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 June 30, 2001

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) 714-4100

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: 23,437,449 shares of the Company's Common Stock ($.50 par value), excluding treasury shares of 3,152,450 and 3,236,343 shares of the Company's Class B Common Stock ($.50 par value), excluding treasury shares of 48,263 were outstanding as of August 1, 2001.

PART I. FINANCIAL INFORMATION

WATSCO, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
June 30, 2001 and December 31, 2000
(In thousands, except per share data)

	June 30, 2001 (Unaudited)	December 31, 2000
ASSETS		
Current assets:		
Cash and cash equivalents	$ 5,449	$ 4,781
Accounts receivable, net	190,013	163,770
Inventories	228,447	205,805
Other current assets	13,076	18,179
Total current assets	436,985	392,535
Property and equipment, net	28,433	30,258
Intangible assets, net	126,886	128,656
Other assets	13,213	12,021
	$605,517	$563,470
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term obligations	$ 1,615	$ 1,887
Accounts payable	109,892	86,108
Accrued liabilities	22,016	26,099
Total current liabilities	133,523	114,094
Long-term obligations:		
Borrowings under revolving credit agreement	117,903	138,000
Long-term notes	30,000	-
Bank and other debt	2,507	2,878
Total long-term obligations	150,410	140,878
Deferred income taxes and other liabilities	5,057	4,334
Shareholders' equity:		
Common Stock, $.50 par value	13,285	13,217
Class B Common Stock, $.50 par value	1,643	1,579
Paid-in capital	207,767	204,871
Unearned compensation related to outstanding restricted stock	(8,419)	(6,031)
Accumulated other comprehensive income (loss), net of tax	(1,027)	105
Retained earnings	136,387	122,348
Treasury stock, at cost	(33,109)	(31,925)
Total shareholders' equity	316,527	304,164
	$605,517	$563,470

See accompanying notes to condensed consolidated financial statements.

WATSCO, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
Quarter and Six Months Ended June 30, 2001 and 2000
(In thousands, except per share data)
(Unaudited)

	Quarter Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
Revenue	$351,710	$370,832	$629,262	$657,176
Cost of sales	267,138	283,052	476,489	501,929
Gross profit	84,572	87,780	152,773	155,247
Selling, general and administrative expenses	61,339	64,467	122,881	123,896
Operating income	23,233	23,313	29,892	31,351
Interest expense, net	2,636	3,218	5,528	6,394
Income before income taxes	20,597	20,095	24,364	24,957
Income taxes	7,613	7,475	9,014	9,284
Net income	$ 12,984	$ 12,620	$ 15,350	$ 15,673
Basic earnings per share	$ 0.50	$ 0.47	$ 0.59	$ 0.57
Diluted earnings per share	$ 0.48	$ 0.45	$ 0.56	$ 0.55
Weighted average shares and equivalent shares used to calculate earnings per share:				
Basic	25,937	26,940	25,951	27,315
Diluted	27,325	28,325	27,251	28,476

See accompanying notes to condensed consolidated financial statements.

WATSCO, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Six Months Ended June 30, 2001 and 2000
(In thousands)
(Unaudited)

	2001	2000
Cash flows from operating activities:		
Net income	$ 15,350	$ 15,673
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	6,084	6,078
Provision for doubtful accounts	2,311	2,150
Other, net	(136)	(60)
Changes in operating assets and liabilities:		
Accounts receivable	(28,554)	(40,833)
Inventories	(22,642)	(28,226)
Accounts payable and accrued liabilities	18,981	40,124
Other, net	4,124	(1,011)
Net cash used in operating activities	(4,482)	(6,105)
Cash flows from investing activities:		
Capital expenditures	(3,115)	(4,615)
Proceeds from sale of property and equipment	1,233	-
Net cash used in investing activities	(1,882)	(4,615)
Cash flows from financing activities:		
Net borrowings (repayments) under revolving credit agreement	(20,097)	28,310
Proceeds from issuance of long-term notes	30,000	-
Net repayments of bank and other debt	(643)	(4,339)
Net proceeds from issuances of common stock	253	564
Common stock dividends	(1,297)	(1,367)
Acquisition of common stock	(1,184)	(12,074)
Net cash provided by financing activities	7,032	11,094
Net increase in cash and cash equivalents	668	374
Cash and cash equivalents at beginning of period	4,781	7,484
Cash and cash equivalents at end of period	$ 5,449	$ 7,858

See accompanying notes to condensed consolidated financial statements.

