QUARTERLY REPORT UNDER SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934

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 MARCH 31, 1996

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 1-5581

I.R.S. Employer Identification Number 59-0778222

WATSCO, INC.
(a Florida Corporation)
2665 South Bayshore Drive, Suite 901
Coconut Grove, Florida 33133
Telephone: (305) 858-0828

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 the number of shares outstanding of each of the issuer's classes of common stock, as of the last practicable date: 7,579,375 shares of the Company's Common Stock ($.50 par value) and 1,418,652 shares of the Company's Class B Common Stock ($.50 par value) were outstanding as of May 10, 1996.

PART I. FINANCIAL INFORMATION

WATSCO, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
March 31, 1996 and December 31, 1995
(In thousands of dollars)

	MARCH 31, 1996 (Unaudited)	DECEMBER 31, 1995
ASSETS		
Current assets:		
Cash and cash equivalents	$ 37,281	$ 3,751
Marketable securities	--	267
Accounts receivable, net	45,653	43,564
Inventories	70,619	59,724
Other current assets	5,501	5,073
Total current assets	159,054	112,379
Property, plant and equipment, net	11,762	11,286
Intangible assets, net	22,208	16,995
Other assets	4,247	4,224
	$197,271	$144,884

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Current portion of long-term obligations	$ 2,529	$ 2,455
Short-term promissory notes	2,750	4,250
Borrowings under revolving credit agreements	54,089	40,185
Accounts payable	18,821	17,229
Accrued liabilities	5,530	7,091
Total current liabilities	83,719	71,210
Long-term obligations:		
Bank and other debt	3,711	3,818
Subordinated note	2,500	2,500
	6,211	6,318
Deferred income taxes	978	978
Minority interests	--	10,622
Preferred stock of subsidiary	2,000	2,000
Shareholders' equity:		
Common Stock, $.50 par value	3,775	2,401
Class B Common Stock, $.50 par value	720	740
Paid-in capital	67,773	19,479
Retained earnings	32,095	31,136
Total shareholders' equity	104,363	53,756
	$197,271	$144,884

See accompanying notes to condensed consolidated financial statements.

WATSCO, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

Three Months Ended March 31, 1996 and 1995

(In thousands of dollars, except per share amounts)

(Unaudited)

	1996	1995
Revenues:		
Net sales	$70,675	$53,194
Royalty and service fees	7,114	7,127
Total revenues	77,789	60,321
Costs and expenses:		
Cost of sales	54,671	40,103
Direct service expenses	5,483	5,483
Selling, general and administrative	14,366	12,097
Total costs and expenses	74,520	57,683
Operating income	3,269	2,638
Other income (expense):		
Investment income, net	69	63
Interest expense	(1,045)	(911)
	(976)	(848)
Income before income taxes and minority interests	2,293	1,790
Income taxes	(871)	(692)
Minority interests	(116)	(197)
Net income	1,306	901
Retained earnings at beginning of period	31,136	25,829
Common stock cash dividends	(315)	(267)
Dividends on preferred stock of subsidiary	(32)	(32)
Retained earnings at end of period	$32,095	$26,431
Earnings per share:		
Primary	$ .17	$ .14
Fully diluted	$ .17	$ .13
Weighted average shares and equivalent shares used to calculate:		
Primary earnings per share	7,401	6,412
Fully diluted earnings per share	7,702	6,720

See accompanying notes to condensed consolidated financial statements.

WATSCO, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Three Months Ended March 31, 1996 and 1995
(In thousands of dollars)
(Unaudited)

