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

Mount Gilead, N.C. – June 11, 2010. McRae Industries, Inc. (Pink Sheets: MRINA and MRINB) reported consolidated net revenues from operations for the third quarter of fiscal 2010 of $15,476,000 as compared to $13,017,000 for the third quarter of fiscal 2009. Net earnings for the third quarter of fiscal 2010 amounted to $695,000, or $0.35 per diluted Class A common share as compared to a net loss of $1,580,000, or ($0.55) per diluted Class A common share, for the third quarter of fiscal 2009.

Consolidated net revenues from operations for the first nine months of fiscal 2010 totaled $49,228,000 as compared to $49,942,000 for the first nine months of fiscal 2009. Net earnings for the first nine months of fiscal 2010 amounted to $2,442,000, or $1.19 per diluted Class A common share, as compared to $87,000, or $0.26 per diluted Class A common share, for the first nine months of fiscal 2009.

THIRD QUARTER FISCAL 2010 COMPARED TO THIRD QUARTER FISCAL 2009

Consolidated net revenues for the third quarter of fiscal 2010 amounted to $15.5 million as compared to $13.0 million for the third quarter of fiscal 2009. The increase in net revenues was attributable to continued strong demand for our western/life style products and a successful turnaround from the supply chain interruptions that significantly impacted third quarter 2009 sales. As a result, net revenues for our western/life style products grew from $5.6 million for the third quarter of fiscal 2009 to $9.4 million for the third quarter of fiscal 2010. Net revenues from our work boot products reported a modest 5% increase over the third quarter results for fiscal 2009 primarily attributable to stronger demand for our branded John Deere products.

Our military boot business continues to be adversely impacted by reduced boot requirements from the U. S. Government (the “Government”). However, on June 3, 2010, the Company was awarded a new contract (the “Contract”) to produce a green, temperate weather boot for the United States Air Force. The Contract provides for a base year and one option year with a minimum quantity of 48,792 pair and a maximum quantity of 129,636 pair for the two year period. The Contract could possibly generate revenue of approximately $10.5 million over the two year period if the Government orders the maximum quantity; however, there are no assurances that the Government will purchase the maximum quantity of boots.

Consolidated gross profit totaled $4.6 million for the third quarter of fiscal 2010 as compared to $654,000 for the third quarter of fiscal 2009. This significant increase in gross profit resulted primarily from increased net revenues which were not impacted by the previously noted supply chain interruption issues. Gross profit for the western/life style products, as a percentage of net revenues, grew from 2.4% for the third quarter of fiscal 2009 to 35.8% for the third quarter of fiscal 2010, primarily the result of increased net revenues and the recovery from the supply chain issues as previously discussed. Gross profit for the work boot products, as a percentage of net revenues, grew from 9.1% for the third quarter of fiscal 2009 to 20.5% for the third quarter of fiscal 2010, primarily the result of increased net revenues and improved production efficiencies associated with the military boot business.

Consolidated operating costs and expenses were $3.5 million for the third quarter of fiscal 2010 as compared to $3.2 million for the third quarter of fiscal 2009. This 9% increase in operating costs and expenses was primarily attributable to higher expenditures for sales compensation related costs, travel expenses, and employee benefit charges, which were partially offset by lower outlays for professional fees and employee severance costs related to the downsizing of our bar code business.

As a result of the above, the consolidated operating earnings for the third quarter of fiscal 2010 totaled $1.1 million as compared to an operating loss of $2.5 million for the third quarter of fiscal 2009.

FIRST NINE MONTHS FISCAL 2010 COMPARED TO FIRST NINE MONTHS FISCAL 2009

Consolidated net revenues for the first nine months of fiscal 2010 were $49.2 million as compared to $49.9 million for the first nine months of fiscal 2009. This decline in net revenues was primarily attributable to decreased military combat boots requirements for the Government, to downsized operations in the bar code business, and to supply chain issues in our western and work boot business. This reduction in revenues was partially offset by an increase in net revenues attributable to our western/life style products, which increased to $32.2 million for the first nine months of fiscal 2010 from $25.6 million for the first nine months of fiscal 2009. This 26% increase in net revenues resulted primarily from continued strong demand for these products and the successful recovery from the supply chain issues that impacted the third quarter of fiscal 2009. Net revenues associated with our work boot products were $16.6 million for the first nine months of fiscal 2010 as compared to $17.5 million for the first nine months of fiscal 2009. This decline in net revenues was primarily the result of reduced military boot sales. Net revenues for our downsized bar code business totaled $388,000 for the first nine months of fiscal 2010 as compared to $6.7 million for the first nine months of fiscal 2009.

Consolidated gross profit for the first nine months of fiscal 2010 totaled $14.8 million as compared to $11.4 million for the first nine months of fiscal 2009. This improvement in consolidated gross profit resulted primarily from the strong demand for our western/life style products. Gross profit attributable to our western/life style products amounted to $11.6 million for the first nine months of fiscal 2010 as compared to $7.2 million for the first nine months of fiscal 2009. Gross profit for our work boot products totaled $3.1 million for the first nine months of both fiscal 2010 and 2009 as higher military boot production costs in the fiscal 2010 period had a negative impact on this group's margin. Gross profit for our other work boot products improved by 13% for the first nine months of fiscal 2010 as compared to the first nine months of fiscal 2009. In addition, the downsized bar code business operations provided no gross profit for the first nine months of fiscal 2010 as compared to $900,000 for the first nine months of fiscal 2009.