WATSCO, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2001
(In thousands, except share data)
(Unaudited)

1. The condensed consolidated balance sheet as of December 31, 2000, which has been derived from the Company's 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 accounting principles generally accepted in the United States 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 for a fair presentation have been included in the condensed consolidated financial statements herein.

2. The results of operations for the quarter and six months ended June 30, 2001, are not necessarily indicative of the results for the year ending December 31, 2001. The sale of the Company's products and services is seasonal with revenue generally increasing during the months of May through August.

3. 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

4. Basic earnings per share is computed by dividing net income by the total of the weighted average shares outstanding. Diluted earnings per share additionally assumes, if dilutive, any added dilution from common stock equivalents. Shares used to calculate earnings per share are as follows:

	Quarter Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
Weighted average shares outstanding	25,936,682	26,940,397	25,950,860	27,315,433
Dilutive stock options and restricted shares of common stock	1,388,655	1,384,200	1,300,410	1,160,555
Shares for diluted earnings per share	27,325,337	28,324,597	27,251,270	28,475,988
Stock options and restricted shares of common stock outstanding which are not included in the calculation of diluted earnings per share because their impact is antidilutive	2,938,699	2,547,378	3,022,951	2,499,628

5. The Company enters into interest rate swap agreements to reduce its exposure to market risks from changing interest rates. Under the swap agreements, the Company agrees to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to a notional principal amount. Any differences paid or received on interest rate swap agreements are recognized as adjustments to interest expense over the life of each swap, thereby adjusting the effective interest rate on the underlying obligation. The Company does not hold or issue such financial instruments for trading purposes. Derivatives used for hedging purposes must be designated as, and effective as, a hedge of the identified risk exposure at the inception of the contract. Accordingly, changes in the fair value of the derivative contract must be highly correlated with changes in the fair value of the underlying hedged item at inception of the hedge and over the life of the hedge contract.

Effective January 1, 2001, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 133, which established accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities. All derivatives, whether designated in hedging relationships or not, are required to be recorded on the balance sheet at fair value. If the derivative is designated as a fair value hedge, the changes in the fair value of the derivative and of the hedged item attributable to the hedged risk are recognized in earnings. If the derivative is designated as a cash flow hedge, the effective portions of changes in the fair value of the derivative are recorded in other comprehensive income ("OCI") and are recognized in the income statement when the hedged items affect earnings. Ineffective portions of changes in the fair value of cash flow hedges are recognized in earnings.

The adoption of SFAS No. 133 on January 1, 2001 resulted in a cumulative pre-tax reduction to OCI of $1,001 ($629 after-tax). The Company also recorded a gain of $396, net of income tax expense of $233, and a loss of $500, net of an income tax benefit of $294, in OCI relating to the change in value of the cash flow hedges for the quarter and six months ended June 30, 2001, respectively.

6. Comprehensive income consists of net income and changes in the value of available-for-sale securities and derivative instruments and the cumulative change in accounting principles as further discussed in Note 5 to the Condensed Consolidated Financial Statements at June 30, 2001 and 2000. The components of the Company's comprehensive income are as follows for the quarter and six months ended June 30, 2001 and 2000:

	Quarter Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
Net income	$12,984	$12,620	$15,350	$15,673
Unrealized holding gains (losses) on investments arising during the period, net of income tax benefit (expense) of $(7), $61, $2 and $108, respectively	12	(103)	(3)	(183)
Cumulative effect of accounting change, net of income tax benefit of $372	-	-	(629)	-
Gain (loss) on derivative instruments, net of income tax benefit (expense) of $(233) and $294, respectively	396	-	(500)	-
Comprehensive income	$13,392	$12,517	$14,218	$15,490

7. During the fourth quarter of 2000, the Company's Board of Directors approved plans adopted by certain business units of the Company to improve operating efficiency and profitability. Those initiatives eliminate certain underperforming locations, reduce market overlap, dispose of inventory related to discontinued product lines and eliminate other nonproductive SKUs. In connection with these restructuring activities, 25 locations closed during 2000 and 7 locations closed during 2001.

The following table summarizes the activity in restructuring liabilities or valuation reserves during the six months ended June 30, 2001.

