McRAE INDUSTRIES, INC.
REPORTS EARNINGS FOR THE SECOND QUARTER AND FIRST SIX MONTHS OF FISCAL 2010

Mount Gilead, N.C. – March 16, 2010. McRae Industries, Inc. (Pink Sheets MRINA and MRINB) reported consolidated net revenues for the second quarter of fiscal 2010 of $16,712,000 as compared to $16,591,000 for the second quarter of fiscal 2009. Net earnings for the second quarter of fiscal 2010 amounted to $711,000, or $.35 per diluted Class A common share as compared to net earnings of $455,000, or $.26 per diluted Class A common share, for the second quarter of fiscal 2009.

Consolidated net revenues for the first six months of fiscal 2010 totaled $33,753,000 as compared to $36,925,000 for the first six months of fiscal 2009. Net earnings for the first six months of fiscal 2010 amounted to $1,748,000, or $.84 per diluted Class A common share, as compared to net earnings of $1,667,000, or $.81 per diluted Class A common share, for the first six months of fiscal 2009.

SECOND QUARTER FISCAL 2010 COMPARED TO SECOND QUARTER FISCAL 2009

Consolidated net revenues for the second quarter of fiscal 2010 totaled $16.7 million as compared to $16.6 million for the second quarter of fiscal 2009. Revenues from our western and lifestyle footwear products were up approximately 22% as demand for women's fashion related footwear remained strong. Revenues from our work boot products, which include our licensed, private label, and military boot products, totaled approximately $5.3 million for both second quarters of fiscal 2010 and 2009. Revenues from our non-core businesses, primarily the downsized bar code business, were down nearly $2.0 million. We expect our western and life style business activity to remain strong for the remainder of fiscal 2010. On the other hand, we expect our work boot business will continue to be suppressed by the current economic malaise in the construction industry and decreased military boot requirements for the U. S. Government (the "Government").

Consolidated gross profit amounted to approximately $4.7 million for both second quarters of fiscal 2010 and fiscal 2009. The gross profit attributable to our western and lifestyle product sales increased by 18.4% and was primarily attributable to the increase in related net revenues. The gross profit attributable to our work boot product sales declined nearly 15% as reduced production of military boots for the Government had a detrimental impact on per unit costs. Declining gross profit contributions from our non-core businesses were also a drag on consolidated gross profit.

Consolidated operating costs and expenses totaled approximately $3.6 million for the second quarter of fiscal 2010 as compared to nearly $4.0 million for the second quarter of fiscal 2009. This reduction in consolidated operating costs and expenses resulted primarily from cost savings related to the contraction of the bar code business. For our core footwear product businesses, operating costs increased by approximately $400,000 as a result of increased sales compensation costs, advertising/promotion costs, and employee benefit charges which were partially offset by reduced expenditures for group health insurance and professional fees.

As a result of the above, consolidated operating profit increased from $735,000 for the second quarter of fiscal 2009 to $1.1 million for the second quarter of fiscal 2010.

FIRST SIX MONTHS FISCAL 2010 COMPARED TO FIRST SIX MONTHS FISCAL 2009

Consolidated net revenues for the first six months of fiscal 2010 totaled $33.8 million as compared to $36.9 million for the first six months of fiscal 2009. This 8% decline in net revenues resulted primarily from decreased work boot product sales as demand for these products was negatively impacted by the economic downturn and reduced requirements by the Government for military combat boots. Reduced revenues associated with our non-core businesses, primarily the bar code business, contributed approximately $4.7 million to the fall in net revenues. Increased western and lifestyle product sales partially offset this decline in revenues by approximately $2.8 million as market demand for these products remained strong.

Consolidated gross profit fell from $10.7 million for the first six months of fiscal 2009 to $10.1 million for the first six months of fiscal 2010 as a result of declines in net revenues and profit margins, primarily attributable to our work boot products and our non-core businesses. Gross profit from our western and lifestyle products, however, partially offset the decrease as both revenues and profit margins exceeded the results reported for the same period of fiscal 2009.

Consolidated operating costs and expenses totaled approximately $7.3 million for the first six months of fiscal 2010 as compared to $8.1 million for the first six months of fiscal 2009. The reduction in our operating costs and expenses was primarily the result of the contraction in our bar code business. This reduction in operating costs was partially offset by increased expenditures for sales related compensation, administrative salaries, marketing and advertising costs, and employee benefit charges attributable to our core footwear operations.

As a result of the above, the consolidated operating profit amounted to $2.8 million for the first six months of fiscal 2010 as compared to $2.7 million for the first six months of fiscal 2009.

FINANCIAL CONDITION AND LIQUIDITY

Our financial condition remained strong at January 30, 2010 as cash and cash equivalents totaled $14.0 million as compared to $11.3 million at August 1, 2009. Our working capital amounted to $33.1 million at January 30, 2010 as compared to $31.8 million at August 1, 2009.

We currently maintain two lines of credit with a bank totaling $4.75 million, all of which was available at January 30, 2010. One credit line totaling $1.75 million (which is restricted to one hundred percent of the outstanding receivables due from the U. S. Government) expires in January 2011. Our $3.0 million line of credit expires in November 2010.

We believe that our current cash and cash equivalents, cash generated from operations, and available credit lines will be sufficient to meet our capital requirements for the remainder of fiscal 2010.

