

WATSCO INC  
Form DEF 14A  
April 29, 2008  
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a)**

**of the Securities Exchange Act of 1934**

(Amendment No.        )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Rule or Rule 14a-12

**Watsco, Inc.**

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on the table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

.. Fee paid previously with preliminary materials:

.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount previously paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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2665 South Bayshore Drive, Suite 901

Coconut Grove, Florida 33133

**NOTICE OF 2008 ANNUAL MEETING OF SHAREHOLDERS**

**Important Notice Regarding the Availability of Proxy Materials for the**

**Shareholder Meeting to be Held on May 30, 2008**

**The Proxy Statement and Annual Report to Shareholders**

**are available at <http://www.watsco.com>**

To the shareholders of Watsco, Inc.:

The 2008 Annual Meeting of Shareholders of Watsco, Inc. will be held at the Ritz-Carlton Hotel, 3300 Southwest 27th Avenue, Coconut Grove, Florida on Friday, May 30, 2008, at 9:00 a.m. local time, for the purpose of considering and voting on the following matters:

(1) A proposal for the holders of Common stock to elect three members to our Board of Directors to hold office until the 2009 annual meeting of shareholders or until their successors are duly elected and qualified, and for the holders of Class B common stock to elect three members to our Board of Directors to hold office until the 2010 annual meeting of shareholders and to elect three members to our Board of Directors to hold office until the 2011 annual meeting of shareholders or, in each case, until their successors are duly elected and qualified; and

(2) The transaction of such other business as may properly come before the annual meeting and any adjournment(s) or postponement(s) thereof.

All holders of record of shares of Watsco, Inc. stock (NYSE: WSO and AMEX: WSOB) at the close of business on April 15, 2008 are entitled to receive notice of the meeting and to vote at the meeting.

Your attention is directed to the accompanying Proxy Statement for further information with respect to the matters to be acted upon at the meeting.

Whether or not you expect to be present, please sign and date the enclosed proxy card and return it in the enclosed pre-addressed envelope as promptly as possible. No postage is required if mailed in the United States.

By Order of the Board of Directors

BARRY S. LOGAN, Secretary

Coconut Grove, Florida

April 29, 2008

**This is an important meeting and all shareholders are invited to attend the meeting in person. Those shareholders who are unable to attend are respectfully urged to execute and return the enclosed proxy card as promptly as possible in the enclosed return envelope. No postage is required if mailed in the United States. Shareholders who execute a proxy card may nevertheless attend the meeting, revoke their proxy and vote their shares in person.**

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**WATSCO, INC.**

**2665 South Bayshore Drive, Suite 901**

**Coconut Grove, Florida 33133**

**PROXY STATEMENT**

**DATE, TIME AND PLACE OF ANNUAL MEETING**

This proxy statement is furnished in connection with the solicitation by the Board of Directors of Watsco, Inc. of proxies from the holders of our Common stock, par value \$.50 per share and our Class B common stock, par value \$.50 per share for use at our 2008 annual meeting of shareholders to be held at the Ritz-Carlton Hotel, 3300 Southwest 27th Avenue, Coconut Grove, Florida on Friday, May 30, 2008, at 9:00 a.m. local time or at any adjournment(s) or postponement(s) of the annual meeting.

This proxy statement and the enclosed form of proxy are being mailed to holders of our Common stock and our Class B common stock on or about April 29, 2008. Shareholders should review the information provided in this proxy statement in conjunction with our 2007 Annual Report to Shareholders which accompanies this proxy statement. In this proxy statement, we refer to Watsco, Inc. as Watsco , we , our and the Company.

Our principal executive offices are located at 2665 South Bayshore Drive, Suite 901, Coconut Grove, Florida 33133.

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\* To be voted on at the meeting

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**ABOUT THE MEETING**

***What is the Date, Time and Place of the Annual Meeting?***

Watsco's 2008 Annual Shareholders Meeting will be held on Friday, May 30, 2008, beginning at 9:00 a.m., local time, at the Ritz-Carlton Hotel, 3300 Southwest 27th Avenue, Coconut Grove, Florida.

***What is the purpose of the annual meeting?***

At the annual meeting, shareholders will act upon the matters outlined in the notice of meeting on the cover page of this proxy statement, consisting of (1) the election of nine directors and (2) any other matters that properly come before the meeting. In addition, management will discuss the performance of the Company and respond to questions from shareholders.