	Restructuring Liability or Valuation Reserves at December 31, 2000	Write-down of Assets to Net Realizable Value	Cash Payments	Restructuring Liability or Valuation Reserves at June 30, 2001
Discontinued product lines	$3,484	$(1,632)	$ -	$1,852
Noncancelable lease obligations	1,194	-	(626)	568
Other	477	(29)	(293)	155
Total	$5,155	$(1,661)	$(919)	$2,575

8. In July 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 141, "Business Combination." SFAS No. 141 eliminates the pooling-of-interests method of accounting for business combinations and modifies the application of the purchase accounting method. The elimination of the pooling-of-interest method is effective for transactions initiated after June 30, 2001. The remaining provisions of SFAS No. 141 will be effective for transactions accounted for using the purchase method that are completed after June 30, 2001. The Company does not believe that the adoption of SFAS No. 141 will have a significant impact on its financial statements.

In July 2001, the FASB also issued SFAS No. 142 "Goodwill and Intangible Assets." SFAS No. 142 eliminates the current requirement to amortize goodwill and indefinite-lived intangible assets, addresses the amortization of intangible assets with a defined life and addresses the impairment testing and recognition for goodwill and intangible assets. SFAS No. 142 will apply to goodwill and intangible assets arising from transactions completed before and after the Statement's effective date. SFAS No. 142 is effective for fiscal 2002. The Company is currently assessing the Statement and has not yet made a determination of the impact that adoption of SFAS No. 142 will have on the consolidated financial statements.

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

Results of Operations

The following table presents the Company's consolidated financial results for the quarter and six months ended June 30, 2001 and 2000, expressed as a percent of revenue:

	Quarter Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
Revenue	100.0%	100.0%	100.0%	100.0%
Cost of sales	76.0	76.3	75.7	76.4
Gross profit	24.0	23.7	24.3	23.6
Selling, general and administrative expenses	17.4	17.4	19.5	18.8
Operating income	6.6	6.3	4.8	4.8
Interest expense, net	(0.7)	(0.9)	(0.9)	(1.0)
Income taxes	(2.2)	(2.0)	(1.5)	(1.4)
Net income	3.7%	3.4%	2.4%	2.4%

Data presented in the following narratives referring to "same-store basis" excludes the effects of locations opened and closed during the prior twelve months.

QUARTER ENDED JUNE 30, 2001 VS. QUARTER ENDED JUNE 30, 2000

Revenue for the three months ended June 30, 2001 decreased $19.1 million, or 5%, compared to the same period in 2000, and includes flat same-store sales in the Company's core residential and light-commercial air conditioning, heating and refrigeration ("HVAC") business (such business operations comprised 89% of second quarter sales). Revenue results for the quarter were primarily impacted by the closure of 35 locations, a 17% same-store sales decline in the manufactured housing operations and lower sales in the personnel staffing operations. During the quarter ended June 30, 2001, manufactured housing and personnel staffing operations represented 7% and 4% of revenue, respectively.

Gross profit for the three months ended June 30, 2001 decreased $3.2 million, or 4%, as compared to the same period in 2000, primarily as a result of the aforementioned revenue decrease. Gross profit margin in the second quarter increased to 24.0% in 2001 from 23.7% in 2000. The increase in gross profit margin is primarily attributable to improved pricing disciplines and improved vendor programs. On a same-store basis in the Company's core HVAC business, gross profit margin increased to 23.5% in 2001 from 23.3% in 2000.

Selling, general and administrative expenses for the three months ended June 30, 2001 decreased $3.1 million, or 5%, as compared to the same period in 2000. The decrease in selling, general and administrative expenses is primarily attributable to the closure of 35 locations. Selling, general and administrative expenses as a percent of revenue remained unchanged when compared to the same period in 2000. On a same-store basis in the Company's core HVAC business, selling, general and administrative expenses decreased $.7 million and, as a percent of revenue, decreased to 16.9% in 2001 from 17.0% in 2000.

Interest expense, net for the second quarter in 2001 decreased $.6 million, or 18%, compared to the same period in 2000, primarily due to lower average borrowings and lower interest rates during the quarter.

The effective tax rate for the second quarter declined to 37.0% from 37.2% following the implementation of certain tax planning strategies.

SIX MONTHS ENDED JUNE 30, 2001 VS. SIX MONTHS ENDED JUNE 30, 2000

Revenue for the six months ended June 30, 2001 decreased $27.9 million, or 4%, compared to the same period in 2000, and includes a 1% same-store sales increase in the Company's core HVAC business (such business operations comprised 89% of sales for the six months ended June 30, 2001). Revenue results for the six months ended June 30, 2001 were primarily impacted by the closure of 35 locations, a 22% same-store sales decline in the manufactured housing operations and lower sales in the personnel staffing operations. During the six months ended June 30, 2001, the Company's manufactured housing and personnel staffing operations represented 7% and 4% of revenue, respectively.

