AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JANUARY 15, 1997
REGISTRATION NO. 333-

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-3
REGISTRATION STATEMENT

UNDER
THE SECURITIES ACT OF 1933

WATSCO, INC.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

FLORIDA	59-0778222
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

2665 SOUTH BAYSHORE DRIVE
SUITE 901
COCONUT GROVE, FLORIDA 33133
(305) 858-0828
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER
INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

RONALD P. NEWMAN
CHIEF FINANCIAL OFFICER
WATSCO, INC.
2665 SOUTH BAYSHORE DRIVE
SUITE 901
COCONUT GROVE, FLORIDA 33133
(305) 858-0828
(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER
INCLUDING AREA CODE, OF AGENT FOR SERVICE)

COPIES OF COMMUNICATION TO:

BRUCE E. MACDONOUGH, ESQUIRE
GREENBERG, TRAURIG, HOFFMAN,
LIPOFF, ROSEN & QUENTEL, P.A.
1221 BRICKELL AVENUE
MIAMI, FLORIDA 33131
(305) 579-0500

E. WILLIAM BATES, II, ESQUIRE
KING & SPALDING
120 WEST 45TH STREET, 32ND FLOOR
NEW YORK, NEW YORK 10036
(212) 556-2100

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after this registration statement becomes effective.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box: [ ]

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest investment plans, check the following box: [ ]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: [ ]

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box: [ ]

CALCULATION OF REGISTRATION FEE

PROPOSED PROPOSED

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED(1)	MAXIMUM OFFERING PRICE PER SHARE(2)	MAXIMUM AGGREGATE OFFERING PRICE(1)(2)	AMOUNT OF REGISTRATION FEE
Common Stock, $.50 par value per share	3,450,000 shares	$25.88	$89,286,000	$30,789

(1) Includes 450,000 shares which the Underwriters may purchase pursuant to an over-allotment option.

(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c) under the Securities Act of 1933.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

SUBJECT TO COMPLETION, DATED JANUARY 15, 1997

3,000,000 SHARES

WATSCO, INC.

COMMON STOCK
(PAR VALUE $.50 PER SHARE)

All of the 3,000,000 shares of Common Stock offered hereby are being sold by the Company.

The Company has two classes of common stock: Common Stock and Class B Common Stock. The Common Stock is substantially identical to the Company's Class B Common Stock except with respect to voting power, with the Common Stock having one vote per share and the Class B Common Stock having ten votes per share. The holders of Common Stock are currently entitled to vote as a separate class to elect 25% of the Board of Directors.

The Common Stock and the Class B Common Stock are listed on the New York Stock Exchange and American Stock Exchange under the symbols "WSO" and "WSOB," respectively. On January 13, 1997, the last reported sale prices of the Common Stock and Class B Common Stock on the New York Stock Exchange and the American Stock Exchange were $25.875 and $25.50 per share, respectively.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	INITIAL PUBLIC OFFERING PRICE	UNDERWRITING DISCOUNT(1)	PROCEEDS TO COMPANY(2)
Per Share	$	$	$
Total(3)	$	$	$

(1) The Company has agreed to indemnify the several Underwriters against certain liabilities, including liabilities under the Securities Act of 1933. See "Underwriting."

(2) Before deducting estimated expenses of approximately $350,000 payable by the Company.

(3) The Company has granted the several Underwriters an option for 30 days to purchase up to an additional 450,000 shares at the initial public offering price per share, less the underwriting discount, solely to cover over-allotments. If such option is exercised in full, the total initial public offering price, underwriting discount and proceeds to Company will be $, $ and $, respectively. See "Underwriting."

The shares offered hereby are offered severally by the Underwriters, as specified herein, subject to receipt and acceptance by them and subject to their right to reject any order in whole or in part. It is expected that certificates for the shares will be ready for delivery in New York, New York, on or about , 1997.

GOLDMAN, SACHS & CO.

PRUDENTIAL SECURITIES INCORPORATED

SMITH BARNEY INC.

ROBERT W. BAIRD & CO.
INCORPORATED

The date of this Prospectus is   , 1997.

WATSCO Map of the United States color coded for air conditioning usage (in hours) per year according to Consumer Reports and the Company's distribution locations and the distribution locations of the Proposed Acquisitions.

AIR CONDITIONING
USAGE HOURS/YEAR

/box/ 0 - 500
/box/ 500 - 1000
/box/ 1000 - 1500
/box/ 1500 - 2000
SOURCE: CONSUMER REPORTS

/circle/ 101 WATSCO DISTRIBUTION CENTERS

/circle/ 33 ADDITIONAL BRANCHES PENDING
COMPLETION OF ANNOUNCED AQUISITIONS

This Prospectus contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including statements regarding, among other items, (i) the Company's business and acquisition strategies, (ii) potential acquisitions by the Company, (iii) the use of the proceeds of the offering, (iv) the Company's financing plans, and (v) industry, demographic and other trends affecting the Company's financial condition or results of operations. These forward-looking statements are based largely on the Company's expectations and are subject to a number of risks and uncertainties, certain of which are beyond the Company's control. Actual results could differ materially from these forward-looking statements as a result of the factors described in this Prospectus, including general economic conditions, prevailing interest rates, competitive factors and the ability of the Company to continue to implement its acquisition strategy. In light of these risks and uncertainties, there can be no assurance that the forward-looking information contained in this Prospectus will in fact transpire. See "Prospectus Summary," "Business--Business and Acquisition Strategy" and "--Proposed Acquisitions," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Use of Proceeds."

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE COMMON STOCK AND/OR CLASS B COMMON STOCK AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED ON THE NEW YORK STOCK EXCHANGE, THE AMERICAN STOCK EXCHANGE OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

PROSPECTUS SUMMARY

THE FOLLOWING SUMMARY IS QUALIFIED IN ITS ENTIRETY BY THE MORE DETAILED INFORMATION AND FINANCIAL STATEMENTS AND RELATED NOTES APPEARING OR INCORPORATED BY REFERENCE ELSEWHERE IN THIS PROSPECTUS. UNLESS OTHERWISE INDICATED, THE INFORMATION APPEARING IN THIS PROSPECTUS (I) HAS BEEN ADJUSTED TO REFLECT THREE-FOR-TWO STOCK SPLITS EFFECTED IN MAY 1995 AND JUNE 1996, AND (II) ASSUMES THAT THE UNDERWRITERS' OVER-ALLOTMENT OPTION WILL NOT BE EXERCISED.

THE COMPANY

Watsco, Inc. ("Watsco" or the "Company") is the largest distributor of residential central air conditioners in the United States, with leading positions in Florida, Texas and California, the three largest air conditioning markets in the country, as well as other large markets in the U.S. sunbelt. In 1989, the Company embarked on a strategy of establishing a network of distribution facilities across the sunbelt where U.S. population growth is greatest, weather patterns are predictably hot and air conditioning is seen as a necessity. Since initiating this strategy, the Company's revenues have increased from $25 million in 1988 to $331 million in 1995 and earnings per share have increased at a compound annual growth rate of 22%. Total revenues and earnings per share for the nine months ended September 30, 1996 increased 29% and 33%, respectively, over the comparable period in 1995. Since 1989, Watsco has acquired 11 air conditioning distributors and believes it is the only company pursuing a consolidation strategy by making significant acquisitions in the highly fragmented air conditioning distribution industry. The Company estimates there are approximately 600 air conditioning distributors in the sunbelt. All of the Company's significant acquisitions have to date been accretive to earnings per share. In addition, the Company achieved internal sales growth of 8% and 9% for 1995 and the nine months ended September 30, 1996, respectively.

The Company estimates that the market for residential central air conditioners and related supplies in the sunbelt was over $7 billion in 1995 and has grown at an annual rate of 6.3% since 1990. The replacement market has increased substantially in size over the past ten years, surpassing the homebuilding market in significance as a result of the aging of the installed base of residential central air conditioners, the introduction of new energy efficient models and the upgrading of existing homes to central air conditioning. According to the Air Conditioning and Refrigeration Institute ("ARI"), over 66 million central air conditioner units have been installed in the United States since 1975. Management believes that approximately 60% of these units were installed in the sunbelt. Many of the units installed from the mid-1970s to the mid-1980s are reaching the end of their useful lives, thus providing a growing replacement market. The Company also sells to the homebuilding market and is well positioned to benefit from increases in housing starts.

The Company focuses on satisfying the needs of the higher margin replacement market, where customers generally demand immediate, convenient and reliable service. The Company believes that its size and financial resources allow it to provide superior customer service by offering a complete product line of equipment, parts and supplies, well-stocked inventories and multiple warehouse locations in metropolitan markets. The Company sells its products from 101 branch warehouses to over 28,000 air conditioning and heating contractors and dealers. The Company also produces over 4,000 electronic and mechanical components for air conditioning, heating and refrigeration equipment that are sold to over 5,000 wholesale distributors and original equipment manufacturers ("OEMs").

