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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

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**FORM 8-K/A**  
Amendment Number 1

**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934**

**September 10, 2007**  
Date of Report (Date of earliest event reported)

**Colonial Commercial Corp.**  
(Exact name of Registrant as Specified in Charter)

**NEW YORK**  
(State or other Jurisdiction of Incorporation)

**1-6663**  
(Commission File Number)

**11-2037182**  
(IRS Employer Identification No.)

**275 WAGARAW ROAD, HAWTHORNE, NEW JERSEY**  
(Address of Principal Executive Offices)

**07506**  
(Zip Code)

Registrant's Telephone Number, Including Area Code: **973-427-8224**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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## Explanatory Note

This Amendment Number 1 is being filed to amend the Current Report on Form 8-K originally filed by Colonial Commercial Corp. (the "Company") with the Securities and Exchange Commission on September 14, 2007 to provide the information required by Item 9.01(a) and (b) of Form 8-K, relating to the September 10, 2007 acquisition of the assets of S&A Supply, Inc. ("S&A Supply"). The information previously reported and the exhibits previously filed in Items 1.01, 2.01, 2.03 and 9.01(d) of the original filing are incorporated by reference into this Amendment.

### **ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS**

#### (a) Financial statements of businesses acquired

**Exhibit 99.01** The audited financial statements of S&A Supply for the year ended December 31, 2006 are incorporated by reference herein and include the following:

- (i) Independent Auditor's Report
- (ii) Balance Sheet
- (iii) Statement of Income
- (iv) Statement of Retained Earnings
- (v) Statement of Cash Flows
- (vi) Notes to Financial Statements

**Exhibit 99.02** The unaudited financial statements of S&A Supply for the six months ended June 30, 2007 and 2006 are incorporated by reference herein and include the following:

- (i) Statement of Operations
- (ii) Statement of Cash Flows
- (iii) Notes to Financial Statements

#### (b) Pro forma financial information

**Exhibit 99.03** The unaudited pro forma condensed consolidated statements of operations of the Company and S&A Supply are incorporated by reference herein and include the following:

- (i) Unaudited Pro Forma Condensed Consolidated Statement of Operations for the year ended December 31, 2006
- (ii) Unaudited Pro Forma Condensed Consolidated Statement of Operations for the nine months ended September 30, 2007

#### (c) Not applicable

#### (d) Exhibits

Exhibit No.	Description
99.01	Audited financial statements of S&A Supply, Inc. for the year ended December 31, 2006, filed herewith.
99.02	Unaudited financial statements of S&A Supply, Inc. for the six months ended June 30, 2007 and 2006, filed herewith.
99.03	Unaudited pro forma condensed consolidated statements of operations of Colonial Commercial Corp. and S&A Supply, Inc., filed herewith: <ul style="list-style-type: none"><li>(i) Unaudited Pro Forma Condensed Consolidated Statement of Operations for the year ended December 31, 2006</li><li>(ii) Unaudited Pro Forma Condensed Consolidated Statement of Operations for the nine months ended September 30, 2007</li></ul>

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

COLONIAL COMMERCIAL CORP.  
(Registrant)

Date: November 23, 2007

/s/ William Salek  
William Salek  
Chief Financial Officer

## INDEX TO EXHIBITS

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<a href="#">99.02</a>	Unaudited financial statements of S&A Supply, Inc. for the six months ended June 30, 2007 and 2006, filed herewith.
<a href="#">99.03</a>	Unaudited pro forma condensed consolidated statements of operations of Colonial Commercial Corp. and S&A Supply, Inc., filed herewith: <ul style="list-style-type: none"><li>(i) Unaudited Pro Forma Condensed Consolidated Statement of Operations for the year ended December 31, 2006</li><li>(ii) Unaudited Pro Forma Condensed Consolidated Statement of Operations for the nine months ended September 30, 2007</li></ul>

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S & A SUPPLY, INC.  
FINANCIAL STATEMENTS  
DECEMBER 31, 2006

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JAMES E. DONOVAN, JR., C.P.A.  
DAVID W. APPLE, C.P.A.

APPLE & ALBANO, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

373 SOUTH STREET  
PITTSFIELD, MASS 01201  
(413) 443-4438  
FAX (413) 447-9006

SOUTH BERKSHIRE OFFICE:  
P.O. BOX 127-307 MAIN STREET  
GT. BARRINGTON, MASS. 01230  
(413) 528-1210

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Directors  
S & A Supply, Inc.

We have audited the accompanying balance sheet of S & A Supply, Inc., (an "S" Corporation), as of December 31, 2006, and the related statement of income, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As discussed in Note 16 to the financial statements, an error related to the accounting for vendor rebates resulting in the overstatement of inventory and understatement of cost of goods sold for 2006 and prior years was discovered subsequent to the issuance of our report on those statements dated May 3, 2007. Accordingly, the accompanying 2006 statements have been restated to correct the error.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of S & A Supply, Inc., (an "S" Corporation), as of December 31, 2006, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

APPLE & ALBANO, P.C.

/s/ James E. Donovan, Jr., CPA  
James E. Donovan, Jr., CPA

May 3, 2007

S & A SUPPLY, INC.  
BALANCE SHEET  
DECEMBER 31, 2006

ASSETS

Current Assets:

Cash on Hand and in Banks	1,134
Accounts Receivable (Notes 2 & 6)	1,821,281
Loan Receivable - S & A Management, Inc.	335,820
Loans Receivable - Shareholders and Employees	8,654
Note Receivable - Shareholder (Note 3)	10,693
Inventory (Note 5, 6 and 15)	3,737,893
Prepaid State Corporation Taxes	3,302
Prepaid Expenses and Deposits	48,734
	<hr/>
<u>Total Current Assets</u>	<u>5,967,511</u>

<u>Fixed Assets (Notes 4, 6 &amp; 7)</u>	<u>517,164</u>
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Other Assets:

Note Receivable - Shareholder - Noncurrent (Note 3)	310,366
	<hr/>
<u>TOTAL ASSETS</u>	<u>6,795,041</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities:

Accounts Payable - Trade	566,610
Taxes Payable - Sales	44,987
Taxes Payable - State Corporation	-0-
Accrued Payroll and Expenses	24,522
Accrued Profit-Sharing (Note 5)	70,000
Accrued Management Fees	30,000
Loan Payable - Shareholder - NAM	-0-
Loan Payable - S & A Realty, Inc.	140,266
Note Payable - Line of Credit (Note 6)	2,377,689
Current Installments of Long-Term Debt (Note 7)	88,415
	<hr/>
<u>Total Current Liabilities</u>	<u>3,342,489</u>

<u>Long-Term Debt (Note 7)</u>	<u>514,397</u>
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Shareholders' Equity:

Capital Stock - Common (Note 8)	49,000
Additional Paid-in Capital	40,403
Retained Earnings (Note 9)	2,848,752
	<hr/>
<u>Total Shareholders' Equity</u>	<u>2,938,155</u>

<u>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</u>	<u>6,795,041</u>
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See accompanying notes and independent auditor's report.

