SFAS 165 did not have a material impact on our Consolidated Financial Statements.

In June 2009, the FASB issued SFAS No. 167, Amendments to FASB Interpretation No. 46 ("SFAS 167"), which alters how a company determines when an entity that is insufficiently capitalized or not controlled through voting should be consolidated. SFAS 167 will be effective for fiscal years beginning after November 15, 2009. We do not expect the adoption of SFAS 167 to have a material impact on our Consolidated Financial Statements.

In June 2009, the FASB issued SFAS No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles ("SFAS 168"), which will supersede all accounting standards in U.S. GAAP, aside from those issued by the SEC. SFAS 168 will be effective for reporting periods ending after September 15, 2009.

2. Accounts Receivable

We grant credit to customers and perform ongoing credit evaluations. We generally do not require collateral or charge interest. We establish an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends, economic and market conditions and the age of the receivable. Past due accounts are generally written off against the allowance for doubtful accounts only after all collection attempts have been exhausted.

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

	June 30, 2009
	(in tho
Accounts receivable	$ 42,689

Less: Allowance for doubtful accounts	(1,427)
Total, net	$ 41,262

	Six Mont
	June 30, 2009
	(in tho
Allowance for doubtful accounts:	
Balance, beginning of period	$ 795
Provision for losses on accounts receivable	330
Adjustments to provision	304
Accounts receivable written off, net of recoveries	(2)
Balance, end of period	$ 1,427

3. Inventories

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

	June 30, 2009
	(in tho
Raw materials	$ 29,055
Work in process	1,686
Finished goods	1,605
	32,346
Less: Allowance for excess and obsolete inventories	(989)
Total, net	$ 31,357

	Six Mont
	June 30, 2009
	(in tho
Allowance for excess and obsolete inventories:	
Balance, beginning of period	$ 350
Provision for excess and obsolete inventories	1,039

Adjustments to reserve	(400)
Balance, end of period	$ 989

We increased our allowance for excess and obsolete inventories due to materials from our Canadian facility that will not be utilized at either our Tulsa or Longview locations.

4. Accrued Liabilities

Accrued liabilities are as follows:

	June 30, 2009
	(in tho
Warranty	$ 7,000
Commissions	9,811
Payroll	3,754
Income taxes	69
Workers' compensation	613
Medical self-insurance	1,191
Employee benefits and other	2,200
Total	$ 24,638

5. Supplemental Cash Flow Information

Interest payments of approximately $9,000 and $19,000 were made for the six months ended June 30, 2009 and 2008, respectively. Payments for income taxes of $5.7 million and $4.7 million were made during the six months ended June 30, 2009 and 2008, respectively. Dividends payable of $3.1 million and $2.8 million were accrued as of June 30, 2009 and 2008 and paid in July 2009 and 2008, respectively.

6. Revolving Credit Facility

Our revolving credit facility provides for maximum borrowings of $15.2 million which is provided by the Bank of Oklahoma, National Association. Under the line of credit, there is one standby letter of credit totaling $1.0 million. The letter of credit was a requirement of our workers compensation insurance and has been renewed and will expire December 31, 2009. Interest on borrowings is payable monthly at the Wall Street Journal prime rate less 0.5% or LIBOR plus 1.6%, at our election (1.92% at June 30, 2009). No fees are associated with the unused portion of the committed amount.

At June 30, 2009, we did not have an outstanding balance under the revolving credit facility. At December 31, 2008, we had $2.9 million borrowed under the revolving credit facility. Borrowings available under the revolving credit facility at June 30, 2009 were $14.2 million. At June 30, 2009, we were in compliance with our financial ratio covenants. The covenants are related to our tangible net worth, total liabilities to tangible net worth ratio and working capital. At June 30, 2009 our tangible net worth was $106.6 million. Our total liabilities to tangible net worth ratio was 2:5. Our working capital was $48.8 million. On July 30, 2009, we renewed the line of credit with a maturity date of July 30, 2010 with terms substantially consistent with the previous agreement.

7. Share-Based Compensation

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

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

We apply the provisions of Statement of Financial Accounting Standards No. 123(R) Share-Based Payment ("SFAS 123R"). The compensation cost is based on the grant date fair value of stock options issued calculated using a Black-Scholes-Merton Option Pricing Model, or the grant date fair value of a restricted stock award less the present value of dividends, in accordance with the provisions of SFAS 123R.

