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

FORM 10-K

_X_ Annual Report Pursuant to Section 13 or 15(d) of the Securities and Exchange Act of 1934

For the Fiscal Year Ended December 31, 2000

Commission File Number 1-5581

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, FL 33133
(Address of principal executive offices)

Registrant's telephone number, including area code: (305) 714-4100

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $.50 par value	New York Stock Exchange
Class B Common Stock, $.50 par value	American Stock Exchange

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities and Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES _X_ NO ___

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form l0-K or any amendment to this Form l0-K. _X_

The aggregate market value of the voting stock held by non-affiliates of the Registrant as of March 23, 2001 was approximately $266 million.

The number of shares of common stock outstanding as of March 23, 2001 was 23,360,922 shares of Common Stock, excluding treasury shares of 3,118,150, and 3,296,606 shares of Class B Common Stock, excluding treasury shares of 48,263.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information required by Parts I and II is incorporated by reference from the Annual Report to Shareholders for the year ended December 31, 2000, attached hereto as Exhibit 13. The information required by Part III (Items 10, 11, 12 and 13) will be incorporated by reference from the Registrant's definitive proxy statement (to be filed pursuant to Regulation 14A).

WATSCO, INC.

Index to Annual Report
on Form 10-K
Year Ended December 31, 2000

PART I		Page
Item 1.	Business	3
Item 2.	Properties	7
Item 3.	Legal Proceedings	8
Item 4.	Submission of Matters to a Vote of Security Holders	8
PART II		
Item 5.	Market for the Registrant's Common Equity and Related Stockholder Matters	8
Item 6.	Selected Consolidated Financial Data	8
Item 7.	Management's Discussion and Analysis of Financial Condition and	8

	Results of Operations	
Item 7A.	Qualitative and Quantitative Disclosures about Market Risk	8
Item 8.	Consolidated Financial Statements and Supplementary Data	8
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	9
PART III		9
PART IV		
Item 14.	Exhibits, Consolidated Financial Statement Schedules and Reports on Form 8-K	9

PART I

This Form 10-K 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 Company's financing plans and (iv) 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 several factors, including general economic conditions, prevailing interest rates, competitive factors and the ability of the Company to continue to implement its business and acquisition strategies. In light of these uncertainties, there can be no assurance that the forward-looking information contained herein will in fact transpire.

ITEM 1. BUSINESS

General

Watsco, Inc. (the "Registrant" or the "Company") was incorporated in 1956 and is the largest distributor of air conditioning, heating, and refrigeration equipment and related parts and supplies ("HVAC") in the United States. The Company's revenue has increased from $80 million in 1989 to over $1.3 billion in 2000. The Company's distribution network operates from 300 locations in 30 states. The Company also owns Dunhill Staffing Systems, Inc. ("Dunhill"), a national temporary staffing and permanent employment services business, which represents 5% of the Company's total revenue.

The Company's principal executive offices are located at 2665 South Bayshore Drive, Suite 901, Coconut Grove, Florida 33133, and its telephone number is (305) 714-4100. The Company's corporate website is www.watsco.com, and e-mail may be sent to the Company at mweber@watsco.com.

Residential Central Air Conditioning, Heating and Refrigeration Industry

According to the Air Conditioning and Refrigeration Institute ("ARI"), the market for residential central air conditioning, heating and refrigeration equipment and related parts and supplies in the U.S. is approximately $20 billion with unitary equipment shipments having grown at an annual rate of 6% since 1990. Residential central air conditioners are manufactured primarily by seven major companies that together account for approximately 90% of all units shipped in the U.S. each year. These companies are: Carrier Corporation ("Carrier"), a subsidiary of United Technologies Corporation, Goodman Manufacturing Corporation, Rheem Manufacturing Company ("Rheem"), American Standard Companies Inc. ("American Standard"), York International Corporation ("York"), Lennox International, Inc. and Nordyne Corporation ("Nordyne"), a subsidiary of Nortek Corporation. These manufacturers distribute their products through a combination of factory-owned and independent distributors who, in turn, supply the equipment and related parts and supplies to contractors and dealers nationwide that sell to and install the products for the consumer.

Residential central air conditioning and heating equipment is sold to both the replacement and the homebuilding (including manufactured housing) markets. The replacement market has increased substantially in size and importance over the past ten years 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 industry data, over 120 million central air conditioning units and warm air gas furnaces have been installed in the United States in the past 20 years. Many units installed from the mid-1970s to the mid-1980s have reached the end of their useful lives, thus providing a growing and substantial replacement market. The mechanical life of this equipment varies by region due to usage and is estimated to range from 8 to 20 years.

The Company also sells products to the refrigeration market. Such products include condensing units, compressors, evaporators, valves, walk-in coolers and ice machines for industrial and commercial applications. The Company distributes products manufactured by Copeland Compressor Corporation, a subsidiary of Emerson Electric Co., Tecumseh Products Company, and The Manitowoc Company, Inc.

Business Strategy

The Company's business strategy includes five primary concepts: (i) implement programs to build market share in existing markets, (ii) complete strategic acquisitions to expand in existing markets or to extend the Company's geographic reach into new markets, (iii) leverage the Company's existing infrastructure by obtaining new or expanded territories from the grant of distribution rights by manufacturers, (iv) over a long-term horizon, implement an e-commerce strategy to improve the level and efficiency of service to existing customers and (v) implement initiatives to streamline operations and reduce the cost structures of acquired businesses.

STRATEGY IN EXISTING MARKETS The Company's strategy for growth in existing markets focuses on satisfying the needs of the higher growth, higher margin replacement market, where customers generally demand immediate, convenient and reliable service. In response to this need, the Company's focus is to (i) offer expansive product lines, including all equipment, parts and supplies necessary to install or repair a central air conditioner, furnace or refrigeration system, (ii) maintain multiple warehouse locations in a single metropolitan market for increased customer convenience, (iii) maintain well-stocked inventories to ensure that customer orders are filled in a timely manner, (iv) provide a high degree of technical expertise at the point of sale and (v) develop e-commerce initiatives to further enhance customer service capabilities. The Company believes these concepts provide a competitive advantage over smaller, lesser-capitalized competitors who are unable to commit resources to open additional locations, develop e-commerce business solutions, provide the same variety of products as the Company, maintain the same inventory levels or attract the wide range of expertise that is required to support a diverse product offering. The Company also believes it has a competitive advantage over factory-owned distributors who typically do not maintain extensive inventories of parts and supplies 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 and manufactured housing markets. 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, allow it to compete effectively in these markets.

ACQUISITION STRATEGY The Company's acquisition strategy is focused on acquiring businesses that complement the Company's presence in existing markets or establish a presence in new markets. Since 1989, the Company has acquired 42 distributors of air conditioning, heating and refrigeration products, 13 of which operate as primary operating subsidiaries of the Company. The other smaller distributors acquired have been integrated into the Company's primary operating subsidiaries.

DISTRIBUTION RIGHTS The Company actively seeks new or expanded territories of distribution from the major equipment manufacturers. During 2000 and 1999, five of the leading equipment manufacturers granted the Company rights to distribute their residential and light commercial equipment in key U.S. markets.

OPERATING PHILOSOPHY The Company's operating subsidiaries operate in a manner that recognizes the long-term relationships established between the distributors and their customers. The Company preserves 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 on the value of the acquired operations by creating additional sales opportunities.

The Company maintains a highly specialized functional support staff at its corporate headquarters to support the individual operating subsidiaries' strategies for growth in their representative markets. Such functional support includes specialists in finance, information technology, accounting, human resources, product procurement, treasury and working capital management, tax planning and risk management. The Company targets certain general and administrative expenses for cost savings initiatives that leverage the Company's overall volume and improve operating efficiencies.

In line with this operating philosophy, the Company's subsidiaries initiated restructuring initiatives during 2000 to streamline operations by eliminating certain underperforming locations, reducing market overlap, disposing of inventory related to discontinued product lines and eliminating other nonproductive SKUs. As such, the Company closed 25 branches in 2000 and will close 7 additional branches in 2001. For additional information see Form 8-K filed with the Securities Exchange Commission on January 22, 2001.

SUMMARY The following table summarizes the number of distribution locations and states represented at December 31 for each of the last ten years and the Company's consolidated revenue for each year:

	Locations	States Represented	Revenue ($'s in millions)
1991	31	5	$ 157
1992	32	5	172
1993	47	6	209
1994	50	7	260
1995	69	10	308
1996	101	15	400
1997	268	22	680
1998	308	23	1,062
1999	315	30	1,246
2000	300	30	1,307

INTERNET E-COMMERCE STRATEGY The Company began implementation of its e-commerce strategy in late 1999 which includes the following initiatives: (i) enabling connectivity by customers to the Company's operating subsidiaries operating software and (ii) a web site, ACDoctor.com, which provides homeowners, businesses and HVAC contractors useful information and a variety of services.

The first initiative, being implemented by the Company's subsidiaries, allows customers to access the Company's systems on-line 24 hours a day, 7 days a week to search for desired products, verify inventory availability, obtain pricing, place orders, check order status, schedule pickup or delivery times and make payments.

The second initiative, ACDoctor.com, provides homeowners, businesses and HVAC contractors useful information in areas that broaden the consumer's product knowledge. The site highlights new products and allows homeowners and businesses to locate, select and hire a licensed contractor. ACDoctor.com provides a wide variety of B2B value-added services to contractor customers in an exclusive "members-only" area. The primary functionality of the site provides members with leads from consumers seeking service for their air conditioning and heating systems. As part of their membership subscription, contractors also get their own customized website, which is linked to consumer inquiries for contractor services.

DESCRIPTION OF BUSINESS

Distribution Operations

PRODUCTS The Company sells an expansive line of products and maintains sufficient inventory levels to meet its customers' immediate needs. The Company seeks to provide every product a contractor would generally require when installing or repairing a central air conditioner, furnace or refrigeration system. The products distributed by the Company in its markets consist of: (i) equipment, including residential central air conditioners ranging from 1-1/2 to 5 tons*, light commercial air conditioners ranging up to 20 tons, gas, electric and oil furnaces ranging from 50,000 to 150,000 BTUs, commercial air conditioning and heating equipment and systems ranging from 20 to 400 tons, and other specialized equipment; (ii) parts, including replacement compressors, evaporator coils, thermostats, motors and other component parts; and (iii) supplies, including insulation material, refrigerants, ductwork, grills, registers, sheet metal, tools, copper tubing, concrete pads, tape, adhesives and other ancillary supplies.

Sales of air conditioning and heating equipment accounted for approximately 49% of revenue for 2000. Sales of parts and supplies (currently representing over 1,500 different vendors) comprised the remaining revenue.

DISTRIBUTION AND SALES The Company currently operates from 300 locations, most of which are located in regions that 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 locations daily and either directly delivering products to customers with the Company's fleet of 816 trucks or making the products available for pick-up at the location nearest to the customer. The Company has over 400 commissioned salespeople with an average of more than 10 years of experience in the air conditioning, heating and

refrigeration distribution industry.

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* The cooling capacity 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.

MARKETS The Company's network serves 30 states and Puerto Rico from 300 locations. The Company's primary markets include (in order of the number of locations in the state): Florida, Texas, Georgia, California, South Carolina, North Carolina, Alabama, Tennessee, Arizona, Missouri and Massachusetts. The Company also serves Nevada, Kansas, Arkansas, Nebraska, Mississippi, Virginia, Oklahoma, Louisiana, Kentucky, North Dakota, South Dakota, Iowa, New Hampshire, Connecticut, Maine, Maryland, Vermont, Rhode Island and New York. The Company also distributes products on an export basis to portions of Latin America and the Caribbean Basin.

