



## **COLONIAL COMMERCIAL CORP. REPORTS SECOND QUARTER FINANCIAL RESULTS**

HAWTHORNE, New Jersey (August 14, 2007) – Colonial Commercial Corp. (“Colonial”) (OTC Bulletin Board: “CCOM,” “CCOMP”), today announced financial results for the second quarter ended June 30, 2007.

Sales increased by 21.9%, or \$3,972,757, to \$22,128,569 for the quarter ended June 30, 2007 from \$18,155,812 for the same period in 2006. The increase in sales primarily reflects sales of appliances in 2007 that the Company was not offering until September 2006, an increase in sales of our commercial and residential air conditioning equipment, and growth in our commercial control systems business.

Gross profit increased by 12.2%, or \$665,971, to \$6,103,436 for the quarter ended June 30, 2007 from \$5,437,465 for the same period in 2006. Gross profit expressed as a percentage of sales decreased by 2.3% to 27.6% in 2007 compared to 29.9% for the comparable period in 2006. The decrease in the percentage of gross profit primarily reflects increased sales of more lower-margin high volume products, and the sale of appliances which the Company did not offer until September 2006.

The Company’s net income increased by 20.3%, or \$68,630, to \$406,995 for the quarter ended June 30, 2007, compared to net income of \$338,365 for the same period in 2006.

For the six months ended June 30, 2007, sales increased by 15.5%, or \$5,130,776, to \$38,170,801 from \$33,040,025 for the same period in 2006. Gross profit increased by 8.4%, or \$852,146, to \$10,974,938 for the six months ended June 30, 2007 from \$10,122,792 for the same period in 2006. Gross profit as a percentage of sales decreased by 1.8% to 28.8% in 2007 compared to 30.6% for the comparable period in 2006.

Net income was \$17,056 for the six months ended June 30, 2007, compared to net income of \$13,836 for the same period in 2006.

Financial information for 2006 includes the adjustments to our accounting for vendor rebates that are described in our Form 8-K/A filed with the SEC on July 25, 2007.

William Pagano, Chief Executive Officer of the Company, said, “We continue to increase market penetration with our air conditioning equipment and are realizing increased sales from our recently introduced appliance offerings, including room air conditioners, washers and dryers, custom hoods and ventilation systems. We expect continued sales growth as we expand our appliance business, bring our plumbing fixture business into more of our locations, and realize sales from our newest location in the Albany, New York area.”

Colonial distributes heating, ventilating and air conditioning, (“HVAC”), equipment, parts and accessories, climate control systems, and plumbing supplies to HVAC contractors, primarily in the New York metropolitan area through its Universal Supply Group, Inc., [www.usginc.com](http://www.usginc.com), American/Universal Supply Inc., [www.ausupplyinc.com](http://www.ausupplyinc.com), and The RAL Supply Group, Inc., [www.ralsupply.com](http://www.ralsupply.com), subsidiaries. These contractors purchase and install equipment and systems for residential, commercial and industrial users. The Company provides control system design, custom control panel fabrication, technical field support, in-house training and climate control consultation for engineers and installers. It 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. Additionally, the Company offers water filtration systems, parts and accessories and other products through its e-commerce store, [www.procontractorstore.com](http://www.procontractorstore.com), operated by RAL. The Company is headquartered in New Jersey, and, with its affiliates, operates out of seven locations in New Jersey; nine in New York and one in Pennsylvania. For more information on Colonial Commercial Corp.'s operations, products and/or services, please visit [www.colonialcomm.com](http://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,<br>2007<br>(Unaudited) | December 31,<br>2006 |
|--|---------------------------------|----------------------|
| Assets   |                                 |                      |
| Current assets:  |                                 |                      |
| Cash   | \$ 1,104,993                    | \$ 482,251           |
| Accounts receivable, net of allowance for doubtful accounts of \$237,744 in 2007 and \$212,043 in 2006   | 10,467,946                      | 9,069,301            |
| Inventory  | 14,322,144                      | 12,854,317           |
| Prepaid expenses and other current assets  | 1,231,169                       | 1,057,099            |
| Deferred tax asset - current portion   | 420,000                         | 420,000              |
| Total current assets   | 27,546,252                      | 23,882,968           |
| Property and equipment   | 1,507,904                       | 1,512,666            |
| Goodwill   | 1,628,133                       | 1,628,133            |
| Other intangibles  | 2,500                           | 3,500                |
| Other assets - noncurrent  | 179,268                         | 202,177              |
| Deferred tax asset - noncurrent  | 1,288,500                       | 1,288,500            |
|  | \$ 32,152,557                   | \$ 28,517,944        |
| Liabilities and Stockholders' Equity   |                                 |                      |
| Current liabilities:   |                                 |                      |
| Trade payables   | \$ 7,715,616                    | \$ 4,719,160         |
| Accrued liabilities  | 1,748,260                       | 1,975,175            |
| Income taxes payable   | 15,127                          | 1,630                |
| Borrowings under credit facility - revolving credit  | 14,439,983                      | 13,615,696           |
| Notes payable - current portion; includes related party notes of \$30,000 in 2007 and 2006   | 135,051                         | 136,539              |
| Total current liabilities  | 24,054,037                      | 20,448,200           |
| Convertible notes payable, includes related party notes of \$325,000 in 2007 and 2006  | 525,000                         | 525,000              |
| Other notes payable, excluding current portion; includes related party notes of \$701,875 in 2007 and \$703,750 in 2006  | 774,102                         | 792,394              |
| Total liabilities  | 25,353,139                      | 21,765,594           |
| Commitments and contingencies  |                                 |                      |
| Stockholders' equity:  |                                 |                      |
| Redeemable convertible preferred stock, \$.05 par value, 2,500,000 shares authorized, 467,500 shares issued and outstanding in 2007 and 2006, liquidation preference of \$2,337,500 in 2007 and 2006 | 23,375                          | 23,375               |
| Common stock, \$.05 par value, 20,000,000 shares authorized, 4,645,680 in 2007 and 4,593,680 in 2006 shares issued and outstanding   | 232,284                         | 229,684              |
| Additional paid-in capital   | 10,735,203                      | 10,707,791           |
| Accumulated deficit  | (4,191,444)                     | (4,208,500)          |
| Total stockholders' equity   | 6,799,418                       | 6,752,350            |
|  | \$ 32,152,557                   | \$ 28,517,944        |

