McRAE INDUSTRIES, INC.
REPORTS EARNINGS FOR THE FIRST QUARTER OF FISCAL 2010

Mount Gilead, N.C. – December 4, 2009. McRae Industries, Inc. (Pink Sheets: MRINA and MRINB) reported consolidated net revenues for the first quarter of fiscal 2010 of $17,041,000 as compared to $20,334,000 for the first quarter of fiscal 2009. Net earnings for the first quarter of fiscal 2010 amounted to $1,037,000, or $.49 per diluted Class A common share as compared to net earnings of $1,212,000, or $.55 per diluted Class A common share, for the first quarter of fiscal 2009.

FIRST QUARTER FISCAL 2010 COMPARED TO FIRST QUARTER FISCAL 2009

Consolidated net revenues for the first quarter of fiscal 2010 amounted to $17.0 million as compared to $20.3 million for the first quarter of fiscal 2009. The decline in net revenues was primarily attributable to reduced military boot requirements by the U. S. Government and to the diminished scope of the bar code business. The decline was partially offset by strong seasonal demand for western boot products.

Consolidated gross profit totaled $5.4 million for the first quarter of fiscal 2010 as compared to $6.0 million for the first quarter of fiscal 2009. The decrease in gross profit was the result of the decline in net revenues and lower profit margins for the military boot and bar code business units.

Consolidated selling, general and administrative ("SG&A") expenses were $3.7 million for the first quarter of fiscal 2010 as compared to $4.1 million for the first quarter of fiscal 2009. The reduction in SG&A expenses resulted primarily from the downsizing of the bar code business, which was partially offset by increased expenditures for sales salaries, commissions, and employee benefits charges associated with the western and work boot business.

As a result of the above, the consolidated operating profit for the first quarter of fiscal 2010 amounted to $1.7 million as compared to $2.0 million for the first quarter of fiscal 2009.

Bar Code Business

Net revenues for the bar code business for the first quarter of fiscal 2010 totaled approximately $154,000 as compared to $2.9 million for the first quarter of fiscal 2009. The decrease in net revenues resulted from the sale of significantly all of the unit's assets, liabilities, and intellectual capital at the end of March 2009. We continue to manufacture a selection of proprietary products which are sold exclusively to the buyer of the business. As previously reported, we do not expect this business unit to be a major contributor of revenues in the future.

Gross profit for the first quarter of fiscal 2010 amounted to $2,000 as compared to $517,000 for the first quarter of fiscal 2009, primarily the result of the decline in net revenues as described in the previous paragraph.

SG&A expenses fell to $97,000 for the first quarter of fiscal 2010 as compared to $805,000 for the first quarter of fiscal 2009 as a result of the scaled back operations.

As a result of the above, the operating loss for the bar code business for the first quarter of fiscal 2010 totaled $95,000 as compared to an operating loss of $288,000 for the first quarter of fiscal 2009.

Military Boot Business

Net revenues totaled $2.6 million for the military boot business for the first quarter of fiscal 2010, down from $3.5 million for the first quarter of fiscal 2009 as a result of decreased military combat boot requirements under both of our current U. S. Government (the "Government") contracts. In an effort to expand our revenue base, we continue to submit bids on other Government military boot solicitations, and we have expanded our efforts to sell military boot products in the commercial market.

Gross profit fell from $503,000 for the first quarter of fiscal 2009 to a gross loss of $15,000 for the first quarter of fiscal 2010. The decline in gross profit was attributable to reduced net revenues and significantly lower profit margins, which resulted from decreased production levels and labor inefficiencies associated with a new military boot construction.

SG&A expenses amounted to $160,000 for the first quarter of fiscal 2010 as compared to $195,000 for the first quarter of fiscal 2009. The decline in SG&A expenses was the result of lower corporate allocated charges.

As a result of the above, the operating loss for the military boot business amounted to $175,000 for the first quarter of fiscal 2010 as compared to an operating profit of $308,000 for the first quarter of fiscal 2009.

Western and Work Boot Business

Net revenues for the western and work boot business totaled $14.3 million for the first quarter of fiscal 2010 as compared to $13.8 million for the first quarter of fiscal 2009. The increase in net revenues was primarily attributable to continued strong demand for our western boot products, especially women's fashion products. While our work boot segment continues to be a major revenue contributor, product demand has lessened as a result of the current economic climate.

Gross profit for the first quarter of fiscal 2010 was $5.4 million as compared to $4.9 million for the first quarter of fiscal 2009. The increase in gross profit was attributable to higher net revenues and improved profit margins, which grew from 35.3% for the first quarter of fiscal 2009 to 37.6% for the first quarter of fiscal 2010.

SG&A expenses for the first quarter of fiscal 2010 amounted to $3.4 million as compared to $3.0 million for the first quarter of fiscal 2009, primarily attributable to increased expenditures for sales related salaries and commissions, employee benefit expense, and corporate allocated charges.