APPLE & ALBANO, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

S & A SUPPLY, INC.  
STATEMENT OF INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2006

<u>Sales</u>	
Plumbing	10,190,067
Electrical	<u>4,944,486</u>
<u>Total Sales</u>	<u>15,134,553</u>
<u>Cost of Goods Sold:</u>	
Inventory, Beginning	3,992,962
Add: Purchases	10,921,841
Freight-In	<u>73,650</u>
Total Goods Available for Sale	14,988,453
Less: Inventory, Ending	<u>3,737,893</u>
<u>Total Cost of Goods Sold</u>	<u>11,250,560</u>
<u>Gross Profit</u>	<u>3,883,993</u>
<u>Operating Expenses:</u>	
Salaries and Wages	1,712,108
Management Advisory Fees (S & A Management, Inc.)	546,254
Insurance - Health	181,653
Insurance - General	69,674
Taxes - Other Than Income	165,934
Profit-Sharing Contribution (Note 5)	70,000
Rent	95,100
Vehicle Expenses	138,234
Office Expenses	61,561
Professional Fees	93,911
Repairs and Maintenance	60,312
Advertising, Promotion and Showroom	36,549
Telephone	49,263
Utilities	66,571
Credit Card Merchant Discount	37,887
Shop Expense	42,489
Travel and Entertainment	8,950
Miscellaneous	<u>1,264</u>
<u>Total Operating Expenses</u>	<u>3,437,714</u>
<u>Operating Income</u>	446,279
<u>Other Income</u> (Note 10)	374,607
<u>Other Expenses</u> (Note 10)	<u>(631,019)</u>
<u>Income Before Income Taxes</u>	189,867
<u>State Income Taxes</u> (Note 11)	<u>15,499</u>
<u>Net Income</u>	<u>174,368</u>
<u>Unaudited Pro-Forma Information:</u>	
Pro-Forma Income Before Taxes	189,867
Pro-Forma Income Tax Expense (Note 17)	<u>63,528</u>
Pro-Forma Net Income	<u>126,339</u>

See accompanying notes and independent auditor's report.

APPLE & ALBANO, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

S & A SUPPLY, INC.  
STATEMENT OF RETAINED EARNINGS  
FOR THE YEAR ENDED DECEMBER 31, 2006.

<u>Balance, Beginning of Year</u>	2,674,384
<u>Net Income for the Year</u>	174,368
<u>Distribution of "S" Corporation Income (Note 9)</u>	<u>-0-</u>
<u>Balance, End of Year</u>	<u><u>2,848,752</u></u>

See accompanying notes and independent auditor's report.

APPLE & ALBANO, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

S & A SUPPLY, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2006

Cash Flows from Operating Activities:

Net Income	174,368
Adjustments to Reconcile Net Income to	
<u>Net Cash Provided by Operating Activities:</u>	
Charges/(Credits) to Income Not Requiring/(Providing) Cash:	
Depreciation	110,047
Changes in Operating Accounts that Provided/(Used) Cash:	
Accounts Receivable	94,722
Loan Receivable - S & A Management, Inc.	138,798
Loan Receivable - S & A Realty, Inc.	-0-
Loans Receivable - Shareholders and Employees	(5,797)
Inventory	255,069
Prepaid Expenses, Taxes and Deposits	(19,268)
Accounts Payable	(130,285)
Taxes Payable - Sales and State Corporation	(9,448)
Accrued Payroll and Expenses	(20,391)
Accrued Profit-Sharing	-0-
Accrued Management Fees	-0-
	<u>587,815</u>
<u>Net Cash Provided by/(Used in) Operating Activities</u>	<u>587,815</u>

Cash Flows from Investing Activities:

Capital Expenditures	(103,615)
Collections on Shareholder Note Receivable - (RPM)	10,054
	<u>(93,561)</u>
<u>Net Cash Provided by/(Used in) Investing Activities</u>	<u>(93,561)</u>

Cash Flows from Financing Activities:

Net Borrowing on Line-of-Credit	(427,486)
Proceeds of Long-Term Debt	69,186
Principal Payments of Long-Term Debt	(85,979)
Borrowing from/(Repayment to) Shareholder - (NAM)	(50,181)
Borrowing from S & A Realty, Inc.	623
Distribution of "S" Corporation Income	-0-
	<u>(493,837)</u>
<u>Net Cash Provided by/(Used in) Financing Activities</u>	<u>(493,837)</u>

<u>Net Increase/Decrease) in Cash</u>	417
<u>Cash at Beginning of Period</u>	717
<u>Cash at End of Period</u>	<u>1,134</u>

Supplemental Disclosures of Cash Flow Information:

Interest Paid	300,245
Income Taxes Paid	26,259

See accompanying notes and independent auditor's report.

APPLE & ALBANO, P.C.  
 CERTIFIED PUBLIC ACCOUNTANTS

S & A SUPPLY, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006

1. DESCRIPTION OF COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company was formed July 1, 1994, by way of a merger of S & A Wholesalers of New England, Inc., and S & A Supply of Pittsfield, Inc., brother-sister companies with common shareholders. It operates as a wholesaler of plumbing, heating and electrical supplies with operations in Great Barrington, Pittsfield and North Adams, MA.