The Company's consolidation strategy has resulted in a number of completed and proposed acquisitions in recent periods. In 1995, Watsco acquired four distributors which reported aggregate prior year revenues of approximately $47 million. In 1996, Watsco acquired three distributors, which reported aggregate prior year revenues of approximately $66 million. The Company recently entered into letters of intent for proposed acquisitions (the "Proposed Acquisitions") with Inter-City Products Corporation (USA) ("Inter-City") and Carrier Corporation ("Carrier"). In November 1996, the Company announced that it had entered into a letter of intent with Inter-City to acquire 25 factory distribution branches that are located primarily in southeast markets and expected to report aggregate 1996 revenues of approximately $93 million. In December 1996, the Company announced that it had entered into a letter of intent with Carrier to acquire the net assets and business of two distribution operations with eight branches that are located in midwest markets and are expected to report aggregate 1996 revenues of approximately $65 million. The Proposed Acquisitions are subject to various conditions, including the negotiation of definitive asset purchase agreements. Accordingly, there can be no assurance that either of such Proposed Acquisitions will be consummated. The Proposed Acquisitions are not contingent upon the completion of this offering. For additional information regarding the Proposed Acquisitions, see "Business--Proposed Acquisitions."

The Company also owns Dunhill Staffing Systems, Inc. ("Dunhill"), a well-known provider of permanent and temporary personnel services to business, professional and service organizations, government agencies, health care providers, and other employers. As of December 31, 1996, Dunhill had 135 franchisees and licensees and 14 Company-owned offices in 40 states, Puerto Rico and Canada and accounted in the nine months ended September 30, 1996 for approximately 8% of the Company's revenues.

The Company's principal executive offices are located at 2665 South Bayshore Drive, Suite 901, Coconut Grove, Florida 33133 and its telephone is (305) 858-0828. Unless the context otherwise requires, the terms "Watsco" and the "Company" as used in this Prospectus refer to Watsco, Inc. and its subsidiaries.

DEPENDENCE ON KEY SUPPLIER

The Company's primary source for air conditioners is Rheem Manufacturing Company ("Rheem"), the third largest manufacturer of residential central air conditioners in the United States. Because approximately 58% of the aggregate purchases of the Company's distribution subsidiaries for the nine months ended September 30, 1996 are manufactured by Rheem, the Company is presently dependent on the acceptance of Rheem products. However, the Company believes that if Rheem products are not available, it will be able to sell other manufacturers' products. In addition, management believes that consummation of the Proposed Acquisitions with Inter-City and Carrier will decrease the Company's dependence on Rheem. See "Business--Distribution Operations" and "Relationship with Rheem Manufacturing Company."

CONTROL BY PRINCIPAL SHAREHOLDER

Upon the completion of this offering, Albert H. Nahmad, the Company's Chairman and President, and a limited partnership controlled by him, collectively will retain beneficial ownership of approximately 3% of the Common Stock and 69% of the Class B Common Stock and will have approximately 40% of the combined voting power of the outstanding Common Stock and Class B Common Stock. As a result, Mr. Nahmad will continue to have the voting power to elect all but three members of the Company's nine-person Board of Directors. See "Management."

THE OFFERING

Common Stock offered	3,000,000 shares
Common Stock to be outstanding after the Offering(1):	
Common Stock	14,860,630 shares
Class B Common Stock	2,179,699 shares
Total	17,040,329 shares
Use of proceeds	To fund acquisitions and repay indebtedness.
Common Stock--New York Stock Exchange Symbol	WSO

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(1) Excludes 850,821 shares of Common Stock and 652,212 shares of Class B Common Stock subject to outstanding options as of January 7, 1997.

SUMMARY FINANCIAL INFORMATION
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	YEAR ENDED DECEMBER 31,					NINE MONTHS ENDED SEPTEMBER 30,	
	1991	1992	1993	1994	1995	1995	1996
INCOME STATEMENT DATA:							
Total revenues	$169,318	$194,633	$230,656	$283,731	$331,008	$250,190	$321,624
Gross profit(1)	40,906	45,559	51,930	63,212	73,298	56,547	72,182
Operating income	8,576	9,930	11,390	15,043	18,010	15,527	19,700
Net income	1,990	2,918	5,041(2)	5,762	7,250	6,033	10,564
Earnings per share: ..							
Primary	$.33	$.47	$.56(2)	$.59	$.72	$.61	$.78
Fully diluted(3)	.32	.42	.54(2)	.58	.69	.58	.77
Supplemental earnings per share:							
Primary			$.48(2)				
Fully diluted(3)			.47(2)				
Weighted average shares outstanding:							
Primary	5,981	6,239	8,803	9,489	9,873	9,762	13,363
Fully diluted(3)	7,393	7,637	9,509	9,969	10,456	10,395	13,759

	SEPTEMBER 30, 1996	
	ACTUAL	AS ADJUSTED(4)
BALANCE SHEET DATA:		
Total assets	$205,890	$250,690
Long-term obligations	50,888	22,288
Shareholders' equity	115,672	189,072

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(1) Total revenues less cost of sales and direct service expenses.

(2) Historical net income and earnings per share information includes the effect of a non-recurring receipt of insurance proceeds, which increased net income by $706,000. Supplemental earnings per share excluding this item was $.48 and $.47 for primary and fully diluted earnings per share, respectively.

(3) Calculated assuming conversion of the Company's convertible debentures that were outstanding prior to September 1996.

(4) Adjusted to give effect to the sale by the Company of the 3,000,000 shares of Common Stock offered hereby at an estimated initial public offering price of $25.875 per share, after deducting the estimated underwriting discount and expenses of the offering and applying the estimated net proceeds therefrom. See "Use of Proceeds" and "Capitalization."

USE OF PROCEEDS

The net proceeds from the sale of the 3,000,000 shares of Common Stock offered by the Company are estimated to be approximately $73.4 million ($84.5 million if the Underwriters' over-allotment option is exercised in full) at an estimated initial public offering price of $25.875 per share and after deducting the estimated underwriting discount and expenses of the offering. The Company anticipates using the net proceeds to fund the Proposed Acquisitions and repay a portion of the Company's outstanding borrowings under its revolving credit facility.

The Company intends to use approximately $44.8 million of the net proceeds of this offering to fund its contemplated purchases of additional wholesale distribution facilities from Carrier and Inter-City. See "Business--Proposed Acquisitions." Neither of such Proposed Acquisitions is contingent upon the completion of this offering.

The approximately $28.6 million of remaining net proceeds of this offering will be used to repay borrowings outstanding under the Company's revolving credit agreement. Such borrowings bear interest at primarily LIBOR-based rates plus a spread that is dependent upon the Company's financial performance (30-day LIBOR plus .375% at December 31, 1996) and mature September 2001. At December 31, 1996, the Company had approximately $48 million of outstanding borrowings under its revolving credit agreement.

If either or both of such Proposed Acquisitions are not consummated, the Company anticipates using the remaining proceeds to repay any remaining amounts of outstanding borrowings under its revolving credit agreement and for working capital and other general corporate purposes, including other possible acquisitions.

The Company continually evaluates potential acquisitions and has had discussions with a number of potential acquisition candidates; however, the Company has no agreement with respect to any potential acquisition other than the letters of intent with respect to the Proposed Acquisitions from Carrier and Inter-City. Should suitable acquisitions or working capital needs arise that would require additional financing, the Company believes that its financial position and earnings history should permit it to obtain additional financing at competitive rates and terms. Pending application of the net proceeds as described above, the Company intends to invest the net proceeds in short-term investment grade or U.S. government interest bearing securities.

CAPITALIZATION

The following table sets forth the total capitalization of the Company as of September 30, 1996 and as adjusted to give effect to the sale of the 3,000,000 shares of Common Stock offered hereby by the Company at an assumed initial offering price of $25.875 per share, after deducting the estimated underwriting discount and expenses of the offering and applying the estimated net proceeds therefrom as set forth in "Use of Proceeds," including the assumed consummation of the Proposed Acquisitions as of September 30, 1996.

	SEPTEMBER 30, 1996	
	ACTUAL	AS ADJUSTED
	(IN THOUSANDS)	
Long-term obligations:		
Borrowings under revolving credit agreement	$ 49,000	$ 20,400
Bank and other debt	1,888	1,888
Total long-term obligations	50,888	22,288
Shareholders' equity(1):		
Common Stock, $.50 par value, 40,000,000 shares authorized; 11,546,848 issued and outstanding; 14,546,848 issued and outstanding as adjusted	5,773	7,273
Class B Common Stock, $.50 par value, 4,000,000 shares authorized; 2,351,025 issued and outstanding	1,176	1,176
Paid-in capital	69,930	141,830
Retained earnings	38,793	38,793
Total shareholders' equity	115,672	189,072
Total capitalization	$166,560	$211,360

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(1) Does not include 828,721 shares of Common Stock and 652,212 shares of Class B Common Stock issuable upon the exercise of outstanding stock options.

PRICE RANGE OF COMMON STOCK

The Company's Common Stock is listed on the New York Stock Exchange under the symbol "WSO." The Company's Class B Common Stock is listed on the American Stock Exchange under the symbol "WSOB."

The following table sets forth the high and low sale prices of the Common Stock and the Class B Common Stock as reported by the New York Stock Exchange and the American Stock Exchange, respectively. Stock prices have been adjusted for the three-for-two stock splits effected by the Company in May 1995 and June 1996 and are rounded to the nearest eighth.