***Who is entitled to vote at the meeting?***

Only our shareholders of record at the close of business on April 15, 2008, the record date for the meeting, are entitled to receive notice of and to participate in the annual meeting. If you were a shareholder of record on that date, you will be entitled to vote all of the shares you held on that date at the meeting, or any postponement(s) or adjournment(s) of the meeting. As of the record date, there were 24,453,988 shares of our Common stock outstanding (representing 30,671,038 shares issued less 6,217,050 shares held in treasury) and 3,784,966 shares of our Class B common stock outstanding (representing 3,833,229 shares issued less 48,263 shares held in treasury), all of which are entitled to be voted at the annual meeting.

A list of shareholders will be available at our executive offices at 2665 South Bayshore Drive, Suite 901, Coconut Grove, Florida 33133 for a period of ten days prior to the annual meeting and at the annual meeting itself for examination by any shareholder.

***What are the voting rights of the holders of Watsco Common stock and Class B common stock?***

Holders of our Common stock are entitled to one vote per share on each matter that is submitted to shareholders for approval and vote as a separate class to elect 25 percent of our directors (rounded up to the next whole number), which presently equates to three directors. Holders of our Class B common stock are entitled to ten votes per share on each matter that is submitted to shareholders for approval and vote as a separate class to elect 75 percent of our directors (rounded down to the next whole number), which presently equates to six directors. Holders of our Common stock and our Class B common stock vote together as a single class on all matters except election of directors or as otherwise provided by applicable law.

***Who can attend the meeting?***

All shareholders as of the record date, or their duly appointed proxies, may attend the meeting, and each may be accompanied by one guest. Please also note that if you hold your shares in street name (that is, through a broker or other nominee), you will need to bring a copy of a brokerage statement reflecting your stock ownership as of the record date.

***What constitutes a quorum?***

The presence at the meeting, in person or by proxy, of the holders of Common stock and Class B common stock representing a majority of the combined voting power of the outstanding shares of stock on the record date will constitute a quorum, permitting the meeting to conduct its business. As of the record date, there were 24,453,988 shares of Common stock outstanding and 3,784,966 shares of Class B common stock outstanding, all of which are entitled to be voted at the annual meeting.

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As of the record date, our directors and executive officers and entities affiliated with these persons owned (i) Common stock representing 1.9% of the outstanding shares of Common stock and (ii) Class B common stock representing 92.0% of the outstanding shares of Class B common stock, together representing 56.7% of the aggregated combined votes of Common stock and Class B common stock entitled to be cast at the annual meeting. Such persons and entities represent a majority of the combined voting power of the outstanding shares of stock on the record date and thus constitute a quorum and have informed us that they intend to vote all of their shares of Common stock and Class B common stock in favor of all proposals set forth in the proxy statement.

### ***What vote is required to approve each item?***

For purposes of electing directors at the annual meeting, the nominees receiving the greatest numbers of votes of Common stock and Class B common stock, voting as separate classes to the extent they are entitled to vote on a nominee shall be elected as directors. The affirmative vote of a majority of votes of Common stock and Class B common stock, present, in person or by proxy at the annual meeting and voting together as a single class, is required for any other matter that may be submitted to a vote of our shareholders.

Prior to the annual meeting, we will select one or more inspectors of election for the meeting. Such inspector(s) shall determine the number of shares of Common stock and Class B common stock represented at the meeting, the existence of a quorum and the validity and effect of proxies, and shall receive, count and tabulate ballots and votes and determine the results thereof.

A properly executed proxy marked **WITHHOLD VOTE** with respect to the election of one or more directors will not be voted with respect to the director or directors indicated although it will be counted for purposes of determining whether there is a quorum. Shareholders do not have the right to cumulate their votes for directors.

Proxies received but marked as abstentions and broker non-votes will be included in the calculation of the number of shares considered to be present at the meeting for purposes of determining a quorum but will not be counted as votes cast for or against any given matter. Thus, abstentions and broker non-votes have the same effect as votes cast against proposals requiring a majority or greater percentage of the outstanding shares entitled to vote but do not have any effect on proposals requiring a majority or plurality of the shares present and entitled to vote. If less than a majority of the combined voting power of the outstanding shares of Common stock and Class B common stock are represented at the annual meeting, a majority of the shares so represented may adjourn the annual meeting from time to time without further notice.

### ***What are the Board's recommendations?***

Watsco's Board of Directors recommends a vote FOR the election of the respective nominees for director named in this proxy statement.

Unless contrary instructions are indicated on the enclosed proxy, all shares represented by valid proxies received pursuant to this solicitation (and which have not been revoked in accordance with the procedures set forth below) will be voted (a) FOR the election of the respective nominees for director named in this proxy statement and (b) in accordance with the recommendation of Watsco's Board of Directors, FOR or AGAINST all other matters as may properly come before the annual meeting. In the event a shareholder specifies a different choice by means of the enclosed proxy, such shares will be voted in accordance with the specification made.

