

WATSCO INC
Form PRE 14A
April 20, 2009
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A INFORMATION

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 § 240.14a-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 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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Watsco, Inc.

2665 South Bayshore Drive, Suite 901

Coconut Grove, Florida 33133

NOTICE OF 2009 ANNUAL MEETING OF SHAREHOLDERS

Date: [, , 2009]

Time: [] a.m., Eastern Daylight Time

Place: []
[]
[]

- Purpose:**
1. For the holders of Common stock to elect three directors and for the holders of Class B common stock to elect three directors.
 2. To consider and act upon a proposal to approve, adopt and ratify the Company's Amended and Restated 2001 Incentive Compensation Plan which increases the amount of shares of Common Stock of the Company reserved for issuance from 3,000,000 to 4,000,000 shares.
 3. To consider and act upon a proposal to approve an amendment to the Company's Amended and Restated Articles of Incorporation to provide that vacancies filled by the Board of Directors be subject to reelection at the next annual meeting of shareholders.
 4. To consider and act upon a proposal to approve an amendment to the Company's Amended and Restated Articles of Incorporation to authorize the issuance of up to 10,000,000 shares of preferred stock.
 5. To consider any other business that is properly presented at the meeting.

Who May Vote: You may vote if you were a record owner of our common stock (NYSE: WSO and AMEX: WSOB) at the close of business on April 9, 2009.

Proxy Voting: 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

Senior Vice President and Secretary

Coconut Grove, Florida

[], 2009

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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* To be voted on at the meeting

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WATSCO, INC.

2665 South Bayshore Drive, Suite 901

Coconut Grove, Florida 33133

PROXY STATEMENT

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL

MEETING TO BE HELD ON [], 2009

The Company's Proxy Statement and Annual Report to Shareholders are available at:

<http://www.watsco.com>

INFORMATION ABOUT OUR 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 2009 annual meeting of shareholders.

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 [], 2009. Shareholders should review the information provided in this proxy statement in conjunction with our 2008 Annual Report which accompanies this proxy statement. In this proxy statement, we refer to Watsco, Inc. as *Watsco, we, us, our* and *the Company*.

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

When and where is the annual meeting?

We will hold the Annual Shareholders Meeting on [,], 2009, at [], Eastern Daylight Time at [].

What am I voting on?

1. You are voting on the election of directors as follows:

a. For the holders of Common stock to elect the following three directors:

Robert L. Berner III to hold office until the 2010 annual meeting of shareholders;

Denise Dickins to hold office until the 2011 annual meeting of shareholders; and

Gary L. Tapella to hold office until the 2012 annual meeting of shareholders
or, in each case, until their successors are duly elected and qualified; and

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- b. For the holders of Class B common stock to elect the following three directors:

Frederick H. Joseph to hold office until the 2011 annual meeting of shareholders; and

Cesar L. Alvarez and Albert H. Nahmad to hold office until the 2012 annual meeting of shareholders or in each case, until their successors are duly elected and qualified.

2. You are voting on a proposal to approve, adopt and ratify the Company's Amended and Restated 2001 Incentive Compensation Plan (the 2001 Plan) which increases the amount of shares of Common Stock of the Company reserved for issuance from 3,000,000 to 4,000,000 shares.
3. You are voting on a proposal to approve an amendment to the Company's Amended and Restated Articles of Incorporation to provide that vacancies filled by the Board of Directors be subject to reelection at the next annual meeting of shareholders.
4. You are voting on a proposal to approve an amendment to the Company's Amended and Restated Articles of Incorporation to authorize the issuance of up to 10,000,000 shares of preferred stock.

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5. You will also be voting on such other business, if any, as may properly come before the meeting. In addition, management will discuss the performance of the Company and respond to questions from shareholders.

What are the voting recommendations of the Board of Directors?

The Board of Directors recommends that you vote FOR the election of each of the director nominees.