	1996	1995
Cash flows from operating activities:		
Net income	$ 1,306	$ 901
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	799	623
Minority interests, net of dividends paid	116	197
Change in operating assets and liabilities, net of effects from acquisitions in 1995		
Accounts receivable	(2,089)	(23)
Inventories	(10,895)	(10,734)
Accounts payable and accrued liabilities	(359)	2,492
Other, net	(435)	4
Net cash used in operating activities	(11,557)	(6,540)
Cash flows from investing activities:		
Cash used in acquisitions, net of cash acquired	--	(7,914)
Capital expenditures, net	(1,142)	(1,009)
Net proceeds from marketable securities transactions	267	2,260
Net cash used in investing activities	(875)	(6,663)
Cash flows from financing activities:		
Net borrowings under revolving credit agreements	13,904	14,216
Repayments of long-term obligations	(1,533)	(638)
Net proceeds from issuance of Common Stock	32,609	--
Exercise of stock options	1,329	9
Cash dividends	(315)	(267)
Other, net	(32)	(32)
Net cash provided by financing activities	45,962	13,288
Net increase in cash and cash equivalents	33,530	85
Cash and cash equivalents at beginning of period	3,751	1,744
Cash and cash equivalents at end of period	$ 37,281	$ 1,829
Supplemental cash flow information:		
Interest paid	$ 980	$ 791
Income taxes paid	$ 58	$ 120

See accompanying notes to condensed consolidated financial statements

WATSCO, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 1996

1. The condensed consolidated balance sheet as of December 31, 1995, which has been derived from audited financial statements, and the unaudited interim condensed consolidated financial statements, have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and note disclosures normally included in the annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to those rules and regulations, although the Company believes the disclosures made are adequate to make the information presented not misleading. In the opinion of management, all adjustments necessary to a fair presentation have been included in the condensed consolidated financial statements for the periods presented herein.

2. The results of operations for the quarter ended March 31, 1996 are not necessarily indicative of the results for the year ending December 31, 1996. The sale of the Company's products and services is seasonal with revenues generally increasing during the months of May through August.

3. At March 31, 1996 and December 31, 1995, inventories consist of (in thousands):

	MARCH 31, 1996	DECEMBER 31, 1995
Raw materials	$ 4,294	$ 3,637
Work in process	1,418	1,359
Finished goods	64,907	54,728
	$70,619	$59,724

4. On March 6, 1996, the Company completed a public offering in which it sold 1,570,000 shares of Common Stock resulting in net proceeds of approximately $32.6 million. In April 1996, the Company used approximately $14.0 million of the proceeds to fund the acquisition of Three States Supply Co., Inc. ("Three States Supply") discussed below. In April 1996, the Company also used $2.5 million of the net proceeds to repay a 12% subordinated note payable to Rheem Manufacturing Company ("Rheem"). The Company intends to use the remaining net proceeds for other potential acquisitions, to reduce debt and for general corporate purposes.

5. Effective March 19, 1996, the Company and Rheem completed a transaction pursuant to a Stock Exchange Agreement and Plan of Reorganization (the "Exchange Agreement") whereby the Company acquired Rheem's minority ownership interests in Gemaire Distributors, Inc. ("Gemaire"), Comfort Supply, Inc. ("Comfort Supply") and Heating & Cooling Supply, Inc. ("Heating & Cooling") in exchange for 964,361 unregistered shares of the Company's Common Stock having an estimated fair value of $16.1 million. The acquisition of Rheem's minority ownership interests was accounted for under the purchase method of accounting and, accordingly, the effects of the transaction are included in the Company's results of operations as of the transaction date. Goodwill related to the transaction, totaling approximately $5.4 million, represents the excess of the fair value of the Common Stock exchanged over the minority interests acquired and is being amortized on a straight-line basis over 40 years. Following this transaction, Gemaire, Comfort Supply and Heating & Cooling became wholly-owned subsidiaries of the Company.

   Previous agreements between the Company and Rheem provided Rheem with the right to "call" from the Company and the Company with the right to "put" to Rheem the Company's ownership interests in Gemaire, Comfort Supply and Heating & Cooling. Under the terms of the Exchange Agreement, the put/call provisions included in the previous agreements are effectively eliminated because the rights to "put" or "call" become exercisable primarily upon the occurrence of certain events of insolvency.

6. On April 12, 1996, the Company purchased certain accounts receivable, inventory and other operating assets and assumed certain liabilities of Three States Supply, a Memphis, Tennessee-based distributor of supplies used primarily in air conditioning and heating systems. The cash consideration paid by the Company totaled approximately $14.0 million, which approximated net book value, and is subject to adjustment upon the completion of an audit of the assets purchased and liabilities assumed. The acquisition was accounted for under the purchase method of accounting.