	COMMON STOCK		CLASS B COMMON STOCK	
	HIGH	LOW	HIGH	LOW
1995				
First Quarter	$ 8	$ 7	$ 7 3/4	$ 7
Second Quarter	9 1/8	7 7/8	9	7 3/4
Third Quarter	11 5/8	8 7/8	11 1/8	9
Fourth Quarter	11 7/8	10 7/8	11 5/8	10 5/8
1996				
First Quarter	17 3/8	11 1/4	16 7/8	11
Second Quarter	21	17 1/8	20 1/4	17 7/8
Third Quarter	22 1/4	16 1/8	21 7/8	15 3/4
Fourth Quarter	29 1/8	18 3/8	29 1/2	18 7/8
1997				
First Quarter (through January 13, 1997)	29	25 3/4	28 5/8	25 1/2

On January 13, 1997, the last reported sale prices for each of the Common Stock and the Class B Common Stock on the New York Stock Exchange and the American Stock Exchange were $25.875 and $25.50 per share, respectively.

SELECTED FINANCIAL DATA
(IN THOUSANDS, EXCEPT PER SHARE DATA)

The following selected financial data as of and for each of the years ended December 31, 1991 through 1995 have been derived from the Company's Consolidated Financial Statements, which have been audited by Arthur Andersen LLP, independent certified public accountants. The selected financial data as of September 30, 1996 and for the nine months ended September 30, 1995 and 1996 have been derived from the unaudited consolidated financial statements of the Company. In the Company's opinion, such consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the financial position and results of operations for such periods. The results of operations for the nine months ended September 30, 1996 are not necessarily indicative of results that may be expected for the full year. The selected financial data should be read in conjunction with the Company's Consolidated Financial Statements and the notes thereto incorporated in this Prospectus by reference, as well as "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this Prospectus.

	YEAR ENDED DECEMBER 31,					NINE MONTHS ENDED SEPTEMBER 30,	
	1991	1992	1993	1994	1995	1995	1996
INCOME STATEMENT DATA:							
Total revenues	$169,318	$194,633	$230,656	$283,731	$331,008	$250,190	$321,624
Gross profit(1)	40,906	45,559	51,930	63,212	73,298	56,547	72,182
Operating income	8,576	9,930	11,390	15,043	18,010	15,527	19,700
Interest expense	(4,059)	(3,197)	(2,756)	(3,155)	(4,221)	(3,064)	(2,966)
Insurance proceeds	--	--	1,130	--	--	--	--
Income taxes	(1,973)	(2,746)	(3,819)	(4,630)	(5,234)	(4,867)	(6,601)
Minority interests(2)	(1,010)	(1,470)	(1,287)	(1,636)	(1,586)	(1,744)	(116)
Net income	1,990	2,918	5,041 (3)	5,762	7,250	6,033	10,564
Earnings per share:							
Primary	$.33	$.47	$.56 (3)	$.59	$.72	$.61	$.78
Fully diluted(4)	.32	.42	.54 (3)	.58	.69	.58	.77
Weighted average shares .... outstanding:							
Primary	5,981	6,239	8,803	9,489	9,873	9,762	13,363
Fully diluted(4)	7,393	7,637	9,509	9,969	10,456	10,395	13,759
Cash dividends declared per share:							
Common Stock	$.15	$.10	$.11	$.11	$.13	$.09	$.10
Class B Common Stock	.13	.10	.11	.11	.13	.09	.10

	DECEMBER 31,					SEPTEMBER 30,
	1991	1992	1993	1994	1995	1996
BALANCE SHEET DATA:						
Working capital	$23,763	$27,800	$ 39,262	$ 40,095	$ 41,169	$127,751
Total assets	81,767	81,138	109,685	119,664	144,884	205,890
Long-term obligations	14,830	13,539	7,848	6,724	6,318	50,888
Minority interests ...	7,373	8,229	11,553	11,857	12,622	--
Shareholders' equity .	20,832	25,272	41,754	46,816	53,756	115,672

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(1) Total revenues less cost of sales and direct service expenses.

(2) Represents the pro rata share of earnings allocated to Rheem as a result of its 20% ownership interests in Gemaire and Comfort Supply and 50% common equity ownership interest (49.5% prior to January 1, 1992) in Heating & Cooling Supply, Inc. Effective March 1996, the Company acquired these minority interests in exchange for 1,446,542 shares of Common Stock.

(3) Includes the effect of a non-recurring receipt of insurance proceeds, which increased net income by $706,000. Excluding this item, primary and fully diluted earnings per share would have been $.49 and $.47, respectively.

(4) Calculated assuming conversion of the Company's convertible debentures that were outstanding prior to September 1996.

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

GENERAL

From its inception through 1988, Watsco was primarily a manufacturer of replacement parts for air conditioning, heating and refrigeration equipment. Since that time, the Company has significantly increased its size and market presence in the climate control industry through a number of acquisitions.

In January 1989, the Company and Rheem acquired 80% and 20%, respectively, of the capital stock of Gemaire Distributors, Inc. ("Gemaire"), a distributor of residential central air conditioners in Florida, for an aggregate purchase price of approximately $17.1 million. In October 1990, the Company and Rheem each acquired 50% of the common stock of Heating & Cooling Supply, Inc. ("Heating & Cooling"), a distributor of residential central air conditioners in southern California and Arizona, for an aggregate purchase price of approximately $31.5 million. In April 1993, the Company and Rheem acquired 80% and 20%, respectively, of the capital stock of Comfort Supply, Inc. ("Comfort Supply"), a distributor of residential central air conditioners in Texas, for an aggregate purchase price of approximately $4.0 million.

In March 1995, Gemaire purchased the operating assets and assumed certain liabilities of H.B. Adams, Inc., a wholesale distributor of air conditioning, heating and refrigeration products located in Tampa, Florida, for approximately $7.8 million. In October 1995, the Company purchased the operating assets and assumed certain liabilities of Central Air Conditioning Distributors, Inc. ("Central Air Conditioning"), a North Carolina-based distributor of air conditioning, heating and refrigeration products, for approximately $9.0 million.

In April 1996, the Company purchased the operating assets and assumed certain liabilities of Three States Supply Co., Inc. ("Three States"), a Tennessee-based wholesale distributor of air conditioning, heating and building supplies, for approximately $14 million. Other smaller acquisitions have been made over the past three years to gain market share and to enter into new market areas, including the Company's 1996 acquisitions of the capital stock of Serviceman Supplies, Inc. ("Serviceman") and Coastal Supply Company, Inc. ("Coastal"). See "Business--Business and Acquisition Strategy." In addition, in March 1996, the Company acquired Rheem's minority common equity interests in Gemaire, Heating & Cooling and Comfort Supply in exchange for 1,446,542 shares of Common Stock.

The Company's acquisitions have been accounted for under the purchase method of accounting and, accordingly, the result of their operations have been included in the Company's consolidated results beginning on their respective dates of acquisition. As a result of the significant impact of the Company's acquisitions, the Company's results of operations are not necessarily comparable on a period-to-period basis.

The Company operates principally in two industry segments: the climate control segment and the personnel services segment. The climate control segment includes the Company's distribution and manufacturing subsidiaries.

RESULTS OF OPERATIONS

The following table presents certain items of the Company's Consolidated Financial Statements for the years ended December 31, 1994 and 1995 and for the nine months ended September 30, 1995 and 1996, expressed as a percentage of total revenues:

	YEAR ENDED DECEMBER 31,		NINE MONTHS ENDED SEPTEMBER 30,	
	1994	1995	1995	1996
Total revenues	100.0%	100.0%	100.0%	100.0%
Cost of sales and direct service expenses	77.7	77.9	77.4	77.6
Gross profit	22.3	22.1	22.6	22.4
Selling, general and administrative expenses	17.0	16.7	16.4	16.3
Operating income	5.3	5.4	6.2	6.1
Investment income, net	--	.1	.1	.2
Interest expense	1.1	1.2	1.2	.9
Income taxes	1.6	1.6	2.0	2.1
Minority interests	.6	.5	.7	--
Net income	2.0%	2.2%	2.4%	3.3%

COMPARISON OF NINE MONTHS ENDED SEPTEMBER 30, 1996 WITH NINE MONTHS ENDED SEPTEMBER 30, 1995

Revenues for the nine months ended September 30, 1996 increased $71.4 million, or 29%, compared to the same period in 1995. In the climate control segment, revenues increased $70.4 million, or 31%. Excluding the effect of acquisitions, revenues for the climate control segment increased $20.6 million, or 9%. Such increase was primarily due to strong replacement sales and increased homebuilding activity.

Gross profit for the nine months ended September 30, 1996 increased $15.6 million, or 28%, compared to the same period in 1995. Excluding the effect of acquisitions, gross profit increased $2.9 million, or 5%, primarily as a result of the aforementioned revenue increases. Gross profit margin for the nine-month period decreased to 22.4% in 1996 from 22.6% in 1995 and, excluding the effect of acquisitions, decreased to 21.9% in 1996 from 22.6% in 1995. These margin decreases were primarily due to certain vendor price increases in late 1995, which the Company did not begin passing on to customers until late in the first quarter of 1996, and additional price increases in mid-1996, which were not fully passed on to customers in the second and third quarters.