We recognized approximately $124,000 and $105,000 for the three months ended and approximately $228,000 and $229,000 for the six months ended June 30, 2009 and 2008, respectively, in pre-tax compensation expense related to stock options in the Consolidated Statements of Income. The total pre-tax compensation cost related to unvested stock options not yet recognized as of June 30, 2009 is $1.2 million and is expected to be recognized over a weighted-average period of 2.2 years.

The following assumptions were used to determine the fair value of the unvested stock options on the original grant date for expense recognition purposes for options:

	Six Months Ended June 30, 2009	June 30, 2008
Directors and Officers:		
Expected dividend yield	1.93%	1.71%
Expected volatility	47.47%	43.52%
Risk-free interest rate	2.53%	2.84%
Expected life	7.0 years	8.0 years
Forfeiture rate	0%	0%
Employees:		
Expected dividend yield	1.93%	1.71%
Expected volatility	46.94%	42.55%

Risk-free interest rate	2.62%	2.84%
Expected life	8.0 years	6.3 years
Forfeiture rate	31%	28%

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

A summary of stock options outstanding is as follows:

	Options Outstanding			
Range of Exercise Prices	Number Outstanding at June 30, 2009	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Aggregate Intrinsic Value
\$ 0.00 - \$ 3.85	72,388	0.28	\$ 3.85	\$ 16.07
\$ 5.73 - \$11.29	151,963	3.79	9.21	10.71
\$11.40 - \$12.00	33,900	6.21	11.60	8.32
\$13.60 - \$15.55	134,500	8.74	15.13	4.79
\$15.99 - \$19.46	219,250	7.53	17.25	2.67
\$21.01 - \$21.42	12,500	9.25	21.20	(1.28)
Total	624,501	6.00	\$ 13.06	\$ 9.23

A summary of stock option activity is as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term
Outstanding at January 1, 2009	579,576	\$ 12.29	
Granted	93,000	15.92	
Exercised	(40,675)	7.93	
Forfeited or Expired	(7,400)	16.92	
Outstanding at June 30, 2009	624,501	13.06	6.00
Exercisable at June 30, 2009	344,651	\$ 10.69	4.19

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The weighted average grant date fair value of options granted during the six months ended June 30, 2009 and 2008 was \$6.87 and \$6.69, respectively. The total intrinsic value of options exercised during the six months ended June 30, 2009 and 2008 was $0.9 million and $0.7 million, respectively. The cash received from options exercised during the six months ended June 30, 2009 and 2008, was $0.3 million and $0.4 million, respectively. The impact of these cash receipts is included in financing activities in the accompanying Consolidated Statements of Cash Flows.

A summary of the unvested stock options is as follows:

	Shares	Weighted Average Grant Date Fair Value
Unvested at January 1, 2009	242,600	$ 6.68
Granted	93,000	6.87
Vested	(50,350)	6.51
Forfeited	(5,400)	6.41
Unvested at June 30, 2009	279,850	$ 6.78

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

These awards are recorded at their fair values on the date of grant and compensation cost is recorded using straight-line vesting over the service period. We recognized approximately $89,000 and $68,000 for the three months ended and approximately $173,000 and $184,000 for the six months ended June 30, 2009 and 2008, respectively in pre-tax compensation expense related to restricted stock awards in the Consolidated Statements of Income. In addition, as of June 30, 2009, unrecognized compensation cost related to unvested restricted stock awards was approximately $658,000 which is expected to be recognized over a weighted average period of 1.6 years.

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

	Shares
Unvested at January 1, 2009	42,450
Granted	7,350
Vested	(14,550)
Forfeited	-
Unvested at June 30, 2009	35,250

8. Earnings Per Share

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

	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Mon June 30, 2009
	(in thousands, except share and per share		
Numerator:			
Net income	$ 7,097	$ 7,760	$ 13,825
Denominator:			
Denominator for basic earnings per share - Weighted average shares	17,170,274	17,740,165	17,179,402
Effect of dilutive employee stock options and restricted stock awards	145,191	405,321	145,864
Denominator for diluted earnings per share - Weighted average shares	17,315,465	18,145,486	17,325,266
Earnings per share:			
Basic	$ 0.41	$ 0.43	$ 0.80
Diluted	$ 0.41	$ 0.43	$ 0.80
Anti-dilutive shares			319,800
Weighted average exercise price			$ 16.25

9. Income Taxes

We file income tax returns in the U.S. federal jurisdiction, and various state and foreign jurisdictions. Effective January 1, 2007, we adopted FIN 48. The total amount of unrecognized tax benefits at June 30, 2009, is approximately $50,000 related to tax positions for which it is reasonably possible that the total amounts could significantly decrease during the next twelve months. This amount represents the unrecognized tax benefits comprised of items related to determination of state nexus and intercompany charges.