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, (b) FOR the proposal to approve, adopt and ratify the Company's 2001 Plan, (c) FOR the proposal to amend the Company's Amended and Restated Articles of Incorporation to provide that vacancies filled by the Board of Directors be subject to reelection at the next annual meeting of shareholders, (d) FOR the proposal to amend the Company's Amended and Restated Articles of Incorporation to authorize the issuance of up to 10,000,000 shares of preferred stock and (e) in accordance with the recommendation of the 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.

Who can vote?

The Board of Directors has set April 9, 2009 as the record date for the annual meeting. Holders of Watsco Common and Class B common stock at the close of business on the record date are entitled to vote their shares at the annual meeting, or any postponement(s) or adjournment(s) of the meeting. As of the record date, there were 24,638,100 shares of our Common stock outstanding (representing 30,960,750 shares issued less 6,322,650 shares held in treasury) and 3,906,674 shares of our Class B common stock outstanding (representing 3,954,937 shares issued less 48,263 shares held in treasury), all of which are entitled to be voted.

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% 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 10 votes per share on each matter that is submitted to shareholders for approval and vote as a separate class to elect 75% 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.

What is a shareholder of record?

You are a shareholder of record if you are registered as a shareholder with our transfer agent, American Stock Transfer & Trust Company.

What is a beneficial shareholder?

You are a beneficial shareholder if a brokerage firm, bank, trustee or other agent (nominee) holds your shares. This is often called ownership in street name, since your name does not appear anywhere in our records.

How many votes are needed for the proposals to pass?

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, outstanding, 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.

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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.

What if I abstain from voting on a proposal?

Proxies received but marked **ABSTAIN** 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 the 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 is 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 24,638,100 shares of Common stock outstanding and 3,906,674 shares of Class B common stock outstanding, all of which are entitled to be voted at the annual meeting.

As of the record date, our directors and executive officers and entities affiliated with these persons owned (i) Common stock representing 1.7% of the outstanding shares of Common stock and (ii) Class B common stock representing 93.0% of the outstanding shares of Class B common stock, together representing 57.7% 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.

Who can attend the annual meeting?

Only shareholders as of the record date (or their duly appointed proxies), and our invited guests are permitted to attend the annual meeting. To gain admittance, you must bring valid photo identification to the meeting, where your name will be verified against our shareholder list. If a broker or other nominee holds your shares and you plan to attend the meeting, you must bring a brokerage statement reflecting your share ownership as of the record date, a legal proxy from the broker to vote the shares that are held for your benefit and valid photo identification. Please note that attendees will be subject to security inspections.

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 shareholder of record attend our annual meeting, bring valid photo identification and deliver your completed proxy card in person.

To vote in person if you are a beneficial shareholder attend our annual meeting, bring valid photo identification and obtain a legal proxy from your broker to vote the shares that are held for your benefit, attach it to your completed proxy card and deliver it in person.

How do I change my vote?

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A shareholder of record may revoke a proxy by giving written notice of revocation to our Secretary at our headquarters before the meeting, by delivering a duly executed proxy bearing a later date or by voting in person at the annual meeting. If you are a beneficial shareholder, you may change your vote by following the nominee's procedures for revoking or changing your proxy.

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Who tabulates the votes?

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.

Who pays the cost of this proxy solicitation?

We pay the cost of soliciting your proxy and reimburse brokerage firms and others for forwarding proxy materials to you. In addition to solicitation by mail, solicitations may also be made by letter, facsimile and telephone. Our directors, officers and employees may participate in the solicitation of proxies without additional consideration.