Selling, general and administrative expenses for the nine months ended September 30, 1996 increased $11.5 million, or 28%, 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 $2.9 million, or 7%, primarily due to sales volume increases. Selling, general and administrative expenses as a percent of revenues decreased to 16.3% in 1996 from 16.4% in 1995 and, excluding the effect of acquisitions, decreased to 16.2% in 1996 from 16.4% in 1995. These decreases were primarily the result of a larger revenue base over which to spread fixed costs.

Interest expense for the nine months ended September 30, 1996 decreased $98,000, or 3%, compared to the same period in 1995 and, excluding the effect of acquisitions, decreased $616,000, or 20%. These decreases were primarily due to lower average interest rates on borrowings.

Minority interest expense for the nine months ended September 30, 1996 decreased $1.6 million compared to the same period in 1995. This decrease was due to the Company's acquisition of minority common equity interests in its distribution subsidiaries in March 1996.

The effective tax rate for the nine months ended September 30, 1996 was 38.2% compared to 38.5% for the same period in 1995. The decrease was primarily the result of tax planning strategies which were implemented during 1996.

COMPARISON OF YEAR ENDED DECEMBER 31, 1995 WITH YEAR ENDED DECEMBER 31, 1994

Revenues in 1995 increased $47.3 million, or 17%, over 1994. The distribution subsidiaries' revenues increased $46.4 million, or 20%. Excluding the effect of acquisitions, revenues for the distribution subsidiaries increased $18.8 million, or 8%. This increase in sales was mainly due to increased sales of replacement air conditioners in Florida and Texas. Revenues in the Company's manufacturing operations decreased $874,000, or 4%, primarily due to lower sales to OEMs caused by higher levels of inventory held by distributors during the year. Revenues in the personnel services operations increased $1.8 million, or 6%, reflecting higher demand for temporary help services and greater customer acceptance of new product offerings such as professional staffing and technical temporaries.

Gross profit in 1995 increased $10.1 million, or 16%, over the prior year. Excluding the effect of acquisitions, gross profit increased $3.7 million, or 6%, primarily as a result of the increase in revenues described above. Gross profit margin decreased from 22.3% in 1994 to 22.1% in 1995 with acquisitions having no impact on gross profit margin. These decreases were primarily due to the increased sale of lower margin products by the distribution subsidiaries and new product start-up costs in the manufacturing operations.

Selling, general and administrative expenses in 1995 increased $7.1 million, or 15%, over 1994 primarily due to selling and delivery costs related to increased sales. Excluding the effect of acquisitions, selling, general and administrative expenses increased $2.5 million, or 5%, also due to revenue increases. Selling, general and administrative expenses as a percent of revenues decreased to 16.7% in 1995 from 17.0% in 1994, with 1995 acquisitions having no effect on such percentage. This decrease was the result of a larger revenue base over which to spread fixed costs.

Interest expense in 1995 increased $1.1 million, or 34%, over 1994 due to higher interest rates and additional borrowings used to finance acquisitions and increased inventory levels required by sales growth and stocking requirements in new branch locations. Excluding the effects of acquisitions, interest expense increased $471,000, or 15%, primarily due to higher average monthly borrowings and higher interest rates.

The effective income tax rate decreased to 37.2% in 1995 compared to 38.5% in the prior year. The decrease was primarily the result of the proportionately larger share of taxable income generated in lower tax rate states in 1995 compared to 1994.

LIQUIDITY AND CAPITAL RESOURCES

On September 25, 1996, the Company executed a bank-syndicated revolving credit agreement, which provides for borrowings of up to $130 million, expiring on September 30, 2001. The unsecured agreement replaced the Company's previous revolving credit facilities and will be used to fund acquisitions and seasonal working capital needs and for other general corporate purposes. Borrowings under the revolving credit agreement, which totaled $48 million at December 31, 1996, bear interest at primarily LIBOR-based rates plus a spread that is dependent upon the Company's financial performance (30-day LIBOR plus .375% at December 31, 1996). The revolving credit agreement contains 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 has adequate availability of capital from operations and its revolving credit agreement to fund present operations, the Proposed Acquisitions and anticipated growth, including expansion in the Company's 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 agreement with respect to any potential acquisition other than the Proposed Acquisitions. See "Business--Proposed Acquisitions." 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.

Working capital increased to $127.8 million at September 30, 1996 from $81.4 million at December 31, 1995. In March 1996, the Company completed a public offering of 2,355,000 shares of Common Stock that yielded net proceeds of $32.6 million. In April 1996, the Company used approximately $14.0 million of the net proceeds to fund the acquisition of Three States, 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. In September 1996, the Company used approximately $15.7 million of the remaining proceeds from the offering to reduce borrowings under the Company's previous revolving credit agreements.

Cash and cash equivalents increased $858,000 for the nine-month period ended September 30, 1996. Principal sources of cash were net proceeds from the issuance of common stock, borrowings under the revolving credit agreements and profitable operations. The principal uses of cash were to fund working capital needs, acquire Three States, repay long-term obligations and fund capital expenditures. Inventory purchases are substantially funded by borrowings under revolving credit agreements. The increase in inventory in 1996 was higher than 1995 primarily due to higher levels of inventory carried by the distribution operations necessary to meet increased demand caused by growth.

SEASONALITY

Sales of residential central air conditioners, heating equipment and parts and supplies manufactured and distributed by the Company have historically been seasonal. Demand related to the residential replacement market generally is highest in the second and third quarters. Demand related to the new construction market varies according to the season, with increased demand generally from March through October.

BUSINESS

GENERAL

The Company is the largest distributor of residential central air conditioners in the United States, with leading positions in Florida, Texas and California, the three largest air conditioning markets in the country, as well as other large markets in the U.S. sunbelt. In 1989, the Company embarked on a strategy of establishing a network of distribution facilities across the sunbelt where U.S. population growth is greatest, weather patterns are predictably hot and air conditioning is seen as a necessity. Since initiating this strategy, the Company's revenues have increased from $25 million in 1988 to approximately $331 million in 1995 and earnings per share have increased at a compound annual growth rate of 22%. Total revenues and earnings per share for the nine months ended September 30, 1996 increased 29% and 33%, respectively, over the comparable period in 1995. Since 1989, Watsco has acquired 11 air conditioning distributors and believes it is the only company pursuing a consolidation strategy by making significant acquisitions in the highly fragmented air conditioning distribution industry. The Company estimates there are 600 air conditioner distributors in the sunbelt. All of the Company's significant acquisitions have to date been accretive to earnings per share. In addition, the Company achieved internal sales growth of 8% and 9% for 1995 and the nine months ended September 30, 1996, respectively.

The following table sets forth for the periods indicated revenues and operating income (net income before interest expense, net investment income, insurance proceeds and unallocated corporate overhead expenses) attributable to the Company's businesses (in thousands):

	YEARS ENDED DECEMBER 31,			NINE MONTHS ENDED SEPTEMBER 30,	
	1993	1994	1995	1995	1996
REVENUES:					
Climate control segment:					
Distribution	$181,524	$229,796	$276,176	$209,160	$277,541
Manufacturing	21,543	23,637	22,763	17,448	19,484
Total climate control segment	203,067	253,433	298,939	226,608	297,025
Personnel services segment	27,589	30,298	32,069	23,582	24,599
Total	$230,656	$283,731	$331,008	$250,190	$321,624
OPERATING INCOME:					
Climate control segment:					
Distribution	$ 11,643	$ 14,694	$ 17,154	$ 15,233	$ 20,157
Manufacturing	946	1,707	1,247	1,040	1,416
Total climate control segment	12,589	16,401	18,401	16,273	21,573
Personnel services segment	422	1,216	1,370	882	1,018
Total	$ 13,011	$ 17,617	$ 19,771	$ 17,155	$ 22,591

RESIDENTIAL CENTRAL AIR CONDITIONING INDUSTRY

The Company estimates that in 1995 the market for residential central air conditioners and related supplies in the sunbelt was over $7 billion and has grown at an annual rate of 6.3% since 1990. Residential central air conditioners are manufactured primarily by seven major companies that account for substantially all units shipped in the U.S. These companies are: Carrier Corporation (a subsidiary of United Technologies Corporation), Goodman Manufacturing Corporation, Rheem Manufacturing Company, The Trane Company (a subsidiary of American Standard Companies Inc.), York Air Conditioning & Refrigeration, Inc., Inter-City Products Corporation and Lennox Industries, Inc.

The major manufacturers distribute their products primarily through independent distributors who in turn supply the equipment and related parts and supplies to contractors and dealers nationwide who sell to, and install the products for, the consumer. Several of the major manufacturers distribute a significant portion of their products through factory-owned distribution organizations. Rheem distributes substantially all of its central air conditioners through independent distributors.

Residential central air conditioners are sold to the replacement and the homebuilding markets. The replacement market has increased substantially in size over the past ten years, surpassing the homebuilding market in significance as a result of the aging of the installed base of residential central air conditioners, the introduction of new energy efficient models and the upgrading of existing homes to central air conditioning. According to the ARI, over 66 million central air conditioners have been installed in the United States since 1975. Management believes that approximately 60% of these units were installed in the sunbelt. Many of the units installed from the mid-1970s to the mid-1980s are reaching the end of their useful lives, thus providing a growing replacement market. The mechanical life of central air conditioners varies by region due to usage and is estimated to range from 8 to 12 years in Florida and Texas to approximately 18 years in California.