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 conditioning, heating and refrigeration systems. The Company currently serves over 35,000 customers, with no single customer in 2000 accounting for more than 1% of consolidated revenue. 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 locations. The Company also provides increased customer convenience through e-commerce, which allows customers to access the Company's systems on-line 24 hours a day, 7 days a week to search for desired products, verify inventory availability, obtain pricing, place orders, check order status, schedule pickup or delivery times and make payments. Management believes that the Company successfully competes with other distributors primarily on the basis of its experienced sales organization, strong service support, high quality reputation and broad product lines.

KEY EQUIPMENT SUPPLIERS The Company maintains significant relationships with Carrier, Rheem, American Standard, York and Nordyne, each a leading manufacturer of residential central air conditioning and heating equipment in the United States. Each manufacturer has a well-established reputation of producing high-quality, competitively priced products. The Company believes the manufacturers' current product offerings, quality, serviceability and brand-name recognition allow the Company to operate favorably against its competitors. To maintain brand-name recognition, the manufacturers provide national advertising and participate 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 two-thirds of industry sales in the United States and expects this percentage to increase as units installed in the 1970s and 1980s wear out and get replaced or updated to more energy-efficient models.

The Company made approximately 46% of its total 2000 purchases from five key equipment suppliers. A significant interruption in the delivery of these products would impair 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 these manufacturers' products and their ability to continue to manufacture products that comply with laws relating to environmental and efficiency standards. However, the Company believes that its sales of other complementary equipment products and continued emphasis to expand the sale of parts and supplies are mitigating factors against such risks.

DISTRIBUTION AGREEMENTS The Company has distribution agreements with each of its key equipment suppliers, either on an exclusive or non-exclusive basis, for terms generally ranging from one to ten years. Certain of the distribution agreements contain certain provisions that restrict or limit the sale of competitive products in the markets served. Other than the markets where such restrictions and limitations may apply, the Company may distribute other manufacturers' lines of air conditioning or heating equipment.

Staffing Service Business

Dunhill, founded in 1952, is one of the nation's best-known staffing service networks. Through franchised, licensed and company-owned offices in 27 states and Canada, Dunhill provides permanent placement and temporary staffing services to businesses (including the Company's operating subsidiaries), professional and service organizations, government agencies, health care providers and other employers. Dunhill's operations primarily consist of 25 company-owned and 13 licensed temporary staffing offices, as well as 80 franchised permanent placement offices and 7 franchised temporary staffing offices. Dunhill's franchisees operate their businesses autonomously within the framework of Dunhill'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 and administrative and support personnel for permanent employment in a wide variety of industries and positions.

Employees

The Company employed over 2,900 persons as of December 31, 2000. The Company believes that its relations with these employees are good.

Order Backlog

Order backlog is not a material aspect of the Company's business and no material portion of the Company's business is subject to government contracts.

Government Regulations and Environmental Matters

The Company's operations are subject to federal, state and local laws and regulations relating to the generation, storage, handling, emission, transportation and discharge of materials into the environment. These include laws and regulations implementing the Clean Air Act, relating to minimum energy efficiency standards of HVAC systems and the production, servicing and disposal of certain ozone-depleting refrigerants used in such systems, including those established at the Montreal Protocol in 1992 concerning the phase-out of CFC-based refrigerants. Management believes that the Company is in substantial compliance with all applicable federal, state and local provisions relating to the protection of the environment. The Company is also subject to regulations concerning the transport of hazardous materials, including regulations adopted pursuant to the Motor Carrier Safety Act of 1990.

BUSINESS RISK FACTORS

SUPPLIER CONCENTRATION The Company has distribution agreements with five key equipment suppliers, either on an exclusive or non-exclusive basis, for terms generally ranging from one to ten years. Certain of the distribution agreements contain certain provisions that restrict or limit the sale of competitive products in the markets served. Other than the markets where such restrictions and limitations may apply, the Company may distribute other manufacturers' lines of air conditioning or heating equipment. Purchases from these five suppliers comprised 46% of all purchases made in 2000. The Company's largest supplier accounted for 16% of all purchases made in 2000. Any significant interruption by the manufacturers or a termination of a distribution agreement could temporarily disrupt the operations of certain subsidiaries. The Company's future results of operations are also materially dependent upon the continued market acceptance of these manufacturers' products and their ability to continue to manufacture products that comply with laws relating to environmental and efficiency standards. The Company believes that its sales of other complementary equipment products and continued emphasis to expand sales of parts and supplies are mitigating factors against such risks.

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 several air conditioning and heating equipment manufacturers that distribute a significant portion of their products through their own distribution organizations in certain markets. Competition within any given geographic market is based upon product availability, customer service, price and quality. 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.

SEASONALITY Sales of residential central air conditioners, heating equipment and parts and supplies distributed by the Company have historically been seasonal. Furthermore, the Company's results of operations can be impacted favorably or unfavorably based on the severity or mildness of weather patterns during summer or winter selling seasons. Demand related to the residential central air conditioning replacement market is highest in the second and third quarters with demand for heating equipment usually highest in the fourth quarter. Demand related to the new construction sectors throughout most of the Sunbelt markets is fairly even during the year except for dependence on housing completions and related weather and economic conditions.

ITEM 2. PROPERTIES

The Company operates 300 locations in the U.S. having approximately 5.4 million square feet of space, of which approximately 5.0 million square feet is leased. The Company also leases approximately .5 million square feet of space for additional storage and offices. The Company believes that its facilities are well maintained and adequate to meet its needs.

ITEM 3. LEGAL PROCEEDINGS

The Company and its subsidiaries are involved in litigation incidental to the operation of the Company's business. The Company vigorously defends all matters in which the Company or its subsidiaries are named defendants and, for insurable losses, maintains significant levels of insurance to protect against adverse judgments, claims or assessments that may affect the Company. In the opinion of the Company, although the adequacy of existing insurance coverage or the outcome of any legal proceedings cannot be predicted with certainty, the ultimate liability associated with any claims or litigation in which the Company or its subsidiaries are involved will not materially affect the Company's financial condition or results of operations.

In September 1999, a lawsuit was filed in the Circuit Court for the First Judicial District of Jasper County, Mississippi against the Company and a group of companies now operating as a subsidiary of the Company, Kaufman Supply, Inc. ("Kaufman"), and an employee of Kaufman. The lawsuit pertained to a vehicle accident involving a Kaufman vehicle and three individuals who sustained injuries resulting from the accident. In the lawsuit, the plaintiffs alleged that Kaufman and its employee were liable for damages resulting from their injuries and further alleged that Kaufman and its employee were grossly negligent in the operation of the vehicle. Although vigorously defended, the suit was settled at a settlement conference held by the Circuit Court of Jasper County, Mississippi in November 2000. The settlement was funded entirely by the Company's insurance carriers with no financial consequence to the Company or Kaufman.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of the Company's security holders during the fourth quarter of the year ended December 31, 2000.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Page 34 of the Company's 2000 Annual Report contains "Information on Common Stock", which identifies the market on which the Registrant's common stocks are being traded and contains the high and low sales prices and dividend information for the years ended December 31, 2000, 1999 and 1998 and is incorporated herein by reference.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

Page 7 of the Company's 2000 Annual Report contains "Selected Consolidated Financial Data" and is incorporated herein by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Pages 8 through 13 of the Company's 2000 Annual Report contain "Management's Discussion and Analysis of Financial Condition and Results of Operations" and is incorporated herein by reference.

ITEM 7A. QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

Page 11 of the Company's 2000 Annual Report contain "Qualitative and Quantitative Disclosures about Market Risk" and is incorporated herein by reference.

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Pages 14 through 32 of the Company's 2000 Annual Report contain the 2000 and 1999 Consolidated Balance Sheets and other consolidated financial statements for the years ended December 31, 2000, 1999 and 1998, together with the report thereon of Arthur Andersen LLP dated February 5, 2001, and are incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

This part of Form 10-K, which includes Items 10 through 13, is omitted because the Registrant will file definitive proxy material pursuant to Regulation 14A not more than 120 days after the close of the Registrant's year end, which proxy material will include the information required by Items 10 through 13 and is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

		Page No. in Annual Report
(a)	Consolidated Financial Statements, Consolidated Financial Statement Schedules and Exhibits	
(1)	Consolidated Financial Statements (incorporated by reference from the 2000 Annual Report of Watsco, Inc.):	
	Consolidated Statements of Income for the years ended December 31, 2000, 1999 and 1998	14
	Consolidated Balance Sheets as of December 31, 2000 and 1999	15
	Consolidated Statements of Shareholders' Equity for the years ended December 31, 2000, 1999 and 1998	16
	Consolidated Statements of Cash Flows for the years ended December 31, 2000, 1999 and 1998	17
	Notes to Consolidated Financial Statements	18-31
	Report of Independent Certified Public Accountants	32
	Selected Quarterly Financial Data (Unaudited)	33

		Page No. in Form 10-K
(2)	Consolidated Financial Statement Schedule: For the three years ended December 31, 2000:	
	Report of Independent Certified Public Accountants on Schedule	S-1
	Schedule II. Valuation and Qualifying Accounts	S-2

All other schedules have been omitted since the required information is not present, or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the Consolidated Financial Statements or notes thereto.

(3) Exhibits: The following list of exhibits includes exhibits submitted with this Form 10-K as filed with the SEC and those incorporated by reference to other filings.

3.1 Company's Amended and Restated Articles of Incorporation (filed as Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1995 and incorporated herein by reference).

3.2 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).

4.1 Specimen form of Class B Common Stock Certificate (filed as Exhibit 4.6 to the Company's Registration Statement on Form S-1 (No. 33-56646) and incorporated herein by reference).

4.2 Specimen form of Common Stock Certificate (filed as Exhibit 4.4 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1994 and incorporated herein by reference).

10.1 Amended and Restated Revolving Credit and Reimbursement Agreement dated August 8, 1997 by and among Watsco, Inc., NationsBank, N.A. (Agent) and Barnett Bank, N.A., First Union National Bank, SunTrust Bank (Co-Agents), and the Lenders Party Hereto from Time to Time (filed as Exhibit 10.18 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 1997 and incorporated herein by reference).

10.2 1983 Executive Stock Option Plan of Watsco, Inc. (filed as Exhibit 10.3 to the Company's Registration Statement on Form S-8 (Registration No. 33-6229) and incorporated herein by reference).

10.3 Key Executive Deferred Compensation Agreement dated January 31, 1983, between Watsco, Inc. and Albert H. Nahmad (filed as Exhibit 10.8 to the Company's Registration Statement on Form S-1 (No. 33-56646) and incorporated herein by reference).

10.4 Watsco, Inc. Amended and Restated 1991 Stock Option Plan (filed as Exhibit 4.23 to the Company's Registration Statement on Form S-8 (333-82011) and incorporated herein by reference).

10.5 Watsco, Inc. Amended and Restated Profit Sharing Retirement Plan and Trust Agreement dated October 21, 1994 (filed as Exhibit 10.25 to the Company's Annual Report on Form 10-K for the year ended December 31, 1994 and incorporated herein by reference).

10.6 Employment Agreement and Incentive Plan dated January 31, 1996 by and between Watsco, Inc. and Albert H. Nahmad (filed as Exhibit 10.20 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 1996 and incorporated herein by reference).

10.7 Watsco, Inc. 1996 Qualified Employee Stock Purchase Plan (filed as Exhibit 4.3 to the Company's Registration Statement on Form S-8 (333-80341) and incorporated herein by reference).

10.8 Amendment Agreement No. 1 to Amended and Restated Revolving Credit and Reimbursement Agreement dated February 20, 1998 by and among Watsco, Inc., the Lenders hereto and NationsBank, N.A. (filed as Exhibit 10.16 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997 and incorporated herein by reference).

10.9 Amendment Agreement No. 2 to Amended and Restated Revolving Credit and Reimbursement Agreement dated June 30, 1999 by and among Watsco, Inc., the Lenders and NationsBank, N.A., as Agent (filed as Exhibit 10.10 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1999 and incorporated herein by reference).