We recognize accrued interest and penalties related to unrecognized tax benefits in income tax expense. At June 30, 2009, we had accrued approximately $6,000 for the potential payment of interest and did not have any accruals for penalties.

As of June 30, 2009, we are subject to U.S. Federal income tax examinations for the tax years 2005 through 2008, and to non-U.S. income tax examinations for the tax years of 2005 through 2008. In addition, we are subject to state and local income tax examinations for the tax years 2004 through 2008.

The total amount of unrecognized tax benefits that if recognized would affect the effective tax rate is approximately $50,000.

10. Stock Repurchase

Following repurchases of approximately 12% of our outstanding common stock between September 1999 and September 2001, we announced and began another stock repurchase program on October 17, 2002, targeting repurchases of up to an additional 10% (2.0 million shares) of our outstanding stock. On February 14, 2006, the Board of Directors approved the suspension of our repurchase program. Through February 14, 2006, we had repurchased a total of 1,886,796 shares under this program for an aggregate price of $22,034,568, or an average price of $11.68 per share. We purchased the shares at the then current market price.

On November 6, 2007, the Board authorized a new stock buyback program, targeting repurchases of up to approximately 10% (1.8 million shares) of our outstanding stock from time to time in open market transactions. Through June 30, 2009, we repurchased a total of 1,717,804 shares under this program for an aggregate price of $34,192,008, or an average price of $19.90 per share. We purchased the shares at the current market price.

On July 1, 2005, we entered into a stock repurchase arrangement by which employee-participants in AAON's 401(k) savings and investment plan are entitled to have shares of AAON stock in their accounts sold to us to provide diversification of their investments. The maximum number of shares to be repurchased is unknown under the program as the amount is contingent on the number of shares sold by employees. Through June 30, 2009, we repurchased 695,718 shares for an aggregate price of $11,296,248, or an average price of $16.24 per share. We purchased the shares at the current market price.

On November 7, 2006, the Board of Directors authorized us to repurchase shares from certain directors and officers following their exercise of stock options. The maximum number of shares to be repurchased is unknown under the program as the amount is contingent on the number of shares sold. Through June 30, 2009, we repurchased 350,375 shares for an aggregate price of $7,167,623, or an average price of $20.46 per share. We purchased the shares at the current market price.

11. Contingencies

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

12. Commitments and Contractual Agreements

We are a party to several short-term, cancelable and noncancelable, fixed price contracts with major suppliers for the purchase of raw material and component parts. In the normal course of business we expect to purchase approximately $11.2 million in the form of legally binding copper and aluminum (3.7 million pounds of aluminum or $2.9 million) commitments during 2009 and 2010.

We are locked into the following legally binding copper commitments:

Pounds	Price	Total
(in thousands, except pricing data)		
2,250	2.3830	$ 5,362
720	2.4090	1,734
180	2.0225	363
150	2.2458	337
75	1.8200	136
75	1.8195	136
36	1.8160	65
25	1.8260	46

25	1.8290	46
25	1.8315	46
		$ 8,271

13. Canadian Facility

On May 18, 2009 we announced the closure of our Canadian facility and filed an 8-K to that effect. At the same time, we notified the 47 Canadian employees of the expected closure date of July 23, 2009. We accrued and expect to pay $0.3 million, to the 42 remaining full-time employees as of June 30, 2009, in closure costs related to employee termination benefits in accordance with Canadian labor laws and regulations. The full amount was charged to expense in the second quarter. The closure costs are included in income from continuing operations in the income statement. As of June 30, 2009, no benefits have been charged against the liability.

We will also incur costs related to the business assets as a result of the facility closure. These costs are primarily composed of costs to move and sell equipment, costs to move and dispose of inventory and fees to sell the facility. Before the facility is closed, we will transfer some of its equipment to our Tulsa location and sell any remaining equipment. Additionally, we will transfer any remaining inventory that can be utilized at our Tulsa and Longview locations. We increased our allowance for excess and obsolete inventories for items that we do not plan to transfer to our other locations. The facility will be available for sale upon completion of our manufacturing operations in third quarter 2009. We have not yet contracted with a realtor; however we plan to sell the property within one year of the Canadian facility's closure.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

We engineer, manufacture and market air-conditioning and heating equipment consisting of standardized and custom rooftop units, chillers, air-handling units, make-up units, heat recovery units, condensing units, coils and boilers. Custom units are marketed and sold to retail, manufacturing, educational, medical and other commercial industries. We market units to all 50 states in the United States and certain provinces in Canada. International sales are less than five percent as the majority of all sales are domestic.