Revenue Recognition. Revenue is recognized when the earnings process is complete, generally upon shipment of products in accordance with shipping terms. There are no further obligations on the part of the Company subsequent to revenue recognition, except for returns of defective products from the Company's customers, which are covered under the manufacturer's warranty. The Company will receive a vendor credit from the manufacturer related to the warranted product in question, at which time credits are issued to the customer. The Company does not provide a warranty on products sold other than the warranty provided by the manufacturer.

Cash Equivalents: The Company considers all highly liquid investment instruments with an original maturity of three months or less to be cash equivalents. There were no cash equivalents at December 31, 2006.

Inventory is stated at the lower of cost (determined on the first-in, first-out basis) or market and consists solely of finished goods.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Accounts Receivable: The Company carries its accounts receivable at cost less an allowance for doubtful accounts. On a periodic basis, the Company evaluates its accounts and establishes an allowance for doubtful accounts based on a history of past write-offs and collections and current credit conditions. Interest is added to balances unpaid thirty days after billing.

Vendor Rebates: The Company has arrangements with several vendors that provide rebates payable when any of a number of measures generally related to volume level of purchases is achieved. The Company accounts for such rebates as a reduction in inventory until the product is sold, at which time such rebates are reflected as a reduction in cost of sales in the statement of income. Throughout the year, the Company estimates the amount of rebate based on an estimate of purchases to date relative to the purchase levels that mark progress toward earning the rebate. The Company continually revises these estimates of earned vendor rebates based on actual purchase levels.

APPLE & ALBANO, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

S & A SUPPLY, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006

1. DESCRIPTION OF COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment: Property and equipment are stated at cost. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets as follows:

Computer hardware and software	5 years
Furniture and fixtures	7 years
Automobiles	5 years
Showroom fixtures and displays	5 years

Leasehold improvements are amortized over the shorter of the lease term or the estimated useful life of the asset.

Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed Of: Long-lived assets, such as intangible assets, furniture, equipment and leasehold improvements, are evaluated for impairment when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable through estimated undiscounted future cash flows from the use of these assets. When any such impairment exists, the related assets will be written down to fair value.

Recent Issued Accounting Pronouncements: In June 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* - an interpretation of FASB No. 109 ("FIN 48"), which prescribes accounting for and disclosure of uncertainty in tax positions. This interpretation defines the criteria that must be met for the benefits of a tax position to be recognized in the financial statements and the measurement of tax benefits recognized. The provisions of FIN 48 are effective as of the beginning of the Company's 2007 fiscal year, with the cumulative effect of the change in accounting principle recorded as an adjustment to opening retained earnings. The Company is currently evaluating the impact of adopting FIN 48 on the Company's financial statements.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements*, ("SFAS 157"). This Standard defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The adoption of SFAS 157 is not expected to have a material impact on the Company's financial position, results of operations or cash flows.

2. ACCOUNTS RECEIVABLE

Accounts Receivable is presented net of an allowance for doubtful accounts of \$86,000 in 2006.

The Company has a concentration of credit risk because it is a wholesaler of plumbing, heating and electrical supplies in Great Barrington, Pittsfield and North Adams, MA, and it grants credit to customers, substantially all of whom are businesses in the Berkshire County area of Massachusetts.

APPLE & ALBANO, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

S & A SUPPLY, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006

3. NOTE RECEIVABLE - SHAREHOLDER

On April 6, 2004, the Company loaned Rodney P. Mead, 50% owner of the Company, \$860,000 to assist with his purchase of the stock owned by Richard J. Aloisi, the other 50% shareholder. The Company's source of funds to make the loan was a refinancing of its real estate with Legacy Banks and the surrender of proceeds of life insurance on the life of Mr. Aloisi.

The note bears interest at 6.17% and is to be repaid in twenty years, the same terms as the Company's mortgages. A mortgage on real estate owned by S & A Realty, Inc., was also granted to collateralize the loans with Legacy Banks.

After Mr. Mead's death on March 3, 2005, his estate repaid \$500,000 of the loan balance, and the Company paid down its loan to Legacy Bank by the same amount.

4. FIXED ASSETS

A summary of fixed assets at December 31, 2006 is as follows:

Cost:

Land	23,132
Building and Improvements	599,641
Furniture and Fixtures	200,570
Machinery and Equipment	170,680
Autos and Trucks	562,884
Data Processing Equipment	446,019
Showroom Displays	82,172
	<u>2,085,098</u>
<u>Less: Accumulated Depreciation</u>	<u>1,567,934</u>
<u>Book Value</u>	<u>517,164</u>

5. PROFIT-SHARING PLAN

The Company maintains a profit-sharing plan for the benefit of all employees who meet certain eligibility requirements.

The amount of profit-sharing contribution for each year is discretionary and is determined by the Board of Directors of the Company, such payments not to exceed the maximum amount permissible as a deduction under the provisions of the Internal Revenue Code. Contributions to the Plan for 2006 were \$70,000.

6. NOTE PAYABLE - LINE OF CREDIT

The note payable is a revolving line-of-credit with Lee Bank, due on demand, which has a maximum balance of \$2,900,000. The interest rate is Base Rate + 1.0%, floating with no minimum or maximum. The Base Rate is equal to the highest Prime Rate as published in the *Wall Street Journal*. The loan is subject to certain restrictive covenants and annual review.

All personal property has been pledged as collateral. The loan has been guaranteed by S & A Management, Inc., and S & A Realty, Inc., all personal property of which has been pledged as collateral. Nancy Mead has made an unlimited personal guarantee for repayment of the loan.