7. Certain amounts for 1995 have been reclassified to conform with the 1996 presentation.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

QUARTER ENDED MARCH 31, 1996 VS. QUARTER ENDED MARCH 31, 1995

RESULTS OF OPERATIONS

The following table presents certain items of the Company's consolidated financial statements for the three months ended March 31, 1996 and 1995, expressed as a percentage of total revenues:

	1996	1995
Total revenues	100.0%	100.0%
Cost of sales and direct service expenses	(77.3)	(75.6)
Gross profit	22.7	24.4
Selling, general and administrative expenses	(18.5)	(20.1)
Operating income	4.2	4.3
Investment income, net	-	.1
Interest expense	(1.3)	(1.5)
Income taxes	(1.1)	(1.1)
Minority interests	(.1)	(.3)
Net income	1.7%	1.5%

The above table and following narrative includes the results of operations of the following wholesale distributors of air conditioners and related parts and supplies: Airite, Inc., a Louisiana-based distributor acquired in February 1995; H.B. Adams, Inc., a central Florida distributor purchased in March 1995; Environmental Equipment & Supplies, Inc. a North Little Rock, Arkansas-based distributor purchased in June 1995; and Central Air Conditioning Distributors, Inc., a Winston-Salem, North Carolina-based distributor purchased in October 1995 (collectively, the "acquisitions"). These acquisitions were accounted for under the purchase method of accounting and, accordingly, the results of their operations have been included in the consolidated results of the Company beginning on their respective dates of acquisition.

Revenues for the three months ended March 31, 1996 increased $17.5 million, or 29%, compared to the same period in 1995. In the climate control segment, revenues increased $17.5 million, or 33%. Excluding the effect of acquisitions, revenues for the climate control segment increased $7.8 million, or 15%. Such increase was driven by strong replacement sales, increased homebuilding activity and favorable weather patterns.

Gross profit for the three months ended March 31, 1996 increased $2.9 million, or 20%, as compared to the same period in 1995. Excluding the effect of acquisitions, gross profit increased $459,000, or 3%, primarily as a result of the aforementioned revenue increases. Gross profit margin in the first quarter decreased to 22.7% in 1996 from 24.4% in 1995. Excluding the effect of acquisitions, gross profit margin decreased to 22.3% in 1996 from 24.4% in 1995. These decreases were primarily due to certain vendor price increases which the Company did not begin passing on to customers until late in the quarter.

Selling, general and administrative expenses for the three months ended March 31, 1996 increased $2.3 million, or 19%, compared to the same period in 1995, primarily due to selling and delivery costs related to increased sales. Excluding the effect of acquisitions, selling, general and administrative expenses increased $405,000, or 3%, primarily due to revenue increases. Selling, general and administrative costs as a percent of revenues decreased from 20.1% in 1995 to 18.5% in 1996 and excluding the effect of acquisitions decreased from 20.1% in 1995 to 18.4% in 1996. These decreases were the result of a larger revenue base over which to spread fixed costs.

Interest expense for the first quarter in 1996 increased $134,000, or 15%, compared to the same period in 1995, due to higher borrowings used to finance acquisitions and increased inventory levels required by sales growth.

The effective tax rate for the three months ended March 31, 1996 was 38.0% compared to 38.6% for the same period in 1995. The decrease is primarily a result of a proportionately larger share of taxable income expected to be generated in states with lower tax rates during 1996 as compared to 1995.

ACQUISITION OF MINORITY INTERESTS

In March 1996, pursuant to a Stock Exchange Agreement and Plan of Reorganization (the "Exchange Agreement") with Rheem Manufacturing Company ("Rheem"), the Company acquired Rheem's minority ownership interests in three of the Company's distribution subsidiaries in exchange for 964,361 shares of unregistered Common Stock of the Company having an estimated fair value of $16.1 million. Following this transaction, all of the Company's distribution companies are wholly-owned subsidiaries of the Company.

LIQUIDITY AND CAPITAL RESOURCES

The Company has adequate availability of capital from operations and revolving credit facilities to fund current operations and anticipated growth, including expansion in the Company's current and targeted market areas, through 1996. At March 31, 1996, the Company had aggregate borrowing commitments from lenders under existing revolving credit agreements of $75 million, of which $18 million was unused and $11 million available. In February 1996, the Company received and is considering a proposal from one of its lenders to syndicate a master $125 million unsecured revolving credit facility. This facility, if completed, would replace all of the Company's existing revolving credit facilities and provide the Company with up to $50 million of additional availability to fund future growth.