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, and
- (iv) all directors and Named Executive Officers (NEOs) 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 Common Stock | | Combined Percent of Voting Securities (2) |
|---|---------------------------|---------|---------------------------|---------|--|
| | Beneficially Owned (2) | Percent | Beneficially Owned (2) | Percent | |
| Of Beneficial Owners(1) | Shares | Percent | Shares | Percent | Securities (2) |
| Shareholders owning more than 5% of any class of Common Stock: | | | | | |
| Barclays Global Investors, NA (3) | 3,207,809 | 13.0% | | | 5.0% |
| Capital World Investors (4) | 2,608,900 | 10.6 | | | 4.1 |
| Earnest Partners, LLC (5) | 1,889,059 | 7.7 | | | 3.0 |
| SMALLCAP World Fund, Inc. (6) | 1,394,000 | 5.7 | | | 2.2 |
| Frontier Capital Management Co., LLC (7) | 1,280,836 | 5.2 | | | 2.0 |
| Alna Capital Associates, LP (8) | | | 766,886 | 19.6% | 12.0% |
| Directors and Named Executive Officers: | | | | | |
| Albert H. Nahmad (9) | 1,081 | * | 3,849,188 | 91.5% | 57.7% |
| Barry S. Logan (10) | 173,247 | * | 108,957 | 2.8 | 2.0 |
| Ana M. Menendez (11) | 101,035 | * | | | * |
| Bob L. Moss (12) | 84,441 | * | | | * |
| Paul W. Johnston (13) | 68,131 | * | | | * |
| Paul F. Manley (14) | 61,373 | * | 1,255 | * | * |
| Stephen R. Combs (15) | 57,617 | * | | | * |
| Cesar L. Alvarez (16) | 55,313 | * | | | * |
| Gary L. Tapella (17) | 38,670 | * | | | * |
| Robert L. Berner III (18) | 24,334 | * | | | * |
| Denise Dickins (19) | 23,584 | * | | | * |
| George P. Sape (20) | 20,000 | * | | | * |
| Frederick H. Joseph (21) | 10,000 | * | | | * |
| All directors, director nominees and named executive officers as a group (13 persons) (22) | 718,826 | 2.9% | 3,959,400 | 93.6% | 59.9% |

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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 24,638,100 shares of Common stock and 3,906,674 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 filed on February 5, 2009. 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) 508,083 shares of Common stock beneficially owned by Barclays Global Investors, NA; (ii) 2,680,814 shares of Common stock beneficially owned by Barclays Global Fund Advisors, an investment adviser; and (iii) 18,912 shares of Common stock beneficially owned by Barclays Global Investors, Ltd., a bank. The address of Barclays Global Investors, NA is 400 Howard Street, San Francisco, California 94105.

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- (4) Based on Schedule 13G/A filed on February 12, 2009. Capital World Investors, an investment adviser, has sole dispositive power over 2,608,900 of such shares and sole voting power over 901,000 of such shares. The Income Fund of America, Inc., an investment company managed by Capital Research and Management Company who manages the equity assets for various investment companies through Capital World Investors has sole voting power over 1,707,900 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 February 17, 2009. 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 17, 2009. SMALLCAP World Fund, Inc., an investment company managed by Capital Research and Management Company who manages the equity assets for various investment companies through Capital Research Global Investors and Capital World Investors. The address of SMALLCAP World Fund, Inc. is 333 South Hope Street, Los Angeles, California 90071.
- (7) Based on Schedule 13G filed on February 12, 2009. The address of Frontier Capital Management Co., LLC, an investment adviser, is 99 Summer Street, Boston, Massachusetts 02110.
- (8) 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.
- (9) Includes shares indicated as beneficially owned by Alna Capital. See footnote (8) 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) 1,184,911 shares directly owned; (ii) 337,580 shares owned by trusts; (iii) 1,259,811 shares issued under Restricted Stock Agreements; (iv) 200,000 shares issuable upon exercise of presently exercisable options granted pursuant to our 1991 Stock Option Plan (the 1991 Plan); and (v) 100,000 shares issuable upon exercise of presently exercisable options granted pursuant to the 2001 Plan.
- (10) The number of shares of Common stock indicated consists of (i) 24,429 shares directly owned; (ii) 2,118 shares owned pursuant to the Profit Sharing Plan; (iii) 450 shares owned in an Individual Retirement Account (IRA); (iv) 108,750 shares issued pursuant to Restricted Stock Agreements; and (v) 37,500 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) 13,957 shares directly owned; (ii) 70,000 shares issued under Restricted Stock Agreements; and (iii) 25,000 shares issuable upon exercise of presently exercisable options granted pursuant to the 2001 Plan.
- (11) The number of shares of Common stock indicated consists of (i) 5,000 shares directly owned; (ii) 1,035 shares owned pursuant to the Profit Sharing Plan; (iii) 40,000 shares issued pursuant to Restricted Stock Agreements; (iv) 25,000 shares issuable upon exercise of presently exercisable options granted pursuant to the 1991 Plan; and (v) 30,000 shares issuable upon exercise of presently exercisable options granted pursuant to the 2001 Plan.
- (12) The number of shares of Common stock indicated consists of (i) 61,766 shares directly owned; (ii) 1,800 shares owned in an IRA; (iii) 4,000 shares owned by Mr. Moss's spouse; (iv) 6,750 shares issuable upon exercise of presently exercisable options granted pursuant to the 1991 Plan; and (v) 10,125 shares issuable upon exercise of presently exercisable options granted pursuant to the 2001 Plan.
- (13) The number of shares of Common stock indicated consists of (i) 200 shares directly owned; (ii) 431 shares owned pursuant to the Profit Sharing Plan; (iii) 37,500 shares issued pursuant to Restricted Stock Agreements; and (iv) 30,000 shares issuable upon exercise of presently exercisable options granted pursuant to the 2001 Plan.

