

McRae Industries, Inc.

400 N Main St
Mt. Gilead, NC 27306

910-439-6147
www.mcraeindustries.com
info@mcraeindustries.com
SIC Code 3143 – Men's footwear, except athletic

Quarterly Report

For the period ending May 3, 2025 (the "Reporting Period")

Outstanding Shares

The number of shares outstanding of our Common Stock was:

Class A: 1,892,793 Class B: 362,977 as of May 3, 2025

Class A: 1,896,334 Class B: 363,826 as of August 3, 2024, November 2, 2024, and February 1, 2025

Shell Status

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933, Rule 12b-2 of the Exchange Act of 1934 and Rule 15c2-11 of the Exchange Act of 1934):

Yes: ☐ No: ☒

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes: ☐ No: ☒

Change in Control

Indicate by check mark whether a Change in Control⁴ of the company has occurred during this reporting period:

Yes: ☐ No: ☒

1) Name and address(es) of the issuer and its predecessors (if any)

In answering this item, provide the current name of the issuer and names used by predecessor entities, along with the dates of the name changes.

⁴ "Change in Control" shall mean any events resulting in:

- (i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becoming the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities;
- (ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company's assets;
- (iii) A change in the composition of the Board occurring within a two (2)-year period, as a result of which fewer than a majority of the directors are directors immediately prior to such change; or
- (iv) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

McRae Industries, Inc.

Current State and Date of Incorporation or Registration: DE 1983

Standing in this jurisdiction: (e.g. active, default, inactive): Active

Prior Incorporation Information for the issuer and any predecessors during the past five years:

N/A

Describe any trading suspension or halt orders issued by the SEC or FINRA concerning the issuer or its predecessors since inception:

N/A

List any stock split, dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

N/A

Address of the issuer's principal executive office:

400 N Main St
Mt. Gilead, NC 27306

Address of the issuer's principal place of business:

☒ *Check if principal executive office and principal place of business are the same address:*

Has the issuer or any of its predecessors been in bankruptcy, receivership, or any similar proceeding in the past five years?

No: ☒ Yes: ☐ If Yes, provide additional details below:

2) Security Information

Transfer Agent

Name: Equiniti Trust Company, LLC (formerly American Stock Transfer & Trust Company LLC)

Phone: 800-468-9716

Address: 48 Wall Street, Floor 23, New York, NY 10005

Publicly Quoted or Traded Securities:

The goal of this section is to provide a clear understanding of the share information for its publicly quoted or traded equity securities. Use the fields below to provide the information, as applicable, for all outstanding classes of securities that are publicly traded/quoted.

Trading symbol: MCRAA

Exact title and class of securities outstanding:	<u>McRae Industries, Inc. Class A</u>	
CUSIP:	<u>582757209</u>	
Par or stated value:	<u>\$1.00</u>	
Total shares authorized:	<u>5,000,000</u>	as of date: <u>5/3/25</u>
Total shares outstanding:	<u>1,892,793</u>	as of date: <u>5/3/25</u>
Total number of shareholders of record:	<u>57</u>	as of date: <u>5/3/25</u>

Please provide the above-referenced information for all other publicly quoted or traded securities of the issuer.

Trading symbol:	<u>MCRAB</u>	
Exact title and class of securities outstanding:	<u>McRae Industries, Inc. Class B</u>	
CUSIP:	<u>582757308</u>	
Par or stated value:	<u>\$1.00</u>	
Total shares authorized:	<u>2,500,000</u>	as of date: <u>5/3/25</u>
Total shares outstanding:	<u>362,977</u>	as of date: <u>5/3/25</u>
Total number of shareholders of record:	<u>19</u>	as of date: <u>5/3/25</u>

Other classes of authorized or outstanding equity securities that do not have a trading symbol:

The goal of this section is to provide a clear understanding of the share information for its other classes of authorized or outstanding equity securities (e.g., preferred shares that do not have a trading symbol). Use the fields below to provide the information, as applicable, for all other authorized or outstanding equity securities.

Exact title and class of the security:	_____	
Par or stated value:	_____	
Total shares authorized:	_____	as of date: _____
Total shares outstanding:	_____	as of date: _____
Total number of shareholders of record:	_____	as of date: _____

Please provide the above-referenced information for all other classes of authorized or outstanding equity securities.

Security Description:

The goal of this section is to provide a clear understanding of the material rights and privileges of the securities issued by the company. Please provide the below information for each class of the company's equity securities, as applicable:

1. For common equity, describe any dividend, voting and preemption rights.

The Bylaws of the Company provide for seven directors, two of whom are elected by the holders of the Class A Common Stock voting as a separate class and five of whom are elected by the holders of the Class B Common Stock voting as a separate class. With respect to the approval of other matters (except matters required by law or the Company's Certificate of Incorporation or Bylaws to be approved by a different vote), the holders of Class A Common Stock and Class B Common Stock vote together as a single class with each share of Class A Common Stock entitled to one-tenth vote and each share of Class B Common Stock entitled to one vote.

2. For preferred stock, describe the dividend, voting, conversion, and liquidation rights as well as redemption or sinking fund provisions.

N/A

3. Describe any other material rights of common or preferred stockholders.

N/A

4. Describe any material modifications to rights of holders of the company's securities that have occurred over the reporting period covered by this report.

N/A

3) Issuance History

The goal of this section is to provide disclosure with respect to each event that resulted in any changes to the total shares outstanding of any class of the issuer's securities in the past two completed fiscal years and any subsequent interim period.

