McRAE INDUSTRIES, INC.
REPORTS EARNINGS FOR FISCAL 2009

Mount Gilead, N.C. – November 17, 2009. McRae Industries, Inc. (Pink Sheets: MRINA and MRINB) reported consolidated net revenues for fiscal 2009 of $62,213,000 as compared to $80,021,000 for fiscal 2008. The net loss for fiscal 2009 totaled ($514,000). Due to the inclusion of dividends paid, fiscal 2009 per share net income was $0.11 per diluted Class A common share as compared to net earnings of $5,041,000, or $2.27 per diluted Class A common share for fiscal 2008.

CONSOLIDATED RESULTS OF OPERATIONS, FISCAL 2009 COMPARED TO FISCAL 2008

Consolidated net revenues for fiscal 2009 totaled $62.2 million as compared to $80.0 million for fiscal 2008. The decline in net revenues was primarily attributable to decreased sales for all three of our primary business units as more fully described in the following paragraphs.

Consolidated gross profit amounted to $14.4 million for fiscal 2009 as compared to $23.2 million for fiscal 2008, primarily attributable to the decrease in net revenues and falling profit margins in the bar code and military boot businesses.

Consolidated selling, general and administrative (“SG&A”) expenses, including research and development (“R&D”) costs, fell from $15.5 million for fiscal 2008 to $14.9 million for fiscal 2009. The decrease in SG&A expenses resulted primarily from reduced expenditures for sales compensation costs, travel expenses, marketing and advertising outlays, and employee benefit charges, which were partially offset by increased expenditures for administrative salaries and professional fees. In addition, SG&A expenditures were negatively impacted by the charges associated with the write-off of a failed ERP system implementation and exit costs associated with the sale of the bar code business.

As a result of the above, consolidated operating profit fell from $7.7 million for fiscal 2008 to an operating loss of $500,000 for fiscal 2009.

BAR CODE UNIT RESULTS OF OPERATIONS, FISCAL 2009 COMPARED TO FISCAL 2008

Compsee, Inc. operated as a leading full-service integrator of wireless and mobile computing and network solutions that designed integrated and supported end-to-end wireless solutions until March 31, 2009, when substantially all the assets, liabilities, and trade names were sold. Following the sale the company’s name was changed to McRae Technologies, Inc. and now manufactures a variety of proprietary bar code products marketed exclusively by the buyer of the business.

Net revenues for the barcode unit totaled $6.8 million for fiscal 2009 as compared to $12.1 million for fiscal 2008. The decrease in net revenues was primarily attributable to lower demand for bar code products and the impact of a partial year of normal business operations. We do not expect this business to provide a significant contribution to net revenues for fiscal 2010.

Gross profit fell from $3.0 million for fiscal 2008 to $807,000 for fiscal 2009, primarily the result of a 43% reduction in net revenues and costs associated with the downsizing of the business.

SG&A expenses were $2.7 million for fiscal 2009 as compared to $3.4 million for fiscal 2008. This decrease in SG&A costs was primarily the result of significantly lower charges for all sales related expenses as all sales and marketing activities ceased on April 1, 2009. In addition, there were similar reductions in administrative costs that were partially offset by severance related expenses and higher professional fees.

As a result of the above, the operating loss amounted to $1.9 million for fiscal 2009 as compared to a net loss of $343,000 for fiscal 2008.

MILITARY BOOT UNIT RESULTS OF OPERATIONS, FISCAL 2009 COMPARED TO FISCAL 2008

Our military boot unit manufactures and distributes military combat boots primarily to the U.S. Government (the "Government"), foreign governments, and selected commercial surplus outlets.

Net revenues for the military boot unit totaled $11.7 million for fiscal 2009 as compared to $22.6 million for fiscal 2008. This decrease in net revenues was primarily attributable to significantly reduced military boot requirements. Our government contracts provide for a minimum and maximum number of military boots to be purchased during the contract period. As a result of an inventory surplus, the Government has set their purchase levels near the minimum quantity they are obligated to buy. We expect the military boot requirements for the Government to remain at the minimum levels for the foreseeable future. As a result of the decline in Government business, we have implemented strategic plans to increase our military boot business. During fiscal 2009, we purchased an injection pouring machine which will allow us to manufacture a variety of different sole constructions. This capability provides the opportunity to bid on additional government business and enables us to be more active in selling military style boots in the commercial market.