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***How do I vote?***

You can vote in any of the following ways.

To vote by mail:

Mark, sign and date your proxy card; and

Return it in the enclosed envelope.

To vote in person if you are a registered shareholder:

Attend our annual meeting;

Bring valid photo identification; and

Deliver your completed proxy card or ballot in person.

To vote in person if you hold in street name:

Attend our annual meeting;

Bring valid photo identification; and

Obtain a legal proxy from your bank or broker to vote the shares that are held for your benefit, attach it to your completed proxy card and deliver it in person.

***Can I change my vote after I return my proxy card?***

Yes. The giving of a proxy does not eliminate the right to vote in person should any shareholder giving the proxy so desire. Shareholders have an unconditional right to revoke their proxy at any time prior to the exercise of that proxy, either in person at the annual meeting or by filing with our Secretary at our headquarters a written revocation or duly executed proxy bearing a later date; however, no such revocation will be effective until written notice of the revocation is received by us at or prior to the annual meeting.

***Who pays for costs relating to the proxy statement and annual meeting of shareholders?***

The cost of preparing, assembling and mailing this proxy statement, the Notice of Annual Meeting of Shareholders and the enclosed proxy card is to be borne by us. In addition to the use of mail, our directors, officers and employees may solicit proxies personally and by telephone, facsimile and other electronic means. They will receive no compensation in addition to their regular salaries. We may request banks, brokers and other custodians, nominees and fiduciaries to forward copies of the proxy material to their principals and to request authority for the execution of proxies. We may reimburse these persons for their expenses in so doing.



**Table of Contents****STOCK OWNERSHIP*****Who are the largest owners of our stock? How much stock do our Directors and Named Executive Officers own?***

The following table shows information regarding the beneficial ownership of our Common stock and Class B common stock for the following:

- (i) each shareholder known by us to beneficially own more than 5% of any class of our voting securities,
- (ii) each of our directors and director nominees,
- (iii) each executive officer named in the Summary Compensation Table in Executive Compensation ( Named Executive Officers ), and
- (iv) all directors and Named Executive Officers as a group.

The table also shows, in the final column, the combined voting power of the voting securities on all matters presented to the shareholders for their approval, except for the election of directors and for such separate class votes as are required by Florida law. All information is as of the record date.

Name and Address	Common Stock		Class B		Combined Percent of Voting Securities(2)
	Beneficially Owned(2)		Common Stock Beneficially Owned(2)		
Of Beneficial Owners(1)	Shares	Percent	Shares	Percent	
Shareholders owning more than 5% of any class of common stock:					
Columbia Wanger Asset Management, L.P.(3)	2,929,000	12.0%			4.7%
Capital World Investors(4)	2,550,900	10.4			4.1
Earnest Partners, LLC(5)	2,389,752	9.8			3.8
Fiduciary Management, Inc.(6)	1,776,510	7.3			2.9
Barclays Global Investors, NA(7)	1,498,005	6.1			2.4
Lord, Abnett & Co. LLC(8)	1,475,344	6.0			2.4
Invesco Ltd.(9)	1,354,651	5.5			2.2
Principled Asset Administration, LLC(10)	1,249,000	5.1			2.0
Frontier Capital Management Co., LLC(11)	1,230,328	5.0			2.0
Alna Capital Associates, LP(12)			766,886	20.3%	12.3
Directors and Named Executive Officers:					
Albert H. Nahmad(13)	992	*	3,912,805	91.3%	58.1%
Barry S. Logan(14)	241,326	1.0%	170,000	4.4	3.1
Ana M. Menendez(15)	107,957	*			*
Carole J. Poindexter(16)	93,700	*			*
Bob L. Moss(17)	84,441	*			*
Paul F. Manley(18)	61,373	*	1,255	*	*
Stephen R. Combs(19)	60,581	*			*
Cesar L. Alvarez(20)	55,313	*			*
Gary L. Tapella(21)	36,667	*			*
George P. Sape(22)	20,000	*			*
Robert L. Berner III(23)	16,001	*			*
Denise Dickins(24)	15,251	*			*
Frederick H. Joseph(25)	10,000	*			*

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All directors, director nominees and named executive officers as a group (13 persons)(26)

803,602

3.2%

4,084,060

93.1%

60.7%

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\* Less than 1%.