Disclosure under this item shall include, in chronological order, all offerings and issuances of securities, including debt convertible into equity securities, whether private or public, and all shares, or any other securities or options to acquire such securities, issued for services. Using the tabular format below, please describe these events.

A. Changes to the Number of Outstanding Shares for the two most recently completed fiscal years and any subsequent period.

Indicate by check mark whether there were any changes to the number of outstanding shares within the past two completed fiscal years:

No: ☐ Yes: ☐ (If yes, you must complete the table below)

Shares Outstanding <u>Opening Balance:</u>			*Right-click the rows below and select "Insert" to add rows as needed.						
Date <u>7/30/22</u> Common A: <u>1,895,035</u> Common B: <u>365,125</u>									
Date of Transaction	Transaction type (e.g., new issuance, cancellation, shares returned to treasury)	Number of Shares Issued (or cancelled)	Class of Securities	Value of shares issued (\$/per share) at Issuance	Were the shares issued at a discount to market price at the time of issuance? (Yes/No)	Individual/ Entity Shares were issued to. ***You must disclose the control person(s) for any entities listed.	Reason for share issuance (e.g. for cash or debt conversion) - OR- Nature of Services Provided	Restricted or Unrestricted as of this filing.	Exemption or Registration Type.
<u>1/4/23</u>	<u>Exchange from Class B to A</u>	<u>100</u> <u>(100)</u>	<u>A</u> <u>B</u>	_____	_____	_____	_____	_____	_____
<u>2/10/23</u>	<u>Exchange from Class B to A</u>	<u>600</u> <u>(600)</u>	<u>A</u> <u>B</u>	_____	_____	_____	_____	_____	_____
<u>5/1/23</u>	<u>Exchange from Class B to A</u>	<u>200</u> <u>(200)</u>	<u>A</u> <u>B</u>						
<u>6/21/23</u>	<u>Exchange from Class B to A</u>	<u>14</u> <u>(14)</u>	<u>A</u> <u>B</u>						

<u>8/02/23</u>	<u>Exchange from Class B to A</u>	<u>240</u> <u>(240)</u>	<u>A</u> <u>B</u>						
<u>10/05/23</u>	<u>Exchange from Class B to A</u>	<u>145</u> <u>(145)</u>	<u>A</u> <u>B</u>						
<u>3/31/25</u>	<u>Repurchased</u>	<u>(3541)</u> <u>(849)</u>	<u>A</u> <u>B</u>						
Shares Outstanding on Date of This Report: <u>Ending Balance:</u> Date <u>5/3/25</u> Common A: <u>1,892,793</u> Common B: <u>362,977</u>									

Example: A company with a fiscal year end of December 31st 2024, in addressing this item for its Annual Report, would include any events that resulted in changes to any class of its outstanding shares from the period beginning on January 1, 2023 through December 31, 2024 pursuant to the tabular format above.

Any additional material details, including footnotes to the table are below:

B. Convertible Debt

The following is a complete list of the Company's Convertible Debt which includes all promissory notes, convertible notes, convertible debentures, or any other debt instruments convertible into a class of the issuer's equity securities. The table includes all issued or outstanding convertible debt at any time during the last complete fiscal year and any interim period between the last fiscal year end and the date of this Certification.

☒ Check this box to confirm the Company had no Convertible Debt issued or outstanding at any point during this period.

Date of Note Issuance	Principal Amount at Issuance (\$)	Outstanding Balance (\$) (include accrued interest)	Maturity Date	Conversion Terms (e.g., pricing mechanism for determining conversion of instrument to shares)	# Shares Converted to Date	# of Potential Shares to be Issued Upon Conversion ⁵	Name of Noteholder (entities must have individual with voting / investment control disclosed).	Reason for Issuance (e.g., Loan, Services, etc.)

Total Outstanding Balance:

Total Shares:

Any additional material details, including footnotes to the table are below:

4) Issuer's Business, Products and Services

⁵ The total number of shares that can be issued upon full conversion of the Outstanding Balance. The number should not factor any "blockers" or limitations on the percentage of outstanding shares that can be owned by the Noteholder at a particular time. For purposes of this calculation, please use the current market pricing (e.g. most recent closing price, bid, etc.) of the security if conversion is based on a variable market rate.

The purpose of this section is to provide a clear description of the issuer's current operations. Ensure that these descriptions are updated on the Company's Profile on www.OTCMarkets.com.

A. Summarize the issuer's business operations (If the issuer does not have current operations, state "no operations")

McRae Industries, Inc. engages in the following lines of business: manufacturing and selling of military combat boots, western and work boots.

B. List any subsidiaries, parent company, or affiliated companies.

Refer to www.mcraeindustries.com for information regarding subsidiaries

C. Describe the issuers' principal products or services.

Military combat boots, western and work boots

5) Issuer's Facilities

The goal of this section is to provide investors with a clear understanding of all assets, properties or facilities owned, used or leased by the issuer and the extent in which the facilities are utilized.

In responding to this item, please clearly describe the assets, properties or facilities of the issuer. Describe the location of office space, data centers, principal plants, and other property of the issuer and describe the condition of the properties. Specify if the assets, properties, or facilities are owned or leased and the terms of their leases. If the issuer does not have complete ownership or control of the property, describe the limitations on the ownership.

This information is included in the notes to the financial statements in the 2024 Annual Report posted to the OTC website.