We sell our products to property owners and contractors through a network of manufacturers' representatives and our internal sales force. Demand for our products is influenced by national and regional economic and demographic factors. The commercial and industrial new construction market is subject to cyclical fluctuations in that it is generally tied to housing starts, but has a lag factor of 6-18 months. Housing starts, in turn, are affected by such factors as interest rates, the state of the economy, population growth and the relative age of the population. When new construction is down, we emphasize the replacement market.

The principal components of cost of goods sold are labor, raw materials, component costs, factory overhead, freight out and engineering expense. The principal high volume raw materials used in our manufacturing processes are steel, copper and aluminum, which are obtained from domestic suppliers. The raw materials market was volatile during 2009 and 2008 due to the economic environment. We attempt to limit the impact of price fluctuations on these materials by entering cancelable and noncancelable fixed price contracts with our major suppliers for periods of 6 - 18 months. We have entered into contracts that are both above and below the average index price as of June 30, 2009. Prices decreased by approximately 47% for steel, 74% for aluminum and 38% for copper from June 30, 2008 to June 30, 2009. The lower commodity prices have contributed to our lower cost of goods sold and higher gross profit.

Selling, general, and administrative ("SG&A") costs include our internal sales force, warranty costs, profit sharing and administrative expense. Warranty expense is estimated based on historical trends and other factors. Our product warranty is: the earlier of one year from the date of first use or 18 months from date of shipment for parts; an additional four years on compressors; 15 years on gas-fired heat exchangers; and 25 years on stainless steel heat exchangers. Warranty charges on heat exchangers occur infrequently.

Our office facilities consist of a 337,000 square foot building (322,000 sq. ft. of manufacturing/ warehouse space and 15,000 sq. ft. of office space) located at 2425 S. Yukon Avenue, Tulsa, Oklahoma ("the original facility"), and a 563,000 square foot manufacturing/warehouse building and a 22,000 square foot office building ("the expansion facility") located across the street from the original facility at 2440 S. Yukon Avenue. We previously leased 61% of the expansion facility to a third party. Upon expiration of the lease on May 31, 2009, we began renovations on the expansion facility to give us increased manufacturing capacity. Our 2009 capital expenditures budget reflects the projected outlay to remodel the facility.

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

Our operations in Burlington, Ontario, Canada, are located at 279 Sumach Drive, consisting of an 82,000 sq. ft. office/manufacturing facility on a 5.6 acre tract of land. The facility will be available for sale upon completion of our manufacturing operations in third quarter 2009. We have not yet contracted with a realtor; however we plan to sell the property within one year of the Canadian facility's closure.

Set forth below is unaudited income statement information for the periods ended June 30, 2009 and 2008:

	Three Months Ended				
	June 30, 2009		June 30, 2008		June 30,
			(In thousands)		
Net sales	$68,597	100%	$74,781	100%	$132,562
Cost of sales	50,493	73.6%	56,791	75.9%	97,524
Gross profit	18,104	26.4%	17,990	24.1%	35,038
Selling, general and administrative expenses	6,793	9.9%	6,129	8.2%	13,328

Income from operations	11,311	16.5%	11,861	15.9%	21,710
Interest expense	-	0.0%	(16)	0.0%	(9)
Interest income	7	0.0%	6	0.0%	7
Other income (expense), net	(71)	(0.1)%	117	0.1%	174
Income before income taxes	11,247	16.4%	11,968	16.0%	21,882
Income tax provision	4,150	6.1%	4,208	5.6%	8,057
Net income	$ 7,097	10.3%	$ 7,760	10.4%	$ 13,825

Results of Operations

Key events impacting our cash balance, financial condition, and results of operations for the six months ended June 30, 2009, include the following:

- We remained the leader in the industry for environmentally-friendly, energy efficient and quality innovations, utilizing R410A refrigerant and phasing out pollutant causing R22 refrigerant. The phase out of R22 began in early 2004. We also utilize a high performance composite foam panel to eliminate over half of the heat transfer from typical fiberglass insulated panels. We continue to utilize sloped condenser coils, and access compartments to filters, motor, and fans. All of these innovations increase the demand for our products thus increasing market share.

- In February 2006, the Board of Directors initiated a program of semi-annual cash dividend payments. Cash dividend payments of $5.8 million were made in 2008 and $2.8 million in 2009. Cash dividends of $3.1 million were declared and accrued for in June 2009, and paid in July 2009. In May 2009, the Board of Directors increased the semi-annual cash dividend from $0.16 per share to $0.18 per share.

