McRAE INDUSTRIES, INC.
REPORTS EARNINGS FOR FISCAL 2010

Mount Gilead, N.C. – November 12, 2010. McRae Industries, Inc. (Pink Sheets: MRINA and MRINB) reported consolidated net revenues for fiscal 2010 of $62,571,000 as compared to $62,213,000 for fiscal 2009. Net earnings for fiscal 2010 totaled $2,952,000 as compared to a net loss of $514,000 for fiscal 2009. Net earnings per diluted Class A common share were $1.47 for fiscal 2010 as compared to $ 0.11 for fiscal 2009. The positive earnings per diluted Class A share for fiscal 2009 resulted from the inclusion of dividends paid in the earnings per share calculation as required by generally accepted accounting principles.

CONSOLIDATED RESULTS OF OPERATIONS, FISCAL 2010 COMPARED TO FISCAL 2009

Consolidated net revenues for fiscal 2010 totaled approximately $62.6 million as compared to $62.2 million for fiscal 2009. The growth in net revenues was primarily attributable to increased sales related to our western/lifestyle footwear products, which includes our three primary branded lines and our children's boot products. Sales of these products grew nearly 22%, up from $33.0 million for fiscal 2009 to $40.2 million for fiscal 2010 as demand for these products remained strong. Net revenues related to our work boot product lines amounted to approximately $21.8 million for fiscal 2010, down slightly from $22.1 million for fiscal 2009. This decrease in net revenues was primarily attributable to reduced military boot requirements for the U. S. Government, which was partially offset by an 11% increase in net revenues from our other work boot products. Net revenues associated with our bar code business, most of which was sold at the end of March 2009, totaled $478,000 for fiscal 2010 as compared to $6.8 million for fiscal 2009. For fiscal 2011, we are optimistic that the demand for our western/lifestyle products will remain strong and that an improving economy, coupled with prospects of additional government business, will have a positive impact on our work boot product business. We expect revenues from the bar code business to continue to diminish.

Consolidated gross profit grew from $14.4 million for fiscal 2009 to $18.3 million for fiscal 2010, primarily the result of higher margin western/lifestyle product sales being a larger percentage of the overall sales mix and the recovery from the supply chain interruptions, which had a negative impact on the fourth quarter of fiscal 2009. Gross profit for the western/lifestyle products increased from $10.0 million for fiscal 2009 to $14.4 million for fiscal 2010. Gross profit for our work boot products amounted to $3.7 million for fiscal 2010 as compared to $3.5 million for fiscal 2009.

Consolidated selling, general and administrative ("SG&A") expenses fell from $14.9 million for fiscal 2009 to $13.7 million for fiscal 2010, primarily resulting from the significant reduction of SG&A expenses associated with downsizing of our bar code business. This decrease in SG&A expense was partially offset by increased expenditures for sales compensation costs, travel expenses, marketing and advertising outlays, additional ERP system write-offs and employee benefit charges.

As a result of the above, consolidated operating profit for fiscal 2010 totaled approximately $4.6 million as compared to an operating loss of $484,000 for fiscal 2009.

FINANCIAL CONDITION AND LIQUIDITY

At July 31, 2010, our financial condition and liquidity remained strong as cash and cash equivalents totaled $9.9 million as compared to $11.3 million at August 1, 2009. Our working capital increased from $32.8 million at August 1, 2009 to $33.9 million at July 31, 2010.

We currently have two lines of credit with a bank totaling $4.75 million, all of which were fully available at July 31, 2010. 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 2011. The $3.0 million line of credit, which expires in November 2011, 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 2011.

Net cash provided by operating activities for fiscal 2010 amounted to approximately $770,000. Net earnings, as adjusted for depreciation, contributed approximately $3.5 million of cash. The increase in accounts receivable used approximately $1.2 million of cash as a result of the timing of collection for heavier fourth quarter sales. Increased inventory levels in both our military boot and western/work boot units used approximately $4.3 million of cash. The increase in inventories is to support a new military boot contract and the normal buildup for the fall selling season for the western/lifestyle boot products. The timing of employee benefit payments provided approximately $514,000 of cash. Income tax refunds provided approximately $1.8 million of cash.

Net cash provided by investing activities totaled $294,000. Proceeds from the sale of fixed assets provided $157,000 of cash. Capital expenditures, primarily for military boot manufacturing equipment, office furniture and computer-related equipment, used $369,000 of cash. The collection of the note receivable related to the sale of our bar code business provided $598,000 of cash.

Net cash used in financing activities totaled approximately $2.4 million. The bank loan payoff used $1.3 million of cash. Dividend payments totaled $745,000 and the repurchase of company stock used approximately $371,000 of cash.

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.