6) All Officers, Directors, and Control Persons of the Company

Using the table below, please provide information, as of the period end date of this report, regarding all officers and directors of the company, or any person that performs a similar function, regardless of the number of shares they own.

In addition, list all individuals or entities controlling 5% or more of any class of the issuer's securities.

If any insiders listed are corporate shareholders or entities, provide the name and address of the person(s) beneficially owning or controlling such corporate shareholders, or the name and contact information (City, State) of an individual representing the corporation or entity. Include Company Insiders who own any outstanding units or shares of any class of any equity security of the issuer.

The goal of this section is to provide investors with a clear understanding of the identity of all the persons or entities that are involved in managing, controlling or advising the operations, business development and disclosure of the issuer, as well as the identity of any significant or beneficial owners.

Individual Name (First, Last) or Entity Name (Include names of control person(s) if a corporate entity)	Position/Company Affiliation (ex: CEO, 5% Control person)	City and State (Include Country if outside U.S.)	Number of Shares Owned (List common, preferred, warrants and options separately)	Class of Shares Owned	Percentage of Class of Shares Owned (undiluted)
D. Gary McRae	President, CEO, Treasurer, Chairman of the Board	Mt. Gilead, NC	738,223 323,711	A B	38.9% 89.0%

<u>James W. McRae</u>	<u>Vice-President, Secretary, Director</u>	<u>Mt. Gilead, NC</u>	<u>713,785</u> <u>323,711</u>	<u>A</u> <u>B</u>	<u>37.6%</u> <u>89.0%</u>
<u>Victor A. Karam, Sr.</u>	<u>Director</u>	<u>Albemarle, NC</u>	<u>312</u>	<u>A</u>	<u><1%</u>
<u>Hoy S. Lanning, Jr.</u>	<u>Director</u>	<u>Mt. Gilead, NC</u>	<u>100</u>	<u>A</u>	<u><1%</u>
<u>Hilton J. Cochran, Jr.</u>	<u>Director</u>	<u>Greensboro, NC</u>	<u>525</u>	<u>A</u>	<u><1%</u>
<u>Brady W. Dickson</u>	<u>Director</u>	<u>Mt. Gilead, NC</u>	<u>9,960</u>	<u>A</u>	<u><1%</u>
<u>Branson B. McRae</u>	<u>Director</u>	<u>Nashville, TN</u>	<u>2,000</u>	<u>A</u>	<u><1%</u>
<u>McRae A Investment Company, LLC</u>	<u>Owner of >5%</u>	<u>Mt. Gilead, NC</u>	<u>430,734</u>	<u>A</u>	<u>22.7%</u>
<u>McRae B Investment Company, LLC</u>	<u>Owner of >5%</u>	<u>Mt. Gilead, NC</u>	<u>219,000</u> <u>323,711</u>	<u>A</u> <u>B</u>	<u>11.5%</u> <u>89.0%</u>
<u>Kelly H. Laraway</u>	<u>CFO</u>	<u>Mt. Gilead, NC</u>	<u>-</u>		

Confirm that the information in this table matches your public company profile on www.OTCMarkets.com. If any updates are needed to your public company profile, log in to www.OTCIQ.com to update your company profile.

7) Legal/Disciplinary History

A. Identify and provide a brief explanation as to whether any of the persons or entities listed above in Section 6 have, in the past 10 years:

1. Been the subject of an indictment or conviction in a criminal proceeding or plea agreement or named as a defendant in a pending criminal proceeding (excluding minor traffic violations);

N/A

2. Been the subject of the entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, financial- or investment-related, insurance or banking activities;

N/A

3. Been the subject of a finding, disciplinary order or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, a state securities regulator of a violation of federal or state securities or commodities law, or a foreign regulatory body or court, which finding or judgment has not been reversed, suspended, or vacated;

N/A

4. Named as a defendant or a respondent in a regulatory complaint or proceeding that could result in a "yes" answer to part 3 above; or

N/A

5. Been the subject of an order by a self-regulatory organization that permanently or temporarily barred, suspended, or otherwise limited such person's involvement in any type of business or securities activities.

N/A

6. Been the subject of a U.S Postal Service false representation order, or a temporary restraining order, or preliminary injunction with respect to conduct alleged to have violated the false representation statute that applies to U.S mail.

N/A

- B. Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the issuer or any of its subsidiaries is a party to or of which any of their property is the subject. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities.

N/A

8) Third Party Service Providers

Provide the name, address, telephone number and email address of each of the following outside providers. You may add additional space as needed.

Confirm that the information in this table matches your public company profile on www.OTCMarkets.com. If any updates are needed to your public company profile, update your company profile.

Securities Counsel

Name: K&L Gates LLP
Address 1: Hearst Tower, 214 North Tryon St. Suite 4700
Address 2: Charlotte, NC 28202
Phone: 704-331-7400
Email: http://www.klgates.com/contact_us/

Accountant or Auditor

Name: Grant Thornton LLP
Firm: Grant Thornton LLP
Address 1: 1415 Vantage Park Drive, Suite 500
Address 2: Charlotte, NC 28203
Phone: 704-632-3500
Email: <https://www.grantthornton.com/forms/Contact-Us.aspx>

Investor Relations

Name: N/A
Firm: _____
Address 1: _____
Address 2: _____
Phone: _____
Email: _____

All other means of Investor Communication:

X (Twitter): _____
Discord: _____
LinkedIn: _____
Facebook: _____

[Other] _____

Other Service Providers

Provide the name of any other service provider(s) that **that assisted, advised, prepared, or provided information with respect to this disclosure statement**. This includes counsel, broker-dealer(s), advisor(s), consultant(s) or any entity/individual that provided assistance or services to the issuer during the reporting period.