BUSINESS AND ACQUISITION STRATEGY

The Company focuses on satisfying the needs of the higher margin replacement market, where customers generally demand immediate, convenient and reliable service. Therefore, the Company has adopted a strategy of (i) offering complete product lines, including all equipment and components necessary to install or repair a central air conditioner, (ii) utilizing multiple warehouse locations in a single metropolitan market for increased customer convenience, and (iii) maintaining large, well-stocked inventories to ensure that customer orders are filled on site in a timely manner. This strategy provides the Company with a competitive advantage over its smaller, lesser-capitalized competitors who are unable to maintain the same inventory levels and product variety as the Company. The Company believes it has a competitive advantage over factory-owned distributors who typically do not maintain inventories of all parts and equipment and whose limited number of warehouse locations make it difficult to meet the time-sensitive demands of the replacement market.

The Company also sells to the homebuilding market. The Company believes that its reputation for reliable, high quality service and its relationships with contractors, who generally serve both the replacement and new construction markets, allows it to compete effectively in this segment of the market. Homebuilding, in many of the markets the Company serves, remains below levels of the mid-1970s to mid-1980s. However, should homebuilding increase in those markets, the Company is well positioned to benefit from such increases.

The Company's acquisition strategy is to establish a network of distribution facilities across the sunbelt and, since 1989, it has acquired 11 air conditioning distributors. The Company believes it is the only company pursuing a consolidation strategy by making significant acquisitions in the highly fragmented air conditioning distribution industry. The Company's growth strategy seeks to enhance the value of acquired operations by better serving the "one-stop" shopping needs of customers. This includes broadening product lines and committing other capital resources to develop the acquired businesses, including expanding existing branches and opening new branches. The Company also runs its distribution operations on a decentralized basis in recognition of the value of the long-term relationships established between the distributors and their customers. The Company seeks to preserve the identity of acquired businesses by retaining their management and sales organizations, maintaining the product brand name offerings previously distributed by them, and selectively expanding complementary product offerings. The Company believes this strategy builds the value of the acquired operations by creating additional sales opportunities, improving operating efficiencies and attaining greater leveraging of expenses.

As of December 31, 1996, the Company operated 101 branch warehouses in 14 states. This geographic diversification across the sunbelt minimizes the impact of unseasonably mild weather on the replacement of air conditioners.

The following is a description of the Company's acquisitions completed in 1996:

THREE STATES SUPPLY CO., INC. In April 1996, the Company acquired certain assets of Three States, a Tennessee-based distributor of air conditioning, heating and other building supplies. Three States sells to approximately 4,000 licensed mechanical and air conditioning contractors from ten branches located in five states. Three States had 1995 revenues of approximately $48 million. Since its acquisition, the Company has expanded the products offered by Three States to include air conditioning equipment manufactured by Nordyne, Inc. (a subsidiary of Nortek, Inc.).

SERVICEMAN SUPPLIES, INC. In October 1996, the Company acquired Serviceman, a Texas-based wholesale distributor of residential central air conditioners and related parts and supplies. Serviceman sells to approximately 1,500 licensed air conditioning and heating contractors from six branches which primarily cover the Dallas-Ft. Worth metropolitan area. Serviceman reported revenues of approximately $10 million for its fiscal year ended October 31, 1996.

COASTAL SUPPLY COMPANY, INC. In December 1996, the Company acquired Coastal, a Georgia-based wholesale distributor of parts and supplies used in heating and air conditioning systems. Coastal primarily sells HVAC-related parts and supplies to approximately 2,000 air conditioning and heating contractors from seven branches in Georgia and three in South Carolina. Revenues for 1995 were approximately $8 million.

PROPOSED ACQUISITIONS

In November 1996, the Company announced that it had entered into a letter of intent with Inter-City Products Corporation (USA) to acquire Inter-City's Coastline Distribution, Inc. and four other Inter-City factory branches. Coastline is an Orlando, Florida-based wholesale distributor of residential air conditioners and related parts and supplies. It operates 21 branches throughout Florida, Georgia and Alabama. The other four branches are located in Atlanta, Georgia; Charlotte, North Carolina; Los Angeles, California; and Savage, Maryland. Based upon information provided by Inter-City, the 25 branch locations serve over 5,200 customers and expect to report approximately $94 million of 1996 revenues. The branches will operate as a new subsidiary of the Company and distribute residential and light commercial air conditioning and heating equipment manufactured by Inter-City. The Inter-City letter of intent provides that the acquired branches will not distribute competing air-conditioning and heating equipment.

In December 1996, the Company announced that it had entered into a letter of intent with Carrier Corporation to acquire the assets and assume certain liabilities of Carrier's Comfort Products and Central Plains distribution operations. The businesses operate from eight branches serving primarily Missouri, Kansas, Iowa, North Dakota, Nebraska and South Dakota. Carrier has advised the Company that such businesses expect to report 1996 revenues of approximately $65 million. The Carrier letter of intent provides that the acquired branches will not sell competing products in the specified trade area.The proposed Carrier transaction will give Watsco a presence in the midwestern United States, further expanding and diversifying the Company's geographic and product bases. Although the Company will continue to focus its growth strategy on the sunbelt, it also evaluates potential acquisitions in other areas of the country when presented with attractive opportunities such as the Carrier transaction. While the Company's sunbelt focus is primarily based on selling air conditioning equipment and related products, the Company also has experience selling heating equipment. Management believes that the Carrier transaction will further expand this experience and will enhance the Company's ability to evaluate, complete and develop other acquisitions outside of the sunbelt should such opportunities arise.

The Company expects to use a portion of the net proceeds of this offering to pay for the acquisitions from Inter-City and Carrier. However, such acquisitions are not contingent upon the completion of this offering. See "Use of Proceeds."

DISTRIBUTION OPERATIONS

PRODUCTS. The Company markets a complete line of residential central air conditioners (primarily under the Rheem brand name) and related parts and supplies and maintains sufficient inventory to meet its customers' immediate needs. The Company's strategy is to provide every product a contractor generally would require in order to install or repair a residential or light commercial central air conditioner. Such products include residential central* air conditioners ranging from 1 1/2 to 5 tons*, light commercial air conditioners ranging up to 20 tons, insulation, grills, sheet metal and other ductwork, copper tubing, concrete pads, and tape. In addition, the Company also sells products such as electric and gas heating units, air-to-air heat pumps and rooftop equipment. Sales of air conditioning and heating equipment accounted for approximately 63% and 58% of the distribution subsidiaries' revenues for 1995 and the nine months ended September 30, 1996, respectively. Sales of parts and supplies (currently approximately 50,000 different parts and supplies) comprised the remaining portions of revenues. In 1995 and the nine months ended September 30, 1996, purchases of Rheem products represented approximately 58% of the aggregate purchases of the Company's distribution subsidiaries. Any significant interruption in the delivery of Rheem's products would inhibit the Company's ability to continue to maintain its current inventory levels and could adversely affect the Company's business. The Company's future results of operations are also materially dependent upon the continued market acceptance of Rheem products and the ability of Rheem to continue to manufacture products that comply with laws relating to environmental and efficiency standards.

DISTRIBUTION AND SALES. The Company currently operates out of 101 branch warehouses located in regions of the sunbelt which the Company believes have favorable demographic trends. The Company maintains well-stocked inventories at each warehouse location to meet the immediate needs of its customers. This is accomplished by transporting inventory between warehouses daily and either directly delivering products to customers with the Company's fleet of approximately 250 trucks or making the products available for pick-up at the nearest branch. At December 31, 1996, the Company had approximately 137 commissioned salespeople who averaged 13 years of experience in the residential central air conditioning equipment industry.

CUSTOMERS AND CUSTOMER SERVICE. The Company sells to contractors and dealers who service the new construction and replacement markets for residential and light commercial central air conditioners. In 1996, the Company served over 28,000 customers, with no single customer accounting for more than 2% of consolidated revenues. The Company focuses on providing products where and when the customer needs them, technical support by phone or on site as required, and quick and efficient service at the branch locations. Management believes that the Company successfully competes with other distributors in the residential and light commercial central air conditioning market primarily on the basis of its experienced sales organization, strong service support, high quality reputation, extensive branch network and broad product lines.

MANUFACTURING OPERATIONS

The Company produces over 4,000 electronic and mechanical components for air conditioning, heating and refrigeration equipment that are sold to over 5,000 wholesale distributors and OEMs, with no single customer accounting for more than 1% of consolidated revenues. The Company's products include: components, such as line tap and specialty valves, motor compressor protectors, liquid sight glasses, warm air controls; and equipment, such as vacuum pumps, and refrigerant recovery systems. Many of the Company's products are patented and compete in the market place based on uniqueness as well as quality and price. The Company's OEM customers include most of the major air conditioning manufacturers, including Rheem, Carrier and Inter-City.