APPLE & ALBANO, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

S & A SUPPLY, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006

7. LONG-TERM DEBT

A summary of long-term debt at December 31, 2006 is as follows:

Legacy Banks

5.99% - Originated 6/22/05, matures 6/22/10; current monthly payments of \$1,984 (including interest); secured by two 2005 Ford F650 box trucks. 74,878

6.17% - Originated 4/6/04, matures 4/6/24; current monthly payments of \$2,145 (including interest); interest rate is fixed for the first three years of the loan term and adjusted to equal the three year Federal Home Loan Bank Rate plus a margin of 350 basis points; secured by real estate owned by the Company and the Great Barrington real estate owned by S & A Realty, Inc., a junior lien on 90 State Road, Great Barrington owned by Nancy A. Mead. 275,340

6.17% - Originated 4/6/04, matures 4/6/24; current monthly payments of \$831 (including interest); interest rate is fixed for the first three years of the loan term and adjusted to equal the three year Federal Home Loan Bank Rate plus a margin of 350 basis points; secured by real estate owned by the Company and the Great Barrington real estate owned by S & A Realty, Inc., a junior lien on 90 State Road, Great Barrington owned by Nancy A. Mead. 106,663

GMAC Financial Services

0.00% - Originated 5/20/04, matures 5/20/09; monthly payments of \$539; secured by 2004 GMC Rack Body Truck. 15,096

0.00% - Originated 5/5/04, matures 5/5/09; monthly payments of \$415; secured by 2004 Chevrolet Colorado. 11,610

7.25% - Originated 11/2/04, matures 11/2/08; monthly payments of \$621 (including interest); secured by 2004 Chevrolet Silverado. 12,664

Subtotal 496,251

APPLE & ALBANO, P.C.  
 CERTIFIED PUBLIC ACCOUNTANTS

S & A SUPPLY, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006

7. LONG-TERM DEBT (Continued)

Subtotal (from previous page)	496,251
<u>Greylock Federal Credit Union</u>	
6.99% - Originated 4/13/06, matures 4/13/10; monthly payments of \$704 (including interest); secured by 2006 Ford F-350 SD Rack Body Truck.	25,053
6.49% - Originated 3/27/06, matures 3/27/11; monthly payments of \$377 (including interest); secured by 2006 Ford F-250 SD Pick up Truck	17,097
5.99% - Originated 10/14/05, matures 10/14/09; current monthly payments of \$371 (including interest); secured by 2005 Toyota Tundra.	11,563
4.99% - Originated 4/5/05, matures 4/5/09; current monthly payments of \$511 (including interest); secured by 2005 Chevrolet Silverado.	13,501
4.99% - Originated 4/9/05, matures 4/9/09; current monthly payments of \$494 (including interest); secured by 2005 Chevrolet Silverado.	13,044
<u>Ford Motor Credit Company</u>	
6.50% - Originated 11/12/02, matures 11/12/06; monthly payments of \$566 (including interest); secured by 2003 Ford F-250.	-0-
5.0% - Originated 10/15/03, matures 10/15/07; monthly payments of \$389 (including interest); secured by 2003 Ford E-150 Van.	3,799
<u>Berkshire Bank</u>	
6.0% - Originated 7/22/03, matures 7/22/07; monthly payments of \$508 (including interest); secured by 2003 Chevrolet Silverado.	3,913
5.99% - Originated 7/5/06, matures 7/5/10; monthly payments of \$481 (including interest); secured by 2006 GMC Sierra K-25 Pick up Truck.	18,591
	<u>602,812</u>
Less: Current installments included in current liabilities	<u>88,415</u>
 Total Long-Term Debt	 <u><u>514,397</u></u>

Total installment payments for each of the four years beyond 2007 are: 2008 - \$87,501; 2009 - \$61,726; 2010-\$37,027; 2011-\$17,553

APPLE & ALBANO, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

S & A SUPPLY, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31,2006

8. CAPITAL STOCK

The capital stock is common with no par value. There are 10,000 shares authorized and outstanding, 888 of which are Voting Shares.

The disposition of all outstanding shares is restricted by agreements among the shareholders.

9. RETAINED EARNINGS

The components of Retained Earnings at December 31, 2006 are as follows:

"C Corp." Retained Earnings	1,528,423
"S Corp." Shareholders' Undistributed Income	<u>1,320,329</u>
<u>Total</u>	<u><u>2,848,752</u></u>

Distributions from retained earnings are restricted to shareholder taxes on the annual "S Corp." taxable income. "Taxable income" can differ significantly from "book income" due to the use of different depreciation methods and the non-taxability/non-deductibility of certain income and expense items.

10. OTHER INCOME AND OTHER EXPENSES

The components of Other Income and Other Expenses for the year ended December 31,2006 are as follows:

<u>Other Income</u>	
Purchase Discounts	187,599
Service Charges on Accounts Receivable	76,456
Interest - S & A Management & Realty and RPM	77,833
Recovery of Bad Debts	<u>32,719</u>
Total Other Income	<u><u>374,607</u></u>
<u>Other Expenses</u>	
Interest	300,245
Sales Discounts	167,739
Depreciation	110,047
Bad Debts	<u>52,988</u>
Total Other Expenses	<u><u>631,019</u></u>

APPLE & ALBANO, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

S & A SUPPLY, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006

11. FEDERAL INCOME TAX AND STATE CORPORATION EXCISE TAX

The financial statements contain no provision for Federal Taxes on corporate income since the Corporation's shareholders have elected, as of March 1, 1989, under "Subchapter S" of the Internal Revenue Code, to be treated as an "S Corporation." Under the provisions of "Subchapter S" taxable income of the Corporation is included in income of the shareholders for tax purposes, and the tax thereon becomes a personal liability of the shareholders. The Commonwealth of Massachusetts follows "Subchapter S" of the Internal Revenue Code, requiring only that the higher of the minimum tax, net worth tax, or tangible property tax be assessed.

At the "S" election date there were no "built-in gains"; therefore, a provision for deferred income taxes on potential "built-in gains" tax is not required.

12. RELATED PARTIES

S & A Supply, Inc., S & A Realty, Inc., and S & A Management, Inc., are part of an affiliated group. Nancy A Mead and the Estate of Rodney P. Mead are the majority shareholders of all three companies. All activity between S & A Supply, Inc., and the other two companies has been disclosed, where appropriate, in these financial statements.

The Company receives and pays interest on the related party loans at the same rate that applies to its line-of-credit. (see Note 6).

13. OPERATING LEASES

The Company had vehicles and equipment under operating leases at the end of 2006. Total lease expense for 2006 was \$11,871. The minimum future lease payments for each of the next five years and in the aggregate at December 31, 2006 are as follows:

2007	6,161
2008	6,161
2009	5,135
2010	-0-
2011	-0-
Total	<u>17,457</u>

14. CONTINGENT LIABILITY

The Company signed as co-borrower a loan of S & A Realty, Lie., from Legacy Banks. The loan balance at December 31, 2006 was \$208,392.