10.10 Amendment Agreement No. 3 to Amended and Restated Revolving Credit and Reimbursement Agreement dated December 30, 1999 by and among Watsco, Inc., the Lenders and NationsBank, N.A., as Agent. (filed as Exhibit 10.11 to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 and incorporated herein by reference).

10.11 Amendment Agreement No. 4 to Amended and Restated Revolving Credit and Reimbursement Agreement dated March 14, 2000 by and among Watsco, Inc., the Lenders and NationsBank, N.A., as Agent. (filed as Exhibit 10.12 to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 and incorporated herein by reference).

10.12 Watsco, Inc. $125,000,000 Private Shelf Agreement as of January 31, 2000 by and among, Watsco, Inc. and the Prudential Insurance Company of America. (filed as Exhibit 10.13 to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 and incorporated herein by reference).

10.13 First Amendment dated January 1, 2001 to Employment Agreement and Incentive Plan dated January 31, 1996 by and between Watsco, Inc. and Albert H. Nahmad. #

10.14 Exhibit A-1 dated January 1, 2001 to Employment Agreement and Incentive Plan dated January 31, 1996 by and between Watsco, Inc. and Albert H. Nahmad. #

13. 2000 Annual Report to Shareholders (with the exception of the information incorporated by reference into Items 1, 5, 6, 7 and 8 of this Form 10-K, the 2000 Annual Report to Shareholders is provided solely for the information of the Securities and Exchange Commission and is not deemed "filed" as part of this Form 10-K). #

21. Subsidiaries of the Registrant. #

23. Consent of Independent Certified Public Accountants. #

Note to exhibits:

Submitted electronically herewith.

(b) Reports on Form 8-K:

No reports on Form 8-K were filed by the Registrant during the fourth quarter of 2000.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WATSCO, INC.

April 2, 2001	By: /s/ Albert H. Nahmad Albert H. Nahmad, President
April 2, 2001	By: /s/ Barry S. Logan Barry S. Logan, Vice President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ Albert H. Nahmad Albert H. Nahmad	Chairman of the Board and President (principal executive officer)	April 2, 2001
/s/ Barry S. Logan Barry S. Logan	Vice President and Secretary (principal accounting officer)	April 2, 2001
/s/ Cesar L. Alvarez Cesar L. Alvarez	Director	April 2, 2001
/s/ David B. Fleeman David B. Fleeman	Director	April 2, 2001
/s/ J. Ira Harris J. Ira Harris	Director	April 2, 2001
/s/ Paul F. Manley Paul F. Manley	Director	April 2, 2001
/s/ Bob L. Moss Bob L. Moss	Director	April 2, 2001
/s/ Roberto Motta Roberto Motta	Director	April 2, 2001
/s/ Charles Walker Charles Walker	Director	April 2, 2001

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON SCHEDULE

To Watsco, Inc.:

We have audited in accordance with auditing standards generally accepted in the United States, the consolidated financial statements included in Watsco, Inc.'s Annual Report to Shareholders incorporated by reference in this Form 10-K, and have issued our report thereon dated February 5, 2001 (except with respect to the matter discussed in Note 14, as to which the date is February 7, 2001). Our audits were made for the purpose of forming an opinion on those statements taken as a whole. The accompanying Schedule II is the responsibility of the Company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Miami, Florida,
February 5, 2001.

WATSCO, INC.
SCHEDULE II-VALUATION AND QUALIFYING ACCOUNTS
For the Years Ended December 31, 2000, 1999 and 1998
(In thousands)

Allowance for doubtful accounts:

BALANCE, December 31, 1997	$ 5,786
Allowances from acquisitions	377
Additions charged to costs and expenses	3,567
Write-offs, net	(3,014)
BALANCE, December 31, 1998	6,716
Allowances from acquisitions	90
Additions charged to costs and expenses	3,389
Write-offs, net	(4,631)
BALANCE, December 31, 1999	5,564
Additions charged to costs and expenses	5,386
Write-offs, net	(3,980)
BALANCE, December 31, 2000	$ 6,970

Restructuring liability or valuation reserves(1):

BALANCE, December 31, 1999	$ -
Additions charged to costs and expenses	8,481
Write-down of assets to net realizable value	(1,826)
Cash payments	(1,500)
BALANCE, December 31, 2000	$ 5,155

(1) At December 31, 2000, valuation reserves of $3,484 and $30, respectively, are netted against related asset balances -inventory and accounts receivable, net and the $1,641 restructuring liability is included in accrued liabilities in the consolidated balance sheets.

EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION
10.13	First Amendment dated January 1, 2001 to Employment Agreement and Incentive Plan dated January 31, 1996 by and between Watsco, Inc. and Albert H. Nahmad.
10.14	Exhibit A-1 dated January 1, 2001 to Employment Agreement and Incentive Plan dated January 31, 1996 by and between Watsco, Inc. and Albert H. Nahmad.
13.	2000 Annual Report to Shareholders (with the exception of the information incorporated by reference into Items 1, 5, 6, 7 and 8 of this Form 10-K, the 2000 Annual Report to Shareholders is provided solely for the information of the Securities and Exchange Commission and is not deemed "filed" as part of this Form 10-K).
21.	Subsidiaries of the Registrant.
23.	Consent of Independent Certified Public Accountants.

EXHIBIT 10.13

FIRST AMENDMENT
TO
EMPLOYMENT AGREEMENT

This First Amendment to Employment Agreement is made and entered into effective as of January 1, 2001, by and between WATSCO, INC., a Florida corporation (hereinafter called the "Company"), and ALBERT H. NAHMAD (hereinafter called the "Employee").

RECITALS

WHEREAS, the Company and the Employee entered into an Employment Agreement effective as of January 31, 1996 (the "Employment Agreement") pursuant to which the Employee renders certain services to the Company; and

WHEREAS, the Compensation Committee of the Company's Board of Directors has increased the Base Salary payable by the Company to the Employee from $480,000 to $750,000, and provided an additional fringe benefit, effective as of January 1, 2001; and

WHEREAS, the Company and the Employee now desire to amend the Employment Agreement to reflect that increase in the Employee's Base Compensation and additional fringe benefit.

NOW, THEREFORE, in consideration of the mutual promises and covenants set forth in this First Amendment, and other good and valuable consideration, the parties to this First Amendment agree as follows:

1. All capitalized terms in this First Amendment shall have the same meaning as in the Employment Agreement, unless otherwise specified.

2. The first sentence of Section 4 of the Employment Agreement is hereby amended to read as follows:

> "Effective as of January 1, 2001, the Company agrees to pay to Employee and Employee agrees to accept from the Company a salary at the annual rate of not less than Seven Hundred Fifty Thousand ($750,000) Dollars, payable in bi-weekly or monthly installments."

3. Section 7 of the Employment Agreement is hereby amended by the insertion a sentence at the end thereof to read as follows:

> "The Company shall supply to the Employee the use of the Company's airplane for up to forty (40) hours per calendar year and shall pay all fuel and operational costs incident thereto. The value of the Employee's usage of the Company's airplane, as reasonably determined by the Compensation Committee shall be treated as compensation for tax purposes, subject to applicable withholding taxes."

4. The Employment Agreement is hereby amended by replacing "Exhibit A-1 - -- 2000 Performance Goals and Performance Based Compensation" with the attached "Exhibit A-1 -- 2001 Performance Goals and Performance Based Compensation" thereto.

5. All other terms and conditions of the Employment Agreement shall remain the same.

IN WITNESS WHEREOF, the parties have caused this First Amendment to be duly executed effective as of the day and year first above written.

COMPANY:

WATSCO, INC.

By: /s/ Barry S. Logan

Barry S. Logan, CFO

EMPLOYEE:

/s/ Albert H. Nahmad

ALBERT H. NAHMAD

EXHIBIT 10.14

EXHIBIT A-1

2001 Performance Goals and Performance Based Compensation

I. Formula

		Performance Based Compensation Formula
A.	Earnings Per Share	
	For each $.01 increase..	$65,250
B.	Increase in Common Stock Price	
	(i) If the price of a share of Common Stock on 12/31/01 does not exceed $11.52..	$0
	(ii) If the price of a share of Common Stock on 12/31/01 exceeds $11.52 but does not equal or exceed $15.00, for each $0.01 increase in per share price of a share of Common Stock above $11.52..................	$1,200
	(iii) If the price of a share of Common Stock on 12/31/01 equals or exceeds $15.00, for each $0.01 increase in per share price of a share of Common Stock above $11.52...	$1,600

II. Method of Payment

A. Cash. The Performance Based Compensation determined for 2001 under the formula set forth in Section I above shall be paid in cash if and to the extent such Compensation does not exceed $1,250,000.

B. Restricted Stock. If the Performance Based Compensation determined for 2001 under the formula set forth in Section I above exceeds $1,250,000 (such excess amount being referred to as the "Additional Amount"), the Executive shall be granted a number of shares of restricted Class B Common Stock of the Company (the "Shares") equal to the amount determined by dividing (i) two times the Additional Amount, by (ii) the closing price for the Class B Common Stock of the Company on the American Stock Exchange as of the close of trading on December 31, 2001. The value of any fractional shares shall be paid in cash. The restrictions on the Shares shall lapse on the first to occur of (i) October 15, 2015, (ii) termination of the Executive's employment with the Company by reason of Executive's disability or death, (iii) the Executive's termination of employment with the Company for Good Reason; (iv) the Company's termination of Executive's employment without Cause, or (v) the occurrence of a Change in Control of the Company ("Good Reason", "Cause", and "Change in Control" to be defined in a manner consistent with the most recent grant of Restricted Stock by the Company to the Executive).

Dated: Effective as of January 1, 2001

/s/ Paul F. Manley

Paul Manley, Chairman
Compensation Committee

Acknowledged and Accepted:

/s/ Albert H. Nahmad

Albert H. Nahmad

EXHIBIT 13

WATSCO, INC. AND SUBSIDIARIES
SELECTED CONSOLIDATED FINANCIAL DATA

Years Ended December 31, (In thousands, except per share data)	2000(2)	1999	1998	1997	1996
OPERATIONS					
Revenue	$1,306,642	$1,246,272	$1,062,265	$679,931	$399,970
Gross profit	303,256	291,838	241,924	152,788	87,317
Earnings before depreciation, amortization, other expense and income taxes	58,075	70,679	63,047	40,090	25,382
Earnings before interest and income taxes	45,815	59,439	54,066	34,793	22,586
Income from continuing operations	19,114	29,481	26,972	19,368	12,045
SHARE DATA (1)					
Diluted earnings per share from continuing operations	$0.69	$0.99	$0.94	$0.72	$0.56
Cash dividends declared per share:					
Common Stock	$0.10	$0.10	$0.10	$0.09	$0.09
Class B Common Stock	0.10	0.10	0.10	0.09	0.09
Weighted average shares outstanding for diluted earnings per share	27,793	29,741	28,690	26,780	21,288
Common stock outstanding	26,497	27,907	28,032	26,144	21,048
BALANCE SHEET INFORMATION					
Total assets	$563,470	$588,180	$535,323	$429,070	$200,297
Long-term obligations	140,878	159,415	172,301	137,276	50,424
Shareholders' equity	304,164	301,716	274,568	225,598	119,929

(1) Share data includes the effect of a three-for-two stock split effected on August 14, 1998.

(2) During the 4th quarter of 2000, the Company recorded restructuring and other non-cash charges of $13,169 ($8,270 or $0.30 per share on an after-tax basis), as more fully described in Note 9 to consolidated financial statements.

WATSCO, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

Watsco, Inc. and its subsidiaries (collectively, the "Company" or "Watsco") is the largest distributor of air conditioning, heating and refrigeration equipment and related parts and supplies in the United States. The Company operates from 300 locations in 30 states.