The Company believes that market share gains were achieved during the six months ended June 30, 2001 in its core HVAC business as the Company's 1% same-store sales growth compares favorably to a 5% decrease in industry-wide distributor shipments during the same period, according to data published by the Air Conditioning & Refrigeration Institute.

Gross profit for the six months ended June 30, 2001 decreased $2.5 million, or 2%, as compared to the same period in 2000, primarily as a result of the aforementioned revenue decrease. Gross profit margin for the six months ended June 30, 2001 increased to 24.3% in 2001 from 23.6% in 2000. The increase in gross profit margin is primarily attributable to improved pricing disciplines and improved vendor programs. On a same-store basis in the Company's core HVAC business, gross profit increased $3.7 million or 3%, with gross profit margin increasing to 23.9% in 2001 from 23.4% in 2000.

Selling, general and administrative expenses for the six months ended June 30, 2001 decreased $1.0 million, or 1%, as compared to the same period in 2000. The decrease in selling, general and administrative expenses is primarily attributable to the closure of 35 locations. Selling, general and administrative expenses as a percent of revenue increased to 19.5% in 2001 from 18.8% in 2000, primarily due to operating inefficiencies resulting from lower than expected sales volume. On a same-store basis in the Company's core HVAC business, selling, general and administrative expenses increased $3.6 million, and as a percent of revenue, increased to 19.0% in 2001 from 18.5% in 2000.

Interest expense, net for the six months ended June 30, 2001 decreased $0.9 million, or 14%, compared to the same period in 2000, primarily due to lower average borrowings and lower interest rates during the period.

The effective tax rate for the six months ended June 30, 2001 declined to 37.0% from 37.2% following the implementation of certain tax planning strategies.

Restructuring Activities

During the fourth quarter of 2000, the Company's Board of Directors approved plans adopted by certain business units of the Company to improve operating efficiency and profitability. Those initiatives eliminate certain underperforming locations, reduce market overlap, dispose of inventory related to discontinued product lines and eliminate other nonproductive SKUs. In connection with these restructuring activities, 25 locations closed during 2000 and 7 locations closed during 2001. The Company believes that the remaining restructuring liability and valuation reserves are adequate to complete all other restructuring activities by December 31, 2001.

Liquidity and Capital Resources

The Company maintains a bank-syndicated revolving credit agreement that provides for borrowings of up to $315.0 million, expiring on August 8, 2002. Borrowings under the unsecured agreement are used to fund seasonal working capital needs and for other general corporate purposes, including acquisitions. Borrowings under the agreement, which aggregated $117.9 million at June 30, 2001, bear interest at primarily LIBOR-based rates plus a spread that is dependent upon the Company's financial performance (LIBOR plus .6% at June 30, 2001). The revolving credit agreement contains customary affirmative and negative covenants including certain financial covenants with respect to the Company's consolidated net worth, interest and debt coverage ratios and limits capital expenditures and dividends in addition to other restrictions. The Company was in compliance with all covenants at June 30, 2001.

On January 31, 2000, the Company entered into a $125.0 million private placement shelf facility. The uncommitted loan facility provides the Company a source of long-term, fixed-rate financing as a complement to the variable rate borrowings available under its existing revolving credit facility. On February 7, 2001, the Company issued $30.0 million Senior Series A Notes ("Notes") bearing 7.07% interest under its private placement shelf facility. The Notes have an average life of 5 years with repayment in equal installments of $10.0 million beginning on April 9, 2005 until the final maturity on April 9, 2007. Interest is to be paid on a quarterly basis beginning on April 9, 2001. The Company used the net proceeds from the issuance of the Notes for the repayment of a portion of its outstanding indebtedness under its revolving credit facility.

The Company's Board of Directors has authorized the repurchase, at management's discretion, of up to 4.5 million shares of the Company's stock in the open market or via private transactions. Shares repurchased under the program are accounted for using the cost method and result in a reduction of shareholders' equity. During the six months ended June 30, 2001, the Company purchased 105,200 shares at a cost of $1.2 million. Cumulative under the program, the Company has purchased approximately 3.2 million shares at a cost of $33.1 million.