Name: _____
Firm: _____
Nature of Services: _____
Address 1: _____
Address 2: _____
Phone: _____
Email: _____

9) Disclosure & Financial Information

A. This Disclosure Statement was prepared by (name of individual):

Name: Kelly Laraway
Title: CFO
Relationship to Issuer: Employee

B. The following financial statements were prepared in accordance with:

- ☐ IFRS
☒ U.S. GAAP

C. The following financial statements were prepared by (name of individual):

Name: Kelly Laraway
Title: CFO
Relationship to Issuer: Employee

Describe the qualifications of the person or persons who prepared the financial statements:⁶ The company's CFO.

Provide the following qualifying financial statements:

- Audit letter, if audited;
- Balance Sheet;
- Statement of Income;
- Statement of Cash Flows;
- Statement of Retained Earnings (Statement of Changes in Stockholders' Equity)
- Financial Notes

Financial Statement Requirements:

- Financial statements must be published together with this disclosure statement as one document.

⁶ The financial statements requested pursuant to this item must be prepared in accordance with US GAAP or IFRS and by persons with sufficient financial skills.

- Financial statements must be “machine readable”. Do not publish images/scans of financial statements.
- Financial statements must be presented with comparative financials against the prior FYE or period, as applicable.
- Financial statements must be prepared in accordance with U.S. GAAP or International Financial Reporting Standards (IFRS) but are not required to be audited.

10) Issuer Certification

Principal Executive Officer:

The issuer shall include certifications by the chief executive officer and chief financial officer of the issuer (or any other persons with different titles but having the same responsibilities) in each Quarterly Report or Annual Report.

The certifications shall follow the format below:

I, D. Gary McRae certify that:

1. I have reviewed this Disclosure Statement for McRae Industries, Inc.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

June 13, 2025

/s/ D. Gary McRae

President and CEO

Principal Financial Officer:

I, Kelly H. Laraway certify that:

1. I have reviewed this Disclosure Statement for McRae Industries, Inc.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

June 13, 2025

/s/ Kelly H. Laraway

CFO

McRAE INDUSTRIES, INC.
REPORTS EARNINGS FOR THE THIRD QUARTER AND
FIRST NINE MONTHS OF FISCAL 2025

Mount Gilead, N.C. – June 13, 2025. McRae Industries, Inc. (Pink Sheets: MCRAA and MCRAB) reported consolidated net revenues for the third quarter of fiscal 2025 of \$30,870,000 as compared to \$29,436,000 for the third quarter of fiscal 2024. Net earnings for the third quarter of fiscal 2025 amounted to \$3,160,000, or \$1.40 per diluted Class A common share as compared to \$2,051,000, or \$0.91 per diluted Class A common share, for the third quarter of fiscal 2024.

Consolidated net revenues for the first nine months of fiscal 2025 totaled \$87,120,000 as compared to \$88,077,000 for the first nine months of fiscal 2024. Net earnings for the first nine months of fiscal 2025 amounted to \$6,059,000, or \$2.68 per diluted Class A common share, as compared to net earnings of \$6,909,000, or \$3.06 per diluted Class A common share, for the first nine months of fiscal 2024.

THIRD QUARTER FISCAL 2025 COMPARED TO THIRD QUARTER FISCAL 2024

Consolidated net revenues totaled \$30.9 million for the third quarter of fiscal 2025 as compared to \$29.4 million for the third quarter of fiscal 2024. Sales related to our western/lifestyle boot products for the third quarter of fiscal 2025 totaled \$20.2 million as compared to \$18.9 million for the third quarter of fiscal 2024. This increase in net revenues was mainly driven by an increase in our Dan Post and Dingo brands. Revenues from our work boot products decreased from \$10.9 million for the third quarter of fiscal 2024 to \$8.7 million for the third quarter of fiscal 2025. This was primarily a result of decreased orders on military boots. Additionally, third quarter revenues for fiscal 2025 included \$2.0 million in land sales through our affiliate American Mortgage Investment Company (AMIC).

Consolidated gross profit for the third quarter of fiscal 2025 amounted to approximately \$9.8 million as compared to \$8.0 million for the third quarter of fiscal 2024. Gross profit, as a percentage of net revenues, increased from 27.2% for the third quarter of fiscal 2024 to 31.7% for the third quarter of fiscal 2025. Gross profit was positively affected by \$1.6 million from the land sale mentioned above.

Consolidated selling, general and administrative expenses totaled approximately \$6.3 million for the third quarter of fiscal 2025 as compared to \$5.7 million for the third quarter of fiscal 2024. This increase resulted primarily from increased commissions and marketing expenses.

As a result of the above, the consolidated operating profit for the third quarter of fiscal 2025 amounted to \$3.5 million as compared to \$2.3 million for the third quarter of fiscal 2024.

FIRST NINE MONTHS FISCAL 2025 COMPARED TO FIRST NINE MONTHS FISCAL 2024

Consolidated net revenues for the first nine months of fiscal 2025 totaled \$87.1 million as compared to \$88.1 million for the first nine months of fiscal 2024. Our western and lifestyle product sales totaled \$61.6 million for the first nine months of fiscal 2025 as compared to \$59.1 million for the first nine months of fiscal 2024. This increase in net revenues was mainly driven by an increase in our Dan Post and Dingo brands, offset by a decrease in our Laredo brand. Net revenues from our work boot business decreased from \$28.1 million for the first nine months of fiscal 2024 to \$24.2 million for the first nine months of fiscal 2025. This decrease was in all work brands, but especially in our military boot sales.