- (1) Unless otherwise indicated below, (a) the address of each of the beneficial owners identified is c/o Watsco, Inc., 2665 South Bayshore Drive, Suite 901, Coconut Grove, Florida 33133 and (b) each person or group has sole voting and investment power with respect to all such shares.
- (2) Percentages are based on 24,453,988 shares of Common stock and 3,784,966 shares of Class B common stock issued and outstanding as of the record date plus the number of potential shares of stock that beneficial owners may acquire within 60 days of the record date through the exercise of, exchange, or conversion of options or other rights. The number and percentage of shares beneficially owned is determined in accordance with the rules and regulations of the Securities Exchange Act of 1934, as amended and the information is not necessarily indicative of beneficial ownership for any other purpose. Under applicable rules of the Securities and Exchange Commission, although each named person and all directors and executive officers as a group are deemed to be the beneficial owners of securities that may be acquired within 60 days through the exercise of, exchange, or conversion of options or other rights, and the Class B common stock is immediately convertible into Common stock on a one-for-one basis, the number of shares set forth opposite each shareholder's name does not include shares of Common stock issuable upon conversion of our Class B common stock.
- (3) Based on Schedule 13G/A filed on January 29, 2008. The address of Columbia Wanger Asset Management L.P., an investment adviser, is 227 West Monroe Street, Suite 3000, Chicago, Illinois 60606.
- (4) Based on Schedule 13G filed on March 10, 2008. Capital World Investors, an investment adviser, has sole dispositive power over 2,550,900 of such shares and sole voting power over 972,000 of such shares. The Income Fund of America, Inc., an investment company managed by Capital Research and Management Company ( CRMC ) who manages the equity assets for various investment companies through Capital World Investors has sole voting power over 1,578,900 of such shares. The address of Capital World Investors and The Income Fund of America, Inc. is 333 South Hope Street, Los Angeles, California 90071.
- (5) Based on Schedule 13G/A filed on January 31, 2008. The address of Earnest Partners, LLC, an investment adviser, is 1180 Peachtree Street NE, Suite 2300, Atlanta, Georgia 30309.
- (6) Based on Schedule 13G filed on February 14, 2008. The address of Fiduciary Management, Inc., an investment adviser, is 100 East Wisconsin Avenue, Suite 2200, Milwaukee, Wisconsin 53202.
- (7) Based on Schedule 13G filed on February 5, 2008. Barclays Global Investors, NA is a bank as defined in section 3(a)(6) of the Act (15 U.S.C. 78c). Consists of (i) 427,480 shares of Common stock beneficially owned by Barclays Global Investors, NA; (ii) 1,045,328 shares of Common stock beneficially owned by Barclays Global Fund Advisors, an investment adviser; and (iii) 25,197 shares of Common stock beneficially owned by Barclays Global Investors, Ltd., a bank. The address of Barclays Global Investors, NA is 45 Fremont Street, San Francisco, California 94105.
- (8) Based on Schedule 13G filed on February 14, 2008. The address of Lord, Abbett & Co. LLC, an investment adviser, is 90 Hudson Street, Jersey City, New Jersey 07302.
- (9) Based on Schedule 13G filed on February 11, 2008. Invesco Ltd. is a holding company. Consists of (i) 1,351,800 shares of Common stock beneficially owned by AIM Funds Management Inc., an investment advisor, and (ii) 2,851 shares of Common stock beneficially owned by PowerShares Capital Management LLC, also an investment advisor. The address of Invesco Ltd. is 1360 Peachtree Street NE, Atlanta, Georgia 30309.
- (10) Based on Schedule 13G filed on February 29, 2008. Principled Asset Administration, LLC is an investment adviser to Highway Partners, L.P. ( Highway ), Thruway Partners, L.P. ( Thruway ), Roadway Partners, L.P. ( Roadway ), Expressway Partners Master Fund, Ltd. ( Expressway ), Freeway Partners Master Fund, Ltd. ( Freeway ), and Motorway Partners Master Fund, Ltd ( Motorway ). Consists of (i) 453,500 shares of Common stock beneficially owned by Expressway; (ii) 421,200 shares of Common stock beneficially owned by Freeway; (iii) 166,350 shares of Common stock beneficially owned by Thruway; (iv) 147,700 shares of Common stock beneficially owned by Roadway; (v) 38,150 shares of Common stock beneficially owned by Highway; and (vi) 22,100 shares of Common stock beneficially owned by Motorway. The address of Principled Asset Administration, LLC is 666 Fifth Avenue, 37<sup>th</sup> Floor, New York, New York 10103.