Certain of the subsidiaries' revolving credit agreements contain provisions limiting the payment of dividends to their shareholders. The Company does not anticipate that these limitations on dividends will have a material effect on the Company's ability to meet its cash obligations.

Working capital increased to $75.3 million at March 31, 1996 from $41.2 million at December 31, 1995. This increase is primarily due to the receipt of net proceeds of $32.6 million from the sale of 1,570,000 shares of the Company's Common Stock in March 1996. In April 1996, the Company used approximately $14.0 million of the net proceeds to fund the acquisition of Three States Supply Co., Inc., a Memphis, Tennessee-based distributor of supplies used primarily in air conditioning and heating systems, and $2.5 million to repay a 12% subordinated note payable to Rheem. The Company anticipates using the remainder of the net proceeds to fund other potential acquisitions, to reduce debt and for general corporate purposes.

Cash and cash equivalents increased $33.5 million during the first quarter of 1996. Principal sources of cash were net proceeds from the issuance of Common Stock, increased borrowings under revolving credit agreements and profitable operations. The principal uses of cash were to purchase inventories, repay long-term obligations and finance capital expenditures. Inventory purchases are substantially funded by borrowings under revolving credit agreements.

The Company continually evaluates potential acquisitions and has held discussions with a number of acquisition candidates; however, the Company has no agreement with respect to any acquisition candidates. Should suitable acquisition opportunities or working capital needs arise that would require additional financing, the Company believes that its financial position and earnings history provide a solid base for obtaining additional financing resources at competitive rates and terms.

NEW ACCOUNTING STANDARDS

On January 1, 1996, the Company adopted the provisions of Statement of Financial Accounting Standards No. 121, "Accounting for Long-Lived Assets and Long-Lived Assets to be Disposed of" ("SFAS No. 121"). The adoption of SFAS No. 121 did not have a material effect on the Company's results of operations.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

There have been no significant changes from the information reported in the Annual Report on Form 10-K for the period ended December 31, 1995, filed on March 29, 1996.

Item 2. Changes in the Rights of the Company's Security Holders

None

Item 3. Defaults by the Company on its Senior Securities

None

Item 4. Results of Votes of Securities Holders

None

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

10.20 Employment Agreement and Incentive Plan dated January 31, 1996 by and between Watsco, Inc. and Albert H. Nahmad.

11. Computation of Earnings Per Share for the Quarters Ended March 31, 1996 and 1995.

27. Financial Data Schedule (for SEC use only)

(b) Reports on Form 8-K

None

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.

WATSCO, INC.

(Registrant)

By: /s/ RONALD P. NEWMAN

Ronald P. Newman
Vice President and Secretary
(Chief Financial Officer)

May 14, 1996

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT, made and entered into as of the 31st day of January, 1996 by and between WATSCO, INC., a Florida corporation (hereinafter called the "Company") and ALBERT H. NAHMAD (hereinafter called "Employee").

W I T N E S S E T H:

WHEREAS, the parties desire to execute an Employment Agreement to contain the terms of the employment of the Employee by the Company,

NOW, THEREFORE, for good and valuable consideration the parties agree as follows:

1. EMPLOYMENT TERM

The Company agrees to continue the employment of the Employee as President and Chairman of the Board of the Company for the period commencing February 1, 1996 and ending January 31, 1999. This contract shall, each January 31, automatically extend one year from its then expiration date unless the Compensation Committee shall have notified the Employee to the contrary in writing prior to that date.

2. DUTIES

The Company hereby employs Employee as President and Chairman of the Board of the Company and Employee hereby accepts the employment and agrees to devote substantially all of his business time and attention and best efforts to the performance of his duties hereunder which shall include such duties, authority and responsibility on behalf of the Company as are customary for such positions and as may from time to time be assigned to him by the Board of Directors of the Company. The Employee may serve as a Director or in other capacities with other companies as long as it does not affect his ability to devote substantially all of his business time and attention to the Company.