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* The cooling of air conditioning units is measured in tons. One ton of cooling capacity is equivalent to 12,000 BTUs and is generally adequate to air condition approximately 500 square feet of residential space.

The Company conducts research and development to improve the quality and performance of its manufactured products and to develop new products and product line improvements. The Company performs research and development both in-house and by extensive field testing of products. The Company's engineering staff, consisting of 11 employees, develops new customized products to end-user specification and continuously improves, supplements and enhances product lines with newly developed products.

RELATIONSHIP WITH RHEEM MANUFACTURING COMPANY

The Company believes that it maintains a unique and mutually beneficial relationship with Rheem, the third largest manufacturer of residential central air conditioners in the United States. Rheem has a well-established reputation of producing high-quality, competitively priced products. The Company believes that Rheem's current product offerings, quality, serviceability and brand-name recognition allow the Company to operate favorably against its competitors. To maintain brand-name recognition, Rheem provides national advertising and participates with the Company in cooperative advertising programs and promotional incentives that are targeted to both contractors and homeowners. The Company estimates the replacement market currently accounts for approximately 65% of industry sales in the United States and is expected to increase as units installed in the 1970s and 1980s wear out and are replaced or updated to more energy-efficient models. The Company believes Rheem's products have wide acceptance in the replacement market based on their high efficiency and low noise level, two key homeowner considerations. Additionally, Rheem has demonstrated the flexibility to manufacture products to international specifications to meet export demands.

The Company is Rheem's largest distributor and has been granted exclusive rights under distribution agreements for Rheem brand-name products in each of the most significant market areas and many of the major metropolitan areas in the United States sunbelt including: the State of Florida; the eastern half of Texas (including the Dallas, Houston, San Antonio and Austin metropolitan areas), southern and central California; the State of Arizona; the State of Nevada; western North Carolina (including the Charlotte metropolitan area) and additional territories in Louisiana, Alabama and Arkansas. The Company also has distribution rights for the Rheem brand-name or Weatherking brand-name (manufactured by Rheem) in substantially all of Central America, South America and the Caribbean.

Rheem acquired minority common equity ownership interests in Gemaire (20%), Comfort Supply (20%) and Heating & Cooling Supply (50%) as a joint venture partner in the acquisition of each of these subsidiaries. In March 1996, the Company exchanged 1,446,542 shares of Common Stock for Rheem's minority common equity interests. Following this offering, Rheem will own approximately 9.7% of the outstanding Common Stock of the Company. In addition, Rheem's President and Chief Executive Officer serves as one of the Company's directors.

Gemaire, Comfort Supply and Heating & Cooling operate under distribution agreements with Rheem that extend through 2006 with annual renewals thereafter. The Company's fourth distribution agreement with Rheem (Central Air Conditioning) can be terminated at any time without cause by either party. The Gemaire, Comfort Supply and Heating & Cooling distribution agreements contain provisions limiting the sale of products by such subsidiaries that are directly competitive with Rheem products. Based on the acceptance of other complimentary, non-competitive equipment products and the Company's additional focus on the sales of parts and supplies, the Company does not believe that these limitations have a material effect on its operations. Except for the limitations set forth in Gemaire's, Comfort Supply's and Heating & Cooling's distribution agreements and the distribution arrangements to be entered into in connection with the Proposed Acquisitions, the Company may distribute other manufacturers' lines of air conditioning equipment.

PERSONNEL SERVICES

Dunhill, founded in 1952, is one of the nation's best known personnel service networks. Through franchised, licensed, and company-owned offices in 40 states, Puerto Rico and Canada, Dunhill provides permanent placement and temporary help services to business, professional and service organizations, government agencies, health care providers, and other employers. As of December 31, 1996, Dunhill's operations consisted of 110 franchised permanent placement offices and 18 franchised, 7 licensed, and 14 company-owned temporary personnel service offices. Dunhill's franchisees operate their businesses autonomously within the framework of the Company's policies and standards, and recruit, employ, and pay their own employees, including temporary employees. Dunhill's permanent placement division recruits primarily middle-management, sales, technical, administrative, and support personnel for permanent employment in a wide variety of industries and positions. The fees paid by employers to Dunhill for its permanent placement services are typically contingent upon the Company's successful placement of an employee and are generally a percentage of the annual compensation to be paid to the new employee.

Dunhill receives an initial fee from all licensees and franchisees, and on-going revenues from (i) temporary help licensees of approximately 7% of the licensee's gross receipts and (ii) royalty fees from permanent placement and temporary help franchisees of approximately 7% and 1 1/2 % to 3%, respectively, of gross franchisee receipts. Licenses and franchises are generally granted for 5 and 10 year terms, respectively, and are typically renewable at the option of the licensee or franchisee for additional terms of 5 and 10 years, respectively.

COMPETITION

All of the Company's businesses operate in highly competitive environments. The Company's distribution business competes with a number of distributors and also with air conditioner manufacturers who distribute a significant portion of their products through factory-owned distribution organizations. Many of the manufacturers which have distribution organizations are larger and have greater financial resources than those of the Company. Competition within any given geographic market is based upon product availability, customer service, price and quality. The Company's manufacturing business has several major competitors, a few of which are larger and have greater financial resources. Dunhill competes with numerous other large and small national, regional, and local personnel service providers. Competitive pressures or other factors could cause the Company's products or services to lose market acceptance or result in significant price erosion, all of which would have a material adverse effect on the Company's profitability.

MANAGEMENT

Certain information concerning directors and executive officers of the Company and the Presidents of the principal subsidiaries of the Company is set forth below:

NAME	AGE	POSITION WITH THE COMPANY
DIRECTORS AND EXECUTIVE OFFICERS		
Albert H. Nahmad	56	Chairman of the Board and President
Ronald P. Newman	50	Chief Financial Officer and Secretary
Barry S. Logan	34	Treasurer
D.A. Coape-Arnold	79	Director
David B. Fleeman(1)	83	Director
James S. Grien(2)	39	Director
Paul F. Manley(1)(3)	60	Director
Bob L. Moss(2)	49	Director
Roberto Motta	83	Director
Alan H. Potamkin(3)	48	Director
Gary L. Tapella	53	Director
PRINCIPAL SUBSIDIARY PRESIDENTS		
Kenneth A. Perkins	59	President of Gemaire
Robert M. Lazarus	54	President of Heating & Cooling
Eric A. Young	38	President of Comfort Supply
Michael B. Huff	35	President of Central Air Conditioning
Charles M. Brejot	71	President of Three States
Neal Fischer	45	President of Watsco Components, Inc.
Daniel H. Abramson	47	President of Dunhill

(1) Member of the Compensation Committee of the Board of Directors.

(2) Member of the Stock Option Committee of the Board of Directors.

(3) Member of the Audit Committee of the Board of Directors.

ALBERT H. NAHMAD has served as Chairman of the Board and President of the Company since 1973. Mr. Nahmad is the general partner of Alna Capital Associates, a New York limited partnership, which is the principal shareholder of the Company. Mr. Nahmad also serves as a member of the Board of Directors of the Panama Canal Commission, a United States federal agency. Additionally Mr. Nahmad is a director of American Bankers Insurance Group, Inc. and Pediatrix Medical Group, Inc., publicly held companies.

RONALD P. NEWMAN has served as Chief Financial Officer and Secretary of the Company since 1982. Mr. Newman, a certified public accountant, was associated with the accounting firm of Arthur Young & Company from 1977 to 1982.

BARRY S. LOGAN has served as Treasurer of the Company since 1996. From 1992 to 1996, Mr. Logan served as Controller of the Company. Mr. Logan, a certified public accountant, was associated with the accounting firm of Arthur Andersen LLP from 1985 to 1992.

D.A. COAPE-ARNOLD has been a director of the Company since 1981. Since 1988, Mr. Coape-Arnold has also served as Chairman of the Board and Chief Executive Officer of Dunhill. From 1982 to present, Mr. Coape-Arnold has served as a consultant for a variety of businesses. From 1978 until 1982, he served as Vice President of publicly held Wickes Corporation. From 1961 to 1978, Mr. Coape-Arnold served as Vice President and Group Executive of publicly held W.R. Grace & Co.

DAVID B. FLEEMAN has been a director of the Company since 1977. Since 1956, Mr. Fleeman has served as the Managing Partner of Fleeman Builders, a Florida general partnership engaged primarily in real estate development.

JAMES S. GRIEN has been a director of the Company since 1994. Mr. Grien is a Managing Director in the Investment Banking Group of Prudential Securities Incorporated and has been employed by Prudential Securities Incorporated in various positions since 1989.

PAUL F. MANLEY has been a director of the Company since 1984. Mr. Manley served as Executive Director of the law firm of Holland & Knight from 1987 to 1991. From 1982 to 1987, Mr. Manley served as Vice President of Planning at Sensormatic Electronics Corporation, a publicly held manufacturer of electronic article surveillance systems. Prior to 1982, Mr. Manley served as the Managing Partner of the Miami office of Arthur Young & Company.

BOB L. MOSS has been a director of the Company since 1992. Since 1986 Mr. Moss has served as President and Chief Executive Officer of Centex-Rooney Enterprises, Inc., Florida's largest general contractor and a subsidiary of publicly held Centex Corporation.