Consolidated gross profit totaled \$25.3 million, or 29.0%, for the first nine months of fiscal 2025 as compared to \$24.9 million, or 28.3%, for the first nine months of fiscal 2024. This increase was not only driven by the land sale mentioned above, but also by efficiencies made in our military manufacturing plant.

Consolidated selling, general and administrative expenses totaled approximately \$19.2 million for the first nine months of fiscal 2025 as compared to \$17.3 million for the first nine months of fiscal 2024. This increase resulted primarily from increased commissions, professional services, and marketing expenses.

As a result of the above, the consolidated operating profit amounted to \$6.1 million for the first nine months of fiscal 2025 as compared to \$7.6 million for the first nine months of fiscal 2024.

At this time, our income has not been materially affected by tariffs. We are sourcing boots primarily from Mexico and India, with a small amount of production coming from Vietnam. Future tariffs are uncertain, as well as the impact they will have on our income and supply chain.

Financial Condition and Liquidity

Our financial condition remained strong at May 3, 2025 as cash and cash equivalents totaled \$29.1 million as compared to \$20.7 million at August 3, 2024. Our working capital increased from \$75.0 million at August 3, 2024 to \$82.5 million at May 3, 2025.

We currently have two lines of credit totaling \$6.75 million, all of which was fully available at May 3, 2025. 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 2026. Our \$5.0 million line of credit, which also expires in January 2026, is secured by the inventory and accounts receivable of our Dan Post Boot Company subsidiary.

For the first nine months of fiscal 2025, operating activities provided approximately \$2.2 million of cash. Net earnings, as adjusted for depreciation and other non-cash items, contributed approximately \$4.6 million of cash. Increased inventory, prepaid expenses, and other payables used approximately \$5.3 million of cash. Decreased accounts receivable provided approximately \$2.9 million of cash.

Net cash provided by investing activities totaled approximately \$8.9 million, primarily due to the sale of land and securities, offset by the purchase of securities.

Net cash used in financing activities totaled \$2.7 million, which was used primarily for dividend payments.

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 2025.

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, the potential impact of tariffs on our business, 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
CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)
(Unaudited)

	May 3, 2025	August 3, 2024
ASSETS		
Current assets:		
Cash and cash equivalents	\$29,121	\$20,723
Equity investments	8,350	8,112
Debt securities	5,727	9,232
Accounts receivable, net	17,243	20,179
Inventories, net	26,689	23,788
Income tax receivable	483	268
Prepaid expenses and other current assets	1,222	226
Total current assets	88,835	82,528
Property and equipment, net	5,266	5,171
Other assets:		
Deposits	14	14
Right to Use Asset	1,726	2,137
Real estate held for investment	2,311	2,793
Debt securities	7,291	11,075
Trademarks	2,824	2,824
Total other assets	14,166	18,843
Total assets	\$108,267	\$106,542

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

	<u>May 3, 2025</u>	<u>August 3, 2024</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$2,937	\$3,692
Accrued employee benefits	769	1,399
Accrued payroll and payroll taxes	987	866
Lease liability	548	548
Other	<u>1,064</u>	<u>976</u>
Total current liabilities	<u>6,305</u>	<u>7,481</u>
Lease liability	1,178	1,589
Deferred tax liabilities	<u>407</u>	<u>407</u>
Total liabilities	<u>7,890</u>	<u>9,477</u>
Shareholders' equity:		
Common Stock:		
Class A, \$1 par value; authorized 5,000,000 shares issued and outstanding, 1,892,793 and 1,896,334 shares, respectively	1,893	1,896
Class B, \$1 par value; authorized 2,500,000 shares; issued and outstanding, 362,977 and 363,826 shares, respectively	363	364
Retained earnings	<u>98,121</u>	<u>94,805</u>
Total shareholders' equity	<u>100,377</u>	<u>97,065</u>
Total liabilities and shareholders' equity	<u><u>\$108,267</u></u>	<u><u>\$106,542</u></u>

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

	Three Months Ended		Nine Months Ended	
	May 3, 2025	April 27, 2024	May 3, 2025	April 27, 2024
Net revenues	\$30,870	\$29,436	\$87,120	\$88,077
Cost of revenues	21,077	21,427	61,859	63,160
Gross profit	9,793	8,009	25,261	24,917
Selling, general and administrative expenses	6,279	5,729	19,190	17,313
Operating profit	3,514	2,280	6,071	7,604
Other income	271	533	1,733	1,450
Earnings before income taxes	3,785	2,813	7,804	9,054
Provision for income taxes	625	762	1,745	2,145
Net earnings	<u>\$3,160</u>	<u>\$2,051</u>	<u>\$6,059</u>	<u>\$6,909</u>
Earnings per common share:				
Diluted earnings per share:				
Class A	1.40	0.91	2.68	3.06
Class B	NA	NA	NA	NA
Weighted average number of common shares outstanding:				
Class A	1,895,011	1,896,334	1,895,893	1,896,296
Class B	363,509	363,826	363,720	363,864
Total	<u>2,258,520</u>	<u>2,260,160</u>	<u>2,259,613</u>	<u>2,260,160</u>

McRae Industries, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In thousands, except share data)
(Unaudited)