The following table presents the Company's consolidated financial results from continuing operations for the three years ended December 31, 2000, 1999 and 1998, expressed as a percentage of total revenue:

	2000	1999	1998
Revenue	100.0%	100.0%	100.0%
Cost of sales	76.5	76.6	77.2
Cost of sales - restructuring	.3	-	-
Gross profit	23.2	23.4	22.8
Selling, general and administrative expenses	19.4	18.6	17.7
Restructuring costs	.3	-	-
Operating income	3.5	4.8	5.1
Interest expense	(1.0)	(1.0)	(1.1)
Investment write-down	(.1)	-	-
Income taxes	(.9)	(1.4)	(1.5)
Income from continuing operations	1.5%	2.4%	2.5%

The following narratives include the results of operations acquired during 2000, 1999 and 1998. The acquisitions were accounted for under the purchase method of accounting and, accordingly, their results of operations have been included in the consolidated results of the Company beginning on their respective dates of acquisition. Data presented in the following narratives referring to "same-store basis" exclude the effects of operations acquired or locations opened and closed during the prior twelve months.

Comparison of Year Ended December 31, 2000 with Year Ended December 31, 1999

Revenue in 2000 increased $60.4 million, or 5%, over 1999. On a same-store basis, revenue increased $43.9 million, or 4% in 2000 and includes 6% same store sales growth in the Company's core HVAC business which was offset by lower sales volume to the manufactured housing market. The Company's revenue growth in its core HVAC business on a same-store basis for 2000 reflects gains in market share based on data published by the Air Conditioning and Refrigeration Institute, which indicates 1% industry growth for the year. The Company's sales to the manufactured housing market declined 22% primarily as a result of a tightened financing market for home dealers and consumers.

Gross profit in 2000 increased $11.4 million, or 3.9%, over 1999, primarily as a result of the aforementioned revenue increases. Gross profit margin decreased to 23.2% in 2000 from 23.4% in 1999, primarily as a result of restructuring charges relating to discontinued product lines and to the elimination of other unproductive SKUs. Excluding the aforementioned restructuring charges, gross profit margin increased from 23.4% to 23.5%. Increases in gross profit margin are primarily attributable to enhanced focus on margins in certain markets and contribution from expanded vendor programs. On a same-store basis in the Company's core HVAC segment and excluding restructuring charges incurred in 2000, gross profit increased $16.1 million, or 6.6%.

Selling, general and administrative expenses in 2000 increased $20.8 million, or 9%, over 1999, primarily due to the full-year impact of selling, general and administrative expenses of companies acquired in late 1999 and increased sales activity. Selling, general and administrative expenses, excluding restructuring charges of $4.2 million, as a percent of revenue increased to 19.4% in 2000 from 18.6% in 1999. Such increase was primarily due to the inability to leverage the fixed cost structures against lower than expected sales demand, operating inefficiencies caused by lower business volume in the manufactured housing operations and additional costs incurred to support expanded product lines. On a same-store basis and excluding restructuring charges, the Company's core HVAC segment selling, general and administrative expenses increased $13.1 million, or 7%, and selling, general and administrative expenses as a percent of revenue increased to 18.1% from 18.0% in 1999.

An investment write-down of $2.2 million was recorded in 2000, representing an impaired investment in one of the Company's primary competitors.

Interest expense, net in 2000 increased $.6 million, or 4%, from 1999 primarily due to 8% lower average daily borrowings during the year, offset by an increase in the effective interest rate from 6.6% to 7.2%.

The effective tax rate was 37.2% and 37.0% in 2000 and 1999, respectively.

Year 2000 Restructuring and Non-Cash Charges

During the fourth quarter of 2000, the Company's Board of Directors approved plans adopted by certain business units of the Company to improve operating efficiency and profitability. These initiatives eliminate certain underperforming locations, reduce market overlap, dispose of inventory related to discontinued product lines and eliminate other nonproductive SKUs. In connection with these restructuring activities, 25 locations closed in 2000 and 7 locations will close in 2001. The Company expects to complete these restructuring activities by December 31, 2001.

In accordance with Emerging Issues Task Force ("EITF") Issue 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (Including Certain Costs Incurred in a Restructuring)," SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," and SEC Staff Accounting Bulletin No. 100, "Restructuring & Impairment Charges," the Company recorded restructuring charges of $8.5 million ($5.3 million after-tax) during the fourth quarter of 2000 ($0.19 per share on a diluted basis). A portion of this restructuring charge ($4.3 million on a pre-tax basis) relates to the valuation of inventory to be disposed of and has been classified in cost of sales.

Also in the fourth quarter of 2000, the Company recorded non-cash charges of $.8 million related to additional inventory reserves, $1.7 million related to accounts receivable valuation reserves in its manufactured housing subsidiaries and $2.2 million related to the write-down of an impaired investment in one of the Company's primary competitors.

On an after-tax basis, restructuring and other non-cash charges were $8.3 million or $0.30 per share. The Company expects that the 2000 and 2001 restructuring activities will result in a simplified operating structure that should enhance future profitability. See Note 9 to Consolidated Financial Statements for further information.

Comparison of Year Ended December 31, 1999 with Year Ended December 31, 1998

Revenue in 1999 increased $184.0 million, or 17%, over 1998. On a same-store basis, revenue increased $23.3 million, or 2%. The Company's revenue growth rate on a same-store basis for 1999 was less than historical growth rates, primarily due to milder weather in certain of the Company's large markets, which resulted in lower demand for replacement air conditioning. The Company's revenue was also impacted by lower sales to the manufactured housing market.

Gross profit in 1999 increased $49.9 million, or 21%, over 1998, primarily as a result of the aforementioned revenue increases. Gross profit margin increased to 23.4% in 1999 from 22.8% in 1998, primarily as a result of the gross margin contribution of companies acquired that operate at higher margins than the Company's historical gross margins. On a same-store basis, gross profit increased $7.7 million, or 3%, slightly higher than the same-store revenue increase. Same-store gross profit margin increased to 23.0% in 1999 from 22.8% in 1998 due to improved pricing strategies and cost reductions obtained from consolidated vendor programs.

Selling, general and administrative expenses in 1999 increased $44.5 million, or 24%, over 1998, due to added selling and delivery costs associated with the aforementioned revenue increase. Selling, general and administrative expenses as a percent of revenue increased to 18.6% in 1999 from 17.7% in 1998, primarily due to the higher selling and delivery costs of acquired companies. On a same-store basis, selling, general and administrative expenses increased $11.1 million, or 6%, and selling, general and administrative expenses as a percent of revenue increased to 18.3% in 1999 from 17.7% in 1998. Such increase was primarily due to the inability to leverage selling, general and administrative expenses against lower than anticipated sales volumes.

Interest expense, net in 1999 increased $1.4 million, or 12%, from 1998 primarily due to higher average borrowings.

The effective tax rate was 37.0% in 1999 and 1998.

Discontinued Operation

In November 1997, the Company's Board of Directors approved a plan to divest of its manufacturing operation, Watsco Components, Inc. ("Components"). In May 1998, the Company sold the operating assets of Components at a loss of $1.0 million, net of income taxes of $.6 million. See Note 3 to Consolidated Financial Statements for further information.

Liquidity and Capital Resources

The Company maintains a bank-syndicated revolving credit agreement that provides for borrowings of up to $315 million, expiring on August 8, 2002. Borrowings under the unsecured agreement are used to fund seasonal working capital needs and for other general corporate purposes, including acquisitions. Borrowings under the agreement, which totaled $138.0 million at December 31, 2000, bear interest at primarily London Interbank Offered Rate ("LIBOR") based rates plus a spread that is dependent upon the Company's financial performance (LIBOR plus .6% at December 31, 2000). The revolving credit agreement contains customary affirmative and negative covenants including certain financial covenants with respect to the Company's consolidated net worth, interest and debt coverage ratios and limits capital expenditures and dividends in addition to other restrictions. The Company was in compliance with all covenants at December 31, 2000.

At December 31, 2000, the Company had various interest rate swap agreements to manage its net exposure to interest rate changes related to a portion of the borrowings under the revolving credit agreement. The interest rate swap agreements effectively convert a portion of the Company's LIBOR-based variable rate borrowings into fixed rate borrowings. The Company continuously monitors developments in the capital markets and only enters into swap transactions with established counterparties having investment grade ratings. See Note 11 to Consolidated Financial Statements for further information.

The Company's Board of Directors authorized the repurchase, at management's discretion, of up to 4.5 million shares of the Company's stock in the open market or via private transactions. Shares repurchased under the program are accounted for using the cost method and result in a reduction of shareholders' equity. During 2000, the Company purchased 1.8 million shares at a cost of $17.6 million and, in 1999, 1.3 million shares at a cost of $14.3 million, bringing the total purchased to 3.1 million shares at a cost of $31.9 million.

Working capital decreased to $278.4 million at December 31, 2000 from $292.3 million at December 31, 1999. This decrease was primarily due to improvements in working capital management. Inventory turns improved to 4.7 in 2000 from 4.5 in 1999 and accounts receivable days sales outstanding remained at 45.

Net cash provided by operating activities was $49.1 million in 2000 compared to $41.9 million in 1999, an increase of $7.2 million, primarily due to the aforementioned improvement in working capital. Net cash provided by operating activities was $41.9 million in 1999 compared to net cash used in operating activities of $8.6 million in 1998, an increase of $33.3 million primarily due to decreased use of cash for operating assets and liabilities and an increase in income from continuing operations in 1999.

Net cash used in investing activities decreased to $10.1 million in 2000 from $11.9 million in 1999 primarily as a result of fewer acquisitions during 2000. Net cash used in investing activities decreased to $11.9 million in 1999 from $36.3 million in 1998, primarily due to proceeds of $17.6 million from the sale of marketable securities.

Net cash used in financing activities of $41.7 million in 2000 resulted primarily from net repayments under the revolving credit agreement and other debt and purchases of the Company's common stock. Net cash used by financing activities of $29.8 million in 1999 resulted primarily from net repayments under the revolving credit agreement and purchases of the Company's common shares. Net cash provided by financing activities of $27.7 million in 1998 resulted primarily from net borrowings under the revolving credit agreement.

On January 31, 2000, the Company entered into a $125.0 million private placement shelf facility. The uncommitted loan facility provides Watsco a source of long term, fixed-rate financing as a complement to the variable rate borrowings available under its existing revolving credit facility. The Company did not have any outstanding debt under this shelf facility at December 31, 2000. On February 7, 2001, the Company issued $30 million Senior Series A Notes bearing 7.07% interest under the private shelf facility. The Company's notes have an average life to maturity of 6 years with equal installments of $10 million beginning on April 9, 2005 until the final maturity on April 9, 2007. Interest is to be paid on a quarterly basis beginning on April 9, 2001. The Company used

the net proceeds from the issuance of the notes for the repayment of a portion of its outstanding indebtedness under its revolver credit facility.

The Company has adequate availability of capital from operations, its revolving credit agreement and private placement shelf facility to fund present operations and anticipated growth, including expansion in its current and targeted market areas. The Company continually evaluates potential acquisitions and has held discussions with a number of acquisition candidates; however, the Company currently has no binding agreement with respect to any acquisition candidates. Should suitable acquisition opportunities or working capital needs arise that would require additional financing, the Company believes that its financial position and earnings history provide a solid base for obtaining additional financing resources at competitive rates and terms.

Qualitative and Quantitative Disclosures about Market Risk

The Company's primary market risk exposure consists of interest rate risk. The Company's objective in managing the exposure to interest rate changes is to limit the impact of interest rate changes on earnings and cash flows and to lower its overall borrowing costs. To achieve its objectives, the Company uses interest rate swaps to manage net exposure to interest rate changes to its borrowings. These swaps are entered into with a group of financial institutions with investment grade credit ratings, thereby minimizing the risk of credit loss. All items described are non-trading. See Notes 1 and 11 to Consolidated Financial Statements for further information.