APPLE & ALBANO, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

S & A SUPPLY, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006

15. BUSINESS AND CREDIT CONCENTRATIONS

The Company purchases products from primarily 460 suppliers. In 2006, two suppliers accounted for 13% of the Company's purchases. The loss of one or both of these suppliers could have a material adverse effect upon its business for a short-term period.

16. CORRECTION OF ACCOUNTING ERROR

Subsequent to the issuance of our report on the audit of the December 31, 2006 financial statements dated May 3, 2007, it was discovered that the Company had used an incorrect method of accounting for vendor rebates for 2006 and prior years. The effect of correcting this error on 2005 and prior periods is a decrease in Inventory and a decrease in Retained Earnings of \$35,502. The effect of the correction on 2006 is a decrease in pre-tax income of \$13,730 and a decrease in net income of \$13,072 and a decrease in Inventory of \$49,232.

17. UNAUDITED PRO-FORMA INFORMATION

The Pro-Forma income tax expense is calculated as if the Corporation was a "C Corp." The components of income tax expense are:

Current Expense	41,220
Deferred Expense	<u>22,308</u>
Total	<u><u>63,528</u></u>

The income tax expense differs from the expense that would result from applying statutory rates to income taxes because certain expenses are not deductible for tax purposes.

APPLE & ALBANO, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

S & A SUPPLY, INC.  
STATEMENTS OF OPERATIONS  
(Unaudited)

	For The Six Months Ended June 30,	
	2007	2006
Net sales	\$ 6,557,413	\$ 7,080,645
Cost of sales	4,993,859	5,393,682
Gross profit	1,563,554	1,686,963
Selling, general and administrative expenses	1,745,053	1,774,963
Operating loss	(181,499)	(88,000)
Other income, net	165,261	167,313
Other expenses, net	(283,596)	(295,866)
Loss before income taxes	(299,834)	(216,553)
State taxes expense	12,449	13,642
Net loss	<u>\$ (312,283)</u>	<u>\$ (230,195)</u>
Pro forma information:		
Loss before income taxes	(312,283)	(230,195)
Pro forma income tax expense	7,401	18,122
Pro forma net loss	<u>\$ (319,684)</u>	<u>\$ (248,317)</u>

See accompanying notes.

S & A SUPPLY, INC.  
STATEMENTS OF CASH FLOWS  
(Unaudited)

	For The Six Months Ended	
	2007	2006
Cash flows from operating activities:		
Net loss	\$ (312,283)	\$ (230,195)
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Charges (Credits) to income not requiring (providing) cash:		
Depreciation	57,600	57,600
Changes in operating accounts that provided (used) cash:		
Accounts receivable	115,897	86,867
Loan receivable - S&A Management, Inc.	(21,664)	159,084
Loan receivable - S&A Realty, Inc.	-	-
Loans receivable - Shareholder and employees	-	525
Inventory	(394,650)	(426,516)
Prepaid expenses, taxes, and deposits	(9,097)	(15,528)
Accounts Payable	489,233	628,227
Trade Payable - Sales and state corporation	(42,775)	(106,287)
Accrued payroll and expenses	(5,858)	114,472
Accrued profit sharing	1,095	112
Accrued management fees	-	-
Net cash (used in) provided by operating activities	(122,502)	268,361
Cash flows from investing activities:		
Capital expenditures	(126,786)	(54,295)
Collection on shareholder note receivable - (RPM)	5,255	4,135
Net cash used in investing activities	(121,531)	(50,160)
Cash flows from financing activities:		
Net borrowing on Line-of-Credit	325,765	(133,176)
Proceeds of Long-Term Debt - Net	23,031	8,648
Repayment to Shareholder - (NAM)	-	(50,000)
Borrowing from S&A Realty, Inc.	7,200	-
Distribution of "S" Corporation Income	(111,637)	(42,999)
Net cash provided by (used in) financing activities	244,359	(217,527)
Increase in cash	326	674
Cash - beginning of period	1,134	717
Cash - end of period	\$ 1,460	\$ 1,391
Supplemental Disclosure of Cash Flow Information:		
Interest Paid	133,262	129,149
Income Taxes Paid	8,537	19,842

See accompanying notes.

S & A SUPPLY, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007  
(Unaudited)

1. DESCRIPTION OF COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company was formed July 1, 1994, by way of a merger of S & A Wholesalers of New England, Inc., and S & A Supply, Inc. of Pittsfield, Inc., brother-sister companies with common shareholders.

It operates as a wholesaler of plumbing, heating and electrical supplies with operations in Great Barrington, Pittsfield and North Adams, MA.

Revenue Recognition: Revenue is recognized when the earnings process is complete, generally upon shipment of products in accordance with shipping terms. There are no further obligations on the part of the Company subsequent to revenue recognition, except for returns of defective products from the Company's customers, which are covered under the manufacturer's warranty. The Company will receive a vendor credit from the manufacturer related to the warranted product in question, at which time credits are issued to the customer. The Company does not provide a warranty on products sold other than the warranty provided by the manufacturer.

Cash Equivalents: The Company considers all highly liquid investment instruments with an original maturity of three months or less to be cash equivalents. There were no cash equivalents at June 30, 2007 and 2006.

Inventory is stated at the lower of cost (determined on the first-in, first-out basis) or market and consists solely of finished goods.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Basis of Presentation: The Company's financial statements have been prepared by the Company and are unaudited; however, such information reflects all adjustments (consisting solely of normal recurring adjustments), which are, in the opinion of management, necessary for a fair presentation of the financial position for the interim periods to which the report relates. The results of operations for the period ended June 30, 2007 is not necessarily indicative of the operating results that may be achieved for the full year.

Certain information and footnote disclosures, normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America, have been condensed or omitted as permitted. It is suggested that these financial statements be read in conjunction with the financial statements and notes thereto for the year ended December 31, 2006.

Accounts Receivable: The Company carries its accounts receivable at cost less an allowance for doubtful accounts. On a periodic basis, the Company evaluates its accounts and establishes an allowance for doubtful accounts based on a history of past write-offs and collections and current credit conditions. Interest is added to balances unpaid thirty days after billing.