3. EXTENT OF SERVICE

Employee shall assume and perform such reasonable responsibilities and duties as may be assigned to him from time to time by the Company. Employee, while employed by the Company shall not, at any time during the term of this Agreement become interested directly or indirectly in any manner with any business competitive with or similar to the business of the Company.

4. BASE COMPENSATION

The Company agrees to pay to Employee and Employee agrees to accept from the Company a salary at the annual rate of not less than Four Hundred and Eighty Thousand ($480,000) Dollars, payable in bi-weekly or monthly installments.

5. ADDITIONAL COMPENSATION

For his leadership of the Company to its recent outstanding growth in value, on January 2, 1997 the Employee shall be awarded $450,000 of additional compensation provided he does not voluntarily leave employment of the Company before that date.

For the year ended December 31, 1996 and for all subsequent years during which this agreement is in effect for the entire year, the Employee shall be entitled to the incentive compensation described in Exhibit A.

6. EXPENSE REIMBURSEMENT

Upon submission of proper proof of payment by Employee, the Company will reimburse him for all reasonable expenditures for business travel or entertainment made by him in the course of and pursuant to the business of the Company, and Company shall supply to Employee the use of one (1) automobile and shall pay all fuel, maintenance and insurance costs incident thereto.

7. TERMINATION OF EMPLOYMENT

During the term of this Agreement the Company may at any time terminate the employment of Employee for cause. For the purpose of this Agreement, "cause" shall be defined as any actions of Employee which are in the nature of fraud or willful malfeasance or misfeasance in the performance of the employment duties provided for by this Agreement. Cause shall not include any act or failure to act, whether due to error of judgment or otherwise, where Employee exercised good faith in the exercise of his duties.

8. RESTRICTIVE COVENANT

The parties understand and contemplate that Employee is receiving substantial benefits under this Agreement and that the Company is giving Employee access to information concerning its business operations and that it is, therefore, reposing a high degree of confidence and trust in Employee. In consideration of the foregoing, Employee agrees that during the term of this Agreement and upon termination of his employment with the Company for any reason, he shall not engage in any business, enterprise or employment, whether as owner, operator, stockholder, director, financial backer, creditor, consultant, partner, agent, employee or otherwise, competitive with any business engaged in by the Company or any subsidiary of the Company at the time of termination for a period of two (2) years after termination of employment in the areas in which the Company or any subsidiary are so engaged in such business. This provision, and the provisions of paragraph 3 hereof, shall not prevent the Employee from owning less than 2% of the outstanding stock of a public company which may be in the same or a similar business too that engaged in by the Company, as long as the stock owned by the Employee is publicly traded stock and the interest of the Employee in the public company is solely that of an inactive stockholder. The restrictive covenant contained herein applies even after this Agreement is fully performed and has ended by its own terms.

Employee agrees that a violation by him of the covenant contained herein will cause irreparable damage to the Company, the amount of which will be almost impossible to ascertain, and for that reason Employee agrees that the Company shall be entitled to an injunction out of any court of competent jurisdiction restraining any violation of such covenant by Employee and such right to injunction shall be cumulative to and in addition to any other remedies of the Company.

9. SEVERABILITY

This Agreement shall be governed by the laws of the State of Florida, and the invalidity of any one or more of the portions contained in this Agreement shall not affect the enforceability of the remaining portions of this Agreement or any part thereof, all of which are inserted conditionally on their being valid in law, and in the event that one or more portions contained herein shall be invalid, this instrument shall be construed as if such invalid portions had not been inserted, and if such invalidity shall be caused by the length of time or the size of any area set forth in any part hereof, such period of time or such area, or both, shall be considered to be reduced to a period or area which would cure such invalidity.

10. WAIVER

Failure to insist upon strict compliance with any of the terms, covenants or conditions hereof shall not be deemed a waiver of such terms, covenants or conditions, nor shall any waiver or relinquishment of such right or power hereunder, at any time or times, be deemed a waiver or relinquishment of such right or power at any other time or times.

11. BENEFIT

Except as otherwise herein expressly provided, this Agreement shall inure to the benefit of and be binding upon the Company, its successors and assigns, including, but not limited to, any corporation which may acquire all or substantially all of the Company's assets and business, or with which the Company may be consolidated or merged, and Employee, his heirs, executors, administrators and legal representatives.