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- (11) Based on Schedule 13G filed on February 14, 2008. The address of Frontier Capital Management Co., LLC, an investment adviser, is 99 Summer Street, Boston, Massachusetts 02110.
- (12) Alna Capital Associates, LP ( Alna Capital ) is a New York limited partnership of which Mr. Nahmad owns a 19.994% interest and is the sole general partner. The address of Alna Capital is 505 Park Avenue, 16th Floor, New York, New York 10022.
- (13) Includes shares indicated as beneficially owned by Alna Capital. See footnote (12) above. The number of shares of Common stock indicated are owned pursuant to the Watsco, Inc. Amended and Restated Profit Sharing Retirement Plan & Trust ( Profit Sharing Plan ). The number of shares of Class B common stock indicated consists of (i) 686,108 shares directly owned; (ii) 700,000 shares owned by trusts; (iii) 1,259,811 shares issued under Restricted Stock Agreements; (iv) 400,000 shares issuable upon exercise of presently exercisable options granted pursuant to our Third Amended and Restated 1991 Stock Option Plan ( 1991 Plan ); and (v) 100,000 shares issuable upon exercise of presently exercisable options granted pursuant to the 2001 Incentive Compensation Plan ( 2001 Plan ).
- (14) The number of shares of Common stock indicated consists of (i) 55,547 shares directly owned; (ii) 2,029 shares owned pursuant to the Profit Sharing Plan; (iii) 108,750 shares issued pursuant to Restricted Stock Agreements; and (iv) 75,000 shares issuable upon exercise of presently exercisable options granted pursuant to the 1991 Plan. The number of shares of Class B common stock indicated consists of (i) 70,000 shares issued under Restricted Stock Agreements; (ii) 50,000 shares issuable upon exercise of presently exercisable options granted pursuant to the 1991 Plan; and (iii) 50,000 shares issuable upon exercise of presently exercisable options granted pursuant to the 2001 Plan.
- (15) The number of shares of Common stock indicated consists of (i) 957 shares owned pursuant to the Profit Sharing Plan; (ii) 40,000 shares issued pursuant to Restricted Stock Agreements; (iii) 40,000 shares issuable upon exercise of presently exercisable options granted pursuant to the 1991 Plan; and (iv) 27,000 shares issuable upon exercise of presently exercisable options granted pursuant to the 2001 Plan.
- (16) The number of shares of Common stock indicated consists of (i) 10,224 shares directly owned; (ii) 1,366 shares owned pursuant to the Profit Sharing Plan; (iii) 10 shares owned by Ms. Poindexter s son, (iv) 49,600 shares issued pursuant to Restricted Stock Agreements; and (v) 32,500 shares issuable upon exercise of presently exercisable options granted pursuant to the 1991 Plan.
- (17) The number of shares of Common stock indicated consists of (i) 60,191 shares directly owned; (ii) 4,000 shares owned by Mr. Moss s spouse; and (iii) 10,125 shares issuable upon exercise of presently exercisable options granted pursuant to the 1991 Plan; and (iv) 10,125 shares issuable upon exercise of presently exercisable options granted pursuant to the 2001 Plan.
- (18) The number of shares of Common stock indicated consists of (i) 1,248 shares owned by a trust; (ii) 3,375 shares issuable upon exercise of presently exercisable options granted pursuant to the 1991 Plan and held by a trust; and (iii) 56,750 shares issuable upon exercise of presently exercisable options granted pursuant to the 2001 Plan and held by a trust. The number of shares of Class B common stock indicates shares owned by a trust.
- (19) The number of shares of Common stock indicated consists of (i) 890 shares directly owned; (ii) 91 shares owned pursuant to the Profit Sharing Plan; (iii) 44,600 shares issued pursuant to Restricted Stock Agreements; (iv) 7,000 shares issuable upon exercise of presently exercisable options granted pursuant to the 1991 Plan; and (v) 8,000 shares issuable upon exercise of presently exercisable options granted pursuant to the 2001 Plan.
- (20) The number of shares of Common stock indicates shares directly owned.
- (21) The number of shares of Common stock indicated consists of (i) 3,718 shares directly owned; (ii) 3,782 shares owned by a trust; (iii) 3,718 shares owned by Mr. Tapella s spouse; (iv) 3,782 shares owned by a trust of Mr. Tapella s spouse; ; and (v) 21,667 shares issuable upon exercise of presently exercisable options granted pursuant to the 2001 Plan.
- (22) The number of shares of Common stock indicates shares issuable upon exercise of presently exercisable options granted pursuant to the 2001 Plan.
- (23) The number of shares of Common stock indicated consists of (i) 1,000 shares directly owned and (ii) 15,001 shares issuable upon exercise of presently exercisable options granted pursuant to the 2001 Plan.
- (24) The number of shares of Common stock indicated consists of (i) 250 shares directly owned and (ii) 15,001 shares issuable upon exercise of presently exercisable options granted pursuant to the 2001 Plan.
- (25) The number of shares of Common stock indicates shares directly owned.
- (26) Includes shares beneficially owned by Directors and Named Executive Officers, as described in footnotes (13)-(25).