Gross profit fell from $4.5 million for fiscal 2008 to a gross loss of $23,000 for fiscal 2009. This decrease in gross profit was primarily attributable to the significant decline in net revenues and higher per unit manufacturing costs, which resulted from lower production levels and labor inefficiencies related to the production of a new military boot design.

SG&A expenses amounted to approximately $488,000 for fiscal 2009 as compared to $1.1 million for fiscal 2008. This decline in SG&A expenditures resulted from decreased employee benefit costs and lower corporate allocated charges.

As a result of the above, the operating profit for fiscal 2008 amounted to $3.4 million as compared to an operating loss of $511,000 for fiscal 2009.

WESTERN AND WORK BOOT UNIT RESULTS OF OPERATIONS, FISCAL 2009 COMPARED TO FISCAL 2008

Our western and work boot unit imports and sells various boot styles for men, women and children for dress and casual wear. We utilize a variety of retail channels throughout the United States and Canada to market our western and work boot products.

Net revenues for the western and work boot unit totaled $43.5 million for fiscal 2009 as compared to $44.8 million for fiscal 2008. This decline in net revenues for fiscal 2009 resulted primarily from supply chain disruptions caused by new material requirements for our children's footwear products and a soft work boot market. The supply chain issues with our children's footwear products have been resolved. We expect demand for our children's and western boot products to be strong in fiscal 2010.

Gross profit fell from $15.2 million for fiscal 2008 to $13.4 million for fiscal 2009, primarily attributable to lower net revenues and the costs associated with the supply chain disruptions noted in the previous paragraph. Gross profit as a percentage of net revenues was down from 34% for fiscal 2008 to 31% for fiscal 2009.

SG&A expenses for fiscal 2009 amounted to $11.5 million as compared to $10.5 million for fiscal 2008. This increase in SG&A expenses resulted primarily from higher expenditures for salaries, sales commissions, professional fees, real estate rentals, computer service costs (including the write-off of the failed ERP implementation), and corporate allocated charges. These expenditures were partially offset by reduced charges for marketing and advertising costs, bad debt write-offs, and employee benefit expenses.

As a result of the above, the net operating profit for fiscal 2009 totaled $1.9 million as compared to $4.7 million for fiscal 2008.

FINANCIAL CONDITION AND LIQUIDITY

At August 1, 2009, our financial condition and liquidity remained strong as cash and cash equivalents totaled $11.3 million as compared to $13.8 million at August 2, 2008. Working capital at August 1, 2009 amounted to $31.8 million as compared to $33.6 million at August 2, 2008.

We currently have two lines of credit with a bank totaling $4.75 million, all of which were fully available at August 1, 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 in operating activities for fiscal 2009 amounted to approximately $1.1 million. Net earnings, as adjusted for depreciation, contributed approximately $50,000 of cash. Reduced inventory levels, primarily in the western/work boot unit, provided approximately $2.6 million of cash. Employee benefit payments used approximately $832,000 of cash. Income tax payments used approximately $1.9 million of cash

Net cash used in investing activities totaled $1.8 million. Proceeds from the sale of land and other assets provided $296,000 of cash. Capital expenditures, primarily for military boot manufacturing equipment, office furniture and computer-related equipment, used $2.1million of cash.

Financing activities provided approximately $359,000 of cash. Bank loan proceeds, less loan repayments, provided $1.3 million of cash. Dividend payments and the repurchase of company stock from eligible employee stock ownership plan participants used approximately $951,000 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)

	August 1, 2009	August 2, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	$ 11,310	$ 13,822
Accounts receivable, less allowances of $844 and $1,158, respectively	9,891	9,964
Inventories	12,856	15,473
Income tax receivable	2,363	0
Prepaid expenses and other current assets	120	429
Deferred tax assets	1,588	1,688
Total current assets	38,128	41,376
Property and equipment, net	3,156	1,687
Other assets:		
Real estate held for investment	3,366	3,358
Amount due from split-dollar life insurance	2,288	2,288
Trademarks	2,824	2,824
Other	1	3
Total other assets	8,479	8,473
Total assets	$ 49,763	$ 51,536