As a result of the above, the operating profit for the western and work boot business totaled $2.0 million for the first quarter of fiscal 2010 as compared to $1.9 million for the first quarter of fiscal 2009.

Financial Condition and Liquidity

Our financial condition remained strong at October 31, 2009 as cash and cash equivalents totaled $10.4 million as compared to $11.3 million at August 1, 2009. Our working capital increased from $31.8 million at August 1, 2009 to $32.7 million at October 31, 2009.

We currently have two lines of credit with a bank totaling $4.75 million, all of which was fully available at October 31, 2009. One credit line totaling $1.75 million (which is restricted to one hundred percent of the outstanding receivables due from the Government) expires in January 2010. One $3.0 million line of credit, which expires in November 2010, is secured by the inventory and accounts receivable of our Dan Post Boot Company subsidiary.

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 fiscal 2010.

Net cash used by operating activities for the first quarter of fiscal 2010 amounted to $554,000. Net earnings, as adjusted for depreciation, contributed approximately $1.2 million of cash. Accounts and notes receivable used approximately $2.1 million of cash as a result of the timing of collection of strong first quarter sales primarily attributable to the western and work boot business. The decline in inventory provided approximately $203,000 of cash and was attributable to the strong first quarter sales. The reduction in accounts payable used $373,000 of cash primarily for the payment of inventory purchases. The timing of income tax payments provided approximately $687,000 of cash.

Net cash used by investing activities amounted to $75,000. Capital expenditures used $62,000 of cash for office and computer equipment.

Net cash used in financing activities totaled $232,000 as dividend payments were $187,000 and bank loan principal payments amounted to $45,000.

Reclassifications

Certain fiscal 2009 amounts have been restated to conform to the fiscal 2010 presentation.

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: 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), changes in fashion cycles and trends in the western boot business, 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.

Contact:
D. Gary McRae
(910) 439-6147

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

	October 31, 2009	August 1, 2009
Assets		
Current assets:		
Cash and cash equivalents	$ 10,449	$ 11,310
Accounts and notes receivable, net	12,081	9,891
Inventories, net	12,653	12,856
Income tax receivable	2,251	2,938
Prepaid expenses and other current assets	228	120
Total current assets	37,662	37,115
Property and equipment, net	3,080	3,156
Other assets:		
Real estate held for investment	3,380	3,366
Amount due from split-dollar life insurance	2,288	2,288
Trademarks	2,824	2,824
Other	0	1
Total other assets	8,492	8,479
Total assets	$49,234	$48,750

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

	October 31, 2009	August 1, 2009
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank note payable-current portion	$ 184	$ 184
Accounts payable	3,000	3,373
Accrued employee benefits	416	160
Accrued payroll and payroll taxes	638	861
Other accrued liabilities	747	728
Total current liabilities	4,985	5,306
Bank note payable net of current portion	1,081	1,126
Total liabilities	6,066	6,432
Shareholders' equity:		
Common Stock:		
Class A, $1 par; Authorized 5,000,000 shares; Issued and outstanding, 2,084,069 shares and 2,083,854 shares, respectively	2,084	2,084
Class B, $1 par; Authorized 2,500,000 shares; Issued and outstanding, 436,169 shares and 436,384 shares, respectively	436	436
Retained earnings	40,648	39,798
Total shareholders' equity	43,168	42,318
Total liabilities and shareholders' equity	$49,234	$48,750

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

	Three Months Ended	
	October 31, 2009	**November 1, 2008**
Net revenues	$17,041	$20,334
Cost of revenues	11,645	14,324
Gross profit	5,396	6,010
Costs and expenses:		
Selling, general and administrative expenses	3,703	4,093
Other expense (income), net	(45)	(92)
Interest expense	19	2
Total costs and expenses	3,677	4,003
Earnings before income taxes	1,719	2,007
Provision for income taxes	682	795
Net earnings	$1,037	$1,212
Earnings per common share:		
Basic earnings per share:		
Class A	$.59	$.67
Class B	0	0
Diluted earnings per share:		
Class A	.49	.55
Class B	NA	NA
Weighted average number of common shares outstanding:		
Class A	2,083,963	2,093,043
Class B	436,275	441,252
Total	2,520,238	2,534,295

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

	Three Months Ended	
	October 31, 2009	**November 1, 2008**
Net cash (used in) provided by operating activities	$ (554)	$ (1,885)
Cash flows from investing activities:		
Proceeds from sales of assets	0	3
Purchase of land for investment	(13)	(6)
Capital expenditures	(62)	(109)
Net cash (used in) provided by investing activities	(75)	(112)
Cash flows from financing activities:		
Principal payments on long-term debt	(45)	0
Dividends paid	(187)	(188)
Net cash used in financing activities	(232)	(188)
Net (decrease) increase in cash and cash equivalents	(861)	(2,185)
Cash and cash equivalents at beginning of period	11,310	13,822
Cash and cash equivalents at end of period	$ 10,449	$ 11,637