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***Compliance with Section 16(a) of the Securities Exchange Act of 1934 Beneficial Ownership Reporting Compliance***

Section 16(a) of the Securities Exchange Act of 1934 requires our officers, directors and persons who own more than ten percent of a registered class of our equity securities to file reports of ownership and changes in ownership on Forms 3, 4 and 5, as applicable, with the Securities and Exchange Commission ( SEC ), the New York Stock Exchange ( NYSE ) and the American Stock Exchange ( AMEX ). Officers, directors and shareholders owning greater than ten percent of our common stock or Class B common stock are required by the SEC regulations to furnish us with copies of all Forms 3, 4 and 5 they file.

Based solely on our review of the copies of these forms received, the absence of a Form 3, 4, or 5 or representations from certain reporting persons that no Form 5 was required, we believe that all of our officers, directors, and greater than ten percent beneficial owners complied with all filing requirements applicable to them, except (i) 5,000 stock options granted pursuant to the 2001 Plan which were granted to Mr. Tapella on December 14, 2007 which were filed on Form 4 on December 19, 2007; (ii) 5,000 stock options granted pursuant to the 2001 Plan which were granted to Mr. Berner III on December 14, 2007 which were filed on Form 4 on December 19, 2007; and (iii) 5,000 stock options granted pursuant to the 2001 Plan which were granted to Dr. Dickins on December 14, 2007 which were filed on Form 4 on December 19, 2007, all due to administrative oversight by the Company.

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**ELECTION OF DIRECTORS**

Our Amended and Restated Articles of Incorporation and Bylaws provide that our Board of Directors shall consist of not less than three nor more than nine members, and shall be divided, as nearly as possible, into three equal divisions to serve in staggered terms of office of three years.

Upon election at the annual meeting, Mr. Robert L. Berner III, Dr. Denise Dickins and Mr. Gary L. Tapella, who were previously elected to serve a term expiring at the 2008 annual meeting of shareholders, will serve a term expiring at the 2009 annual meeting of shareholders or until their successor has been duly elected and qualified.

Upon election at the annual meeting, Messrs. Frederick H. Joseph, Bob L. Moss and George P. Sape who were previously elected to serve a term expiring at the 2009 annual meeting of shareholders, will serve a term expiring at the 2010 annual meeting of shareholders or until their successor has been duly elected and qualified.

Upon election at the annual meeting, Messrs. Cesar L. Alvarez, Paul F. Manley and Albert H. Nahmad who were previously elected to serve a term expiring at the 2010 annual meeting of shareholders, will serve a term expiring at the 2011 annual meeting of shareholders or until their successor has been duly elected and qualified.

Three directors are to be elected at the annual meeting by the holders of Common stock voting separately as a class. Mr. Berner, Dr. Dickins and Mr. Tapella have been nominated as directors to be elected by the holders of Common stock and proxies will be voted for Mr. Berner, Dr. Dickins and Mr. Tapella absent contrary instructions. Mr. Berner and Dr. Dickins have served as directors since 2007 and Mr. Tapella has served as a director since 2006.

Six directors are to be elected at the annual meeting by the holders of Class B common stock voting separately as a class. Messrs. Alvarez, Joseph, Manley, Moss, Nahmad and Sape have been nominated as directors to be elected by the holders of Class B common stock and proxies will be voted for Messrs. Alvarez, Joseph, Manley, Moss, Nahmad and Sape absent contrary instructions. Messrs. Alvarez, Joseph, Manley, Moss, Nahmad and Sape have served as directors since 1997, 2003, 1984, 1992, 1973 and 2003, respectively.

Each nominee has been reviewed and recommended for nomination by our Nominating and Strategy Committee, nominated for election by our Board of Directors and has consented to serve as a director; however, in the event that a nominee for a directorship is unable to accept election or if any other unforeseen contingencies should arise, it is intended that proxies will be voted for the remaining nominees, if any, and for such other person as may be designated by the Board of Directors, unless it is directed by a proxy to do otherwise.