The table below provides information about the Company's market sensitive financial instruments and constitutes a "forward-looking statement." The average interest rates on the variable rate debt and the average receive rate on the interest rate swaps were derived from implied forward three-month LIBOR curves.

	Expected Maturity Date	
	2001	2002
Variable rate debt	-	$315.0
Average interest rates	5.48%	5.48%
Interest rate swaps	-	$60.0(1)
Average pay rate	6.37%	6.37%
Average receive rate	4.88%	4.88%

(1) At December 31, 2000, the Company's interest rate swap portfolio consisted of three swaps aggregating a notional value of $60.0 million and maturity dates ranging from 2002 to 2007.

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities." In June 1999, the FASB issued SFAS No. 137, "Accounting for Certain Derivative Instruments and Certain Hedging Activities - Deferral of the Effective Date of FASB Statement SFAS No. 133." In June 2000, the FASB issued SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment of SFAS No. 133." SFAS No. 133, as amended, establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. SFAS No. 133 also requires that changes in derivatives' fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative instrument's gains and losses to offset related results on the hedged item in the income statement, to the extent effective, and requires that the Company formally document, designate, and assess the effectiveness of transactions that receive hedge accounting. The Company adopted SFAS No. 133, as amended, on January 1, 2001. The adoption of this accounting standard did not have a material impact on the Company's results of operations. Other comprehensive income was reduced by approximately $0.6 million, net of tax benefit of $0.4 million, as of January 1, 2001.

New Accounting Standards

In December 1999, the Securities and Exchange Commission (the "SEC") issued Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Financial Statements." In June 2000, the SEC issued SAB 101B to defer the effective date of implementation of SAB 101 until the fourth quarter of 2000. SAB 101 provides guidance on the recognition, presentation and disclosure of revenue in financial statements. The Company's revenue recognition policies are consistent with SAB 101.

In March 2000, the FASB issued FASB Interpretation ("FIN") 44, "Accounting for Certain Transactions involving Stock Compensation," which clarifies the application of Accounting Principles Board Opinion No. 25 for certain issues. The interpretation was effective July 1, 2000, except for the provisions that relate to modifications that directly or indirectly reduce the exercise price of an award and the definition of an employee, which were effective after December 15, 1998. The adoption of FIN 44 did not have a material effect on the Company's consolidated financial statements.

In July 2000, the Emerging Issues Task Force ("EITF") issued 00-10, "Accounting for Shipping and Handling Fees and Costs." EITF 00-10 became effective in the fourth quarter of 2000. EITF 00-10 prohibits the netting of shipping and handling costs against shipping and handling revenues. EITF 00-10 permits companies to adopt a policy of including shipping and handling costs in cost of sales or other income statement line items. The adoption of EITF 00-10 did not have a material effect on the Company's consolidated financial statements. Shipping and handling costs included in selling, general and administrative expenses amounted to $2.9 million, $2.4 million and $1.0 million for the years ended December 31, 2000, 1999 and 1998, respectively.

Safe Harbor Statement

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

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

WATSCO, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share data)	Years Ended December 31, 2000	1999	1998
Revenue	$1,306,642	$1,246,272	$1,062,265
Cost of sales	999,117	954,434	820,341
Cost of sales - restructuring	4,269	-	-
Gross profit	303,256	291,838	241,924
Selling, general and administrative expenses	253,229	232,399	187,858
Restructuring costs	4,212	-	-
Operating income	45,815	59,439	54,066
Other expense:			
Interest expense	(13,211)	(12,643)	(11,253)
Investment write-down	(2,169)	-	-
Total other expense	(15,380)	(12,643)	(11,253)
Income from continuing operations before income taxes	30,435	46,796	42,813
Income taxes	(11,321)	(17,315)	(15,841)
Income from continuing operations	19,114	29,481	26,972
Discontinued operation, net of income taxes:			
Operating loss	-	-	(800)
Loss on sale	-	-	(981)
Net income	$19,114	$29,481	$25,191
Basic earnings per share:			
Income from continuing operations	$0.72	$1.03	$0.99
Discontinued operation, net of income taxes:			
Operating loss	-	-	(0.02)
Loss on sale	-	-	(0.04)
Net income	$0.72	$1.03	$0.93
Diluted earnings per share:			
Income from continuing operations	$0.69	$0.99	$0.94
Discontinued operation, net of income taxes:			
Operating loss	-	-	(0.02)
Loss on sale	-	-	(0.03)
Net income	$0.69	$0.99	$0.89

The accompanying notes to consolidated financial statements are an integral part of these statements.

WATSCO, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)	December 31, 2000	1999
ASSETS		
Current assets:		
Cash and cash equivalents	$ 4,781	$ 7,484
Accounts receivable, net	163,770	167,335
Inventories	205,805	222,853
Other current assets	18,179	17,397
Total current assets	392,535	415,069
Property and equipment, net	30,258	31,427
Intangible assets, net	128,656	131,556
Other assets	12,021	10,128
	$563,470	$588,180
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term obligations	$ 1,887	$ 5,915
Accounts payable	86,108	89,997
Accrued liabilities	26,099	26,895
Total current liabilities	114,094	122,807
Long-term obligations:		
Borrowings under revolving credit agreement	138,000	155,000
Bank and other debt	2,878	4,415
Total long-term obligations	140,878	159,415
Deferred income taxes and other liabilities	4,334	4,242
Commitments and contingencies (Notes 11 and 12)		
Shareholders' equity:		
Common Stock, $0.50 par value, 40,000,000 shares authorized, 26,435,195 and 26,071,649 shares issued in 2000 and 1999, respectively	13,217	13,036
Class B Common Stock, $0.50 par value, 4,000,000 shares authorized, 3,157,407 and 3,181,628 shares issued in 2000 and 1999, respectively	1,579	1,591
Paid-in capital	204,871	202,106
Unearned compensation related to outstanding restricted stock	(6,031)	(5,998)
Accumulated other comprehensive income (loss), net of tax	105	(669)
Retained earnings	122,348	105,971
Treasury stock, at cost, 3,095,513 and 1,346,200 shares of common stock in 2000 and 1999, respectively	(31,925)	(14,321)
Total shareholders' equity	304,164	301,716
	$563,470	$588,180

The accompanying notes to consolidated financial statements are an integral part of these balance sheets.

WATSCO, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME

(In thousands, except share data)	Common Stock and Class B Common Stock Shares	Amount	Paid-in Capital	Unearned Compensation	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Total
Balance at December 31, 1997	26,143,922	$13,072	$159,638	$(3,836)	-	$56,724	-	$225,598
Net income						25,191		25,191
Changes in value of available-for-sale securities, net of income taxes					(2,962)			(2,962)
Comprehensive income								22,229
Contribution to 401(k) plan	42,805	21	749					770
Issuances from exercise of stock options and employee stock purchase plan	369,796	185	3,179					3,364
Tax benefit from exercise of stock options			999					999
Issuances for acquisitions	1,397,041	699	23,232					23,931
Issuances of restricted shares of common stock	127,500	63	2,188	(2,251)				-
Forfeitures of restricted shares of common stock	(48,750)	(24)	(760)	784				-
Amortization of unearned compensation				252				252
Common stock dividends, $0.10 per share						(2,575)		(2,575)
Balance at December 31, 1998	28,032,314	14,016	189,225	(5,051)	(2,962)	79,340	-	274,568
Net income						29,481		29,481
Changes in value of available-for-sale securities, net of income taxes					2,293			2,293
Comprehensive income								31,774
Contribution to 401(k) plan	79,202	40	804					844
Issuances from exercise of stock options and employee stock purchase plan	206,192	103	1,391					1,494
Tax benefit from exercise of stock options			508					508
Issuances for acquisitions	842,569	421	8,929					9,350
Issuances of restricted shares of common stock	93,000	47	1,249	(1,296)				-
Amortization of unearned compensation				349				349
Common stock dividends, $0.10 per share						(2,850)		(2,850)
Acquisition of common stock	(1,346,200)						(14,321)	(14,321)
Balance at December 31, 1999	27,907,077	14,627	202,106	(5,998)	(669)	105,971	(14,321)	301,716
Net income						19,114		19,114
Changes in value of available-for-sale securities, net of income taxes					774			774
Comprehensive income								19,888
Contribution to 401(k) plan	85,906	43	947					990
Issuances from exercise of stock options and employee stock purchase plan	171,419	85	1,161					1,246
Tax benefit from exercise of stock options			276					276
Issuances of restricted shares of common stock	127,000	63	1,144	(1,207)				-
Forfeitures of restricted shares of common stock	(45,000)	(22)	(763)	785				-
Amortization of unearned compensation				389				389
Common stock dividends, $0.10 per share						(2,737)		(2,737)
Acquisition of common stock	(1,749,313)						(17,604)	(17,604)
Balance at December 31, 2000	26,497,089	$14,796	$204,871	$(6,031)	$105	$122,348	$(31,925)	$304,164

The accompanying notes to consolidated financial statements are an integral part of these statements.

WATSCO, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Years Ended December 31, 2000	1999	1998
Cash flows from operating activities:			
Income from continuing operations	$ 19,114	$ 29,481	$ 26,972
Adjustments to reconcile income from continuing operations to net cash provided by operating activities of continuing operations:			
Depreciation and amortization	12,260	11,240	8,981
Provision for doubtful accounts	5,386	3,389	3,567
Restructuring costs	6,981	-	-
Investment write-down	2,169	-	-
Net investment losses (gains)	-	(920)	330
Deferred income taxes	1,241	1,120	(320)
Non-cash stock contribution to 401(k) plan	990	844	770
Tax benefit from exercise of stock options	276	508	999
Changes in operating assets and liabilities, net of effects of acquisitions:			
Accounts receivable	(2,362)	(12,325)	(22,417)
Inventories	12,970	(10,320)	(12,285)
Accounts payable and accrued liabilities	(5,751)	23,992	3,699
Other, net	(4,214)	(5,115)	(1,708)
Net cash provided by operating activities of continuing operations	49,060	41,894	8,588
Cash flows from investing activities:			
Business acquisitions, net of cash acquired	(896)	(26,440)	(24,944)
Capital expenditures	(7,032)	(6,236)	(9,987)
Purchases of marketable securities	-	(1,042)	(1,007)
Proceeds from the sale of marketable securities	-	17,597	-
Other, net	(2,175)	4,250	(403)
Net cash used in investing activities of continuing operations	(10,103)	(11,871)	(36,341)
Cash flows from financing activities:			
Net borrowings (repayments) under revolving credit agreement	(17,000)	(13,000)	33,300
Net repayments of bank and other debt	(5,565)	(1,111)	(6,360)
Net proceeds from issuances of common stock	1,246	1,494	3,364
Common stock dividends	(2,737)	(2,850)	(2,575)
Acquisition of common stock	(17,604)	(14,321)	-
Net cash provided by (used in) financing activities of continuing operations	(41,660)	(29,788)	27,729
Net cash used in discontinued operation	-	-	(1,939)
Net increase (decrease) in cash and cash equivalents	(2,703)	235	(1,963)
Cash and cash equivalents at beginning of year	7,484	7,249	9,212
Cash and cash equivalents at end of year	$ 4,781	$ 7,484	$ 7,249

The accompanying notes to consolidated financial statements are an integral part of these statements.

1. Significant Accounting Policies

Nature of Operations
Watsco, Inc. and its subsidiaries (collectively the "Company" or "Watsco") is the largest distributor of air conditioning, heating and refrigeration equipment and related parts and supplies in the United States. The Company operates from 300 locations in 30 states.