12. ENTIRE AGREEMENT

This Agreement contains the entire agreement between the parties hereto, the same shall not be modified or altered except by another written agreement executed by each of the parties hereto and all prior employment agreements between the parties and all the provisions thereof are hereby terminated and shall be of no further force and effect.

13. NOTICES

Any notice required or permitted to be given under this Agreement shall be sufficient if in writing, and shall be deemed served if deposited in the United States Certified Mail, Return Receipt Requested, and addressed as follows:

TO THE COMPANY: WATSCO, INC.
2665 South Bayshore Drive
Coconut Grove, Florida 33133

TO THE EMPLOYEE: ALBERT H. NAHMAD
2665 South Bayshore Drive
Coconut Grove, Florida 33133

or to such other address as the parties may from time to time give notice of to the other party.

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands and seals this 31st day of January, 1996.

WATSCO, INC.

By: /s/ RONALD P. NEWMAN

Ronald P. Newman, Secretary

/s/ ALBERT H. NAHMAD

ALBERT H. NAHMAD

EXHIBIT A

TO

EMPLOYMENT AGREEMENT

INCENTIVE PLAN

I. PURPOSES. The purposes of the Incentive Plan are (i) to establish an annual incentive compensation program for the Company's President and Chief Executive Officer (the "Executive") that awards the Executive for the achievement of objectives and goals established by the Board of Directors (Compensation Committee) which contribute to the success of the Company, thus providing a means for participation by the Executive in such success, and (ii) to afford an incentive to the Executive to contribute his best efforts to promote the success of the Company.

II. DEFINITIONS. The following words and phrases shall have the meaning set forth below whenever used herein:

A. "COMMON STOCK PRICE" shall mean the reported New York Stock Exchange closing price of the Company's Common Stock on the last day of trading during that year.

B. "COMPENSATION COMMITTEE" shall mean the Compensation Committee of the Company's Board of Directors. The membership of the Compensation Committee shall in all cases be comprised solely of two or more outside directors (within the meaning of Section 162(m)).

C. "EARNINGS PER SHARE" shall mean the fully diluted earnings per share of the Company as reported in the Company's annual report to shareholders.

D. "EMPLOYMENT AGREEMENT" shall mean the employment agreement, dated as of January 31, 1996, between the Company and the Executive, as such agreement may be amended or renewed from time to time.

E. "INCOME BEFORE TAXES" shall mean that amount as reported in the Company's annual report to shareholders.

F. "NET INCOME" shall mean that amount as reported in the Company's annual report to shareholders.

G. "PERFORMANCE BASED COMPENSATION" shall mean the compensation paid or payable to the Executive pursuant to Article III of this Incentive Plan.

H. "SECTION 162(M)" shall mean Section 162(m) (or any successor provision) of the Internal Revenue Code of 1986, as amended, and applicable authority thereunder.

III. OPERATION OF INCENTIVE PLAN.

A. ESTABLISHMENT OF PERFORMANCE GOALS. In each year in which the Executive's Employment Agreement is in effect, not later than 90 days after the end of the prior year, the Compensation Committee and the Executive shall agree upon the Performance Based Compensation which the Executive will earn for that year if he achieves the agreed upon incremental goals for increases in any one of more of the following categories: Income Before Taxes, Net Income, Earnings Per Share and Common Stock Price. Such performance goals shall be in writing and become Exhibit A-1 to this Incentive Plan. The performance goals will automatically be adjusted for any increase or decrease in the number of shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock, or any other increase or decrease in the number of shares of Common Stock effected without receipt of consideration by the Company.

B. PAYMENT OF PERFORMANCE BASED COMPENSATION. Performance Based Compensation shall be paid to the Executive as soon after year end as the amount of such compensation can be determined with reasonable certainty and the Compensation Committee has certified that the performance goals have been met.

IV. NON-PERFORMANCE BASED COMPENSATION. It is recognized by the Company that, at times, there may be years in which the Compensation Committee desires to pay the Executive special non-performance based compensation. At such times, the Compensation Committee may award additional non-performance based compensation to the Executive in such amount as it shall desire.

