



COLONIAL COMMERCIAL CORP. REPORTS SECOND QUARTER
FINANCIAL RESULTS

HAWTHORNE, New Jersey (August 7, 2008) – Colonial Commercial Corp. (“Colonial”) (OTC Bulletin Board: “CCOM,” “CCOMP”), today announced financial results for the second quarter ended June 30, 2008.

Sales for the quarter increased 8.6%, or \$1,894,616, to \$24,023,185 from \$22,128,569 for the same period in 2007. Sales from S&A Supply, Inc., which was acquired in September 2007, were \$2,912,334 for the quarter, while sales from same-store locations declined 4.6%, or \$1,017,718, from \$22,128,569 to \$21,110,851.

Gross profit increased 13.8%, or \$840,177, to \$6,943,613 for the quarter from \$6,103,436 for the same period in 2007. Gross profit from S&A was \$878,027 for the quarter, while gross profit from same-store locations declined by 0.6%, or \$37,850, from \$6,103,436 to \$6,065,586.

Net income increased 57.4%, or \$233,480 to \$640,475 for the quarter compared to net income of \$406,995 for the same period in 2007. The increase primarily reflects operating cost reductions in our same-store locations and lower interest costs.

Sales for the six months ended June 30, 2008 increased 10.7%, or \$4,073,512, to \$42,244,313, from \$38,170,801 for the same period in 2007. The acquisition of S&A Supply, Inc. on September 10, 2007 constituted new operations in the six months ended June 30, 2008. Sales from our branch in Albany, which opened in April 2007, and from S&A were \$5,995,563, while sales from same-store locations declined 5%, or \$1,992,051, from \$38,170,801 to \$36,248,750.

Gross profit increased 12.1%, or \$1,324,261, to \$12,299,199 for the six months ended June 30, 2008 from \$10,974,938 for the same period in 2007. Gross profit from our branch in Albany and S&A was \$1,720,883, while gross profit from same-store locations declined by 3.6%, or \$396,622, from \$10,974,938 to \$10,578,316.

Net income decreased by \$876,251 to a net loss of \$859,195 for the six months ended June 30, 2008 compared to net income of \$17,056 for the same period in 2007. The decrease in net income is primarily the result of a \$396,622 decrease in gross margins from same-store locations, \$454,936 of losses incurred from our new operations, plus increases in reserves for bad debt, hospitalization insurance, and other miscellaneous expenses.

William Pagano, Chief Executive Officer of the Company, said, “The decrease in sales from same-store locations reflects the difficult economic environment, a significant reduction in new construction, and the moderation of residential renovations, partially offset by increased sales of replacement air conditioning equipment because of above average temperatures in the month of June. We expect continued weakness in the construction industry through 2010, and are responding by reducing expenses, increasing product offerings, and focusing on increasing our sales and market penetration.”



About Colonial Commercial Corp.

Colonial distributes heating, ventilating and air conditioning, ("HVAC"), equipment, parts and accessories, climate control systems, and plumbing and electrical supplies and equipment in the states of New York, New Jersey, Massachusetts, Connecticut and eastern Pennsylvania through its Universal Supply Group, Inc., www.usginc.com, American/Universal Supply Inc., www.ausupplyinc.com, The RAL Supply Group, Inc., www.ralsupply.com, and S&A Supply, Inc., www.sasupplyinc.com, subsidiaries to professional contractors. These contractors purchase and install equipment and systems for residential, commercial and industrial users. Colonial also provides control system design, custom control panel fabrication, technical field support, in-house training and climate control consultation for engineers and installers. The Company is a leader in the design of direct digital control systems and systems that control multi-location facilities through the Internet.

The Company also distributes home appliances to dealer groups and appliance stores through its Goldman Universal division, and water filtration systems, parts and accessories and other products through its e-commerce store, www.procontractorstore.com, operated by RAL. The Company is headquartered in New Jersey, and, with its affiliates, operates out of 20 locations in its geographic trading area. For more information on Colonial's operations, products and/or services, please visit www.colonialcomm.com.

Safe Harbor Statement

The foregoing press release may contain statements concerning Colonial Commercial Corp.'s financial performance, markets and business operations that may be considered "forward-looking" under applicable securities laws. Colonial cautions readers of this press release that actual results might differ materially from those projected in any forward-looking statements. Factors which might cause actual results to differ materially from any results that are projected in the forward-looking statements include the following: continued acceptance of the company's products in the marketplace, competitive factors, dependence upon third-party vendors, and other risks detailed in the company's periodic report filings with the Securities and Exchange Commission. These and certain other factors which might cause actual results to differ materially from those projected are detailed from time to time in Colonial's periodic reports and registration statements filed with the Securities and Exchange Commission, which important factors are incorporated herein by reference. Colonial undertakes no obligation to update forward looking statements to reflect changed assumptions, the occurrence of unanticipated events, or changes in future operating results, financial condition or business over time.

For further information, please contact William Pagano, Chief Executive Officer, or William Salek, Chief Financial Officer, at (973) 427-8224.