Basis of Consolidation
The consolidated financial statements include the accounts of Watsco and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

Revenue Recognition
The Company recognizes revenue upon shipment of products or upon delivery of services. Substantially all customer returns are under warranty by the Company's manufacturers. Accordingly, the Company's risk of loss for customer returns is not material.

Cash and Cash Equivalents
The Company considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents.

Inventories
Inventories consist of air conditioning, heating and refrigeration equipment and related parts and supplies and are stated at the lower of cost (first-in, first-out method) or market. Provision is made as necessary to reduce excess or obsolete inventories to their net realizable value.

Property and Equipment
Property and equipment are stated at cost. Depreciation and amortization of property and equipment is computed using the straight-line method. Buildings and improvements are being depreciated or amortized over estimated useful lives ranging from 2-40 years. Leasehold improvements are amortized over the shorter of the respective lease terms or useful lives. Estimated useful lives for other depreciable assets range from 3-12 years. Depreciation and amortization related to property and equipment amounted to $8,259, $7,634 and $6,118 for the years ended December 31, 2000, 1999 and 1998, respectively.

Intangible Assets
Intangible assets, net of accumulated amortization of $13,273 and $9,987 at December 31, 2000 and 1999, respectively, consist of goodwill arising from the excess of the cost of acquired businesses over the fair value of their net assets. Goodwill is amortized on a straight-line basis over 40 years. The Company assesses the recoverability of long-lived assets by determining whether the amortization of the balance over its remaining life can be recovered through undiscounted future operating cash flows of the operation. The amount of impairment, if any, is measured based on projected discounted future operating cash flows using a discount rate reflecting the Company's average cost of funds. The assessment of the recoverability of long-lived assets will be impacted if estimated future operating cash flows are not achieved. Amortization expense related to intangible assets amounted to $3,612, $3,257 and $2,611 for the years ended December 31, 2000, 1999 and 1998, respectively.

Investment Securities
Investments in marketable equity securities of $255 and $1,197 at December 31, 2000 and 1999, respectively, are included in other assets and are classified as available-for-sale. The Company records the securities at fair value with unrealized holding gains and losses, net of applicable income taxes, included as a separate component of shareholders' equity. Dividend and interest income are recognized when earned. The difference between cost and market was an unrealized holding gain of $105 in 2000 and a loss of $669, net of income tax expense of $62 in 2000 and income tax benefit of $392 in 1999. During the year ended December 31, 2000, the Company recorded a $2,169 write-down related to the permanent impairment of an investment in marketable securities held in one of the Company's primary competitors.

Derivative Financial Instruments

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

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities." In June 1999, the FASB issued SFAS No. 137, "Accounting for Certain Derivative Instruments and Certain Hedging Activities - Deferral of the Effective Date of FASB Statement SFAS No. 133." In June 2000, the FASB issued SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment of SFAS No. 133." SFAS No. 133, as amended, establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. SFAS No. 133 also requires that changes in derivatives' fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative instrument's gains and losses to offset related results on the hedged item in the income statement, to the extent effective, and requires that the Company formally document, designate, and assess the effectiveness of transactions that receive hedge accounting. The Company adopted SFAS No. 133, as amended, on January 1, 2001. The adoption of this accounting standard did not have a material impact on the Company's results of operations. Other comprehensive income was reduced by approximately $600, net of tax benefit of $400, on January 1, 2001.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense amounted to $4,833, $5,179 and $3,538 for the years ended December 31, 2000, 1999 and 1998, respectively.

Self-insurance

The Company is self-insured for certain group health benefits. The Company has limited its exposure by maintaining excess and aggregate liability coverages. Self-insurance reserves are established based on claims filed and estimates of claims incurred but not reported. The estimates are based on data provided by the respective claims administrators.

Income Taxes

The Company provides for federal and state income taxes currently payable, as well as for those deferred because of temporary differences between reporting income and expenses for financial statement purposes versus tax purposes. Deferred tax assets and liabilities reflect the temporary differences between the financial statement and income tax bases of assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates is recognized as income or expense in the period that includes the enactment date. The Company and its eligible subsidiaries file a consolidated U.S. federal income tax return.

Stock-Based Compensation

As described in Note 7, the Company applies the intrinsic value-based method of accounting prescribed by Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations, in accounting for its fixed plan stock options. As such, compensation expense would be recorded on the date of grant only if the current market price of the underlying stock exceeded the exercise price. SFAS No. 123, "Accounting for Stock-Based Compensation," established accounting and disclosure requirements using a fair value-based method of accounting for stock-based employee compensation plans. As allowed by SFAS No. 123, the Company has elected to continue to apply the intrinsic value-based method of accounting described above, and has adopted the disclosure requirements of SFAS No. 123.

Earnings Per Share

Basic earnings per share is computed by dividing net income by the total of the weighted average number of shares outstanding. Diluted earnings per share additionally assumes, if dilutive, any added dilution from common stock equivalents.

Shares used to calculate earnings per share are as follows:

Years Ended December 31,	2000	1999	1998
Weighted average shares outstanding	26,549,211	28,498,683	27,147,622
Dilutive stock options and restricted shares of common stock	1,243,821	1,242,157	1,542,842
Shares for diluted earnings per share	27,793,032	29,740,840	28,690,464
Stock options and restricted shares of common stock outstanding which are not included in the calculation of diluted earning because their impact is antidilutive	2,886,251	1,565,868	284,625

Comprehensive Income
Comprehensive income consists of net income and changes in the value of available-for-sale securities at December 31, 2000, 1999 and 1998. The accumulated balances related to changes in the value of available-for-sale securities for comprehensive income are as follows:

Years Ended December 31,	2000	1999	1998
Unrealized holding losses arising during the period, net of income tax benefit of $27, $382 and $1,740, respectively	$ (45)	$ (651)	$ (2,962)
Reclassification adjustment for losses realized in income, net of income tax of $1,729	-	2,944	-
Reclassification adjustment for losses realized from the write-down of marketable securities, net of income tax of $480	819	-	-
Changes in value of available-for-sale securities, net of income taxes	$774	$2,293	$(2,962)

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications
Certain reclassifications have been made to prior year consolidated financial statements to conform to the current year presentation.

New Accounting Pronouncements
In December 1999, the Securities and Exchange Commission (the "SEC") issued Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Financial Statements." In June 2000, the SEC issued SAB 101B to defer the effective date of implementation of SAB 101 until the fourth quarter of 2000. SAB 101 provides guidance on the recognition, presentation and disclosure of revenue in financial statements. The Company's revenue recognition policies are consistent with SAB 101.

In March 2000, the FASB issued FASB Interpretation ("FIN") 44, "Accounting for Certain Transactions involving Stock Compensation," which clarifies the application of APB Opinion No. 25 for certain issues. The interpretation was effective July 1, 2000, except for the provisions that relate to modifications that directly or indirectly reduce the exercise price of an award and the definition of an employee, which were effective after December 15, 1998. The adoption of FIN 44 did not have a material effect on the Company's consolidated financial statements.

In July 2000, the Emerging Issues Task Force ("EITF") issued 00-10, "Accounting for Shipping and Handling Fees and Costs." EITF 00-10 became effective in the fourth quarter of 2000. EITF 00-10 prohibits the netting of shipping and handling costs against shipping and handling revenues. EITF 00-10 permits companies to adopt a policy of including shipping and handling costs in cost of sales or other income statement line items. The adoption of EITF 00-10 did not have a material effect on the Company's consolidated financial statements. Shipping and handling costs included in selling, general and administrative expenses amounted to $2,914, $2,379 and $971 for the years ended December 31, 2000, 1999 and 1998, respectively.

2. Supplier Concentration

The Company has distribution agreements with five key equipment suppliers. Purchases from these five suppliers comprised 46%, 43% and 39% of all purchases made in 2000, 1999 and 1998, respectively. The Company's largest supplier accounted for 16%, 18% and 17% of all purchases made in 2000, 1999 and 1998, respectively. Any significant interruption by the manufacturers or a termination of a distribution agreement could temporarily disrupt the operations of certain subsidiaries. The Company believes that its sales of other complementary equipment products and continued emphasis to expand sales of parts and supplies are mitigating factors against this risk.

3. Discontinued Operations

In November 1997, the Company's Board of Directors approved a plan to dispose of the Company's manufacturing operation, Watsco Components, Inc. ("Components"). In May 1998, the Company sold substantially all the operating assets of Components to International Comfort Products Corporation ("ICP") in exchange for approximately $16,649 of ICP's common stock. The results of Components have been accounted for as a discontinued operation and the consolidated financial statements presented herein report separately the net assets, net cash flows and operating results of this discontinued operation.

Unaudited summarized results for the discontinued operation are as follows:

Year Ended December 31,	1998
Revenue	$ 8,861
Loss before income taxes	$ (1,270)
Income tax benefit	470
Net loss	$ (800)

Income before income taxes includes allocated interest expense of $177 in 1998. Interest expense was allocated to Components based on a ratio of the net assets of the discontinued operation to the total Company's consolidated net assets.

4. Property and Equipment, net

Property and equipment, net, consists of:

December 31,	2000	1999
Land, buildings and improvements	$17,698	$17,008
Machinery, vehicles and equipment	34,643	34,838
Furniture and fixtures	19,127	14,977
	71,468	66,823
Less: accumulated depreciation and amortization	(41,210)	(35,396)
	$30,258	$31,427

5. Long-Term Obligations

Revolving Credit Agreement

The Company maintains a bank-syndicated revolving credit agreement that provides for borrowings of up to $315,000, expiring on August 8, 2002. Borrowings under the unsecured agreement are used to fund seasonal working capital needs and for other general corporate purposes, including acquisitions. Borrowings under the agreement aggregated $138,000 and $155,000 in 2000 and 1999, respectively, and bear interest at primarily London Interbank Offered Rate ("LIBOR") based rates plus a spread that is dependent upon the Company's financial performance (LIBOR plus .6% and LIBOR plus .5% as of December 31, 2000 and 1999, respectively). The Company must pay a variable commitment fee on the unused portion of the commitment. The revolving credit agreement contains customary affirmative and negative covenants including certain financial covenants with respect to the Company's consolidated net worth, interest and debt coverage ratios and limits capital expenditures and dividends in addition to other restrictions. The Company was in compliance with all covenants at December 31, 2000. See Note 11 for details regarding related interest rate swap agreements designated as hedges.

Bank and Other Debt

Bank and other debt (net of current portion) of $2,878 and $4,415 at December 31, 2000 and 1999, respectively, primarily consists of promissory notes issued for business acquisitions and capital leases on equipment. Interest rates on bank and other debt range from 5% to 13% and mature at varying dates through 2008. Annual maturities of long-term obligations for the years subsequent to December 31, 2000 are as follows: $1,887 in 2001, $1,503 in 2002, $474 in 2003, $419 in 2004, $180 in 2005 and $302 thereafter.

On January 31, 2000, the Company entered into a $125,000 private placement shelf facility. The uncommitted loan facility provides Watsco a source of long term, fixed-rate financing as a complement to the variable rate borrowings available under its existing revolving credit facility. At December 31, 2000, the Company did not have any outstanding debt under this shelf facility. See Note 14 for drawings made subsequent to December 31, 2000.

Total cash payments for interest were $12,499, $13,183 and $11,424 for the years ended December 31, 2000, 1999 and 1998, respectively.