- (14) 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.
- (15) The number of shares of Common stock indicated consists of (i) 928 shares directly owned; (ii) 89 shares owned pursuant to the Profit Sharing Plan; (iii) 44,600 shares issued pursuant to Restricted Stock Agreements; (iv) 2,000 shares issuable upon exercise of presently exercisable options granted pursuant to the 1991 Plan; and (v) 10,000 shares issuable upon exercise of presently exercisable options granted pursuant to the 2001 Plan.
- (16) The number of shares of Common stock indicates shares directly owned.
- (17) The number of shares of Common stock indicated consists of (i) 7,668 shares owned by a trust; (ii) 7,668 shares owned by a trust of Mr. Tapella's spouse; and (iii) 23,334 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) 1,000 shares directly owned and (ii) 23,334 shares issuable upon exercise of presently exercisable options granted pursuant to the 2001 Plan.
- (19) The number of shares of Common stock indicated consists of (i) 250 shares directly owned and (ii) 23,334 shares issuable upon exercise of presently exercisable options granted pursuant to the 2001 Plan.
- (20) The number of shares of Common stock indicates shares issuable upon exercise of presently exercisable options granted pursuant to the 2001 Plan.
- (21) The number of shares of Common stock indicates shares directly owned.
- (22) Includes shares beneficially owned by Directors and NEOs, as described in footnotes (9)-(21).

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Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our directors, officers and persons who beneficially own more than 10% of a registered class of our equity securities to file reports with the Securities and Exchange Commission (SEC) relating to their common stock ownership and changes in such ownership. To our knowledge, based solely on our records and certain written representations received from our directors, officers and greater than 10% beneficial owners, during the year ended December 31, 2008, all applicable Section 16(a) filing requirements were complied with on a timely basis.

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PROPOSAL NO. 1 REGARDING THE 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 or 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 2009 annual meeting of shareholders, will serve for terms expiring at the 2010, 2011 and 2012 annual meetings of shareholders, respectively, or until their successors have been duly elected and qualified.

Upon election at the annual meeting, Mr. Frederick H. Joseph who was previously elected to serve a term expiring at the 2010 annual meeting of shareholders, will serve for a term expiring at the 2011 annual meeting of shareholders, or until his successor has been duly elected and qualified.

Upon election at the annual meeting, Messrs. Cesar L. Alvarez and Albert H. Nahmad who were previously elected to serve a term expiring at the 2011 annual meeting of shareholders, will serve for terms expiring at the 2012 annual meeting of shareholders, or until their successors have 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.