- Stock repurchases from employee's 401(k) savings and investments plan were authorized in 2005. Stock repurchases from directors and officers were authorized in 2006. Stock repurchases from the open market were authorized in 2007. Total purchases resulted in cash payments of $1.9 million for the first six months of 2009. The cash received in the six months ended June 30, 2009 from options exercised was $0.3 million.

- Purchases of equipment and expansion of facilities to create efficiencies remained a priority. Our capital expenditures were $5.8 million. Equipment purchases create significant efficiencies, lower production costs and allow continued growth in production. We currently expect to spend approximately $7.0 million to $8.0 million on capital expenditures during 2009 for continued growth. A portion of our budgeted capital expenditures will be spent expanding our manufacturing facilities in Tulsa. Such expansion provides manufacturing capacity to increase production of our products traditionally manufactured in Tulsa. The expansion also provides operational flexibility for us to establish production lines in Tulsa to manufacture custom products which are currently being manufactured at our Canadian facilities. We expect to close our Canadian facility in third quarter of 2009.

Net Sales

Net sales decreased $6.2 million or 8.3% to $68.6 million from $74.8 million for the three months ended, and decreased $7.6 million or 5.4% to $132.6 million from $140.2 million for the six months ended June 30, 2009, compared to the same periods in 2008. The decrease in net sales was a result of the current economic environment and lower sales from our Canadian operations.

Gross Profit

Gross profit increased $0.1 million or 0.6% to $18.1 million from $18.0 million for the three months ended, and increased $1.4 million or 4.2% to $35.0 million from $33.6 million for the six months ended June 30, 2009, compared to the same periods in 2008. As a percentage of sales, gross margins were 26.4% compared to 24.1% for the three months ended, and 26.4% compared to 24.0% for the six months ended June 30, 2009 and 2008, respectively. The increase in gross margins for the three months and six months was primarily a result of lower material costs and production and labor efficiencies which offset expenses related to the Canadian facility closure.

The principal components of cost of goods sold are labor, raw materials, component costs, factory overhead, freight out and engineering expense. The principal high volume raw materials used in our manufacturing processes are steel, copper and aluminum, which are obtained from domestic suppliers. The raw materials market was volatile during 2009 and 2008 due to the economic environment. We attempt to limit the impact of price fluctuations on these materials by entering cancelable and noncancelable fixed price contracts with our major suppliers for periods of 6 - 18 months. We have entered into contracts that are both above and below the average index price as of June 30, 2009. Prices decreased by approximately 47% for steel, 74% for aluminum and 38% for copper from June 30, 2008 to June 30, 2009. The lower commodity prices have contributed to our lower cost of goods sold and higher gross profit.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased $0.7 million or 11.5% to $6.8 million from $6.1 million for the three months ended, and increased $1.3 million or 10.8% to $13.3 million from $12.0 million for the six months ended June 30, 2009, compared to the same periods in 2008. The change was primarily due to an increase in warranty expense related to higher trade sales, bad debt expense to increase the bad debt reserve and sales related expenses.

Other Income (Expense)

Other expense increased approximately $188,000 to $71,000 compared to other income of approximately $117,000 for the three months ended June 30, 2009 and 2008, respectively. Other income decreased approximately $73,000 to $174,000 from $247,000 for the six months ended June 30, 2009, compared to the same periods in 2008. The increase in other expense was primarily related to foreign currency losses that resulted from operations in Canada in 2009 and 2008.

Other income is primarily attributable to rental income from our expansion facility which we received through the lease expiration on May 31, 2009. All expenses associated with the facility that are allocated to the rental portion of the building are included in other income. We previously leased 61% of the expansion facility to at third party. Upon expiration of the lease, we began renovations on the expansion facility to give us increased manufacturing capacity. Our 2009 capital expenditures budget reflects the projected outlay to remodel the facility.

Analysis of Liquidity and Capital Resources

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

Our revolving credit facility provides for maximum borrowings of $15.2 million which is provided by the Bank of Oklahoma, National Association. Under the line of credit, there is one standby letter of credit totaling $1.0 million. The letter of credit was a requirement of our workers compensation insurance which has been renewed and will expire December 31, 2009. Interest on borrowings is payable monthly at the Wall Street Journal prime rate less 0.5% or LIBOR plus 1.6%, at our election (1.92% at June 30, 2009). No fees are associated with the unused portion of the committed amount.