6. Income Taxes

The income tax provision on income from continuing operations consists of:

Years Ended December 31,	2000	1999	1998
Federal	$11,087	$16,489	$15,211
State	234	826	630
	$11,321	$17,315	$15,841
Current	$10,080	$16,195	$16,161
Deferred	1,241	1,120	(320)
	$11,321	$17,315	$15,841

A reconciliation of the provision for federal income taxes on income from continuing operations from the federal statutory income tax rate to the effective income tax rate as reported is as follows:

Years Ended December 31,	2000	1999	1998
Federal statutory rate	35.0%	35.0%	35.0%
State income taxes, net of federal benefit	2.2	2.0	2.0
	37.2%	37.0%	37.0%

The following is a summary of the significant components of the Company's deferred tax assets and liabilities:

December 31,	2000	1999
Deferred tax assets:		
Accounts receivable reserves	$2,593	$1,234
Capitalized inventory costs and inventory reserves	2,453	6,163
Unrealized loss on investments	807	392
Net operating loss carryforwards of subsidiary	487	487
Other	1,099	-
	7,439	8,276
Deferred tax liabilities:		
Deductible goodwill	(3,938)	(3,415)
Depreciation and amortization	(437)	(528)
Other	(901)	(475)
	(5,276)	(4,418)
Net deferred tax assets (1)	$2,163	$3,858

(1) Net deferred tax assets of $5,718 and $7,159 have been included in the consolidated balance sheet in "Other current assets" at December 31, 2000 and 1999, respectively.

A subsidiary of the Company has available net operating loss carryforwards ("NOLs") of $1,392, which are available to offset future taxable income in equal annual amounts of $278 through 2005. SFAS No. 109, "Accounting for Income Taxes," requires that the tax

benefit of such NOLs be recorded as an asset to the extent that management assesses the utilization of such NOLs to be more likely than not. Management has determined, based on the subsidiary's recent taxable income and expectations for the future, that taxable income of the subsidiary will be sufficient to fully utilize the available NOLs.

Total cash payments for income taxes were $11,247, $15,745 and $17,396 for the years ended December 31, 2000, 1999 and 1998, respectively.

7. Stock Option and Benefit Plans

Stock Option Plans

At December 31, 2000, the Company had two stock option plans. Under the 1991 Stock Option Plan (the "1991 Plan"), options for an aggregate of 6,750,000 shares of Common Stock and Class B Common Stock may be granted. Options as to 4,417,170 of Common Stock and 2,223,872 of Class B Common Stock have been granted through December 31, 2000. The terms of the 1991 Plan require the option price per share be equivalent to the fair market value of the underlying common stock on the date of grant. Options under the 1991 Plan are for a term of ten years and are exercisable as determined by the Option Committee of the Board of Directors. The 1983 Executive Stock Option Plan (the "1983 Plan") expired in February 1993; therefore, no additional options may be granted. Options as to 36,158 shares of Common Stock are outstanding under the 1983 Plan at December 31, 2000. Options under the 1983 Plan are for a term of ten years and, generally, may be exercised in annual 20% installments beginning one year after grant. Under either plan, the Option Committee may waive the vesting period and permit options to be exercised immediately. There were 108,958 shares of common stock reserved for future grants as of December 31, 2000 under the 1991 Plan.

A summary of option activity is shown below:

	2000		1999		1998	
	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
Outstanding on January 1,	4,157,833	$11.23	3,747,830	$10.75	2,954,255	$8.47
Granted	1,121,289	9.39	703,000	13.46	1,075,999	16.70
Exercised	(91,275)	5.84	(140,210)	5.56	(205,874)	5.73
Forfeited	(264,751)	13.75	(152,787)	14.98	(76,550)	19.82
Outstanding on December 31,	4,923,096	$10.78	4,157,833	$11.23	3,747,830	$10.75
Options exercisable at end of year	3,158,851	$10.01	2,650,365	$8.87	2,200,986	$6.97

The following sets forth certain information with respect to those stock options outstanding on December 31, 2000:

	Options Outstanding			Options Exercisable	
	Number Outstanding at December 31, 2000	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life	Number Outstanding at December 31, 2000	Weighted-Average Exercise Price
$2.32 - $5.00	1,287,194	$3.84	2.2	1,287,194	$3.84
$5.01 - $10.00	1,067,151	8.28	8.2	319,068	7.56
$10.01-$15.00	990,750	13.26	8.0	381,266	13.46
$15.01-$20.00	1,523,288	16.41	6.7	1,139,936	16.19
$20.01-$23.17	54,713	21.55	6.1	31,387	21.47
	4,923,096	$10.78	6.1	3,158,851	$10.01

Employee Stock Purchase Plan

Effective July 1, 1996, the Company adopted the Watsco, Inc. Qualified Employee Stock Purchase Plan under which full-time employees with at least 90 days of service may purchase up to an aggregate of 800,000 shares of the Company's Common Stock. The plan allows participating employees to purchase, through payroll deductions or lump-sum contribution, shares of the Company's Common Stock at 85% of the fair market value at specified times subject to certain restrictions. During 2000, 1999, and 1998 employees purchased 77,822, 70,909 and 163,123 shares of Common Stock at an average price of $8.54, $11.52 and $14.13 per share, respectively. At December 31, 2000, 274,209 shares remained available for purchase under the plan.

The Company accounts for its stock option plans and employee stock purchase plan in accordance with APB Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations. Accordingly, no compensation cost has been recognized in the consolidated statements of income. Had compensation cost for the Company's stock-based compensation plans been determined based on the fair value at the grant dates for awards under the stock option plans and purchases under the employee stock purchase plan consistent with the method of SFAS No. 123, the Company's pro forma net earnings and earnings per share would be as follows:

Years Ended December 31,		2000	1999	1998
Net income	As reported	$19,114	$29,481	$25,191
	Pro forma	$14,853	$25,823	$22,088
Basic earnings per share	As reported	$0.72	$1.03	$0.93
	Pro forma	$0.56	$0.91	$0.81
Diluted earnings per share	As reported	$0.69	$0.99	$0.89
	Pro forma	$0.53	$0.87	$0.78

The Company's pro forma information above is not representative of the pro forma effect of the fair value provisions of SFAS No. 123 on the Company's net income in future years because pro forma compensation expense related to grants made prior to 1995 may not be taken into consideration.

The weighted-average fair value at date of grant for stock options granted during 2000, 1999 and 1998 was $6.56, $7.64 and $8.19, respectively, and was estimated using the Black-Scholes option valuation model with the following weighted-average assumptions:

Years Ended December 31,	2000	1999	1998
Expected life in years	7.7	8.2	6.0
Risk-free interest rate	5.1%	6.1%	4.8%
Expected volatility	71.5%	43.3%	43.3%
Dividend yield	0.8%	0.5%	0.5%

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including expected stock price volatility. The Company's stock-based compensation arrangements have characteristics significantly different from those of traded options, and changes in the subjective input assumptions used in valuation models can materially affect the fair value estimate. As a result, the existing models may not necessarily provide a reliable single measure of the fair value of its stock-based compensation.

Restricted Stock

During 2000, 1999 and 1998, certain employees were granted an aggregate of 127,000, 93,000 and 127,500 shares, respectively, of the Company's common stock, subject to certain significant restrictions. The restrictions lapse upon attainment of retirement age or under other circumstances. During 2000 and 1998, 45,000 and 48,750 shares, respectively, were forfeited upon certain employee terminations. The unearned compensation resulting from the grant of restricted shares is reported as a reduction to shareholders' equity in the consolidated balance sheets and is being amortized to earnings over the period from date of issuance to the respective retirement age of each employee. Total amortization expense related to the restricted shares amounted to $389, $349 and $252 for the years ended December 31, 2000, 1999 and 1998, respectively.

401(k) Plan

The Company has a profit sharing retirement plan for its employees that is qualified under Section 401(k) of the Internal Revenue Code. The Company makes an annual matching contribution based on a percentage of eligible employee compensation deferrals. The contribution is made in cash or by the issuance of the Company's Common Stock to the plan on behalf of its employees. For the years ended December 31, 2000, 1999 and 1998, the aggregate contribution to the plan was $998, $893 and $790, respectively.

8. Acquisitions

The Company has completed various acquisitions, all of which have been accounted for under the purchase method of accounting. Accordingly, their results of operations have been included in the consolidated statements of income beginning on their respective dates of acquisition.

During 2000, the Company completed the acquisition of a refrigeration equipment distributor in Florida for cash consideration of $896.

During 1999, the Company completed the acquisition of six wholesale distributors of air conditioning and heating products and one staffing service franchise for cash consideration of $26,440 (net of cash acquired), including repayment of debt totaling $4,592, the issuance of a $6,098 promissory note and 842,569 shares of Common Stock having a fair value of $9,350.

During 1998, the Company completed the acquisition of 11 wholesale distributors of air conditioning and heating products and six staffing service franchises for cash consideration of $24,944 (net of cash acquired) and the issuance of 1,397,041 shares of Common Stock having a fair value of $23,931.

The unaudited pro forma information of the Company as if the above acquisitions had occurred on January 1, 1998 is as follows:

Years Ended December 31,	1999	1998
Revenue	$1,282,621	$1,225,881
Income from continuing operations	$32,175	$32,061
Diluted earnings per share from continuing operations	$1.07	$1.06

The unaudited pro forma information is not necessarily indicative of either the results of operations that would have occurred had the above companies been acquired on January 1, 1998 for the years presented or of future results of operations. The 2000 acquisition was not material to the Company's operations.

The purchase price allocations for business combinations are as follows:

Years Ended December 31,	2000	1999	1998
Accounts receivable, net	$383	$13,453	$18,644
Inventories	476	9,941	16,988
Property and equipment, net	20	1,625	4,697
Intangible assets	256	24,413	33,337
Other assets	-	1,629	915
Accounts payable and accrued expenses	(239)	(9,173)	(17,570)
Long-term debt	-	(6,098)	(8,136)
Fair value of common stock issued	-	(9,350)	(23,931)
Cash used in acquisitions, net of cash acquired	$896	$26,440	$24,944

9. Restructuring and Non-Cash Charges

During the fourth quarter of 2000, the Company's Board of Directors approved plans adopted by certain business units of the Company to improve operating efficiency and profitability. These initiatives eliminate certain underperforming locations, reduce market overlap, dispose of inventory related to discontinued product lines and eliminate other nonproductive SKUs. In connection with these restructuring activities, 25 locations closed in 2000 and 7 locations will close in 2001. The Company expects to complete these restructuring activities by December 31, 2001.

In accordance with Emerging Issues Task Force ("EITF") Issue 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (Including Certain Costs Incurred in a Restructuring)," SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," and SEC Staff Accounting Bulletin No. 100, "Restructuring & Impairment Charges," the Company recorded restructuring charges of $8,481 ($5,326 after-tax) during the fourth quarter of 2000. A portion of this restructuring charge ($4,269 on a pre-tax basis) relates to the valuation of inventory to be disposed of and has been classified in cost of sales.

Selected information relating to the restructuring charge follows:

	Restructuring charge for the year ended December 31, 2000	Write-down of assets to net realizable value	Cash payments	Restructuring liability or valuation reserves at December 31, 2000
Discontinued product lines	$4,269	(785)	-	$3,484
Noncancelable lease obligations	1,541	-	(347)	1,194
Write-down of accounts receivable	924	(894)	-	30
Employee severance and benefits	326	-	(272)	54
Write-down of property and equipment	185	(147)	-	38
Other	1,236	-	(881)	355
Total	$8,481	(1,826)	(1,500)	$5,155

At December 31, 2000, valuation reserves of $3,484 and $30, respectively, are netted against related asset balances - inventory and accounts receivable, net and the $1,641 restructuring liability is included in accrued liabilities in the consolidated balance sheets.

Also in the fourth quarter of 2000, the Company recorded non-cash charges of $788 related to additional inventory reserves, $1,731 related to accounts receivable valuation reserves in its manufactured housing subsidiaries and $2,169 related to the write-down of an impaired investment in one of the Company's primary competitors.

On an after-tax basis, restructuring and other non-cash charges were $8,270.