ROBERTO MOTTA has been a director of the Company since 1975. Mr. Motta has been engaged as a private investor in various business activities for more than five years.

ALAN H. POTAMKIN has been a director of the Company since 1994. Since 1970, Mr. Potamkin has served as President of Potamkin Companies, one of the nation's largest retail automobile dealers. In addition, Mr. Potamkin is an owner of various media properties and an owner of Office Depot, Inc. franchises in eastern Europe.

GARY L. TAPELLA has been a director of the Company since April 1996. Since 1991, Mr. Tapella has served as President and Chief Executive Officer of Rheem, one of the nation's largest manufacturers of air conditioning, heating and water heating equipment.

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KENNETH A. PERKINS, a co-founder of Gemaire in 1969, has served as its President since 1987. From 1969 to 1987, he served as Gemaire's Vice President--Marketing. Mr. Perkins has over 29 years of experience in the air conditioning industry.

ROBERT M. LAZARUS has served as President of Heating & Cooling since 1996. From 1995 to 1996, he served as Heating & Cooling's Executive Vice President and as its Vice President--Marketing from 1987 to 1995. From 1976 to 1987, he was employed in various capacities by Heating & Cooling.

ERIC A. YOUNG has served as President of Comfort Supply since 1993. From 1991 to 1993, he was employed as Executive Vice President of Comfort Supply.

MICHAEL B. HUFF has served as President of Central Air Conditioning since 1995. From 1978 to 1995, he was employed in various capacities by Central Air Conditioning.

CHARLES M. BREJOT has served as President of Three States since 1978. From 1969 to 1978, he served as Three States' Executive Vice President and has been employed at Three States in various capacities since 1951.

NEAL FISCHER joined the Company in 1986 and has served as President of the Company's manufacturing subsidiaries since 1991. From 1986 to 1991, he served as Controller of the Company's manufacturing subsidiaries.

DANIEL H. ABRAMSON has served as President of Dunhill since 1994. From 1992 to 1994, he served as Executive Vice President of Dunhill's professional search division. From 1986 to 1992, he owned and operated Dunhill Professional Search of Providence, Inc., a Dunhill franchisee.

The Company's Articles of Incorporation provide for the Board of Directors to have up to nine members, to be divided as nearly as possible in three equal divisions to serve in staggered terms of three years. Each division currently consists of one director to be elected by the holders of Common Stock and two directors to be elected by the holders of Class B Common Stock. The number of members comprising the Board of Directors is presently set at nine, three of whom are Common Stock directors and six of whom are Class B directors. At present Messrs. Manley (Common Stock), Nahmad (Class B) and Coape-Arnold (Class B) serve until the 1999 annual meeting of shareholders, Messrs. Potamkin (Common Stock), Motta (Class B) and Tapella (Class B) serve until the 1997 annual meeting of shareholders and Messrs. Grien (Common Stock), Fleeman (Class B) and Moss (Class B) serve until the 1998 annual meeting of shareholders. Upon completion of this offering, Albert H. Nahmad, the Company's Chairman and President, and a limited partnership controlled by him, collectively will retain beneficial ownership of approximately 3% of the Common Stock and 69% of the Class B Common Stock and will have approximately 40% of the combined voting power of the outstanding Common Stock and Class B Common Stock. As a result, Mr. Nahmad will continue to have the voting power to elect all but three members of the Company's nine-person Board of Directors.

UNDERWRITING

Subject to the terms and conditions of the Underwriting Agreement, the Company has agreed to sell to each of the Underwriters named below, and each of such Underwriters, for whom Goldman, Sachs & Co., Prudential Securities Incorporated, Smith Barney Inc. and Robert W. Baird & Co. Incorporated are acting as representatives, has severally agreed to purchase from the Company, the respective number of shares of Common Stock set forth opposite its name below:

UNDERWRITER	NUMBER OF SHARES OF COMMON STOCK
Goldman, Sachs & Co.	
Prudential Securities Incorporated	
Smith Barney Inc.	
Robert W. Baird & Co. Incorporated	
Total	3,000,000

Under the terms and conditions of the Underwriting Agreement, the Underwriters are committed to take and pay for all of the shares offered hereby, if any are taken.

The Underwriters propose to offer the shares of Common Stock in part directly to the public at the initial public offering price set forth on the cover page of this Prospectus, and in part to certain securities dealers at such price less a concession of $ per share. The Underwriters may allow, and such dealers may reallow, a concession not in excess of $ per share to certain brokers and dealers. After the shares of Common Stock are released for sale to the public, the offering price and other selling terms may from time to time be varied by the representatives.

The Company has granted the Underwriters an option exercisable for 30 days after the date of this Prospectus to purchase up to an aggregate of 450,000 additional shares of Common Stock to cover over-allotments, if any. If the Underwriters exercise their over-allotment option, the Underwriters have severally agreed, subject to certain conditions, to purchase approximately the same percentage thereof that the number of shares to be purchased by each of them, as shown in the foregoing table, bears to the 3,000,000 shares of Common Stock offered.

The Company, its officers and directors and certain shareholders have agreed that during the period beginning from the date of this Prospectus and continuing to and including the date 90 days after the date of this Prospectus, not to offer, sell, contract to sell or otherwise dispose of any securities of the Company (other than pursuant to employee stock option plans existing, or on the conversion or exchange of convertible or exchangeable securities outstanding, on the date of this Prospectus) that are substantially similar to the shares of Common Stock or that are convertible into or exchangeable for, or that represent the right to receive, Common Stock or any such substantially similar securities, without the prior written consent of the representatives except for the shares of Common Stock offered in connection with the offering.

The Company has agreed to idemnify the several Underwriters against certain liabilities under the Securities Act of 1933.

James S. Grien, a director of the Company, is a Managing Director in the Investment Banking Group of Prudential Securities Incorporated, one of the representatives.

LEGAL MATTERS

The validity of the Common Stock offered hereby will be passed upon for the Company by Greenberg, Traurig, Hoffman, Lipoff, Rosen & Quentel, P.A., Miami, Florida. Certain legal matters will be passed upon for the Underwriters by King & Spalding, New York, New York. King & Spalding will rely upon the opinion of Greenberg, Traurig, Hoffman, Lipoff, Rosen & Quentel, P.A. as to all matters of Florida law.

EXPERTS

The financial statements and schedules of the Company included (or incorporated by reference) in the Company's Annual Report on Form 10-K for the year ended December 31, 1995 incorporated by reference in this Prospectus and Registration Statement have been audited by Arthur Andersen LLP, independent certified public accountants, as indicated in their reports with respect thereto, and are incorporated herein in reliance upon the authority of said firm as experts in giving said reports.

The financial statements of Three States included in the Company's Form 8-K dated April 12, 1996 incorporated by reference in this Prospectus and Registration Statement have been audited by Rhea & Ivy, P.L.C., independent certified public accountants, as indicated in their report with respect thereto, and are incorporated herein in reliance upon the authority of said firm as experts in giving said reports.

AVAILABLE INFORMATION

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and, in accordance therewith, files reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information filed by the Company can be inspected and copied at the Public Reference Section of the Commission maintained by the Commission at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549 and at the regional offices of the Commission located at Seven World Trade Center, 13th Floor, New York, New York 10048, and at Suite 1400, 500 W. Madison Street, Chicago, Illinois 60661, and copies of such material may be obtained from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Such reports, proxy statements and other information can also be inspected at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005 or the American Stock Exchange, 86 Trinity Place, New York, New York 10006.

This Prospectus constitutes a part of a Registration Statement on Form S-3 filed by the Company with the Commission under the Securities Act of 1933, as amended. This Prospectus omits certain information contained in the Registration Statement, and reference is hereby made to the Registration Statement and related exhibits for further information with respect to the Company and the securities offered hereby. Any statements contained herein concerning the provisions of any document are not necessarily complete, and in such instance reference is made to the copy of such document filed as an exhibit to the Registration Statement or otherwise filed with the Commission. Each such statement is qualified in its entirety by such reference. Copies of the Registration Statement may be obtained from the Commission's principal office at 450 Fifth Street, N.W., Washington, D.C. 20549, upon payment of the fees prescribed by the Commission, or may be examined, without charge, at the public reference facilities maintained by the Commission. The Commission also maintains a World Wide Web site on the Internet at http://www.sec.gov that contains reports, proxy and information statements and other information filed electronically with the Commission.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents filed by the Company (File No. 1-5581) with the Commission are incorporated herein by reference: (1) the Company's Annual Report on Form 10-K for the year ended

December 31, 1995; (2) the Company's Quarterly Reports on Form 10-Q for the quarters ended March 31, 1996, June 30, 1996 and September 30, 1996; (3) the Company's Current Report on Form 8-K, dated April 12, 1996; and (4) the Company's Registration Statement on Form 8-A filed May 4, 1994, registering the Company's Common Stock under Section 12(b) of the Exchange Act. All documents filed by the Company with the Commission pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Exchange Act subsequent to the date hereof and prior to the termination of the offering of the Common Stock registered hereby shall be deemed to be incorporated by reference into this Prospectus and to be a part hereof from the date of filing such documents. Any statements contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that the statement contained herein or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus. The Company will provide without charge to each person to whom this Prospectus is delivered, upon a written or oral request of such person, a copy of any or all of the foregoing documents incorporated by reference into this Prospectus (other than exhibits to such documents, unless such exhibits are specifically incorporated by reference into such documents). Request for such copies should be delivered to Ronald P. Newman, Chief Financial Officer, 2665 South Bayshore Drive, Suite 901, Coconut Grove, Florida 33133, telephone (305) 858-0828.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITIES OTHER THAN THE SECURITIES TO WHICH IT RELATES OR ANY OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY SUCH SECURITIES IN ANY CIRCUMSTANCES IN WHICH SUCH OFFER OR SOLICITATION IS UNLAWFUL. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY SINCE THE DATE HEREOF OR THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO ITS DATE.