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

|  | For The Three Months Ended |                   | For The Six Months Ended |                   |
|--|----------------------------|-------------------|--------------------------|-------------------|
|  | June 30,                   |                   | June 30,                 |                   |
|  | 2007                       | 2006              | 2007                     | 2006              |
|  | (Restated)                 |                   | (Restated)               |                   |
| Net sales  | \$ 22,128,569              | \$ 18,155,812     | \$ 38,170,801            | \$ 33,040,025     |
| Cost of sales  | <u>16,025,133</u>          | <u>12,718,347</u> | <u>27,195,863</u>        | <u>22,917,233</u> |
| Gross profit   | 6,103,436                  | 5,437,465         | 10,974,938               | 10,122,792        |
| Selling, general and administrative expenses   | <u>5,364,444</u>           | <u>4,793,206</u>  | <u>10,353,050</u>        | <u>9,550,068</u>  |
| Operating income   | 738,992                    | 644,259           | 621,888                  | 572,724           |
| Other income   | 78,479                     | 63,467            | 143,077                  | 129,256           |
| Interest expense, net; includes related party interest of \$25,767 and \$25,765 for the three months ended June 30, 2007 and 2006, respectively, and \$51,734 and \$51,393 for the six months ended June 30, 2007 and 2006, respectively | <u>(361,254)</u>           | <u>(336,240)</u>  | <u>(695,296)</u>         | <u>(635,902)</u>  |
| Income before income taxes   | 456,217                    | 371,486           | 69,669                   | 66,078            |
| Income tax expense   | <u>49,222</u>              | <u>33,121</u>     | <u>52,613</u>            | <u>52,242</u>     |
| Net Income   | <u>\$ 406,995</u>          | <u>\$ 338,365</u> | <u>\$ 17,056</u>         | <u>\$ 13,836</u>  |
| Income per common share:   |                            |                   |                          |                   |
| Basic  | <u>\$ 0.09</u>             | <u>\$ 0.07</u>    | <u>\$ 0.00</u>           | <u>\$ 0.00</u>    |
| Diluted  | <u>\$ 0.08</u>             | <u>\$ 0.06</u>    | <u>\$ 0.00</u>           | <u>\$ 0.00</u>    |
| Weighted average shares outstanding:   |                            |                   |                          |                   |
| Basic  | <u>4,645,680</u>           | <u>4,579,846</u>  | <u>4,645,393</u>         | <u>4,578,606</u>  |
| Diluted  | <u>5,306,768</u>           | <u>5,127,026</u>  | <u>5,131,934</u>         | <u>5,138,556</u>  |

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

|   | For The Six Months Ended June 30, |                    |
|---|-----------------------------------|--------------------|
|   | 2007                              | 2006<br>(Restated) |
| Cash flows from operating activities:   |                                   |                    |
| Net income  | \$ 17,056                         | \$ 13,836          |
| Adjustments to reconcile net income to net cash provided by<br>(used in) operating activities:          |                                   |                    |
| Stock-based compensation  | 17,012                            | -                  |
| Provision for doubtful accounts   | 153,195                           | 84,310             |
| Depreciation  | 247,737                           | 222,472            |
| Amortization of intangibles   | 1,000                             | 6,834              |
| Accretion of debt discount  | 18,750                            | 18,750             |
| Changes in operating assets and liabilities   |                                   |                    |
| Accounts receivable   | (1,551,840)                       | (717,287)          |
| Inventory   | (1,467,827)                       | (1,547,010)        |
| Prepaid expenses and other current assets   | (174,070)                         | 73,548             |
| Other assets - noncurrent   | 22,909                            | 3,153              |
| Trade payables  | 2,996,456                         | 97,153             |
| Accrued liabilities   | (226,915)                         | (26,782)           |
| Income taxes payable  | 13,497                            | (11,801)           |
| Net cash provided by (used in) operating activities   | 66,960                            | (1,782,824)        |
| Cash flows from investing activities:   |                                   |                    |
| Additions to property and equipment   | (242,975)                         | (195,959)          |
| Net cash used in investing activities   | (242,975)                         | (195,959)          |
| Cash flows from financing activities:   |                                   |                    |
| Issuance of common stock and exercise of stock options  | 13,000                            | 8,000              |
| Repayments of notes payable: includes related party repayments of<br>\$0 in 2007, and \$30,289 in 2006. | (38,530)                          | (64,922)           |
| Issuance of notes payable   | -                                 | 13,073             |
| Borrowings under credit facility - term loan/overadvance  | -                                 | 250,000            |
| Borrowings under credit facility - revolving credit   | 824,287                           | 2,129,188          |
| Net cash provided by financing activities   | 798,757                           | 2,335,339          |
| Increase in cash  | 622,742                           | 356,556            |
| Cash - beginning of period  | 482,251                           | 613,456            |
| Cash - end of period  | \$ 1,104,993                      | \$ 970,012         |