Working capital increased to $303.5 million at June 30, 2001 from $278.4 million at December 31, 2000 primarily due to the Company's seasonal build-up of inventory in preparation for the summer selling season. This increase was funded primarily by borrowings as described above.

Cash and cash equivalents increased $.7 million during the six month period ended June 30, 2001. Borrowings were the principal source of cash during the period. The principal uses of cash were for seasonal working capital needs, capital expenditures, common stock dividend payments and the Company's repurchase of its Common Stock. Due to the seasonal nature of the Company's business, outstanding borrowings typically peak during the first and second quarters as the Company finances inventory purchases in advance of the Company's highest sales periods, May through August.

The Company has adequate availability of capital from operations and its borrowings to fund present operations and anticipated growth, including expansion in its current and targeted market areas. The Company continually evaluates potential acquisitions and has held discussions with a number of acquisition candidates; however, the Company currently has no binding 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.

Quantitative and Qualitative Disclosures about Market Risk

The Company's primary market risk exposure consists of interest rate risk. The Company's objective in managing the exposure to interest rate changes is to limit the impact of interest rate changes on earnings and cash flows and to lower its overall borrowing costs. To achieve its objectives, the Company uses interest rate swaps to manage net exposure to interest rate changes to its borrowings. These swaps are entered into with a group of financial institutions with investment grade credit ratings, thereby minimizing the risk of credit loss. All items described below are non-trading.

At June 30, 2001, the Company had various interest rate swap agreements with an aggregate notional amount of $60.0 million to manage its net exposure to interest rate changes related to a portion of the borrowings under the revolving credit agreement. The interest rate swap agreements effectively convert a portion of the Company's LIBOR-based variable rate borrowings into fixed rate borrowings with a weighted average pay rate of 6.4%.

Effective January 1, 2001 the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 133, which established accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities. All derivatives, whether designated in hedging relationships or not, are required to be recorded on the balance sheet at fair value. If the derivative is designated as a fair value hedge, the changes in the fair value of the derivative and of the hedged item attributable to the hedged risk are recognized in earnings. If the derivative is designated as a cash flow hedge, the effective portions of changes in the fair value of the derivative are recorded in other comprehensive income ("OCI") and are recognized in the income statement when the hedged items affect earnings. Ineffective portions of changes in the fair value of cash flow hedges are recognized in earnings.

The adoption of SFAS No. 133 on January 1, 2001 resulted in a cumulative pre-tax reduction to OCI of $1.0 million ($.6 million after-tax). The Company also recorded a gain of $.4 million, net of income tax expense of $.2 million, and a loss of $.5 million, net of an income tax benefit of $.3 million, in OCI relating to the change in value of the cash flow hedges for the quarter and six months ended June 30, 2001, respectively.

Safe Harbor Statement

This quarterly report contains statements which, to the extent they are not historical fact, constitute "forward looking statements" under the securities laws, including statements regarding acquisitions, financing agreements and industry, demographic and other trends affecting the Company. All forward looking statements involve risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company to differ materially from those contemplated or projected, forecasted, estimated, budgeted, expressed or implied by or in such forward looking statements. The forward looking statements in this document are intended to be subject to the safe harbor protection provided under the securities laws.

The Company's shareholders should also be aware that while the Company does, at various times, communicate with securities analysts, it is against the Company's policies to disclose to such analysts any material non-public information or other confidential information. Accordingly, our shareholders should not assume that the Company agrees with all statements or reports issued by such analysts. To the extent statements or reports issued by analysts contain projections, forecasts or opinions by such analysts about our Company, such reports are not the responsibility of the Company.

For additional information identifying some other important factors which may affect the Company's operations and markets and could cause actual results to vary materially from those anticipated in the forward looking statements, see the Company's Securities and Exchange Commission filings, including but not limited to, the discussion included in the Business section of the Company's Form 10-K under the heading "Business Risk Factors".

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, 2000.

Item 2. Changes in Securities and Use of Proceeds

During the quarter ended June 30, 2001, the Company issued 50,000 shares of restricted Class B Common Stock to an executive officer. The Company believes this issuance was exempt from registration pursuant to the exemption provided by Section 4(2) of the Securities Act of 1933.

Item 3. Defaults upon Senior Securities

None

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

(a) The Company's 2001 Annual Meeting of Shareholders was held on June 4, 2001.