S & A SUPPLY, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

1. DESCRIPTION OF COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Vendor Rebates: The Company has arrangements with several vendors that provide rebates payable when any of a number of measures generally related to volume level of purchases is achieved. The Company accounts for such rebates as a reduction in inventory until the product is sold, at which time such rebates are reflected as a reduction in cost of sales in the statement of income. Throughout the year, the Company estimates the amount of rebate based on an estimate of purchases to date relative to the purchase levels that mark progress toward earning the rebate. The Company continually revises these estimates of earned vendor rebates based on actual purchase levels.

Property and Equipment: Property and equipment are stated at cost. Depreciation is calculated on the straight-line method over the estimated useful lives of assets as follows:

Computer hardware and software	5 years
Furniture and fixtures	7 years
Automobiles	5 years
Showroom fixtures and displays	5 years

Leasehold improvements are amortized over the shorter of the lease term or the estimated useful life of the asset.

Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed Of: Long-lived assets, such as intangible assets, furniture, equipment and leasehold improvements, are evaluated for impairment when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable through estimated undiscounted future cash flows from the use of these assets. When any such impairment exists, the related assets will be written down to fair value.

Recent Issued Accounting Pronouncements: In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements, ("SFAS 157"). This Standard defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The adoption of SFAS 157 is not expected to have a material impact on the Company's financial position, results of operations or cash flows.

2. NOTE PAYABLE – LINE OF CREDIT

The note payable is a revolving line-of-credit with Lee Bank, due on demand, which has a maximum balance of \$2,900,000. The interest rate is Base Rate + 1.0%, floating with no minimum or maximum. The Base Rate is equal to the highest Prime Rate as published in the *Wall Street Journal*. The loan is subject to certain restrictive covenants and annual review.

All personal property has been pledged as collateral. The loan has been guaranteed by S & A Management, Inc., and S & A Realty, Inc., all personal property of which has been pledged as collateral. Nancy Mead has made an unlimited personal guarantee for repayment of the loan.

S & A SUPPLY, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

3. FEDERAL INCOME TAX AND STATE CORPORATION EXCISE TAX

The financial statements contain no provision for Federal Taxes on corporate income since the Corporation's shareholders have elected, as of March 1, 1989, under "Subchapter S" of the Internal Revenue Code, to be treated as an "S Corporation." Under the provisions of "Subchapter S" taxable income of the Corporation is included in income of the shareholders for tax purposes, and the tax thereon becomes a personal liability of the shareholders. The Commonwealth of Massachusetts follows "Subchapter S" of the Internal Revenue Code, requiring only that the higher of the minimum tax, net worth tax, or tangible property tax be assessed.

The Company's income tax expense for the six months ended June 30, 2007 was \$12,449 compared to \$13,642 for the same period in 2006.

At the "S" election date there were no "built-in-gains;" therefore, a provision for the deferred income taxes on the potential "built-in-gains" tax is not required.

In June 2006, the FASB issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes – an interpretation of FASB No. 109 ("FIN 48"), which prescribes accounting for and disclosure of uncertainty in tax positions. This interpretation defines the criteria that must be met for the benefits of a tax position to be recognized in the financial statements and the measurement of tax benefits recognized. The provisions of FIN 48 are effective as of the beginning of the Company's 2007 fiscal year, with the cumulative effect of the change in accounting principle recorded as an adjustment to opening retained earnings. The adoption of FIN 48 had an immaterial impact on the Company's financial statements.

4. RELATED PARTIES

S & A Supply, Inc., S & A Realty, Inc., and S & A Management, Inc. are part of an affiliated group. Nancy A. Mead and the Estate of Rodney P. Mead are the majority shareholders of all three companies. For the six months ended June 30, 2007 and 2006 the Company paid management fees of \$295,200 and \$285,000, respectively, to S & A Management, Inc. For the six months ended June 30, 2007 and 2006, the Company paid rent of \$52,500 and \$33,000, respectively, to S & A Realty, Inc. All activity between S & A Supply, Inc. and the other two companies has been disclosed, where appropriate, in these financial statements.

The Company receives and pays interest on the related party loans at the same rate that applies to its line-of-credit (see Note 2).

5. SUBSEQUENT EVENTS

On September 10, 2007, S&A Purchasing Corp., a wholly owned subsidiary of Colonial Commercial Corp., a New York corporation, acquired from the Company and its affiliates, all of our tangible and intangible assets, including accounts receivable, inventory, fixed assets, but excluding certain accounts receivable and other specifically excluded assets, and assumed certain liabilities, including trade accounts payable and motor vehicle loans. The transaction was effected pursuant to an Asset Purchase Agreement dated as of September 10, 2007 (the "APA").

COLONIAL COMMERCIAL CORP. AND SUBSIDIARIES  
UNAUDITED PRO FORMA  
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

On September 10, 2007, the Company, through S&A Purchasing Corp., a wholly owned subsidiary, purchased from S&A Supply, Inc., a Massachusetts corporation, (“S&A Supply”) and affiliates of S&A Supply, all of their tangible and intangible assets, including accounts receivable, inventory, fixed assets, but excluding certain accounts receivable and other specifically excluded assets, and assumed certain liabilities, including trade accounts payable and motor vehicle loans. S&A Supply is a leading distributor of heating, electrical, and plumbing supplies in the western Massachusetts area. The transaction was effected pursuant to an Asset Purchase Agreement dated as of September 10, 2007 (the “APA”).

This acquisition will be operated as a wholly owned subsidiary of the Company and under the name of S&A Supply, Inc. The acquisition expands our geographic trading area and adds electrical equipment and supplies to our product offerings.

The acquisition was accounted for using the purchase method of accounting. The Company’s financials statements for the period ended September 30, 2007 include the activity of S&A Supply from September 10, 2007 through September 30, 2007. The purchase price for the assets is equal to their book value as adjusted, plus \$315,000, less assumed liabilities as adjusted. The Company paid \$4,602,675 and assumed liabilities totaling approximately \$1,185,000. Additionally, direct acquisition costs of approximately \$100,000 were incurred by the Company and are included in the Company’s goodwill. The Company did not compute amortization on the covenant not to compete as it was immaterial. The APA provides for adjusting payments to be made on or about January 18, 2008, at which time adjustments shall be made to reflect certain actual expenses, vendor credits, collected accounts receivable and other similar items as opposed to accruals used at the time of closing. The purchase was financed using the Company’s credit facility.