(Financial Highlights Follow)



COLONIAL COMMERCIAL CORP. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets

	June 30, 2008	December 31, 2007
	(unaudited)	
Assets		
Current assets:		
Cash	\$ 883,812	\$ 622,723
Accounts receivable, net of allowance for doubtful accounts of \$424,664 in 2008 and \$478,857 in 2007	11,156,564	11,364,038
Inventory	16,857,403	17,282,661
Prepaid expenses and other current assets	1,101,550	1,107,623
Deferred tax asset - current portion	489,100	532,500
Total current assets	30,488,429	30,909,545
Property and equipment	1,796,342	1,799,689
Goodwill	1,628,133	1,628,133
Other intangibles	348,153	366,376
Other assets - noncurrent	196,310	227,478
Deferred tax asset - noncurrent	1,219,400	1,176,000
	\$ 35,676,767	\$ 36,107,221
Liabilities and Stockholders' Equity		
Current liabilities:		
Trade payables	\$ 8,519,859	\$ 7,774,988
Accrued liabilities	1,903,972	1,970,396
Income taxes payable	-	2,576
Borrowings under credit facility - revolving credit	17,595,205	18,027,055
Convertible notes payable, includes related party notes of \$262,500 in 2008 and \$62,500 in 2007	337,500	137,500
Notes payable - current portion; includes related party notes of \$780,000 in 2008 and \$30,000 in 2007	1,257,108	158,827
Total current liabilities	29,613,644	28,071,342
Convertible notes payable, includes related party notes of \$0 in 2008 and \$262,500 in 2007	-	337,500
Notes payable, excluding current portion; includes related party notes of \$0 in 2008 and \$750,000 in 2007	140,400	929,814
Total liabilities	29,754,044	29,338,656
Commitments and contingencies		
Stockholders' equity:		
Redeemable convertible preferred stock, \$.05 par value, 2,500,000 shares authorized, 450,077 shares issued and outstanding in 2008 and 467,500 in 2007, liquidation preference of \$2,250,385 in 2008 and \$2,337,500 in 2007	22,504	23,375
Common stock, \$.05 par value, 20,000,000 shares authorized, 4,654,953 shares issued and outstanding in 2008 and 4,637,530 in 2007	232,747	231,876
Additional paid-in capital	10,786,804	10,773,451
Accumulated deficit	(5,119,332)	(4,260,137)
Total stockholders' equity	5,922,723	6,768,565
	\$ 35,676,767	\$ 36,107,221



COLONIAL COMMERCIAL CORP. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
(Unaudited)

	For The Three Months Ended June 30,		For The Six Months Ended June 30,	
	2008	2007	2008	2007
Sales	\$ 24,023,185	\$ 22,128,569	\$ 42,244,313	\$ 38,170,801
Cost of sales	<u>17,079,572</u>	<u>16,025,133</u>	<u>29,945,114</u>	<u>27,195,863</u>
Gross profit	6,943,613	6,103,436	12,299,199	10,974,938
Selling, general and administrative expenses, net	<u>6,076,443</u>	<u>5,364,444</u>	<u>12,633,447</u>	<u>10,353,050</u>
Operating income (loss)	867,170	738,992	(334,248)	621,888
Other income	73,813	78,479	158,598	143,077
Interest expense, net; includes related party interest of \$18,571 and \$25,767 for the three months ended June 30, 2008 and 2007, respectively, and \$40,123 and \$51,737 for the six months ended June 30, 2008 and 2007, respectively.	<u>(282,119)</u>	<u>(361,254)</u>	<u>(661,268)</u>	<u>(695,296)</u>
Income (loss) before income tax expense	658,864	456,217	(836,918)	69,669
Income tax expense	<u>18,389</u>	<u>49,222</u>	<u>22,277</u>	<u>52,613</u>
Net income (loss)	<u>\$ 640,475</u>	<u>\$ 406,995</u>	<u>\$ (859,195)</u>	<u>\$ 17,056</u>
Income (loss) per common share:				
Basic	\$ <u>0.13</u>	\$ <u>0.08</u>	\$ <u>(0.19)</u>	\$ <u>0.00</u>
Diluted	\$ <u>0.12</u>	\$ <u>0.08</u>	\$ <u>(0.19)</u>	\$ <u>0.00</u>
Weighted average shares outstanding:				
Basic	<u>5,079,400</u>	<u>5,113,180</u>	<u>4,631,128</u>	<u>5,112,893</u>
Diluted	<u>5,239,364</u>	<u>5,306,768</u>	<u>4,631,128</u>	<u>5,131,934</u>



COLONIAL COMMERCIAL CORP. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	For The Six Months Ended	
	June 30,	
	2008	2007
Cash flows from operating activities:		
Net (loss) income	\$ (859,195)	\$ 17,056
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Stock-based compensation	13,353	17,012
Provision for doubtful accounts	406,640	153,195
Depreciation	320,605	247,737
Amortization of intangibles	18,223	1,000
Accretion of debt discount	28,846	18,750
Changes in operating assets and liabilities		
Accounts receivable	(199,166)	(1,551,840)
Inventory	425,258	(1,467,827)
Prepaid expenses and other current assets	6,073	(174,070)
Other assets - noncurrent	31,168	22,909
Trade payables	1,091,053	2,996,456
Accrued liabilities	(66,424)	(226,915)
Income taxes payable	(2,576)	13,497
Net cash provided by operating activities	1,213,858	66,960
Cash flows from investing activities:		
Additions to property and equipment	(301,501)	(242,975)
Net cash used in investing activities	(301,501)	(242,975)
Cash flows from financing activities:		
Issuance of common stock and exercise of stock options	-	13,000
Repayments of notes payable: includes related party repayments of \$62,500 in 2008, and \$0 in 2007	(219,418)	(38,530)
(Repayments) borrowings under credit facility - revolving credit, net	(431,850)	824,287
Net cash (used in) provided by financing activities	(651,268)	798,757
Increase in cash	261,089	622,742
Cash - beginning of period	622,723	482,251
Cash - end of period	\$ 883,812	\$ 1,104,993