(b) The Company's management solicited proxies pursuant to Regulation 14 under the Securities Exchange Act of 1934. There was no solicitation in opposition to the management's nominees as listed in the proxy statement. The following nominees were elected as indicated in the proxy statement pursuant to the vote of the shareholders (the Common Stock director having been elected by holders of the Company's Common Stock voting as a single class and the Class B Common Stock directors having been elected by the Common Stock shareholders and the Class B Common Stock shareholders voting as a single class):

	Votes For	Votes Withheld
Common Stock Director		
Charles Walker	15,492,099	1,624,191
Class B Common Stock Directors		
David B. Fleeman	47,112,789	1,664,811
Bob L. Moss	47,113,239	1,664,361

Additionally, Messrs. Cesar L. Alvarez, J. Ira Harris, Paul F. Manley and Roberto Motta will continue to serve as directors of the Company.

(c) A proposal was voted upon at the Annual Meeting of Shareholders to ratify the action of the Board of Directors amending the Company's Amended and Restated Articles of Incorporation to increase the number of authorized shares of Common Stock, par value $.50 per share, of the Company to 60,000,000 and to increase the number of authorized shares of Class B Common Stock, par value $.50 per share, of the Company to 10,000,000 shares.

The vote of the Company's Common Stock and Class B Common Stock shareholders was as follows:

Common Stock	
For	11,637,741
Against	5,462,594
Withheld	15,956
Class B Common Stock	
For	31,402,340
Against	166,580
Withheld	92,390

(d) A proposal was voted upon to ratify the action of the Board of Directors adopting the Company's 2001 Incentive Compensation Plan.

The combined vote of the Company's Common Stock and Class B Common Stock shareholders was as follows:

For	35,016,083
Against	6,799,763
Withheld	94,695

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

3.1 Amended and Restated Articles of Incorporation of Watsco, Inc.

(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/ Barry S. Logan
Barry S. Logan
Vice President and Secretary
(Chief Financial Officer)

August 7, 2001

EXHIBIT INDEX

Exhibit No.	Description
3.1	Amended and Restated Articles of Incorporation of Watsco, Inc.

AMENDED AND RESTATED ARTICLES OF INCORPORATION

AMENDED AND RESTATED
ARTICLES OF INCORPORATION
OF
WATSCO, INC.

ARTICLE I

The name of the Corporation is Watsco, Inc.

ARTICLE II

The post office address of the principal office of this corporation in the State of Florida is 2665 S. Bayshore Drive, Suite 901, Coconut Grove, Florida 33133. The Board of Directors may from time to time move the office to any other place in or outside the State of Florida.

ARTICLE III

A. The aggregate number of shares of Capital Stock which the Corporation shall have the authority to issue is 70,000,000 shares, of which 60,000,000 shares, at the par value of $.50 per share, shall be designated as Common Stock and 10,000,000 shares, at the par value of $.50 per share, shall be designated as Class B Common Stock.

B. The Common Stock and the Class B Common Stock shall be identical in all respects and shall have equal rights and privileges, except as otherwise provided in this Article III.

(1) DIVIDENDS: Subject to sub-paragraph 2 below, whenever a dividend is paid to the shareholders of Class B Common Stock, the Corporation shall also pay to the holders of Common Stock a dividend per share at least equal to the dividend per share paid to the holders of the Class B Common Stock. The Corporation may pay dividends to the holders of Common Stock in excess of dividends paid (or without paying dividends) to holders of Class B Common Stock.

(2) STOCK DISTRIBUTIONS: If at any time a stock distribution is to be paid, such stock distribution may be declared and paid only as follows:

(a) So long as no shares of Common Stock have been issued or are outstanding, shares of Common Stock may be paid to holders of Class B Common Stock.

(b) Shares of Common Stock may be paid to holders of Common Stock and shares of Class B Common Stock may be paid to holders of Class B Common Stock.

(c) Whenever a stock distribution is paid, the same number of shares shall be paid with respect to each outstanding share of Common Stock or Class B Common Stock. The Corporation shall not combine or subdivide shares of either class without at the same time making an appropriate combination or subdivision of shares of the other class.

(3) VOTING: Voting power shall be divided between the Common Stock and Class B Common Stock as follows:

(a) With respect to the election of directors, holders of Common Stock, voting as a separate class, shall be entitled to elect that number of directors which constitute 25% of the authorized members of the Board of Directors and, if such 25% is not a whole number, the holders of such Common stock shall be entitled to elect the nearest higher whole number of directors that is at least 25% of such membership. Holders of Class B Common Stock, voting as a separate class, shall be entitled to elect the remaining directors.