	Common Stock, \$1 par value				Accumulated Other Comprehensive Income (Loss)	Retained Earnings
	Class A		Class B			
	Shares	Amount	Shares	Amount		
Balance, July 29, 2023	1,895,949	\$1,896	364,211	\$364	\$0	\$84,657
Conversion of Class B to Class A Stock	385	-	(385)	-		
Cash Dividend (\$0.14 per Class A common stock)						(265)
Cash Dividend (\$0.14 per Class B common stock)						(51)
Net earnings						3,222
Balance, October 28, 2023	1,896,334	\$1,896	363,826	\$364	\$0	\$87,563
Cash Dividend (\$0.64 per Class A common stock)						(1,421)
Cash Dividend (\$0.64 per Class B common stock)						(272)
Net earnings						1,636
Balance, January 27, 2024	1,896,334	\$1,896	363,826	\$364	\$0	\$87,506
Cash Dividend (\$0.14 per Class A common stock)						(265)
Cash Dividend (\$0.14 per Class B common stock)						(51)
Net earnings						2,051
Balance, April 27, 2024	1,896,334	\$1,896	363,826	\$364	\$0	\$89,241

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

	Nine Months Ended	
	May 3, 2025	April 27, 2024
	<hr/>	<hr/>
Cash Flows from Operating Activities:		
Net earnings	\$6,059	\$6,909
Adjustments to reconcile net earnings to net cash used in operating activities	(3,810)	1,509
	<hr/>	<hr/>
Net cash used in operating activities	2,249	8,418
	<hr/>	<hr/>
Cash Flows from Investing Activities:		
Proceeds from sale of land	2,010	1,985
Proceeds from sale of fixed assets	263	-
Capital expenditures	(669)	(937)
Purchase of securities	(2,216)	(21,519)
Proceeds from sale of securities	9,509	15,681
	<hr/>	<hr/>
Net cash provided by investing activities	8,897	(4,790)
	<hr/>	<hr/>
Cash Flows from Financing Activities:		
Repurchase company stock	(219)	-
Dividends paid	(2,529)	(2,325)
	<hr/>	<hr/>
Net cash used in financing activities	(2,748)	(2,325)
	<hr/>	<hr/>
Net (Decrease) Increase in Cash and Cash equivalents	8,398	1,303
Cash and Cash Equivalents at Beginning of Year	20,723	18,329
	<hr/>	<hr/>
Cash and Cash Equivalents at End of Period	\$29,121	\$19,632
	<hr/> <hr/>	<hr/> <hr/>

McRAE INDUSTRIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
(Unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business

McRae Industries, Inc., (the “Company”, which may be referred to as “we”, “us” or “our”), is a Delaware corporation organized in 1983 and is the successor to a North Carolina corporation organized in 1959. Our principal lines of business are manufacturing and selling military combat boots and importing and selling western and work boots.

Principles of Consolidation

The consolidated financial statements include the accounts of all of the Company’s wholly owned subsidiaries and other businesses over which we exercise significant control. All significant intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates

The timely preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company defines cash and cash equivalents as cash and short-term investments with original maturities of three months or less. The Company maintains cash balances with financial institutions, which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Although the Company maintains balances that exceed the federally insured limit, the Company has not experienced any losses related to this balance and the Company believes credit risk to be minimal.

Accounts Receivable

Accounts receivable are stated at amounts expected to be collected from outstanding balances. Probable uncollectible accounts are reserved for by a charge to earnings and a credit to the allowance for doubtful accounts based on the assessment of the current status of individual accounts. Balances that are still outstanding after using reasonable collection efforts are written off through a charge to the allowance and a credit to accounts receivable. The Company performs on-going credit evaluations of its customers’ financial condition and establishes an allowance for losses on trade receivables based upon factors surrounding the credit risk of specific customers, historical trends, and other information.

Our western and work boot business records an allowance for sales returns which is calculated by applying historical return data to sales subject to potential returns.

Inventories

Inventories are stated at the lower of cost or market value using the last-in, first-out (LIFO) method for military boots and using the first-in, first-out (FIFO) method for all other inventories. We regularly review our FIFO basis inventory quantities on hand and record a provision for excess and obsolete inventory based primarily on our estimated forecast and demand requirements for the next twelve months. Actual demand and market conditions may be different from those projected by our management primarily as a result of fashion cycles and trends and the overall financial condition of competitors in the western and work boot business.

Investments

The Company measures all equity investments that do not result in consolidation and are not accounted for under the equity method at fair value with the change in fair value included in net income. We use quoted market prices to determine the fair value of equity securities with readily determinable fair values. For equity securities without readily determinable fair values, we have elected the measurement alternative under which we measure these investments at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. Management assesses each of these investments on an individual basis.

Our investments in debt securities are carried at either amortized cost or fair value. Investments in debt securities that the Company has the positive intent and ability to hold to maturity are carried at amortized cost and classified as held-to-maturity. Investments in debt securities that are not classified as held-to-maturity are carried at fair value and classified as either trading or available-for-sale. Realized and unrealized gains and losses on trading debt securities as well as realized gains and losses on available-for-sale debt securities are included in net income. Unrealized gains and losses, net of tax, on available-for-sale debt securities are included in our consolidated balance sheet as a component of AOCI, except for the change in fair value attributable to the currency risk being hedged, if applicable, which is included in net income.

Long-Lived Assets and Other Intangibles

The Company reviews long-lived assets with estimable useful lives for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to undiscounted future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell.