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

	July 31, 2010	August 1, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 9,948	$ 11,310
Accounts and notes receivable, less allowances of $782 and $844, respectively	10,471	9,891
Inventories, net	17,175	12,856
Income tax receivable	544	2,363
Prepaid expenses and other current assets	165	120
Deferred tax assets	1,649	1,588
Total current assets	39,952	38,128
Property and equipment, net	2,849	3,156
Other assets:		
Real estate held for investment	3,435	3,367
Amount due from split-dollar life insurance	2,288	2,288
Trademarks	2,824	2,824
Total other assets	8,547	8,479
Total assets	$ 51,348	$ 49,763

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

	July 31, 2010	August 1, 2009
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Bank notes payable- current portion	$ 0	$ 184
Accounts payable	3,576	3,373
Accrued employee benefits	674	160
Accrued payroll and payroll taxes	1,111	861
Other	699	728
Total current liabilities	6,060	5,306
Bank notes payable- net of current portion	0	1,126
Deferred tax liabilities	1,134	1,013
Total liabilities	7,194	7,445
Commitments and contingencies		
Shareholders' equity:		
Common Stock:		
Class A, $1 par value; authorized 5,000,000 shares; issued and outstanding, 2,054,282 and 2,083,854 shares, respectively	2,054	2,084
Class B, $1 par value; authorized 2,500,000 shares; issued and outstanding, 428,979 and 436,384 shares, respectively	429	436
Retained earnings	41,671	39,798
Total shareholders' equity	44,154	42,318
Total liabilities and shareholders' equity	$ 51,348	$ 49,763

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

For Years Ended	**July 31, 2010**	**August 1, 2009**	**August 2, 2008**
Net revenues	$ 62,571	$ 62,213	$ 80,021
Cost of revenues	44,278	47,771	56,810
Gross profit	18,293	14,442	23,211
Selling, general and administrative expenses	13,705	14,926	15,533
Operating profit (loss)	4,588	(484)	7,678
Other income	206	276	487
Interest expense	(34)	(15)	(29)
Earnings (loss) before income taxes	4,760	(223)	8,136
Provision for income taxes	1,808	291	3,095
Net earnings (loss)	$ 2,952	$ (514)	$ 5,041

Earnings per common share:

Earnings per common share:			
Basic earnings per share:			
Class A	$ 1.79	$ 0.11	$ 2.75
Class B	0	0	0
Diluted earnings per share:			
Class A	1.47	0.11	2.27
Class B	NA	NA	NA
Weighted average number of common shares outstanding:			
Class A	2,068,866	2,089,686	2,098,714
Class B	432,518	438,915	446,262
Total	2,501,384	2,528,601	2,544,976

Note: The Company is required to compute earnings per share in accordance with Statement of Financial Accounting Standards No. 128, “Earnings per Share”. This standard specifies that the Company use the “two-class” method for basic earnings per share and the “if converted” method for diluted earnings per share. The numerator for each of these methods is the sum of dividends paid and net income or loss. Since the dividends paid totaled approximately $752,000 minus the net loss of ($514,000), the total of the numerator is a positive $238,000. Therefore, the earnings per share for fiscal 2009 is reported as a positive number.

McRae Industries, Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

For Years Ended	July 31, 2010	August 1, 2009	August 2, 2008
Cash Flows from Operating Activities:			
Net earnings (loss)	$ 2,952	$ (514)	$ 5,041
Adjustments to reconcile net earnings(loss) to net cash provided by (used in) operating activities:			
Depreciation	568	564	485
Gain on sale of assets	(25)	(51)	(383)
Deferred income taxes	60	415	(485)
Changes in operating assets and liabilities:			
Accounts receivable, net	(1,178)	(622)	(332)
Inventories	(4,320)	2,617	587
Prepaid expenses and other current assets	(44)	285	(219)
Accounts payable	203	108	(18)
Accrued employee benefits	514	(832)	516
Accrued payroll and payroll taxes	250	(157)	50
Income taxes	1,820	(2,363)	240
Other	(30)	(525)	(62)
Net cash provided by (used in) operating activities	**770**	**(1,075)**	**5,420**
Cash Flows from Investing Activities:			
Proceeds from sale of bar code business	0	194	0
Proceeds from sale of fixed assets	157	102	449
Purchase of land for investment	(92)	(36)	(56)
Capital expenditures	(369)	(2,056)	(188)
Collections on notes receivable	598	0	20
Net cash provided by (used in) investing activities	**294**	**(1,796)**	**225**
Cash Flows from Financing Activities:			
Bank loan proceeds	0	1,400	0
Purchase of common stock	(371)	(199)	(328)
Principal repayments of bank notes payable	(1,310)	(90)	0
Dividends paid	(745)	(752)	(738)
Net cash (used in)provided by financing activities	**(2,426)**	**359**	**(1,066)**
Net (Decrease) Increase in Cash and Cash equivalents	(1,362)	(2,512)	4,579
Cash and Cash Equivalents at Beginning of Year	11,310	13,822	9,243
Cash and Cash Equivalents at End of Year	**$ 9,948**	**$ 11,310**	**$ 13,822**

Note: During fiscal 2009, the Company's sale of Compsee was financed with a note receivable of $598.