The Company is in the process of obtaining a third party valuation of certain assets (including acquired intangible assets), as well as performing its own internal assessment of certain other assets and liabilities; thus the preliminary allocation of the purchase price will change, but we do not anticipate a material change. The Company expects to complete its purchase price allocation in the first quarter of fiscal 2008.

The following is the initial estimated preliminary purchase price allocation of the S&A Supply acquisition:

Inventory	\$3,600,000
Accounts receivable	1,500,000
Other current assets	15,000
Property and equipment, net	375,000
Goodwill	400,000
Covenant not to compete	10,000
Total tangible and intangible assets acquired	<u>5,900,000</u>
Less liabilities assumed:	
Current liabilities	1,050,000
Long-term liabilities	135,000
Total liabilities	<u>1,185,000</u>
Net Assets Acquired	<u><u>4,715,000</u></u>

The unaudited pro forma condensed consolidated statement of operations for the year ended December 31, 2006 combines the Company's historical results for the year ended December 31, 2006 with the statement of operations of S&A Supply for the year ended December 31, 2006, to reflect the acquisition of S&A Supply as if such acquisition had been completed and was effective as of January 1, 2006.

The unaudited pro forma condensed consolidated statement of operations for the nine months ended September 30, 2007 combines the Company's historical results for the nine months ended September 30, 2007 with the statement of operations of S&A Supply for the period from January 1, 2007 through September 10, 2007, to reflect the acquisition of S&A Supply as if such acquisition had been completed and was effective as of January 1, 2007. The Company's historical results for the nine months ended September 30, 2007 includes the results of operations of the acquired S&A Supply for the period from September 11, 2007 through September 30, 2007.

An unaudited pro forma condensed consolidated balance sheet is not presented, as the acquisition of S&A Supply has been reported in the unaudited condensed consolidated balance sheet of the Company as of September 30, 2007, as filed on Form 10-Q.

The unaudited pro forma condensed consolidated statements of operations were prepared utilizing the accounting principles of the respective entities, as outlined in each entity's historical financial statements. The pro forma adjustments are based upon available information and certain assumptions that the Company believes are reasonable under the circumstances. The unaudited pro forma condensed consolidated statements of operations do not purport to be indicative of the operating results or financial position that would have been achieved had the acquisition taken place on the dates indicated, or the results that may be obtained in the future. No effect has been given in the unaudited pro forma condensed consolidated statements of operations for the synergistic benefits that may be realized through the combination of the Company and S&A Supply.

The unaudited pro forma condensed consolidated statements of operations are based on, and should be read in conjunction with, the audited financial statements, including the notes thereto, of the Company and S&A Supply.

COLONIAL COMMERCIAL CORP. AND SUBSIDIARIES  
 Unaudited Pro Forma Condensed Consolidated Statements of Operations  
 For The Year Ended December 31, 2006

	Historical		Pro Forma Adjustments	Pro Forma
	Colonial (Restated)	(A) S & A Supply (B)		
Sales	\$ 71,494,652	\$ 15,134,553	\$ (167,739) (C1)	\$ 86,461,466
Cost of sales	50,057,446	11,250,560	(187,599) (C2)	61,120,407
Gross profit	21,437,206	3,883,993	19,860	25,341,059
Selling, general and administrative expenses, net	19,420,124	3,437,714	(32,719) (C4)	23,055,977
	-	-	52,988 (C5)	-
	-	-	110,047 (C6)	-
	-	-	(18,637) (D)	-
	-	-	(15,540) (E)	-
	-	-	102,000 (F)	-
Operating income	2,017,082	446,279	(178,279)	2,285,082
Other income	277,866	374,607	(187,599) (C2)	354,322
	-	-	(77,833) (C3)	-
	-	-	(32,719) (C4)	-
Interest expense, net	(1,354,785)	-	(129,315) (G)	(1,706,512)
	-	-	(222,412) (C7)	-
Other expenses	-	(631,019)	167,739 (C1)	-
	-	-	77,833 (C3)	-
	-	-	52,988 (C5)	-
	-	-	110,047 (C6)	-
	-	-	222,412 (C7)	-
Income from operations before income taxes	940,163	189,867	(197,138)	932,892
Income tax expense	124,391	15,499	-	139,890
Net income	<u>\$ 815,772</u>	<u>\$ 174,368</u>	<u>\$ (197,138)</u>	<u>\$ 793,002</u>
Income per common share:				
Basic	<u>\$ 0.18</u>			<u>\$ 0.17</u>
Diluted	<u>\$ 0.16</u>			<u>\$ 0.15</u>
Weighted average shares outstanding:				
Basic	<u>4,579,129</u>			<u>4,579,129</u>
Diluted	<u>5,125,646</u>			<u>5,125,646</u>

See accompanying notes to unaudited pro forma condensed consolidated financial statements.

**COLONIAL COMMERCIAL CORP.**

Notes to Unaudited Pro Forma Condensed Consolidated Statement of Operations for the  
Year Ended December 31, 2006

- A. Represents Colonial Commercial Corp.'s (the "Company") historical statement of operations for the year ended December 31, 2006.
- B. Represents the historical statement of operations of S&A Supply, Inc. ("S&A Supply") for the year ended December 31, 2006.
- C. Reclassification to conform to the Company's basis of presentation.
  - 1. Re-classed sales discounts of \$167,739 from Other Expense to Sales.
  - 2. Re-classed purchase discounts of \$187,599 from Other Income to Cost of Goods Sold.
  - 3. Re-classed interest income of \$77,833 from Other Income to Other Expenses.
  - 4. Re-classed recovery of bad debts of \$32,719 from Other Income to Selling, General and Administrative Expense, Net.
  - 5. Re-classed bad debt expense of \$52,988 from Other Expenses to Selling, General and Administrative Expense, Net.
  - 6. Re-classed depreciation expense of \$110,047 from Other Expenses to Selling, General and Administrative Expense, Net.
  - 7. Re-classed S&A Supply's historical interest expense from Other Expenses to Interest Expense, Net.
- D. Reflects the net effect of removing S&A Supply's profit sharing contribution and replacing it with the Company's estimated 401K match contribution. The net adjustment of \$18,637 is based on S&A Supply's actual profit sharing contribution of \$70,000 for the year ended December 31, 2006 compared to a \$51,363 estimated 401K match contribution, based on a 3% matching contribution paid by the Company.
- E. Reflects the elimination of a depreciation expense of \$15,540 for S&A Supply's buildings that were not purchased.
- F. Reflects the increase in rent based on the new lease agreements effective September 10, 2007. The rent adjustment of \$102,000 is based on new rent agreements of \$197,100 compared to \$95,100 in rent expense for the year ended December 31, 2006.
- G. Reflects the net adjustment to interest expense of \$129,315. The adjustment consists of the elimination of S&A Supply's historical net interest expense of \$222,412, offset by the \$351,727 interest expense for the financing of the acquisition of S&A Supply. S&A Supply's historical interest expense primarily consisted of interest on S&A Supply's credit line, which was not assumed in the acquisition. The Company's computed pro forma interest expense for the financing of the acquisition is based on the weighted average interest rate of 7.71% on the Company's credit line for the year ended December 31, 2006.