(b) The holders of Common Stock shall be entitled to vote as a separate class on the removal, with or without cause, of any director elected by the holders of Common Stock and the holders of Class B Common Stock shall be entitled to vote as a separate class on the removal, with or without cause, of any director elected by the holders of Class B Common Stock.

(c) The holders of the Common Stock and the holders of the Class B Common Stock shall be entitled to vote as separate classes on such other matters as may be required by law or these Amended and Restated Articles of Incorporation to be submitted to such holders voting as separate classes.

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(d) Any vacancy in the office of a director elected by the holders of the Common Stock may be filled by a vote of such holders voting as a separate class and any vacancy in the office of a director elected by the holders of the Class B Common Stock may be filled by a vote of such holders acting as a separate class or, in the absence of a shareholder vote, in the case of a vacancy of a director elected by either class, such vacancy may be filled by the remaining directors as provided in the By-Laws. Any director elected by the Board of Directors to fill a vacancy shall serve until the next election of directors by shareholders and his or her successor has been elected and qualified.

(e) The holders of Common Stock and Class B Common Stock shall in all matters not specified in Sections (a), (b), (c) or (d) of this sub-paragraph 3 ("VOTING") vote together as a single class; provided that the holders of Common Stock shall have one (1) vote per share and the holders of Class B Common Stock shall have ten (10) votes per share.

(f) The Common Stock will not have the right to elect the directors set forth in paragraphs (a) and (d) above if, on the record date for any shareholder meeting at which directors are to be elected, the number of issued and outstanding shares of Common Stock is less than ten percent (10%) of the aggregate number of issued and outstanding shares of Common Stock and Class B Common Stock. In such cases, all directors to be elected at such meeting shall be elected by holders of Common Stock and Class B Common Stock voting together as a single class, provided that, with respect to said election, the holders of Common Stock will have one (1) vote per share and holders of Class B Common Stock, will have ten (10) votes per share.

(g) If, on the record date for any shareholder meeting at which directors are to be elected, the number of issued and outstanding shares of Class B Common Stock is less than 12-1/2% of the aggregate number of issued and outstanding shares of Common Stock and Class B Common Stock, then the holders of Common Stock shall continue to elect a number of Class A Directors equal to 25% of the total number of directors constituting the entire board of directors and, in addition, shall vote together with the holders of Class B Common Stock to elect the Class B Directors to be elected at such meeting, with the holders of Common Stock entitled to one (1) vote per share and the holders of Class B Common Stock entitled to ten (10) votes per share.

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(h) Notwithstanding anything in this sub- paragraph 3 ("VOTING") to the contrary, the holders of Common Stock shall have exclusive voting power on all matters at any time when no Class B Common Stock is issued and outstanding.

(4) CONVERSION: Each holder of record of Class B Common Stock may at any time or may from time to time, in such holders' sole discretion and at such holders' option, convert any whole number or all of such holders' Class B Common Stock into fully paid and non-assessable shares of Common Stock at the rate of one share of Common Stock for each share of Class B Common Stock surrendered for conversion. Any such conversion may be effected by any holder of Class B Common Stock surrendering such holder's certificate or certificates for the Class B Common Stock to be converted, duly endorsed, at the office of the Corporation or any transfer agent for the Class B Common Stock, together with written notice to the Corporation at such office that such holder elects to convert all or a specified number of Class B Common Stock and stating the name or names in which such holder desires the certificate or certificates for such Common Stock to be issued. Promptly thereafter, the Corporation shall issue and deliver to such holder or holder's nominee, a certificate or certificates for the number of shares of Common Stock to which such holder will be entitled as aforesaid. Such conversion shall be deemed to have been made at the close of business at date of such surrender and the person or persons entitled to receive the Common Stock issuable on such conversion shall be treated for all purposes as the record holder or holders of such Common Stock on that date.

No fractional shares of Common Stock shall be issued on conversion of any Class B Common Stock but, in lieu thereof, the Corporation shall pay in cash therefor the pro rata fair market value of any such fraction. Such fair market value shall be based, in the case of publicly traded securities, on the last sale price for such securities on the business day next prior to the date such fair market value is to be determined or, in the event no sale is made on that day, the average of the closing bid and ask prices for that day on the principal stock exchange on which the Common Stock is traded or, if the Common Stock is not then listed on a national securities exchange, the average of the closing bid and ask prices for the day quoted by the NASDAQ System or, if the Common Stock is not then quoted by the NASDAQ System, the fair market value on such day determined by a qualified independent appraiser who is expert in evaluating such property and appointed by the Board of Directors of the Corporation. Any such determination of fair market value shall be final and binding on the Corporation and on each holder of Common Stock or Class B Common Stock.