For the first six months of fiscal 2010, operating activities provided approximately $3.4 million of cash. Net earnings, as adjusted for depreciation, provided $2.0 million of cash. Accounts and notes receivable, as adjusted for valuation allowances, used approximately $1.3 million of cash as a result of increased sales associated with our western and work boot business. Reduced inventory levels, primarily associated with high seasonal sales of western and work boot products, provided approximately $898,000 of cash. Income tax refunds provided approximately $1.5 million of cash.

Investing activities for the first six months of fiscal 2010 used approximately $170,000 of cash, primarily attributable to the purchase of manufacturing and computer equipment.

Financing activities used approximately $569,000 for the first six months of fiscal 2010. Dividend payments used $375,000 of cash while the repurchase of Company stock and loan principal payments used $103,000 and $91,000 of cash, respectively.

Forward-Looking Statements

This press release includes certain forward-looking statements. Important factors that could cause actual results or events to differ materially from those projected, estimated, assumed or anticipated in any such forward-looking statements include: fashion trends affecting our western and lifestyle footwear business, the effect of competitive products and pricing, risks unique to selling goods to the Government (including variation in the Government's requirements for our products and the Government's ability to terminate its contracts with vendors), loss of key customers, acquisitions, supply interruptions, additional financing requirements, our expectations about future Government orders for military boots, loss of key management personnel, our ability to successfully develop new products and services, and the effect of general economic conditions in our markets.

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McRae Industries, Inc. and Subsidiaries
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)
(Unaudited)

	January 30, 2010	August 1, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 13,994	$ 11,310
Accounts and notes receivable, net	11,175	9,891
Inventories, net	11,958	12,856
Income tax receivable	1,454	2,938
Prepaid expenses and other current assets	261	120
Total current assets	38,842	37,115
Property and equipment, net	3,030	3,156
Other assets:		
Real estate held for investment	3,389	3,366
Amount due from split-dollar life insurance	2,288	2,288
Trademarks	2,824	2,824
Other	0	1
Total other assets	8,501	8,479
Total assets	$50,373	$48,750

McRae Industries, Inc. and Subsidiaries
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)
(Unaudited)

	January 30, 2010	August 1, 2009
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank Note Payable- current portion	$ 184	$ 184
Accounts Payable	3,507	3,373
Accrued employee benefits	430	160
Accrued payroll and payroll taxes	947	861
Other accrued liabilities	682	728
Total current liabilities	5,750	5,306
Bank Note Payable, net of current portion	1,035	1,126
Total liabilities	6,785	6,432
Shareholders' equity:		
Common Stock:		
Class A, $1 par; Authorized 5,000,000 shares; Issued and outstanding 2,074,320 shares and 2,083,854 shares, respectively	2,074	2,084
Class B, $1 par; Authorized 2,500,000 shares; Issued and outstanding 434,858 shares and 436,384 shares, respectively	435	436
Retained earnings	41,079	39,798
Total shareholders' equity	43,588	42,318
Total liabilities and shareholders' equity	$50,373	$48,750

McRae Industries, Inc. and Subsidiaries
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except share and per share data)
(Unaudited)

	Three Months Ended		Six Months Ended	
	January 30, 2010	**January 31, 2009**	**January 30, 2010**	**January 31, 2009**
Net revenues	$16,712	$16,591	$33,753	$36,925
Cost of revenues	11,966	11,886	23,611	26,210
Gross profit	4,746	4,705	10,142	10,715
Less: Operating costs and expenses:				
Selling, general and administrative expenses	3,603	3,970	7,306	8,063
Earnings from operations	1,143	735	2,836	2,652
Other income	(50)	(71)	(95)	(163)
Interest expense	10	3	29	5
Earnings before income taxes	1,183	803	2,902	2,810
Provision for income taxes	472	348	1,154	1,143
Net earnings	$ 711	$ 455	$ 1,748	$ 1,667
Earnings per common share:				
Basic earnings per share:				
Class A	$ .43	$ .31	$ 1.02	$ .98
Class B	0	0	0	0
Diluted earnings per share:				
Class A	.35	.26	.84	.81
Class B	N/A	N/A	N/A	N/A
Weighted average number of common shares outstanding:				
Class A	2,081,536	2,093,951	2,082,749	2,093,497
Class B	435,542	440,316	435,909	440,784
Total	2,517,078	2,534,267	2,518,658	2,534,281

McRae Industries, Inc. and Subsidiaries
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six Months Ended	
	January 30, 2010	**January 31, 2009**
Net cash provided by (used in) operating activities	$ 3,424	$ (145)
Cash flows from investing activities:		
Proceeds from sales of assets	0	4
Purchase of land for investment	(23)	(15)
Capital expenditures	(149)	(1,590)
Other	1	0
Net cash used in investing activities	(171)	(1,601)
Cash flows from financing activities:		
Bank loan proceeds	0	1,400
Purchase of company stock	(103)	(8)
Principal payments- notes payable	(91)	0
Dividends paid	(375)	(376)
Net cash (used in) provided by financing activities	(569)	1,016
Net increase (decrease) in cash and cash equivalents	2,684	(730)
Cash and cash equivalents at beginning of period	11,310	13,822
Cash and cash equivalents at end of period	$ 13,994	$ 13,092