10. Shareholders' Equity

Common Stock and Class B Common Stock share equally in the earnings of the Company and are identical in most other respects except (i) Common Stock has limited voting rights, each share of Common Stock being entitled to one vote on most matters and each share of Class B Common Stock being entitled to ten votes; (ii) shareholders of Common Stock are entitled to elect 25% of the Board of Directors (rounded up to the nearest whole number) and Class B shareholders are entitled to elect the balance of the Board of Directors; (iii) cash dividends may be paid on Common Stock without paying a cash dividend on Class B Common Stock and no cash dividend may be paid on Class B Common Stock unless at least an equal cash dividend is paid on Common Stock and (iv) Class B Common Stock is convertible at any time into Common Stock on a one-for-one basis at the option of the shareholder.

The Company's Board of Directors authorized the repurchase, at management's discretion, of up to 4,500,000 shares of the Company's stock in the open market or via private transactions. Shares repurchased under the program are accounted for using the cost method and result in a reduction of shareholders' equity. The Company purchased 1,749,313 shares at a cost of $17,604 in 2000 and 1,346,200 shares at a cost of $14,321, bringing the total purchased to 3,095,513 shares at a cost of $31,925.

11. Financial Instruments

Recorded Financial Instruments

The Company's recorded financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable, the current portion of long-term obligations, borrowings under revolving credit agreement and debt instruments included in other long-term obligations.

At December 31, 2000 and 1999, the fair values of cash and cash equivalents, accounts receivable, accounts payable and the current portion of long-term obligations approximated their carrying values due to the short term nature of these instruments.

The fair values of borrowings under the revolving credit agreement and debt instruments included in long-term obligations also approximate their carrying value based upon interest rates available to the Company for similar instruments with consistent terms and remaining maturities.

Off-Balance Sheet Financial Instruments

The Company uses interest rate swaps to alter the interest rate risk profile related to outstanding borrowings under its revolving credit agreement, thereby altering the Company's exposure to changes in interest rates. The swap agreements exchange the variable rate of LIBOR plus the spread on its revolving credit agreement to fixed interest rate payments ranging from 6.25% to 6.49% in 2000 and 1999. At December 31, 2000, the Company's interest rate swap portfolio consisted of several swaps aggregating a notional value of $60,000 and maturity dates ranging from 2002 to 2007. At December 31, 1999, the Company's interest rate swap portfolio consisted

of several swaps totaling a notional value of $60,000 and maturity dates ranging from 2002 to 2007 and a single swap with a notional value of $70,000 that matured on January 26, 2000 and was used to hedge a short-term interest rate increase related to Year 2000 systems issues.

At December 31, 2000 and 1999, respectively, the Company is contingently liable under standby letters of credit aggregating approximately $2,300 and $7,300 that were primarily used as collateral for promissory notes issued in connection with certain acquisitions. The Company does not expect any material losses to result from the issuance of the standby letters of credit because performance is not expected to be required. Accordingly, the estimated fair value of these instruments is zero.

Concentrations of Credit Risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash investments and accounts receivable. The Company places its temporary cash investments with high credit quality financial institutions and limits the amount of credit exposure to any one financial institution or investment. Concentrations of credit risk with respect to accounts receivable are limited due to the large number of customers comprising the Company's customer base and their dispersion across many different geographical regions. The Company establishes and monitors an allowance for doubtful accounts based on the credit risk of specific customers, historical trends and other information. At December 31, 2000 and 1999, the allowance for doubtful accounts was $6,970 and $5,564, respectively. Although the Company believes its allowance is sufficient, the amount the Company ultimately realizes could differ materially in the near-term from the amount reported above.

12. Commitments and Contingencies

At December 31, 2000, the Company is obligated under non-cancelable operating leases of real property and equipment used in its continuing operations for minimum annual rentals as follows: $25,852 in 2001, $22,914 in 2002, $17,858 in 2003, $13,750 in 2004, $9,560 in 2005 and $15,865 thereafter. Rental expense for continuing operations for the years ended December 31, 2000, 1999 and 1998 was $26,462, $25,831 and $21,911, respectively.

The Company and its subsidiaries are involved in litigation incidental to the operation of the Company's business. The Company vigorously defends all matters in which the Company or its subsidiaries are named defendants and, for insurable losses, maintains significant levels of insurance to protect against adverse judgments, claims or assessments that may affect the Company. In the opinion of the Company, although the adequacy of existing insurance coverage or the outcome of any legal proceedings cannot be predicted with certainty, the ultimate liability associated with any claims or litigation in which the Company or its subsidiaries are involved will not materially affect the Company's financial condition or results of operations.

13. Segment Information

The Company's primary business is the operation of a distribution network selling air conditioning, heating and refrigeration equipment and related parts and supplies. The Company also operates Dunhill, a national temporary staffing and permanent employment services business, which is immaterial (as defined in SFAS 131) to the Company's financial results, net assets and net cash flows. Accordingly, there is no segment information reportable in these notes to the consolidated financial statements.

14. Subsequent Events

On February 7, 2001, the Company issued $30,000 Senior Series A Notes bearing 7.07% interest under its private placement shelf facility (see Note 5). The Company's notes have an average life to maturity of 6 years with equal installments of $10,000 beginning on April 9, 2005 until the final maturity on April 9, 2007. Interest is to be paid on a quarterly basis beginning on April 9, 2001. The Company used the net proceeds from the issuance of the notes for the repayment of a portion of its outstanding indebtedness under its revolver credit facility.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To Watsco, Inc.:

We have audited the accompanying consolidated balance sheets of Watsco, Inc. (a Florida corporation) and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of income, shareholders' equity and comprehensive income and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Watsco, Inc. and subsidiaries as of December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States.

ARTHUR ANDERSEN LLP

Miami, Florida,
February 5, 2001 (except with respect to the matter discussed in Note 14, as to which the date is February 7, 2001).

WATSCO, INC. AND SUBSIDIARIES
QUARTERLY FINANCIAL DATA (UNAUDITED)

(In thousands, except per share data)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
Year ended December 31, 2000:					
Revenue (3)	$286,344	$370,832	$360,633	$288,833	$1,306,642
Gross profit	67,467	87,780	85,345	62,664	303,256
Net income (loss)	$3,054	$12,620	$11,913	$(8,473)	$19,114
Diluted earnings (loss) per share (1), (2)	$0.11	$0.45	$0.43	$(0.32)	$0.69
Year ended December 31, 1999:					
Revenue (3)	$260,383	$346,124	$349,355	$290,410	$1,246,272
Gross profit	61,274	80,779	80,703	69,082	291,838
Net income	$2,447	$11,577	$11,802	$3,655	$29,481
Diluted earnings per share (1)	$0.08	$0.39	$0.40	$0.13	$0.99

(1) Quarterly earnings per share are calculated on an individual basis and, because of rounding and changes in the weighted average shares outstanding during the year, the summation of each quarter may not equal the amount calculated for the year as a whole.

(2) During the 4th Quarter of 2000, the Company recorded restructuring and other non-cash charges of $8,270 or $0.30 per share on an after-tax basis, as more fully described in Note 9 of the consolidated financial statements.

(3) Sales of residential central air conditioners, heat equipment and parts and supplies distributed by the Company have historically been seasonal. Demand related to the residential central air conditioning replacement market is highest in the second and third quarters with demand for heating equipment usually highest in the fourth quarter. Demand related to the new construction sectors throughout most of the Sunbelt markets is fairly even during the year except for dependence on housing completions and related weather and economic conditions.

WATSCO, INC. AND SUBSIDIARIES
INFORMATION ON COMMON STOCK

The Company's Common Stock is traded on the New York Stock Exchange under the symbol WSO and its Class B Common Stock is traded on the American Stock Exchange under the symbol WSOB. The following table indicates the high and low prices of the Company's Common Stock and Class B Common Stock, as reported by the New York Stock Exchange and American Stock Exchange, respectively, and dividends paid per share for each quarter during the years ended December 31, 2000, 1999 and 1998. At March 28, 2001, excluding shareholders with stock in street name, the Company had 560 Common Stock shareholders of record and 275 Class B Common Stock shareholders of record.

	Common		Class B		Cash Dividends	
	High	Low	High	Low	Common	Class B
Year Ended December 31, 2000:						
Fourth quarter	$12.040	$ 8.890	$11.812	$ 9.000	$.025	$.025
Third quarter	13.938	10.050	13.625	10.250	.025	.025
Second quarter	15.750	10.438	15.937	10.500	.025	.025
First quarter	12.500	8.375	12.812	8.875	.025	.025
Year Ended December 31, 1999:						
Fourth quarter	$13.125	$ 9.750	$12.875	$ 9.750	$.025	$.025
Third quarter	17.438	10.375	17.063	10.375	.025	.025
Second quarter	19.875	14.625	19.750	14.500	.025	.025
First quarter	18.625	11.250	18.188	13.500	.025	.025
Year Ended December 31, 1998:						
Fourth quarter	$19.125	$14.375	$19.500	$14.000	$.025	$.025
Third quarter	23.531	12.062	23.328	12.250	.023	.023
Second quarter	23.796	16.671	23.421	18.000	.023	.023
First quarter	20.000	15.828	19.921	16.015	.023	.023

REGISTRANT'S SUBSIDIARIES

The following table sets forth, at April 2, 2001, the Registrant's significant operating subsidiaries and other associated companies and their respective incorporation jurisdictions. The Registrant owns 100% of the voting securities of each of the subsidiaries listed below. There are no subsidiaries not listed in the table, which would, in the aggregate, be considered significant.

Active Subsidiaries:	State of Incorporation
Distribution:	
A&C Distributors, Inc. (d/b/a Comfortmaker Distribution)	Florida
ACDoctor.com Inc.	Texas
AC Wholesalers, Inc.	Florida
Air Supply, Inc.	California
Air Systems Distributors, Inc.	Florida
Ambient, Inc. (d/b/a Superior Supply)	Texas
Atlantic Air, Inc.	Texas
CAD Watsco, Inc.	Florida
Baker Distributing Co.	Florida
Central Air Conditioning Distributors, Inc.	North Carolina
Coastline Distribution, Inc.	Delaware
Comfort Cooling Supply, Inc.	California
Comfort Supply, Inc.	Delaware
CP Distributors, Inc. (d/b/a Central Plains Distributing and Comfort Products Distributing)	Florida
Gemaire Distributors, Inc.	Florida
GMC Distributors, Inc. (d/b/a Kingaire)	Tennessee
H.B. Adams Distributors, Inc.	Florida
Heat, Inc.	New Hampshire
Heating & Cooling Supply, Inc.	California
Homans Associates, Inc.	Massachusetts
Kaufman Supply, Inc.	Delaware
NSI Supply, Inc.	Nevada
Three States Supply Company, Inc.	Tennessee
Watsco Direct, Inc.	Delaware
Watsco Investments I, Inc.	Florida
Watsco Investment II, Inc.	Florida
Weathertrol Supply Company	North Carolina
William Wurzbach Co. Inc.	California
WSO Distributors, LLC	Nevada
Personnel Services:	
Dunhill Personnel System of New Jersey, Inc.	New Jersey
Dunhill Staffing Systems, Inc.	Delaware
Dunhill Staffing Systems of Milwaukee, Inc.	Wisconsin
Dunhill Temporary Systems, Inc.	New York
Dunhill Temporary Systems of Indianapolis, Inc.	Indiana

Exhibit 23

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

As independent certified public accountants, we hereby consent to the incorporation of our reports included in this Form l0-K, into the Company's previously filed Registration Statements on Form S-3 (Nos. 33-7758, 33-37982, 333-00371, 333-01441 and 333-19803) and in Registration Statements on Form S-8 (Nos. 33-6229, 33-72798, 333-10363, 333-80341 and 333-82011).

ARTHUR ANDERSEN LLP

Miami, Florida,
April 2, 2001.