**Table of Contents****MANAGEMENT AND THE BOARD OF DIRECTORS*****Who are the Directors and Named Executive Officers of the Company?***

<b>Name</b>	<b>Age</b>	<b>Position with the Company</b>
Albert H. Nahmad	67	Chairman of the Board and President
Barry S. Logan	45	Senior Vice President and Secretary
Ana M. Menendez	43	Chief Financial Officer and Treasurer
Stephen R. Combs	64	President, Gemaire Distributors, LLC
Carole J. Poindexter	52	President, Baker Distributing Company, LLC
Cesar L. Alvarez	60	Director
Robert L. Berner III	46	Director
Denise Dickins	46	Director
Frederick H. Joseph	70	Director
Paul F. Manley	71	Director
Bob L. Moss	60	Director
George P. Sape	63	Director
Gary L. Tapella	64	Director

ALBERT H. NAHMAD has served as our Chairman of the Board and President since December 1973. Mr. Nahmad is the general partner of Alna Capital Associates, LP, a New York limited partnership, which is a shareholder of the Company.

BARRY S. LOGAN has served as our Senior Vice President since November 2003 and as Secretary since 1997. Mr. Logan served as Vice President Finance and Chief Financial Officer from 1997 to October 2003, as Treasurer from 1996 to 1998 and in other capacities beginning in 1992. Mr. Logan is a certified public accountant.

ANA M. MENENDEZ has served as our Chief Financial Officer since November 2003, as Treasurer since 1998 and as Assistant Secretary since 1999. Ms. Menendez is a certified public accountant.

STEPHEN R. COMBS has served as President of Gemaire Distributors, LLC, a Watsco subsidiary, since 2000. He also served as Vice President of Sales and Marketing from 1993 to 1999. Prior to 1993 he held various positions within the air conditioning, heating and refrigeration industry.

CAROLE J. POINDEXTER has served as President of Baker Distributing Company, LLC, a Watsco subsidiary, since 1999. She served as Executive Vice President from 1996 to 1999, Vice President Finance and Chief Financial Officer from 1984 to 1996, Treasurer from 1981 to 1984 and Controller from 1979 to 1981.

CESAR L. ALVAREZ has been a director since 1997. Mr. Alvarez has served as the President and Chief Executive Officer of the international law firm of Greenberg Traurig, P.A. since 1997. Prior to that time, Mr. Alvarez practiced law at Greenberg Traurig, P.A. for over 20 years. Mr. Alvarez also serves as the Chairman of the Board of Directors of Pediatrix Medical Group, Inc.

ROBERT L. BERNER III has been a director since 2007. Mr. Berner has been a Partner at CVC Capital Partners, an independent investment and advisory company dedicated to private equity, since 2007. Mr. Berner served previously as Managing Director of Ripplewood Holdings LLC where he oversaw investments in a number of industries from 2001 to 2007. Prior to that, he was with Morgan Stanley for over 10 years where he held various positions in the investment banking division. Mr. Berner currently serves on the Board of Directors of a number of private companies and charitable organizations.

DENISE DICKINS has been a director since 2007. Dr. Dickins has been an Assistant Professor of Accounting and Auditing for East Carolina University since 2006. She was also an instructor of various accounting courses at Florida Atlantic University from 2002 to 2006. Prior to that, she was with Arthur Andersen

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LLP where she served in different capacities from 1983 to 2002, including Partner in Charge of the South Florida Audit Division. Dr. Dickins is a certified public accountant. She currently serves on the Board of Directors and the Audit Committee of TradeStation Group, Inc.

FREDERICK H. JOSEPH has been a director since 2003. Mr. Joseph has been a Managing Director of Morgan Joseph & Co. Inc., an investment banking firm, since 2001. From 1998 to 2001, Mr. Joseph served as Senior Advisor and Managing Director of ING Barings LLC, an investment banking firm. Mr. Joseph serves as a director of American Biltrite Inc. Mr. Joseph is subject to a 1993 consent decree with the SEC that bars him from being chairperson, chief executive officer or president of any broker, dealer, municipal securities dealer, investment adviser or investment company.

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

BOB L. MOSS has been a director since 1992. Mr. Moss is President of Moss & Associates, Inc., a consulting firm specializing in construction management and development. Mr. Moss previously served as Chairman of the Board and Chief Executive Officer of Centex Construction Group from 2000 to 2002, the largest domestic general building contractor in the nation. From 1986 to December 1999, Mr. Moss served as Chairman of the Board and Chief Executive Officer of Centex-Rooney Construction Company, Inc., one of Florida's largest contracting organizations.

GEORGE P. SAPE has been a director since 2003. Mr. Sape, has been the Managing Partner of Epstein Becker and Green, P.C., a New York-based law firm, since 1986. Mr. Sape previously served as Vice President and General Counsel for Organizations Resources Counselors, Inc., a consulting services provider to a number of Fortune 500 companies and has served as counsel or as an advisor to various congressional committees related to labor, education and public welfare. Mr. Sape also serves on the Board of the University of Colorado School of Business.