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At June 30, 2009, we did not have an outstanding balance under the revolving credit facility. At December 31, 2008, we had $2.9 million borrowed under the revolving credit facility. Borrowings available under the revolving credit facility at June 30, 2009 were $14.2 million. At June 30, 2009 and 2008, we were in compliance with our financial ratio covenants. The covenants are related to our tangible net worth, total liabilities to tangible net worth ratio and working capital. At June 30, 2009 our tangible net worth was $106.6 million. Our total liabilities to tangible net worth ratio was 2:5. Our working capital was $48.8 million. On July 30, 2009, we renewed the line of credit with a maturity date of July 30, 2010 with terms substantially consistent with the previous agreement.

Management believes our projected cash flows from operations and bank revolving credit facility, or comparable financing, will provide the necessary liquidity and capital resources for fiscal year 2009 and the foreseeable future. Our belief that we will have the necessary liquidity and capital resources is based upon our knowledge of the heating, ventilation, and air conditioning ("HVAC") industry and our place in that industry, our ability to limit the growth of our business if necessary, our ability to adjust dividend cash payments, and our relationship with the existing bank lender. For information concerning our revolving credit facility at June 30, 2009, see Note 6 to our Consolidated Financial Statements, Revolving Credit Facility.

Cash Flows Provided by Operating Activities. Net cash provided by operating activities increased in the six months ended June 30, 2009, by $9.9 million from the six months ended June 30, 2008. The increase was primarily due to changes in accounts receivable and provision for losses on accounts receivable, inventories, accrued liabilities and accounts receivable.

Cash Flows Used in Investing Activities. Cash flows used in investing activities were $5.8 million and $1.4 million for the six months ended June 30, 2009 and 2008, respectively. The increase in cash flows used in investing activities in 2009 was related to higher capital expenditures of $5.8 million for additions to machinery and equipment and manufacturing facilities, compared to $1.4 million for the same period in 2008. Capital expenditures in 2008 related to a building expansion and additions of machinery and equipment to further automate production. Management utilizes cash flows provided from operating activities to fund capital expenditures that are expected to increase growth and create efficiencies. We have budgeted capital expenditures of approximately $7.0 million to $8.0 million in 2009 to complete the building expansion that started in 2008, for our building renovation of the previously third party leased production facility, and for machinery and equipment purchases. We expect our cash requirements to be provided from cash flows from operations.

Cash Flows Used in Financing Activities. Cash flows used in financing activities were $7.1 million and $15.5 million for the six months ended June 30, 2009 and 2008, respectively. The decrease of cash used in financing activities is primarily due to fewer repurchases of our stock during the period.

We repurchased shares of stock from employees' 401(k) savings and investment plan, from directors and officers and the open market for the six months ended June 30, 2009 in the amount of $1.9 million for 100,358 shares of stock. There were shares of stock repurchased for a total of $17.3 million for the same period in 2008.

We received cash from stock options exercised of $0.3 million and classified the excess tax benefit of stock options exercised and restricted stock awards vested of $0.2 million in financing activities for the six months ended June 30, 2009. The cash received for options exercised and income tax effect partially offset the stock repurchase and dividend payments for the six months ended June 30, 2009. The cash received from stock options exercised for the same period in 2008 was $0.4 million and the excess tax benefit of stock options exercised and restricted stock awards vested was approximately $0.2 million.

Cash dividends were declared in December 2008 and were paid in January 2009 in the amount of $2.8 million. Cash dividends of $3.1 million were declared on May 19, 2009, and accrued then paid on July 2, 2009, to shareholders of record on June 11, 2009. Cash dividends of $2.8 million were declared on May 20, 2008, and accrued then paid on July 3, 2008 to shareholders of record on June 12, 2008. Board of Director approval is required to determine the date of declaration and amount for each semi-annual payment.

Critical Accounting Policies

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

There have been no significant changes in critical accounting policies or management estimates since the year ended December 31, 2008. A comprehensive discussion of our critical accounting policies and management estimates is included in Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2008.