TABLE OF CONTENTS

3,000,000 SHARES

WATSCO, INC.

COMMON STOCK
(PAR VALUE $.50 PER SHARE)

WATSCO

GOLDMAN, SACHS & CO.

PRUDENTIAL SECURITIES INCORPORATED

SMITH BARNEY INC.

ROBERT W. BAIRD & CO.
INCORPORATED

REPRESENTATIVES OF THE UNDERWRITERS

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

Securities and Exchange Commission registration fee	$ 30,789
NASD filing fee	9,557
New York Stock Exchange listing fees	40,230
Blue Sky fees and expenses	3,500
Printing and engraving expenses	60,000
Legal fees and expenses	75,000
Accounting fees and expenses	50,000
Miscellaneous	80,924
Total	$350,000

All amounts except the Securities and Exchange Commission registration fee, the NASD filing fee and the New York Stock Exchange listing fee are estimated.

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Section 607.0850 of the Florida Business Corporation Act permits a Florida corporation to indemnify a present or former director or officer of the corporation (and certain other persons serving at the request of the corporation in related capacities) for liabilities, including legal expenses, arising by reason of service in such capacity if such person shall have acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and in any criminal proceeding if such person had no reasonable cause to believe his conduct was unlawful. However, in the case of actions brought by or in the right of the corporation, no indemnification may be made with respect to any matter as to which such director or officer shall have been adjudged liable, except in certain limited circumstances.

Article VII of the Company's Articles of Incorporation provides that the Company shall indemnify any present or former director or officer of the Company (and certain other persons serving at the request of the Company in related capacities) for liabilities incurred in connection with litigation and by reason of service in such capacity, except in relation to matters as to which he shall be adjudged in such action to be liable for negligence or misconduct in the performance of his duties.

Article VIII of the Company's bylaws provides that the Company shall indemnify its officers and directors to the fullest extent permitted by law. The Company maintains a standard policy of directors and officers liability insurance covering directors and officers of the Company with respect to liabilities incurred as a result of their service in such capacities.

ITEM 16. EXHIBITS

EXHIBIT NO.	DESCRIPTION
1.1	Proposed form of Underwriting Agreement**
2.1	Asset Purchase Agreement dated March 27, 1996, by and among TSSC Acquisition, Inc., Three States Supply Co., Inc. and UIS, Inc. (filed as Exhibit 10.19 to the Company's Form 8-K dated April 12, 1996 and incorporated herein by reference).
4.1	Company's Amended and Restated Articles of Incorporation (filed as Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q dated June 30, 1995 and incorporated herein by reference).
4.2	Company's Amended Bylaws (filed as Exhibit 3.2 to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1985 and incorporated herein by reference).
5.1	Opinion of Greenberg, Traurig, Hoffman, Lipoff, Rosen & Quentel, P.A. as to the validity of the Common Stock being registered.*
23.1	Consent of Greenberg, Traurig, Hoffman, Lipoff, Rosen & Quentel, P.A. (included in its opinion filed as Exhibit 5.1).*
23.2	Consent of Arthur Andersen LLP*
23.3	Consent of Rhea & Ivy, P.L.C.*
24.1	Power of Attorney (included on page II-3).

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* Filed herewith.

** To be filed by amendment.

ITEM 17. UNDERTAKINGS.

(a) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(b) The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial BONA FIDE offering thereof.

(3) For purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial BONA FIDE offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Miami, State of Florida, on January 14, 1997.

WATSCO, INC.

By: /s/ RONALD P. NEWMAN

Ronald P. Newman, Chief Financial Officer and Secretary

POWER OF ATTORNEY

Each person whose signature appears below constitutes and appoints Albert H. Nahmad and Ronald P. Newman, or any one of them, as his true and lawful attorneys-in-fact and agents with full power of substitution and resubstitution for him and in his name, place and stead in any and all capacities to execute in the name of each such person who is then an officer of director of the Registrant any and all amendments (including post-effective amendments) to this Registration Statement, and any registration statement relating to the offering hereunder pursuant to Rule 462 under the Securities Act of 1933, as amended, and to file the same with all exhibits thereto and other attorneys-in-fact and agents and each of them full power and authority to do and perform each and every act and thing required or necessary to be done in and about the premises as fully as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the date indicated.

SIGNATURE	TITLE	DATE
/s/ ALBERT H. NAHMAD Albert H. Nahmad	Chairman of the Board (principal executive officer)	January 14, 1997
/s/ RONALD P. NEWMAN Ronald P. Newman	Chief Financial Officer and Secretary (principal financial and accounting officer)	January 14, 1997
/s/ D. A. COAPE-ARNOLD D. A. Coape-Arnold	Director	January 14, 1997
/s/ DAVID B. FLEEMAN David B. Fleeman	Director	January 14, 1997
/s/ JAMES S. GRIEN James S. Grien	Director	January 14, 1997

SIGNATURE	TITLE	DATE
/s/ PAUL F. MANLEY - ------------------------ Paul F. Manley	Director	January 14, 1997
/s/ BOB L. MOSS - ------------------------ Bob L. Moss	Director	January 14, 1997
/s/ ROBERTO MOTTA - ------------------------ Roberto Motta	Director	January 14, 1997
/s/ ALAN H. POTAMKIN - ------------------------ Alan H. Potamkin	Director	January 14, 1997
/s/ GARY L. TAPELLA - ------------------------ Gary L. Tapella	Director	January 14, 1997

GREENBERG
ATTORNEYS AT LAW
TRAURIG

January 15, 1997

Watsco, Inc.
2665 South Bayshore Drive
Suite 901
Coconut Grove, Florida 33133

Re: OFFERING OF COMMON STOCK OF WATSCO, INC.

Gentlemen:

On the date hereof, Watsco, Inc., a Florida corporation (the "Company"), filed with the Securities and Exchange Commission a Registration Statement on Form S-3 (the "Registration Statement") under the Securities Act of 1933, as amended (the "Act"). Such Registration Statement relates to the sale by the Company of up to 3,450,000 shares of the Company's Common Stock, par value $.50 per share (the "Shares"). We have acted as counsel to the Company in connection with the preparation and filing of the Registration Statement.

In connection therewith, we have examined and relied upon the original or a copy, certified to our satisfaction, of (i) the Amended and Restated Articles of Incorporation and the By-laws of the Company; (ii) resolutions of the Board of Directors of the Company authorizing the offering and the issuance of the shares and related matters; (iii) the

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Registration Statement and the exhibits thereto; and (iv) such other documents and instruments as we have deemed necessary for the expression of the opinions herein contained. In making the foregoing examinations, we have assumed the genuineness of all signatures and the authenticity of all documents submitted to us as originals, and the conformity to original documents of all documents submitted to us as certified or photostatic copies. As to various questions of fact material to this opinion, we have relied, to the extent we deem reasonably appropriate, upon representations or certificates of officers or directors of the Company and upon documents, records and instruments furnished to us by the Company, without independently checking or verifying the accuracy of such documents, records, and instruments.

Based upon the foregoing examination, we are of the opinion that the Shares have been duly and validly authorized and, when issued and delivered in accordance with the Underwriting Agreement to be filed as Exhibit 1.1 to the Registration Statement, will be validly issued, fully paid and nonassessable.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the use of our name under the caption "Legal Matters" in the Prospectus forming a part of the Registration Statement. In giving such consent, we do not admit that we come within the category or persons whose consent is required under Section 7 of the Act or the rules and regulations of the Commission thereunder.

Sincerely,

GREENBERG, TRAURIG, HOFFMAN,
LIPOFF, ROSEN & QUENTEL, P.A.

EXHIBIT 23.2

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

As independent certified public accountants, we hereby consent to the incorporation by reference in this registration statement of our reports dated March 29, 1996, included in (or incorporated by reference) in Watsco, Inc.'s Form 10-K for the year ended December 31, 1995 and to all references to our Firm included in this registration statement.

ARTHUR ANDERSEN LLP
Miami, Florida,

January 14, 1997.

EXHIBIT 23.3

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in this registration statement on Form S-3 of Watsco, Inc. of our report on our audit of the financial statements of Three States Supply Company, Inc. dated February 5, 1996, except for the matter discussed in Note 8 as to which the date is April 12, 1996, included in Watsco, Inc.'s Form 8-K dated April 12, 1996. We also consent to the reference to our firm under the caption "Experts."

RHEA & IVY, P.L.C.

Memphis, Tennessee
January 14, 1997.