ARTICLE IV

This Corporation shall have perpetual existence.

ARTICLE V

The Corporation shall have not less than three directors and not more than nine to be divided, as nearly as possible, into three equal classes, Class A, Class B, and Class C to serve in staggered terms of office of three years apiece.

Therefore, approximately one-third of the members of the Board of Directors shall be elected every three years to serve for a term of three years until their successors are duly elected and qualified. Vacancies in the Board of Directors shall be filled by the majority of the directors remaining in office for the unexpired term of office created by the vacancy; provided, however, that vacancies created by an increase in the number of directors by the Board of Directors between annual stockholders meetings shall be filled by a majority of the directors remaining in office until the next annual meeting of stockholders.

ARTICLE VI

The Corporation reserves the right to amend or repeal any provision contained in these Amended and Restated Articles of Incorporation, and any right conferred upon the shareholders is subject to this reservation.

The By-Laws of the Corporation may be amended from time to time by either the shareholders or the directors, but the directors may not alter or amend any By-Law adopted by the shareholders.

Ownership of stock shall not be required to make any person eligible to hold office either as an officer or director of this Corporation.

The shareholders may, by By-Law provision or by shareholders' agreement, recorded in the minute book, impose such restrictions on the sale, transfer, or encumbrance of the stock of this Corporation as they may see fit.

Any subscriber or stockholder present at any meeting, either in person or by proxy, and any director present in person at any meeting of the Board of Directors shall conclusively be deemed to have received proper notice of such meeting unless he shall make objection at such meeting to any defect or insufficiency of notice.

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Any contract or other transaction between the Corporation and one or more of its directors, or between the Corporation and any firm of which one or more of its directors are members or employees, or in which they are interested, or between the Corporation and any corporation or association of which one or more of it directors are shareholders, members, directors, officers, or employees, or in which they are interested, shall be valid for all purposes, notwithstanding the presence of such director or directors at the meeting of the Board of Directors of the Corporation, which acts upon, or in reference to, such contract or transaction, and notwithstanding his or their participation in such action, if the fact of such interest shall be disclosed or known to the Board of Directors and the Board of Directors shall, nevertheless, authorize, approve and ratify such contract or transactions by a vote of a majority of the directors present, such interested director or directors to be counted in determining whether a quorum is present, but not to be counted in calculating the majority necessary to carry such vote. This section shall not be construed to invalidate any contract or other transaction which would otherwise be valid under the common and statutory law applicable thereto.

The Board of Directors is hereby specifically authorized to make provisions for reasonable compensation to its members for their services as directors, and to fix the basis and conditions upon which such compensation shall be paid. Any director of the Corporation may also serve the Corporation in any other capacity and receive compensation in any form.

ARTICLE VII

The Corporation shall indemnify any director, officer, or employee, or former director, officer or employee of the Corporation, or any person who may have served at its request as a director, officer or employee of another corporation in which it owns shares of capital stock, or of which it is a creditor, against expenses actually and necessarily incurred by him in connection with the defense of any action suit or proceeding in which he is made a party by reason of being or having been such director, officer or employee, except in relation to matters as to which he shall be adjudged in such action, suit or proceeding to be liable for negligence or misconduct in the performance of duty. The Corporation may also reimburse to any director, officer or employee the reasonable costs of settlement of any such action, suit or proceeding, if it shall be found by a majority of a committee composed of the directors not involved in the matter in controversy (whether or not a quorum) that it was to the interests of the corporation that such settlement be made and that such director, officer or employee was not guilty of negligence or misconduct. Such rights of indemnification and reimbursement shall not be deemed exclusive of any other rights to which such director, officer or employee may be entitled under any By-Law, agreement, vote of shareholders, or otherwise.

ARTICLE VIII

No shareholder of the Corporation shall have any right to purchase his pro rata share of any new issue of securities of any kind or class of the Corporation, sold by the Corporation.

WATSCO, INC.

/s/ Barry S. Logan

Barry S. Logan
Vice President - Finance and Secretary