GARY L. TAPELLA has been a director since 2006. Mr. Tapella has been an Industrial Partner with Ripplewood Holdings, LLC since 2005. From 1991 to 2005 Mr. Tapella served as the Chief Executive Officer and President of Rheem Manufacturing Company ( Rheem ). He was also Rheem's Chairman of the Board from 2002 to 2005. Mr. Tapella has served in various other capacities, including Chief Operating Officer and Vice President International, during his 36 years at Rheem. Rheem is one of our key equipment suppliers.

Our Amended and Restated Articles of Incorporation provide for the Board of Directors to have up to nine members, to be divided as nearly as possible in three equal divisions to serve in staggered terms of three years. The number of members comprising the Board of Directors presently is nine, three of whom are Common stock directors and six of whom are Class B common stock directors. Mr. Berner (Common), Dr. Dickins (Common) and Mr. Tapella (Common) serve until the 2008 annual meeting of shareholders. Messrs. Joseph (Class B), Moss (Class B) and Sape (Class B) serve until the 2009 annual meeting of shareholders. Messrs. Alvarez (Class B), Manley (Class B), and Nahmad (Class B) serve until the 2010 annual meeting of shareholders. If the directors nominated for election are elected by the holders of our Common stock, Mr. Berner, Dr. Dickins and Mr. Tapella will serve until the 2009 annual meeting of shareholders. If the directors nominated for election are elected by the holders of our Class B common stock, Messrs. Joseph, Moss and Sape will serve until the 2010 annual meeting of shareholders and Messrs. Alvarez, Manley and Nahmad will serve until the 2011 annual meeting of shareholders.



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**BOARD OF DIRECTORS MEETINGS, COMMITTEES OF THE BOARD AND RELATED MATTERS**

***How often did the Board meet during fiscal 2007?***

During the fiscal year ended December 31, 2007, our Board of Directors took action by unanimous written consent five times and held six meetings. During 2007, no incumbent director attended fewer than 75 percent of the aggregate of (i) the number of meetings of the Board of Directors held during the period he served on the Board and (ii) the number of meetings of committees of the Board of Directors held during the period he served on these committees. Watsco's Corporate Governance Guidelines provide that all directors should make every effort to attend meetings of Watsco's shareholders. In 2007, all of our incumbent directors attended the annual shareholders' meeting.

***What committees has the Board established?***

The Board of Directors has established three standing committees: (1) the Audit Committee, (2) the Compensation Committee and (3) the Nominating & Strategy Committee.

**Audit Committee**

During 2007, Messrs. Manley, Moss and Sape and Dr. Dickins were the members of the Audit Committee. Mr. Moss served as a member of the Audit Committee until Dr. Dickins' election at the 2007 annual shareholders' meeting and subsequent appointment. The current members of the Audit Committee are Messrs. Manley and Sape and Dr. Dickins. All Audit Committee members are independent as required by applicable listing standards of the New York Stock Exchange, American Stock Exchange, Sarbanes-Oxley Act of 2002 and applicable SEC rules. The committee held six meetings during 2007. All Audit Committee members possess the required level of financial literacy as defined in the Audit Committee Charter and Mr. Manley, Chairman of the Audit Committee, qualifies as an audit committee financial expert as defined by applicable SEC rules and regulations and meets the current standard of requisite financial management expertise as required by NYSE, AMEX and applicable SEC rules and regulations.

The Audit Committee's functions include overseeing the integrity of our financial statements, our compliance with legal and regulatory requirements, the qualifications of our independent auditors, and the performance of our internal audit function and controls regarding finance, accounting, legal compliance and ethics that management and our Board of Directors have established. In this oversight capacity, the Audit Committee reviews the scope, timing and fees for the annual audit and the results of audit examinations performed by our internal auditors and independent registered public accounting firm, including their recommendations to improve the system of accounting and internal controls, as required by section 404 of the Sarbanes-Oxley Act of 2002. The Audit Committee is responsible for the appointment, compensation, retention and oversight of the work of our independent registered public accounting firm.

The Audit Committee operates under a formal charter that governs its duties and conduct. The Audit Committee Charter complies with applicable NYSE, AMEX and SEC rules and regulations. A copy of this charter is attached to this proxy statement as Appendix A and is also available on the Company's website [www.watsco.com](http://www.watsco.com), under the caption "Committees" within the Governance section. The charter is available in print to any shareholder who requests it in writing to the Company's Investor Relations department at Watsco, Inc., Investor Relations, 2665 South Bayshore Drive, Suite 901, Coconut Grove, FL 33133.

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