Three 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 and Nahmad 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 and Nahmad absent contrary instructions. Messrs. Alvarez, Joseph and Nahmad have served as directors since 1997, 2003 and 1973, respectively. The remaining three directors, Messrs. Bob L. Moss, George P. Sape and Paul F. Manley were previously elected by the holders of Class B common stock to serve for terms expiring at the 2010, 2010 and 2011 annual meetings of shareholders, respectively. Messrs. Moss, Sape and Manley have served as directors since 1992, 2003 and 1984, respectively.

Each nominee has been reviewed and recommended for nomination by our Nominating & 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 NEOs of the Company?***

| Name | Age | Position with the Company |
|----------------------|------------|---------------------------------------|
| Albert H. Nahmad | 68 | Chairman of the Board and President |
| Barry S. Logan | 46 | Senior Vice President and Secretary |
| Paul W. Johnston | 56 | Vice President |
| Ana M. Menendez | 44 | Chief Financial Officer and Treasurer |
| Stephen R. Combs | 65 | President, Gemaire Distributors, LLC |
| Cesar L. Alvarez | 61 | Director |
| Robert L. Berner III | 47 | Director |
| Denise Dickins | 47 | Director |
| Frederick H. Joseph | 71 | Director |
| Paul F. Manley | 72 | Director |
| Bob L. Moss | 61 | Director |
| George P. Sape | 64 | Director |
| Gary L. Tapella | 65 | 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.

PAUL W. JOHNSTON has served as our Vice President since March 2008 and as Head of Business Development since 2002. From 1984 to 2002, Mr. Johnston served in various strategy and marketing positions, including Vice President of Distribution for United Technologies Carrier subsidiary.

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.

CESAR L. ALVAREZ has been a director since 1997. Mr. Alvarez has served as the Chief Executive Officer of the international law firm of Greenberg Traurig, LLP (Greenberg) since 1997. Prior to that time, Mr. Alvarez practiced law at Greenberg for over 20 years. Mr. Alvarez also serves as the Chairman of the Board of Directors of MEDNAX, 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 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 and certified internal auditor. 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

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investment banking firm. Mr. Joseph serves as a director of American Bilrite 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 advisor or investment company.

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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 LLC., which is one of Florida's largest construction companies and one of the top 100 contracting companies in the nation. 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.

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 Independent Consultant with Ripplewood Holdings, LLC, since 2009 and was an Industrial Partner 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. Mr. Tapella is the former Chairman of the Air Conditioning, Heating and Refrigeration Institute and the Gas Appliance Manufacturers Association.

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 2009 annual meeting of shareholders. Messrs. Joseph (Class B), Moss (Class B) and Sape (Class B) serve until the 2010 annual meeting of shareholders. Messrs. Alvarez (Class B), Manley (Class B) and Nahmad (Class B) serve until the 2011 annual meeting of shareholders. If the directors nominated for election are elected by the holders of our Common stock, Mr. Berner will serve until the 2010 annual meeting of shareholders, Dr. Dickins will serve until the 2011 annual meeting of shareholders and Mr. Tapella will serve until the 2012 annual meeting of shareholders. If the directors nominated for election are elected by the holders of our Class B common stock, Mr. Joseph will serve until the 2011 annual meeting of shareholders and Messrs. Alvarez and Nahmad will serve until the 2012 annual meeting of shareholders. As previously approved by the holders of our Class B common stock, Messrs. Moss and Sape will serve until the 2010 annual meeting of shareholders and Mr. Manley 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 2008?

During the year ended December 31, 2008, our Board of Directors took action by unanimous written consent four times and held five meetings. During 2008, no incumbent director attended fewer than 60% 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. Our Corporate Governance Guidelines provide that all directors should make every effort to attend our shareholder meetings. In 2008, eight 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 2008, Messrs. Manley and Sape and Dr. Dickins were the members of the Audit Committee. All Audit Committee members are independent as required by applicable listing standards of the NYSE, AMEX, Sarbanes-Oxley Act of 2002 and applicable SEC rules. The Audit Committee held five meetings during 2008. 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 the 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 registered public accounting firm, 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 Au