The Company tests identifiable intangible assets with an indefinite life for impairment annually. Furthermore, such assets are required to be tested for impairment on an interim basis if an event or circumstance indicates that it is more likely than not an impairment loss has been incurred. An impairment loss shall be recognized to the extent that the carrying amount of such assets exceeds its implied fair value. Impairment losses shall be recognized in operations. The Company's valuation methodology for assessing impairment requires management to make judgments and assumptions based on historical experience and projections of future operating performance. If these assumptions differ materially from future results, the Company may record impairment charges in the future. Based on its most recent analysis, the Company believes that no impairment exists as of August 3, 2024 and July 29, 2023, respectively.

Leases

The Company adopted Accounting Standards Update (ASU) 2016-02, Leases (Topic 842) as of July 31, 2022. After the adoption of this standard, the Company determines if an arrangement contains a lease at inception based on whether there is an identified asset and whether the Company controls the use of the identified asset throughout the period of use. The Company classifies leases as either financing or operating. Right-of-use (ROU) assets are recognized at the lease commencement date and represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments over the remaining lease term. Present value of lease payments are discounted based upon the risk-free rate.

The Company's operating lease ROU assets are measured based on the corresponding operating lease liability adjusted for (i) payments made to the lessor at or before the commencement date, (ii) initial direct costs incurred and (iii) lease incentives under the lease. Options to renew or terminate the lease are recognized as part of our ROU assets and lease liabilities when it is reasonably certain the options will be exercised. ROU assets are also assessed for impairments consistent with the long-lived asset guidance.

The Company does not allocate consideration between lease and non-lease components, such as operating costs, as the Company has elected to not separate lease and non-lease components for any leases within its existing classes of assets. Operating lease expense for fixed lease payments is recognized on a straight-line basis over the lease term. Operating leases are presented separately as operating lease ROU assets and operating lease liabilities in the accompanying consolidated balance sheets.

Revenue Recognition

Revenue is recognized upon the transfer of control of promised products or services to customers in an amount that reflects the consideration the Company expects to receive in exchange for those products or services. Where a formal contract does not exist, the Company determined that customer purchase orders primarily represent contracts. The Company's contracts generally include promises to sell boots. Customers also have the ability to receive shipments directly from the Company's vendors. Revenue associated with the sales of the Company's products are recognized at a point in time, which occurs when control of a good promised in a contract is transferred to a customer. Control is obtained when the customer has the ability to direct the use of and obtain substantially all of the remaining benefits from that good, which generally occurs either on shipment or delivery based on the contractual terms.

Revenue is measured as the amount of consideration the Company expects to receive in exchange for the transfer of the promised products and services. The amount of consideration the Company expects to receive changes due to variable consideration is associated with allowances due to promotional programs, discounts, and rebates that we offer to customers. The amount of variable consideration which is included in the transaction price is only included in net sales to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur in a future period.

Costs of Goods Sold

Costs of goods sold consist of costs associated with procuring materials from suppliers. Sales discounts received from suppliers are recorded as a reduction of the cost of inventory.

Income Taxes

The Company accounts for income taxes under the asset and liability method. Federal and state income taxes are computed at current tax rates, less tax credits. Taxes are adjusted both for items that do not have tax consequences and for the cumulative effect of any changes in tax rates from those previously used to determine deferred tax assets or liabilities. Tax provisions include amounts that are currently payable, plus changes in deferred tax assets and liabilities that arise because of temporary differences between the time when items of income and expense are recognized for financial reporting and income tax purposes. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets unless it is more likely than not such assets will be realized.

The Company follows the applicable authoritative guidance related to accounting for uncertainty in income tax reporting. This guidance clarifies the accounting for uncertainty in income taxes recognized in the Company's financial statements. It also prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

The Company's policy is to recognize interest and penalties that would be assessed in relation to the settlement value of unrecognized tax benefits as a component of income tax expense. The Company has recognized no interest or penalties since the adoption of the accounting guidance related to accounting for uncertainty in income taxes.

The Company and its subsidiaries are subject to U.S. federal income tax as well as income tax in multiple state jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal or state income tax examinations for fiscal years ending before 2018. However, to the extent allowed by law, the tax authorities may have the right to examine prior periods where net operating losses were generated and carried forward, and make adjustments up to the amount of the net operating loss carry forward amount.

Earnings per Share

Under our Articles of Incorporation, we may pay dividends on our Class A Common Stock in excess of the dividends we pay on our Class B Common Stock. As a result, we have computed our earnings per share in compliance with the applicable authoritative guidance. This guidance requires companies that have multiple classes of equity securities to use the “two class” or “if converted method” in computing earnings per share.

For our diluted earnings per share calculation, we use the if-converted method. This calculation assumes that all Class B Common Stock is converted into Class A Common Stock. As a result, there are no holders of Class B Common Stock to participate in undistributed earnings. Furthermore, for Class A shares, distributed earnings with respect to Class A and all undistributed earnings are used to calculate diluted earnings per share.

Earnings per share has been presented in accordance with the applicable guidance. We believe that the holders of Class A and Class B Common Stock have equal rights to the Company’s undistributed earnings, and that our calculation best expresses economic reality.

The Company had no common stock equivalents issued or outstanding for the three-year period ended August 3, 2024.

Advertising

The Company charges advertising costs when incurred as a component of selling, general and administrative expenses.

Shipping and Handling

The Company incurs shipping and handling costs when delivering products to customers. All amounts billed to a customer in a sales transaction related to shipping and handling are recognized as revenue for the goods provided. Shipping and handling costs are classified as part of operating expenses in the accompanying consolidated statement of operations.