No pro forma tax adjustment is required due to the fact that S&A Supply was treated as an "S Corporation" by the IRS and therefore had no provision for federal income taxes. Subsequent to the acquisition, S&A Supply became a wholly owned subsidiary of the Company and joins the consolidated group in federal tax filings, offsetting income against the Company's net operating loss carryforward.

COLONIAL COMMERCIAL CORP. AND SUBSIDIARIES  
Unaudited Pro Forma Condensed Consolidated Statements of Operations

	Historical			Pro Forma Adjustments	Pro Forma For the Nine Months Ended September 30, 2007
	Colonial For the Nine Months Ended September 30, 2007 (A)	S&A For the Period Beginning January 1, 2007 and Ended September 10, 2007 (B)			
Net sales	\$ 58,693,009	\$ 9,435,461	\$ (107,891) (C1)	\$ 68,020,579	
Cost of sales	41,736,908	7,122,076	(120,521) (C2)	48,738,463	
Gross profit	16,956,101	2,313,385	12,630	19,282,116	
Selling, general and administrative expenses, net	15,859,481	2,485,043	(1,578) (C4)	18,473,996	
	-	-	46,866 (C5)	-	
	-	-	36,708 (C6)	-	
	-	-	38,523 (D)	-	
	-	-	(11,655) (E)	-	
	-	-	57,224 (F)	-	
Operating income	1,096,620	(171,658)	(153,458)	771,504	
Other income	217,193	229,875	(120,521) (C2)	271,058	
	-	-	(53,911) (C3)	-	
	-	-	(1,578) (C4)	-	
Interest expense, net	(1,081,063)	-	(178,722) (C7)	(1,354,096)	
	-	-	(94,311) (G)	-	
Other expenses	-	(424,098)	107,891 (C1)	-	
	-	-	53,911 (C3)	-	
	-	-	46,866 (C5)	-	
	-	-	36,708 (C6)	-	
	-	-	178,722 (C7)	-	
Income before income taxes	232,750	(365,881)	(178,403)	(311,534)	
Income tax expense	81,850	667	-	82,517	
Net Income	<u>\$ 150,900</u>	<u>\$ (366,548)</u>	<u>\$ (178,403)</u>	<u>\$ (394,051)</u>	
Income per common share:					
Basic	<u>\$ 0.03</u>			<u>\$ (0.08)</u>	
Diluted	<u>\$ 0.03</u>			<u>\$ (0.08)</u>	
Weighted average shares outstanding:					
Basic	<u>4,645,490</u>			<u>4,645,490</u>	
Diluted	<u>5,131,748</u>			<u>4,645,490</u>	

See accompanying notes to unaudited pro forma condensed consolidated financial statements.

**COLONIAL COMMERCIAL CORP.**

Notes to Unaudited Pro Forma Condensed Consolidated Statement of Operations for the  
Nine Months Ended September 30, 2007

- A. Represents Colonial Commercial Corp.'s (the "Company") historical statement of operations for the nine months ended September 30, 2007. The Company's historical results for the nine months ended September 30, 2007 includes the results of operations of the acquired S&A Supply for the period from September 11, 2007 through September 30, 2007.
- B. Represents the historical statement of operations of S&A Supply, Inc. ("S&A Supply") for the period ended September 10, 2007.
- C. Reclassification to conform to the Company's basis of presentation.
  - 1. Re-classed sales discounts of \$107,891 from Other Expense to Sales.
  - 2. Re-classed purchase discounts of \$120,521 from Other Income to Cost of Goods Sold.
  - 3. Re-classed interest income of \$53,911 from Other Income to Other Expenses.
  - 4. Re-classed recovery of bad debts of \$1,578 from Other Income to Selling, General and Administrative Expense, Net.
  - 5. Re-classed bad debt expense of \$46,866 from Other Expenses to Selling, General and Administrative Expense, Net.
  - 6. Re-classed officer life insurance payments of \$36,708 from Other Expenses to Selling, General and Administrative Expense, Net.
  - 7. Re-classed S&A Supply's historical interest expense from Other Expenses to Interest Expense, Net.
- D. Reflects the estimated 401K match contribution of \$38,523, based on a 3% matching contribution paid by the Company.
- E. Reflects the elimination of a depreciation expense of \$11,655 for S&A Supply's buildings that were not purchased.
- F. Reflects the increase in rent based on the new lease agreements effective September 10, 2007. The rent adjustment of \$57,224 is based on new rent agreements of \$147,825 compared to \$90,601 in rent expense for the period ended September 10, 2007.
- G. Reflects the net adjustment to interest expense of \$94,311. The adjustment consists of the elimination of S&A Supply's historical interest expense of \$178,722, offset by the \$273,033 interest expense for the financing of the acquisition S&A Supply. S&A Supply's historical interest expense primarily consisted of interest on S&A Supply's credit line, which was not assumed in the acquisition. The Company's computed pro forma interest expense for the financing of the acquisition is based on the weighted average interest rate of 7.98% on the Company's credit line for the period ended September 10, 2007.

No pro forma tax adjustment is required due to the fact that S&A Supply was treated as an "S Corporation" by the IRS and therefore had no provision for federal income taxes. Subsequent to the acquisition, S&A Supply became a wholly owned subsidiary of the Company and joins the consolidated group in federal tax filings, offsetting income against the Company's net operating loss carryforward.