New Accounting Pronouncements

In December 2007, the FASB issued SFAS 141(R), Business Combinations ("SFAS 141R"), which replaced FASB Statement 141, Business Combinations. This statement significantly changed the accounting for business combinations and noncontrolling interests. Among other things, when compared to the predecessor guidance SFAS 141R requires (i) more assets acquired and liabilities assumed to be measured at fair value as of the acquisition date, (ii) liabilities related to contingent consideration to be remeasured to fair value each subsequent reporting period, and (iii) an acquirer in preacquisition periods to expense all acquisition-related costs. SFAS 141R must be applied prospectively for fiscal years beginning after December 15, 2008. Adoption of SFAS 141R did not have a material impact on our Consolidated Financial Statements.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in

Consolidated Financial Statements - an Amendment of ARB No. 51 ("SFAS 160"), which changes the accounting and reporting for minority interests, which will be recharacterized as noncontrolling interests and classified as a component of equity. SFAS 160 was required to be adopted no later than January 1, 2009. Adoption of SFAS 160 did not have a material impact on our Consolidated Financial Statements.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities--an Amendment of FASB Statement No. 133 ("SFAS 161"), which requires enhanced disclosures about (i) how and why an entity uses derivative instruments, (ii) how derivative instruments and related hedged items are accounted for under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended ("SFAS 133") and its related interpretations and (iii) how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. Adoption of SFAS 161 did not have a material impact on our Consolidated Financial Statements.

In May 2009, the FASB issued SFAS No. 165, Subsequent Events ("SFAS 165"), which requires entities to disclose the date through which they have evaluated subsequent events and whether the date corresponds with the release of their financial statements. SFAS 165 is effective for interim and annual periods ending after June 15, 2009. Adoption of SFAS 165 did not have a material impact on our Consolidated Financial Statements.

In June 2009, the FASB issued SFAS No. 167, Amendments to FASB Interpretation No. 46 ("SFAS 167"), which alters how a company determines when an entity that is insufficiently capitalized or not controlled through voting should be consolidated. SFAS 167 will be effective for fiscal years beginning after November 15, 2009. We do not expect the adoption of SFAS 167 to have a material impact on our Consolidated Financial Statements.

In June 2009, the FASB issued SFAS No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles ("SFAS 168"), which will supersede all accounting standards in U.S. GAAP, aside from those issued by the SEC. SFAS 168 will be effective for reporting periods ending after September 15, 2009.

Forward-Looking Statements

This Quarterly Report on Form 10-Q includes "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as "expects", "anticipates", "intends", "plans", "believes", "seeks", "estimates", "will", and variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions, which are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date on which they are made.

While the recent adverse economic climate has not yet resulted in a significant decline in our operations, there can be no assurances that economic conditions will not adversely affect our business in the future. We undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise. Important factors that could cause results to differ materially from those in the forward-looking statements include (1) the timing and extent of changes in raw material and component prices, (2) the effects of fluctuations in the commercial/industrial new construction market, (3) the timing and extent of changes in interest rates, as well as other competitive factors during the year, and (4) general economic, market or business conditions.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are subject to interest rate risk on the revolving credit facility which bears variable interest based upon a prime or LIBOR rate. At June 30, 2009, we did not have an outstanding balance under the revolving credit facility.

Foreign sales accounted for less than 5% of our sales for the three months ended June 30, 2009, and we accept payment for such sales in U.S. and Canadian dollars; therefore, we believe we are not exposed to significant foreign currency exchange rate risk on these sales. Foreign currency transactions and financial statements are translated in accordance with FASB Statement No. 52, Foreign Currency Translation. We use the U.S. dollar as our functional currency, except for the Canadian subsidiaries, which use the Canadian dollar. Adjustments arising from translation of the Canadian subsidiaries' financial statements are reflected in accumulated other comprehensive income in the Consolidated Statements of Stockholders' Equity and Comprehensive Income. Transaction gains or losses that arise from exchange rate fluctuations applicable to transactions are denominated in Canadian currency and are included in the results of operations as incurred. The exchange rate of the United States dollar to the Canadian dollar was $0.8635 and $0.9881 at June 30, 2009 and 2008, respectively.

The principal components of cost of goods sold are labor, raw materials, component costs, factory overhead, freight out and engineering expense. The principal high volume raw materials used in our manufacturing processes are steel, copper and aluminum, which are obtained from domestic suppliers. The raw materials market was volatile during 2009 and 2008 due to the economic environment. We attempt to limit the impact of price fluctuations on these materials by entering cancelable and noncancelable fixed price contracts with our major suppliers for periods of 6 - 18 months. We have entered into contracts that are both above and below the average index price as of June 30, 2009. Prices decreased by approximately 47% for steel, 74% for aluminum and 38% for copper from June 30, 2008 to June 30, 2009. The lower commodity prices have contributed to our lower cost of goods sold and higher gross profit.

We do not utilize derivative financial instruments to hedge interest rate or raw materials price risks.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

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

- Our disclosure controls and procedures are designed to ensure that information required to be disclosed by us in the reports we file under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms; and

- Our disclosure controls and procedures operate such that important information flows to appropriate collection and disclosure points in a timely manner and are effective to ensure that such information is accumulated and communicated to our management, and made known to our Chief Executive Officer and Chief Financial Officer, particularly during the period when this Quarterly Report was prepared, as appropriate to allow timely decisions regarding the required disclosure.