Real Estate Held for Investment

Real estate held for investment is land recorded at cost plus the cost of any improvements. Land is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable.

2. PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost. Depreciation for financial reporting purposes is provided using the straight-line method over the estimated useful lives of the assets. Estimated useful lives range from three years for computer equipment to thirty-one and one-half years for buildings. Expenditures for routine maintenance and repairs are charged to expense as incurred.

3. INVESTMENTS

Equity securities with readily determinable fair values are not assessed for impairment, since they are carried at fair value with the change included in net income. Debt securities classified as available-for-sale or held-to-maturity are reviewed each reporting period to determine whether a significant event or change in circumstances has occurred that may have an adverse effect on the fair value of each investment. When such events or changes occur, we evaluate the fair value compared to our cost basis in the investment. In the event the fair value of an investment declines below our cost basis, management is required to determine if the decline in fair value is other than temporary. If management determines the decline is other than temporary, an impairment charge is recorded.

4. NOTES PAYABLE AND LINES OF CREDIT

Lines of Credit

The Company has a \$5,000,000 revolving line of credit with a bank. The Company had no outstanding borrowings under this line of credit as of August 3, 2024 and July 29, 2023. This line of credit provides for interest on outstanding balances to be paid monthly at the prime rate less 1.0%. This line of credit expires in January 2025 and is secured by the inventory and accounts receivable of the Company's western and work boot subsidiary.

The Company has an additional \$1,750,000 line of credit with a bank. This line is restricted to 100% of the outstanding accounts receivable due from the U.S. Government. There were no outstanding borrowings under this line of credit as of August 3, 2024 and July 29, 2023. The line of credit expires in January 2025 and provides for interest on outstanding balances to be paid monthly at the prime rate.

5. EMPLOYEE BENEFIT PLANS

The Company's employee benefit program consists of an employee stock ownership plan, a 401-K retirement plan, a cash bonus program, incentive awards, and other specified employee benefits as approved by the Board of Directors.

The employee stock ownership plan (ESOP) covers substantially all employees. Its principal investments include shares of Class A Common Stock and Class B Common Stock of the Company and collective funds consisting of short-term cash, fixed-income, and equity investments. There have been no contributions to the ESOP in fiscal years 2024, 2023 or 2022.

The Company has a 401-K retirement plan, which covers substantially all employees. Employees can contribute up to 25% of their annual salary to the plan. At its sole discretion, the Board of Directors determines the amount and timing of any Company matching contribution.

6. SHAREHOLDERS' EQUITY

Common Stock

The Company's Bylaws provide for seven directors, two of whom are elected by the holders of the Class A Common Stock voting as a separate class, and five of whom are elected by the holders of the Class B Common Stock voting as a separate class. On all other matters (except matters required by law or the Company's Certificate of Incorporation or Bylaws to be approved by a different vote), the holders of Class A Common Stock and Class B Common Stock vote together as a single class with each share of Class A Common Stock entitled to one-tenth vote and each share of Class B Common Stock entitled to one vote. Each share of Class B Common Stock can be converted to Class A Common Stock on a share for share basis. All dividends paid on Class B Common Stock must also be paid on Class A Common Stock in an equal amount.

The Company has adopted the McRae Industries, Inc. 1998 Incentive Equity Plan (the Plan). Under the Plan, 100,000 shares of the Company's Class A Common Stock are reserved for issuance to certain key employees of the Company. At August 3, 2024, there were 100,000 shares available for future grants under the Plan.

The common stock is currently quoted in the Pink Sheets and stockholders are able to trade their shares in the over-the-counter markets or private transactions.

7. FAIR VALUE OF FINANCIAL INSTRUMENTS

FASB ASC 820 "Fair Value Measurements and Disclosures" defines fair value as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date (that is, an exit price). The exit price is based on the amount that the holder of the asset or liability would receive or need to pay in an actual transaction (or in a hypothetical transaction if an actual transaction does not exist) at the measurement date. In some circumstances, the entry and exit price may be the same; however, they are conceptually different. The accounting standards also

establish a three-level hierarchy that prioritizes the inputs used in fair value measurements. The hierarchy consists of three broad levels as follows:

Level 1 – Quoted market prices in active markets for identical assets or liabilities;

Level 2 – Observable inputs other than quoted prices within Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data; and

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. These include certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The fair values of the Company's available for sale securities are determined using quoted market prices in active markets for identical assets or liabilities, which are classified as Level 1 inputs.

8. LEASES

Upon adoption, ASC 842 Leases had an impact in the Company's consolidated balance sheet. As part of the transition, the Company elected the following practical expedients:

- Package of practical expedients which eliminates the need to reassess (1) whether any expired or existing contracts are or contain leases; (2) the lease classification for any expired or existing leases; and (3) the initial direct costs for any existing leases.
- The practical expedient whereby the lease and non-lease components will not be separated for all classes of assets.
- Not to recognize ROU assets and corresponding lease liabilities with a lease term of 12 months or less from the lease commencement date.
- Elected to use the risk-free rate as the discount rate in circumstances where the implicit lease rate is not determinable.

For existing leases, the Company elected the use of hindsight and reassessed lease term upon adoption. Short-term leases are leases having a term of twelve months or less. The Company recognizes short term leases on a straight-line basis and does not record a related lease asset or liability for such leases. Operating lease ROU assets consist of distribution centers and office facilities with terms of 3 to 7 years.