Consolidated operating costs and expenses fell from $11.3 million for the first nine months of fiscal 2009 to $10.8 million for the first nine months of fiscal 2010. This decrease in consolidated operating costs and expenses was primarily attributable to the downsizing of the bar code business, which contributed a cost reduction of approximately $2.3 million for the comparative nine month periods. Our core footwear businesses partially offset the bar code business cost savings with increased expenditures for sales compensation related costs, employee benefit costs, travel expenses, group health insurance charges, and marketing and advertising expenses.

As a result of the above, the consolidated operating profit for the first nine months of fiscal 2010 amounted to $4.0 million as compared to $111,000 for the first nine months of fiscal 2009.

FINANCIAL CONDITION AND LIQUIDITY

Our financial position remains strong as cash and cash equivalents totaled $12.5 million at May 1, 2010 as compared to $11.3 million at August 1, 2009. Our working capital totaled $32.3 million at May 1, 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 May 1, 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 lines of credit will be sufficient to meet our capital requirements for the remainder of fiscal 2010.

Operating activities for the first nine months of fiscal 2010 provided $3.8 million of cash. Net earnings as adjusted for depreciation, provided $2.9 million of cash. Our trade accounts and notes receivable used approximately $1.3 million of cash, primarily attributable to increased third quarter sales associated with our western/work boot business. Employee benefit accruals provided approximately $437,000 of cash. Income tax refunds provided approximately $1.8 million of cash.

Investing activities used approximately $353,000 of cash, primarily for manufacturing equipment and upgrades for our current ERP system.

Financing activities used approximately $2.2 million of cash. Principal payments on the bank loan totaled approximately $1.3 million. Payments to repurchase company stock and dividend payments used $362,000 and $559,000 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: 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.

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)

	May 1, 2010	August 1, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 12,517	$ 11,310
Accounts and notes receivable, net	11,127	9,891
Inventories, net	12,969	12,856
Income tax receivable	1,188	2,938
Prepaid expenses and other current assets	165	120
Total current assets	37,966	37,115
Property and equipment, net	3,076	3,156
Other assets:		
Real estate held for investment	3,366	3,366
Amount due from split-dollar life insurance	2,288	2,288
Trademarks	2,824	2,824
Other	0	1
Total other assets	8,478	8,479
Total assets	$ 49,520	$ 48,750

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

	May 1, 2010	August 1, 2009
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank Note Payable	$ 0	$ 184
Accounts Payable	3,303	3,373
Accrued employee benefits	597	160
Accrued payroll and payroll taxes	1,051	861
Other	730	728
Total current liabilities	5,681	5,306
Bank Note Payable, net of current portion	0	1,126
Total liabilities	5,681	6,432
Shareholders' equity:		
Common Stock:		
Class A, $1 par; Authorized 5,000,000 shares; Issued and outstanding shares and 2,055,130 shares and 2,083,854, respectively	2,055	2,084
Class B, $1 par; Authorized 2,500,000 shares; Issued and outstanding shares and 428,979 shares and 436,384, respectively	429	436
Retained earnings	41,355	39,798
Total shareholders' equity	43,839	42,318
Total liabilities and shareholders' equity	$49,520	$48,750

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

	Three Months Ended		Nine Months Ended	
	May 1, 2010	**May 2, 2009**	**May 1, 2010**	**May 2, 2009**
Net revenues	$15,476	$13,017	$49,228	$49,942
Cost of revenues	10,831	12,363	34,442	38,573
Gross profit	4,645	654	14,786	11,369
Less: Operating costs and expenses:				
Selling, general and administrative expenses	3,487	3,195	10,793	11,258
Earnings from operations	1,158	(2,541)	3,993	111
Other income	60	57	155	220
Interest expense	(4)	2	(33)	(3)
Earnings before income taxes	1,214	(2,482)	4,115	328
Provision for income taxes	519	(902)	1,673	241
Net earnings	$ 695	$(1,580)	$ 2,442	$ 87
Earnings per common share:				
Basic earnings per share:				
Class A	$ .43	$ (.67)	$ 1.45	$ .31
Class B	0	0	0	0
Diluted earnings per share:				
Class A	$ .35	$ (.55)	$ 1.19	$ .26
Class B	N/A	N/A	N/A	N/A
Weighted average number of Common shares outstanding:				
Class A	2,055,579	2,087,895	2,073,693	2,091,630
Class B	429,274	437,706	433,697	439,758
Total	2,484,853	2,525,601	2,507,390	2,531,388

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

	Nine Months Ended	
	May 1, 2010	**May 2, 2009**
Net cash provided by operating activities	$ 3,791	$ 666
Cash flows from investing activities:		
Proceeds from sales of assets	0	4
Purchase of land for investment	(22)	(33)
Capital expenditures	(331)	(1,703)
Net cash used in investing activities	(353)	(1,732)
Cash flows from financing activities:		
Bank loan proceeds	0	1,400
Principal repayments of bank loan	(1,310)	(45)
Purchase of company stock	(362)	(200)
Dividends paid	(559)	(563)
Net cash used in financing activities	(2,231)	592
Net increase in cash and cash equivalents	1,207	(474)
Cash and cash equivalents at beginning of period	11,310	13,822
Cash and cash equivalents at end of period	$ 12,517	$ 13,348