Our Chief Executive Officer and Chief Financial Officer have evaluated our disclosure controls and procedures and concluded that these controls and procedures were effective as of June 30, 2009.

Changes in Internal Control over Financial Reporting

There have been no changes in internal control over financial reporting that occurred during 2009 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1A. Risk Factors.

There have been no material changes from risk factors as previously disclosed in our Form 10-K in response to Item 1A, to Part I of Form 10-K.

Item 2. Unregistered Sales of Equity and Securities and Use of Proceeds.

Following repurchases of approximately 12% of our outstanding Common Stock between September 1999 and September 2001, we announced and began another stock repurchase program on October 17, 2002, targeting repurchases of up to an additional 10% (2.0 million shares) of our outstanding stock. On February 14, 2006, the Board of Directors approved the suspension of our repurchase program. Through February 14, 2006, we repurchased a total of 1,886,796 shares under this program for an aggregate price of $22,034,568, or an average price of $11.68 per share. We purchased the shares at the then current market price.

On November 6, 2007, the Board authorized a new stock buyback program, targeting repurchases of up to approximately 10% (1.8 million shares) of our outstanding stock from time to time in open market transactions at prevailing market prices. Through June 30, 2009, we repurchased a total of 1,717,804 shares under this program for an aggregate price of $34,192,008, or an average price of $19.90 per share. We purchased the shares at the current market price.

On July 1, 2005, we entered into a stock repurchase arrangement by which employee-participants in AAON's 401(k) savings and investment plan are entitled to have shares of AAON's stock in their accounts sold to us to provide diversification of their investments. The maximum number of shares to be repurchased is unknown under the program as the amount is contingent on the number of shares sold by employees. Through June 30, 2009, we repurchased 695,718 shares for an aggregate price of $11,296,248, or an average price of $16.24 per share. We purchased the shares at the current market price.

On November 7, 2006, the Board of Directors authorized us to repurchase shares from certain directors and officers following their exercise of stock options. The maximum number of shares to be repurchased is unknown under the program as the amount is contingent on the number of shares sold. Through June 30, 2009, we repurchased 350,375 shares for an aggregate price of $7,167,623, or an average price of $20.46 per share. We purchased the shares at the current market price.

Repurchases during the second quarter of 2009 were as follows:

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid Per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
April 2009	10,426	$ 17.77	10,426	-
May 2009	4,894	20.40	4,894	-
June 2009	45,619	19.67	45,619	-
Total	60,939	$ 19.40	60,939	-

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

At the Company's Annual Meeting of Stockholders held on May 19, 2009, Norman H. Asbjornson was reelected as a director for a three-year term by a vote of 12,188,282 shares "For", 4,107,288 shares "Against" and 299,368 shares "Abstain". In addition, at the Annual Meeting John B. Johnson, Jr. was reelected as a director for a three-year term by a vote of 12,558,321 shares "For", 3,737,241 shares "Against" and 299,376 shares "Abstain". Also, at the Annual Meeting Charles C. Stephenson, Jr. was reelected as a director for a three-year term by a vote of 16,291,177 shares "For", 3,706 shares "Against" and 300,055 shares "Abstain". Other directors whose terms of office continued after the meeting are: Paul K. Lackey, Jr. and A. H. McElroy II whose terms end in 2010, and Jack E. Short and Jerry R. Levine whose terms end in 2011.

Item 5. Other Information.

On May 19, 2009, the Board of Directors voted to initiate a semi-annual cash dividend of $0.18 per share to the holders of our outstanding Common Stock as of the close of business on June 11, 2009, the record date, and payable on July 2, 2009. This semi-annual dividend reflects an increase from the prior year's semi-annual dividend of $0.16 per share.

Item 6. Exhibits.

(a) Exhibits

(i)	Exhibit 31.1	Section 302 Certification of CEO
(ii)	Exhibit 31.2	Section 302 Certification of CFO
(iii)	Exhibit 32.1	Section 1350 Certification of CEO
(iv)	Exhibit 32.2	Section 1350 Certification of CFO

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AAON, INC.

Dated: August 10, 2009 By: /s/ Norman H. Asbjornson

Norman H. Asbjornson
President/CEO

Dated: August 10, 2009 By: /s/ Kathy I. Sheffield

Kathy I. Sheffield
Vice President/CFO