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

	August 1, 2009	August 2, 2008
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Bank notes payable- current portion	$ 184	$ 0
Accounts payable	3,373	3,792
Accrued employee benefits	160	992
Accrued payroll and payroll taxes	861	1,018
Other	728	1,253
Total current liabilities	5,306	7,055
Bank notes payable- net of current portion	1,126	0
Deferred tax liabilities	1,013	698
Total liabilities	7,445	7,753
Commitments and contingencies (Note 7)		
Shareholders' equity:		
Common Stock:		
Class A, $1 par value; authorized 5,000,000 shares; issued and outstanding, 2,083,854 and 2,093,043 shares, respectively	2,084	2,093
Class B, $1 par value; authorized 2,500,000 shares; issued and outstanding, 436,384 and 441,252 shares, respectively	436	441
Retained earnings	39,798	41,249
Total shareholders' equity	42,318	43,783
Total liabilities and shareholders' equity	$ 49,763	$ 51,536

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

For Years Ended	August 1, 2009	August 2, 2008	July 28, 2007
Net revenues	$ 62,213	$ 80,021	$ 68,271
Cost of revenues	47,771	56,810	49,775
Gross profit	14,442	23,211	18,496
Selling, general and administrative expenses	14,926	15,533	13,336
Operating (loss) profit from continuing operations	(484)	7,678	5,160
Other income	276	487	462
Interest expense	(15)	(29)	(19)
Earnings (loss) before income taxes	(223)	8,136	5,603
Provision for income taxes	291	3,095	1,785
Net (loss) earnings	$ (514)	$ 5,041	$ 3,818

Earnings per common share:

Earnings per common share:			
Basic earnings per share:			
Class A	$ 0.11	$ 2.75	$ 2.13
Class B	0	0	0
Diluted earnings per share:			
Class A	0.11	2.27	1.75
Class B	NA	NA	NA
Weighted average number of common shares outstanding:			
Class A	2,089,686	2,098,714	2,111,633
Class B	438,915	446,262	454,645
Total	2,528,601	2,544,976	2,566,278

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 are reported as a positive number.

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

For Years Ended	August 1, 2009	August 2, 2008	July 28, 2007
Cash Flows from Operating Activities:	$ (514)	$ 5,041	$ 3,818
Net (loss) earnings			
Adjustments to reconcile net earnings to net cash Provided by operating activities:			
Depreciation and amortization	564	485	575
Gain on sale of assets	(51)	(383)	(1,091)
Deferred income taxes	415	(485)	191
Changes in operating assets and liabilities:			
Accounts receivable	(376)	(770)	(1,555)
Accounts receivable valuation allowances	(246)	438	(23)
Inventories	2,617	587	(295)
Prepaid expenses and other current assets	285	(219)	(82)
Accounts payable	108	(18)	887
Accrued employee benefits	(832)	516	(126)
Accrued payroll and payroll taxes	(157)	50	(46)
Income taxes	(2,363)	240	191
Other	(525)	(62)	26
Net cash (used in) provided by operating activities	**(1,075)**	**5,420**	**2,470**
Cash Flows from Investing Activities:			
Proceeds from sale of land and bar code business	296	449	113
Purchase of land for investment	(36)	(56)	(456)
Capital expenditures	(2,056)	(188)	(422)
Collections on notes receivable	0	20	17
Net cash (used in) provided by investing activities	**(1,796)**	**225**	**(748)**
Cash Flows from Financing Activities:			
Bank loan proceeds	1,400	0	0
Purchase of common stock	(199)	(328)	(254)
Principal repayments of bank notes payable	(90)	0	0
Dividends paid	(752)	(738)	(686)
Net cash provided by (used in) financing activities	**359**	**(1,066)**	**(940)**
Net (Decrease) Increase in Cash and Cash equivalents	(2,512)	4,579	782
Cash and Cash Equivalents at Beginning of Year	13,822	9,243	8,461
Cash and Cash Equivalents at End of Year	**$ 11,310**	**$ 13,822**	**$ 9,243**

Note: Inventories and capital expenditure for fiscal 2007 contain a $70 non-cash activity related to the transfer of bar code inventory to fixed assets. Proceeds from sale of land and purchase of land contain a non-cash section 1031 exchange component totaling $1.43 million.
During fiscal 2009, the Company's sale of Compsee was financed with a note receivable of $598.