V. TERMINATION OF EMPLOYMENT. The Executive must be employed for the entire year to be entitled to the Performance Based Compensation for such year, unless the Compensation Committee specifically determines that such amounts are to be paid.

VI. ADMINISTRATION. The Incentive Plan shall be administered by the Compensation Committee, which will have the authority and responsibility for (i) interpreting and administering the Incentive Plan, (ii) establishing the performance goals for each year of the Incentive Plan, (iii) determination of Performance Based Compensation and final approval of payments to the Executive, and (iv) payment of prorated awards if, in its judgment, the payment of such awards would be in the best interest of the Company.

VII. AMENDMENT AND TERMINATION. The Compensation Committee shall have the power to amend, modify, suspend or terminate any part of the Incentive Plan at any time; provided, however, that notwithstanding any other provisions of the Incentive Plan, no such amendment or modification shall (i) be effective without the approval of the shareholders of the Company if such shareholder approval is required to preserve the Company's Federal income tax deduction for Performance Based Compensation paid under the Incentive Plan pursuant to the "other performance based compensation" exception in Section 162(m), or (ii) without the consent of the Executive, reduce the right of the Executive to a payment hereunder to which he is entitled with respect to a fiscal year that has ended prior to such amendment, modification, suspension or termination.

VIII. WITHHOLDING TAXES. The Company shall have the right to deduct from all payments under this Incentive Plan any Federal, state or local taxes required by law to be withheld with respect to such payments.

IX. REORGANIZATION OR DISCONTINUANCE. The obligations of the Company under the Incentive Plan shall be binding upon any successor corporation or organization resulting from merger, consolidation or other reorganization succeeding to substantially all of the assets and business of the Company. The Company will make appropriate provision for the preservation of the Executive's rights under the Incentive Plan in any agreement or plan which it may enter into or adopt to effect any such merger, consolidation, reorganization or transfer of assets.

If the business conducted by the Company shall be discontinued, any previously earned and unpaid compensation under the Incentive Plan shall be immediately payable to the Executive.

X. GENERAL PROVISIONS. The general provisions of the Executive's Employment Agreement shall be applicable to this Incentive Plan.

XI. EFFECTIVE DATE. The Incentive Plan is effective initially for the fiscal year ended December 31, 1996, subject to approval by the shareholders of the Company at the annual meeting of shareholders on June 3, 1996, and shall remain in effect as long as the Executive is employed by the Company.

EXHIBIT A-1

1996 PERFORMANCE GOALS AND PERFORMANCE BASED COMPENSATION

	PERFORMANCE BASED COMPENSATION
A. EARNINGS PER SHARE	
For each $.01 increase	$29,000
B. INCREASE IN COMMON STOCK PRICE	
For each $.125 increase in per share price of a share of Common Stock	$5,500

EXHIBIT 11

COMPUTATION OF EARNINGS PER SHARE
Quarters Ended March 31, 1996 and 1995
(In thousands of dollars, except per share amounts)

	1996	1995
Net income	$ 1,306	$ 901
Less subsidiary preferred stock dividend	(32)	(32)
Income applicable to common stock for primary earnings per share	1,274	869
Add interest expense, net of income tax effects, attributable to convertible debentures	25	28
Income applicable to common stock for fully diluted earnings per share	$ 1,299	$ 897
Weighted average common shares outstanding	6,912	6,152
Additional shares assuming exercise of stock options and warrants	489	260
Shares used for primary earnings per share	7,401	6,412
Additional shares assuming exercise of stock options and warrants	78	60
Conversion of 10% Convertible Subordinated Debentures due 1996	223	248
Shares used for fully diluted earnings per share	7,702	6,720
Earnings per share:		
Primary	$ .17	$ .14
Fully diluted	$ .17	$ .13

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE
WATSCO, INC. FORM 10-Q FOR THE QUARTERLY PERIOD ENDED MARCH 31, 1996 AND
IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

3-MOS
DEC-31-1996
MAR-31-1996
37,281
0
48,956
3,303
70,619
159,054
23,515
11,753
197,271
83,719
6,211
0
0
4,495
99,868
197,271
70,675
77,789
54,671
60,154
14,146
220
1,045
2,293
871
1,306
0
0
0
1,306
.17
.17